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Mid-Year Economic Outlook: Economists Forecast Continued, But Slowing, Growth

■ By **SAMANTHA MEHLINGER**
Editor



A ship from China-based Orient Overseas Carrier Line is docked at Long Beach Container Terminal at the Port of Long Beach. Nationally, exports to China have decreased by 25% this year due to an ongoing trade dispute, according to Port of Los Angeles Executive Director Gene Seroka. (Photograph courtesy of Port of Long Beach)

With the United States now more than 10 years into a period of economic recovery and growth – approaching the longest-ever expansion in its history – there is no shortage

of speculation about when the next downturn will occur, and why. But despite uncertainties at home and abroad, economists interviewed by the Business Journal aren't expecting another

recession any time soon.

“Growth is the default mode of the economy. But for some severe shock to the economy, there is no reason in the world to have

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‘Everybody Here Is Underpaid’: Frustrated City Workers Await City Council Hearing

■ By **ALENA MASCHKE**
Staff Writer

On Wednesday, June 26, the two sides in a yearlong conflict between the Association of Long Beach Employees (ALBE) and the office of Long Beach City Manager Pat West conducted the

last day of evidence presentations in an ongoing fact-finding process related to contract negotiations. The union has been unable to reach a memorandum of understanding (MOU) with the

city since it broke away from the International Association of Machinists and Aerospace Workers (IAM) in 2016.

Union members and rep-

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City Staff Propose Permanent Measure A Sales Tax Extension

■ By **SAMANTHA MEHLINGER**
Editor

With the mayor's support, city staff are presenting a proposal to the Long Beach City Council tonight, July 2, to extend the Measure A sales tax in perpetuity. Doing so, they argue, will ensure that critical infrastructure and public safety needs continue to be met going forward. Additionally, staff are proposing to use the sales tax revenues to pay down the city's obligation for seismic work at Community Hospital.

Measure A was approved by voters in 2016 as a temporary sales tax that would address public safety and infrastructure needs, including reopening the police department's South Division, restoring Fire Engine 8, paving miles of streets and alleys, rehabilitating park facilities, and more. It imposes a sales tax rate of 1% – on top of existing sales taxes – for six years. In 2023, the rate then drops down to a half percent for four years, expiring in 2027. With Measure A, Long Beach currently meets the state's cap on sales taxes at a combined rate of 10.25%.

Instead of the approved 2023 decline to 0.5%, city staff are now proposing to institute a rate of 0.75% from 2023 to 2027. A quarter percent on top of this rate would flow to the Los Angeles County's Measure H projects, which fund homeless initiatives. During this period, this proposed change would bring in an additional \$15 million in revenue, according to Modica. Following 2027, the Measure

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MILLENNIAL PULSE

The Revivalists

■ By Editor **SAMANTHA MEHLINGER**

A recent, ill-advised trip to the mall made me feel as though I had stepped into some kind of time machine and spat back out into the formative years of my youth, when neon and oversized clothes were all the rage. It got me thinking about long begotten fads

and crazes that are getting a second (or third or fourth) life, and why.

In the capitalist society we inhabit, trends in fashion, food and other commodities are rooted in what big brands think will

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PortSide: Keeping Up With The Port Of Long Beach

■ By **ALENA MASCHKE**
Staff Writer



In the past four years, Port of Long Beach Administrative Analyst Marcella Tutson has quickly worked her way up in the port’s security division. After leaving a position as a catering manager, the now 26-year-old mother of two started her career with the port as a clerk-typist in 2015. Today, Tutson is responsible for procuring equipment and services for the division, while keeping an eye on existing contracts. Her personal and professional growth, at least in part, has been facilitated by the supportive work environment at the port, Tutson said. “I’ve had great mentors here, great managers here. It’s just been a really great experience for me,” she told the Business Journal. “The security division is a gem.” Working in the ever-changing field of security can be challenging, she admitted, but that hasn’t made her job less enjoyable. “It’s funny, because I would probably say the toughest thing is the thing that I enjoy the most, and it’s the fact that priorities change from moment to moment,” Tutson explained. Security threats change constantly, and the steps her division has to take to protect the port evolve with them. “Planning for something that you know is going to change tomorrow or a week from now can be difficult. But it makes you really think and anticipate and plan,” Tutson said, noting cyber security and drones as two emerging focus areas. In August, Tutson is starting her MBA at California State University, Long Beach. ■



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Growing Long Beach: Fellowship Program Connects College Grads With Employers

■ By DENNY CRISTALES
Staff Writer



Little Owl Preschool educators, Shannon Weaver, left, and Rebecca Sadler, right, organize a learning activity with children on the first day of the school's summer session on Tuesday, June 25. (Photograph by Brandon Richardson.)

Skills like critical thinking and problem solving are usually expected of a seasoned employee, but for nearly a decade, educators at Little Owl have emphasized the philosophy that preschoolers are capable of applying those concepts in their learning.

Located at 3426 Linden Ave., Little Owl Preschool is the brainchild of founder and longtime Long Beach resident Janet Watt, who was driven by a desire to see pre-K institutions that emphasized constructivist and relationship-driven principles.

In 2007, Watt was impressed with the preschool curriculum at Isabel Patterson Child Development Center, which her firstborn attended, and wanted to provide her second daughter

an opportunity to enroll at a similar institution closer to her home. But Watt could not find a site that met her standards.

“My husband, I think half-jokingly, said, ‘Well, why don’t you open your own preschool?’” Watt recalled. She did just that on July 6, 2010, with the help of fellow educators.

Little Owl, which started its summer session on June 25, expanded this year to a second building, adjacent to the existing school. The school is finalizing its license to also serve kindergarteners. The institution’s growing resources also required additional talent for Watt’s administrative team.

Watt contacted Pacific Gateway, Long Beach’s workforce agency, ap-

proximately two months ago to outsource a hire for a receptionist. Pacific Gateway, through its partnership with the Long Beach College Promise Career Fellows program, helped connect Little Owl with 21-year-old Christopher Lopez, a recent graduate of Long Beach City College.

Weeks of attending Pacific Gateway’s job mixers, résumé-building appointments and job-interview preparations allowed Lopez to land a receptionist job at Little Owl. Through the Career Fellows program, Long Beach College Promise students, including Lopez, are designated as “fellows,” who are provided connections to potential employers after graduating. The fellows program began its pilot run in May, and after a few weeks, Lopez became the first success story of the initiative.

“It gave me such a source of security and comfort to know that there are actually people out there who are really looking out for younger people who are just coming out of university [or] college,” Lopez said. “If I didn’t know about this program, I probably still would have been working in retail.”

The advent of the career fellows program was made possible by the Long Beach Community Foundation. Marcelle Epley, president and CEO of the foundation, said she met with the mayor’s office and local college and university officials two-and-a-half years ago to discuss a system that would encourage Long Beach businesses to hire local students. Her concern was that a disconnect was forming in Long Beach between employers and employees.

“For years, employers and potential employees hadn’t connected as well as they could,” Epley said. “A lot of local residents leave Long Beach for em-

ployment, and a lot of local businesses look outside of Long Beach, and many times outside of California, for talent and skilled labor. And this is not a new concept; unfortunately, it’s been going on for many, many years.”

The meeting with officials led to a proposed partnership between the Community Foundation and Pacific Gateway, which came together to create the Long Beach College Promise Career Fellows program.

Karla Corona, youth-business coordinator at Pacific Gateway, said businesses and job hunters alike have access to the agency and its free programs and resources. Candidates are connected to jobs that match their interests and are guided through the application process by on-site experts. Additionally, Pacific Gateway offers hiring incentives to businesses, such as a youth-at-work program in which Pacific Gateway covers 100 hours of paid work experience for businesses, Corona said.

Working at Little Owl for less than a month, Lopez continues to settle into his new position as a receptionist. He said he aspires to advance beyond his title, hoping to channel his passion for filmography into documenting the progress at the school.

Watt said the first generation of Little Owl students, now entering 8th and 9th grade, are presenting themselves as leaders. Although merely anecdotal, Watt said she hopes to do research one day to affirm the benefits of Little Owl’s teaching methods. She touted Lopez as a possible contributor to that project.

“I’m really lucky to be working at a place like this,” Lopez said. “This might not be the end-all be-all for me, but it’s definitely a step forward.” ■

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Association of Long Beach Employees (ALBE) General Counsel Wendell Phillips and Treasurer Danilo Landaverde (left) are pictured with ALBE members Dwayne McGee and Christopher Trevino (right). According to Landaverde, the union represents employees from 11 different city departments. (Photograph by Brandon Richardson.)

Frustrated City Workers

(Continued from Page 1)

representatives are frustrated with the lengthy and so far fruitless negotiations, and are anxious to see what results the fact-finding process will yield. The evidence-gathering portion of the fact-finding process was expected to conclude on June 19, but the independent chair of the three-person committee leading the effort requested an additional day to review the matter.

The union's general counsel, Wendell Phillips, said he's optimistic that the fact-finding process will result in a recommendation that favors significant raises for ALBE members. Still, he noted, that recommendation is nonbinding and doesn't guarantee an actual raise for workers represented by the union. "So far in this process, we're not encouraged by what we've seen," Phillips said.

ALBE members are currently subject to terms imposed on them by the city council in October 2018. Those terms, modeled after the memorandum of understanding between IAM and the city, provide union members with a 2% raise per year to account for annual cost-of-living increases. In an interview with the Business Journal, Phillips suggested that IAM, the union which ALBE members broke away from in 2016, agreed to the annual 2% raise in an attempt to quickly close a contract with the city before more workers could leave the union.

The three-year MOU signed by IAM in 2016 also includes what is commonly referred to in labor negotiations as a "me too clause," a provision that prevents the city from offering higher wage increases to other unions without applying these higher wages to IAM members as well. "By the time we got to negotiations, all we were ever going to get was 2%-2%-

2%, and that's why our members turned it down," Phillips explained, referring to the existing agreement of an annual 2% wage increase for three years signed by IAM and the city. "That's why we don't have a contract today." With the city's MOU with IAM set to expire at the end of September, there's a possibility ALBE will find itself in the same situation again, unless the results of the fact-finding process sway the city council to request more favorable conditions for the new union.

City of Long Beach Labor Relations Manager Dana Anderson said she was not at liberty to discuss details of any offers made during the ongoing negotiations.

Daniel Galaz, who said he has worked for the Long Beach Water Department for 30 years, didn't express much optimism. "From my experience, it doesn't look good. But it has to do with participation, too," Galaz said. Only about 35 members of the union answered a call to show up in support of their representatives in front of the Long Beach Energy Resources offices on June 19. "They want the money, but they don't want to put the effort in." Galaz said he came to show that he's ready to fight for better wages, not just for himself, but for the new generation of workers hoping for a career with his department. Right now, he noted, Long Beach's water department is colloquially referred to as a "training facility for DWP," the Los Angeles Department of Water and Power.

A recent graduate of the department's non-career training program, Alondra Soto said she's seen several of the other trainees in her cohort accept higher-paid gigs with the DWP after gaining paid job experience and certifications through the Long Beach program. Soto, who was recently hired as a full-time employee by the Long Beach Water Department, said she's not immune to the lure of a bigger

paycheck. "You feel bad, because they took a chance on you, but at the end of the day, it's about money," Soto said. "Even with the little experience that I have, I'm already getting offers in the mail to come to work with other cities."

According to a 2018 compensation study commissioned by ALBE, Long Beach workers in the Water Utility Mechanic I classification received a maximum base salary of \$4,528 per month. The same study listed the maximum base salary for a similar position in the City of Los Angeles at \$7,167. Despite this reported difference in pay with nearby Los Angeles, Long Beach Manager of Labor Relations Dana Anderson said there were no persistent issues with attracting and retaining workers to the classifications and departments represented within ALBE's membership.

"There have been particular classifications that have had issues, in which there have been adjustments to those classifications, but I wouldn't say it's an issue," Anderson said, providing no further details. "There are a few exceptions, but it's not the majority of the group."

Long Beach Water Department General Manager Chris Garner told the Business Journal he supports salary increases for a majority of his department's field workers, particularly the water utility mechanics used in ALBE's compensation study, noting that the loss of qualified workers posed a threat to the operations of the water department.

"We were losing people to competing water agencies," Garner said. "My goal in this is to protect our operations. That's my obligation to the board, that's my obligation to the customers. I have to make sure that I retain the trained and certified employees that do the work. If I start losing employees to other agencies, it's very expensive to replace them." According to Garner, supervisors in his department recently received a salary increase of approximately 10% as a result of these considerations. For workers represented by ALBE, salary increases are subject to the ongoing negotiations. "Until that is finalized, it's in limbo," Garner said.

Soto said she wants to stay for at least a few years to pay the city back for its investment in her career. But, she noted, that choice is much harder for some of her colleagues. "It's different for me because I'm single and I don't have kids. So I don't need this raise," she said. "But there are a lot of these guys who have families, and they can't even afford to live in Long Beach."

Adam Klempke, who has been working in the water department's sewer division for several years, said his income has had a significant effect on his home life. Klempke said his wife is unable to work due to a disability, and depending on his income alone has led the couple to put off having children for fear that the financial responsibility would overwhelm them. "We're trying to be smart about it and not get into something that I can't afford," Klempke said. The couple would have liked to purchase a home in Long Beach, but settled for Bellflower instead.

In his eight years with the department,

Klempke has witnessed both efforts to attain raises by IAM and the current fight under ALBE's flag. The reaction by city leadership, he said, has been disappointing. "I was around when the IAM was first trying to do this and so I remember going to the city council meetings, and it's just kind of disappointing, because we show up – we had the entire stands full there – and they weren't very responsive to us," Klempke recounted.

While the city's reaction to both unions' efforts have made him feel unappreciated at times, Klempke said he feels supported by his own department and Garner. "I work for the water department, I love the water department, I have no ill feelings against the water department. But it feels like the city is holding everything back," Klempke said.

He also noted that the union's goal to achieve pay increases across several city agencies might be a detriment to water department workers, who make up a majority of ALBE's membership. "I know they're trying to get an increase for every unit, which I would love to see happen," he said. Instead, he said, he'd prefer separate negotiations for each department, a step that would threaten the sense of unity among ALBE workers. According to Treasurer Danilo Landaverde, union members hail from 11 different departments, including the harbor, energy resources and public works departments. "Ideally, I would have liked to have seen them break each department apart, as sad as that is," Klempke said.

A worker with the Parks, Recreation and Marine Department, who came to the city offices on Spring Street to support the union on June 19, said unity was crucial to the success of the effort. "We're all skilled and general workers, so even though we're from different departments, we are in this together as one," the employee, who asked for his name to be withheld, told the Business Journal. "I feel good about it as long as everybody can come together with the strength in numbers, because everybody here is underpaid." ■

Sales Tax Extension

(Continued from Page 1)

A-imposed rate would again increase to 1%, but without expiration.

In an individual press briefing with Assistant City Manager Tom Modica, Fire Chief Xavier Espino and Police Chief Robert Luna, Mayor Robert Garcia told the Business Journal that if Long Beach voters do not vote to extend Measure A, it is probable that they will continue to pay the full 10.25% sales tax rate – but that their dollars would likely go to other entities outside the city. The South Coast Air Quality Management District (AQMD), for example, is mulling over the idea of a sales tax to fund its own initiatives, he noted. "It's likely that voters are always going to pay the 10.25%. It's just, where is that money going to? Is it going to the city, or are we going to send it off the AQMD or somebody else?" he queried.

City staff are proposing to place this initiative on the March 3, 2020 ballot. Voters would also be asked to approve use of Measure A funds toward the city's annual payments for the seismic safety upgrades needed to reopen and continue operating Community Hospital. In an interim agreement with the hospital operator, Molina Wu Network, the city has committed to paying \$1 million annually for five years, and \$2 million annually after that for a total of \$25 million over 15 years. Modica said he hoped to reach a final agreement with MWN within two months, but noted that he did not think these parameters would change.

When the city council approved this interim agreement in March, the council asked city staff to identify a revenue source to fund the city's share of costs. Measure A is their solution.

Under the operation of its former leaseholder, MemorialCare Health System, Community Hospital closed in July 2018. Since that time, the fire department's average transport time to emergency rooms has increased 10%, according to Espino. "Because Community is closed, we're not able to transport there anymore. Now our rescues are going predominantly over to St. Mary's and/or up to Memorial [Long Beach Medical Center]," he explained. "So that increases the time both of their transport and their wall time, because now we're impacting these other hospi-

tals with all the patients that would have gone to Community."

Why Extend Measure A?

Modica said that Measure A has generated about \$60 million a year so far, well above the originally estimated revenue stream of \$48 million per year.

According to Modica, the measure has enabled the city to add 41 new public safety positions within the police and fire departments, of which 39 are sworn officers with badges, and two are civilian employees. The additional tax revenues enabled the city to hold fire and police academies to hire and train these recruits.

The funds have also allowed the city to maintain public safety staffing levels. "Personnel costs to have a police department, to have a fire department, grow every single year regardless of salary increases," Modica said, referring to costs such as health insurance and workers' compensation. "Even if you were to freeze everybody's salary . . . the personnel costs for the same amount of personnel we currently have grows every single year." Measure A has enabled the city to maintain 108 public safety positions, according to Modica.

"It's something we need to do if we want to continue to move forward," Luna said. "There are so many unfunded mandates when it comes to law enforcement – not just Long Beach. We are talking

every agency up and down the state. . . . We can't get there if we don't have this increase in revenue. Actually, I should say we could get there, but there are a lot of other things that I think our citizens expect from us or demand from us that are going to be potentially reduced [to pay for it]."

The mayor pointed out that the city's backlog of infrastructure needs would cost about \$2 billion to address. So far, Measure A has raised about \$88 million towards this cost. Modica chimed in, "This is a long-term problem and we're going to need a long-term solution. And the longer we wait to address this, the problem just gets bigger and bigger."

Detractors of Measure A have often pointed out that having a higher sales tax than other surrounding cities puts Long Beach at a disadvantage, but Garcia disputed that argument, producing a list of 17 other cities in Los Angeles County with the same sales tax rate.

Modica pointed out that the City of Long Beach is expected to have budget shortfalls in Fiscal Years 2021, 2022 and 2023. If the proposed ballot initiative passes, additional revenue from Measure A generated by adjusting the associated sales tax rate to 0.75% instead of 0.50% would substantially reduce the projected budget shortfall for that year. Modica estimates that without this change, the shortfall could range from \$7 million to \$21 million. With it, the city could end

up with a shortfall closer to \$6 million, or perhaps even with a surplus.

Will Voters Support It?

To determine the level of support for a Measure A extension, the city hired a polling firm to conduct 600 interviews of Long Beach voters. Results indicated that seven out of 10 Long Beach voters would support the measure.

Garcia noted that the same polling firm was used to estimate voters' response to the original 2016 Measure A proposal, and that the results were right on the money.

"I was happily surprised at how high the number is," Garcia said of the survey results. "The truth is that the Measure A extension is 10 percentage points more popular than when we first proposed Measure A in 2016. . . . So that tells me very clearly that [a] Measure A extension starts as being very popular across the city with voters."

Garcia added, "Had this not been a popular thing I think we wouldn't be having this conversation. The support is pretty overwhelming, and I'd like to think it's because people see the value of what's happening with the first Measure A."

When voters originally passed Measure A, they did so with the assurance that it would sunset in 2027. To that point, Garcia responded, "The 10.25% [sales tax rate] is not going to go down. [The question is], who should the money go to? Should it go to the city or should it go to another agency?" ■



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Future Of Belmont Pool Replacement Is Uncertain, Officials Say

■ By DENNY CRISTALES
Staff Writer



The City of Long Beach's rendering of the proposed Belmont Olympic Plaza Pool shows an outdoor swimming area and a new aquatic facility by the coast. City officials told the Business Journal in June that they are working with the California Coastal Commission to address concerns about a potential rise in sea level within the next century that could endanger the site. (Rendering courtesy of the City of Long Beach.)

Although the California Coastal Commission has made its concerns clear that an anticipated rise in sea level a century from now may preclude a proposed redesign of the new Belmont Olympic Plaza Pool, City of Long Beach and commission officials have not yet finalized a new proposal.

Delayed by a lawsuit and the rejection of its initial design proposal, city staff are revisiting the proverbial drawing board to create a new plan that meets the Coastal Commission's standards, reduces the cost of the project and maintains the location of the site, according to Assistant City Manager Tom Modica.

The city's process could take at least 18 months, factoring in collaborations with the commission and independently finalizing a design for the Belmont Pool. The commission is responsible for approving permits for public-trust lands, which is the case for the proposed site at 4000 E. Olympic Plaza.

The original pool, built in 1968, was demolished in 2014 due to seismic concerns. In 2017, the Long Beach City Council approved a project for a new state-of-the-art facility that would replace the original pool. Although Modica noted that this proposal accounted for sea-level rise and considered alter-

nate locations, the Coastal Commission is seeking to move the project as far from the coast as possible. The commission cited recent studies that show drastic rises in sea level by the year 2100.

The commission is troubled about the potential of a 100-year storm, which is the probability of intense wave up-rush – stemming from strong storm activity within the century – that can cause severe flooding along the coast, effectively inundating part of the future pool site.

"We've done a number of studies to see what sea-level rise will be, and the guidance that the Coastal Commission wants us to use is the 2100 projections – which is about . . . 175 centimeters of sea-level rise," Modica told the Business Journal. "And there's about a 1% chance of that happening, of that level amount happening for the project. If that were to occur . . . then it would be kind of touching one corner of the project as proposed."

Sarah Christie, a spokesperson for the California Coastal Commission, said in a phone interview that, in addition to the project's close proximity to the coast, officials were concerned about its height, which she said would likely require a local-coast permit (LCP) amendment to approve.

"A lot of people appealed to the Coastal Commission," Christie said. "The permit hasn't been submitted to us yet [by the city], so we don't really have a timeline, because the clock doesn't start until we get the completed permit application. [The city] already waived the timeline on the appeal. . . . Ultimately, we'll come to some kind of mutual agreement, and then it will move forward."

Modica said the city has considered a beach nourishment program to combat erosion and increase beach width in order to compromise with the Coastal Commission and maintain the project's location. Other solutions involve organizing future activities at the pool further from the coast.

"The preferred site . . . that the city believes is the best is the current one," Modica said. "The Coastal Commission is asking questions about that, so we need to make sure we're showing

them that this really is a superior site for the project. So, what we're talking about is . . . can we look at ways to move some of the programming away from the beach and move it further north."

Currently, there is no deadline or timeline for when the updated design will be completed or presented to the Coastal Commission.

The project, to be funded by the city's Tidelands Fund, is approaching a cost of \$145 million, Modica said. The city is mulling design adjustments to bring the price down to about \$80 million, since increasing tariffs on steel imports have affected the cost of the project. Modica said the city has \$61.5 million already set aside for the project from the Tidelands Fund, meaning that additional sources of revenue may be necessary.

The city also intends on making the future site a "regional asset" by serving the Southern California region through recreational programs targeted at disadvantaged youth. "[It would] really connect communities that wouldn't typically go to that pool [and let them] know that's an amazing facility," Modica said. "They're welcome there, [it'll] be available to the entire city, and hopefully they'll keep coming back with their families."

In 2018, Long Beach Mayor Robert Garcia announced the "8 by 28" initiative to complete eight projects by 2028, when the Olympic Games will be hosted in Los Angeles County, including areas of Long Beach. Garcia identified the reconstruction of the Belmont Olympic Plaza Pool as one of the projects he hoped to complete by 2028.

In an email to the Long Beach Business Journal, 3rd District Councilmember Suzie Price remained optimistic about the project's progress.

"I remain engaged and very supportive of this project and look forward to a project that will meet the needs of the community, as well as address the concerns of the Coastal Commission," Price said. "I look forward to the next steps and am grateful that city staff has been working diligently over the past three years to get us this far with the permitting agency and stakeholders." ■

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Water Department Makes Second Attempt At Water Rate Increase In 2019

■ By **ALENA MASCHKE**
Staff Writer

In January 2019, customers of the Long Beach Water Department received a mailer announcing the department's plans to raise water rates by 6% twice this year. The proposal was withdrawn shortly after, but on June 13, the Long Beach Board of Water Commissioners approved a new proposal to increase rates by 12%, effective October 1. This proposed increase will now be subject to a public hearing process and, ultimately, a vote by the Long Beach City Council.

Chris Garner, general manager of the Long Beach Water Department, said the first proposal was withdrawn after an outside attorney contacted the department, suggesting that the notice

sent out to customers provided insufficient information on the use of additional revenues created by the increase. "Our attorneys felt like it would pass, but we wanted to take a conservative [approach]," Garner said. To make up for the missed opportunity of the previously proposed mid-year increase of 6% in April, followed by another 6% increase in October, the department is now proposing a one-time rate increase of 12%.

According to Garner, the department needs the additional revenue the increase would create to revitalize local wells and upgrade an aging pipeline system. He recognized that a rate increase of this size could be jarring to

customers. "This is much higher than normal," Garner said. "But we have some big items coming up."

One of the costliest projects to be funded by the rate increase is the rehabilitation of local wells to maximize the department's use of its local water reserves. "Right now, we're under-pumping that, because we don't have the physical capability with the existing wells," Garner said. Instead, the city is purchasing water from the Metropolitan Water Authority, which comes at double the cost of locally sourced water, according to Garner. "That adds millions of dollars to our expenses and to our customer's [expenses]," he explained.

A cost analysis by a team of city engineers estimated that the rehabilitation of the city's 30 local wells will cost approximately \$30 million, Garner noted. "Whether we put our money towards imported water or towards well development, that's a decision that the [Board of Water Commissioners] has to make," he said. "Certainly it makes sense, from my standpoint, to invest in our local system."

Repairs and replacements to the network of underground pipelines delivering water throughout Long Beach are another area of investment into the local system to be financed by the additional revenue. "It's really the infrastructure that we're trying to target," Garner explained. "It's much cheaper,

in the long run, to do it proactively, before they break." The department already replaced one of the oldest elements of the over 2,000-mile-long system: a former cast-iron pipeline. Following the replacement, the number of main water breaks went down from 200 to approximately 30 per year, according to Garner.

In presentations to the department's board of commissioners, staff projected further, albeit smaller, rate increases in the upcoming years. Sewer rates are expected to stay the same, except for a possible increase of 6% in 2023. "What people tend to forget is that the current sewer bill in Long Beach is actually where it was about 10 years ago," Garner said. "We look at the combined bill and we look at the impact on our customers from that perspective."

The next step in the approval process for the proposed rate increase will be a public hearing to be held at the water treatment plant on Redondo Avenue and Spring Street in August. There, staff will present information on the use of the expected revenue and a comparison of water rates in the state's 10 biggest cities as well as the Golden State Water Company, which services parts of Long Beach. If approved, the proposal will move on to the city council, where it will be discussed and voted on as part of the city's budgeting process in September. ■

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A Brief Look At All Current Long Beach City Council Candidates

■ By DENNY CRISTALES
Staff Writer



Elliott Gonzales
District 1



Mariela Salgado
District 1



Mary Zendejas
District 1



Ray Morquecho
District 1



Jeanette Barrera
District 2



Jeannine Pearce
District 2



Robert Fox
District 2



Daryl Supernaw
District 4



Craig Ursuy
District 6



Dee Andrews
District 6



Steve Meng
District 6



Suely Saro
District 6



Al Austin
District 8



Juan Ovalle
District 8



Tunua Thrash-Ntuk
District 8

Over the course of a few months, Long Beach residents will decide the fate of five council districts. In November, voters will choose the new councilmember for the city's 1st District in a special election. Next March, voters will return to the polls to choose from a growing list of candidates for the even-numbered council districts.

After former 1st District Councilmember Lena Gonzalez vacated her seat in June to serve in the state senate, candidates are seemingly emerging week-by-week to lead the Long Beach district that has a population of 49,117, according to the city's district map. The city clerk's office stated that an official declaration of the 1st District vacancy is expected in July, when the exact date for a special election will be decided upon.

Confirming his 1st District candidacy on June 24, Ray Morquecho, a small-business owner and former member of the State Board of Equalization, is leading his campaign on the issue of

public safety, also emphasizing other matters like the environment, homelessness and parking. Morquecho declined to state his party affiliation.

Mariela Salgado – a Long Beach Parks, Recreation and Marine commissioner and a local small-business owner – announced her intention to run for the vacant seat on June 19. Salgado, a Democrat, stressed in her announcement the urgent need to address unemployment rates, poverty and homelessness in the 1st District.

On June 7 and June 8, respectively, Mary Zendejas, a member of the Long Beach Transit Board of Directors, and Elliot Gonzales, a former member of the Long Beach Sustainable City Commission, announced their 1st District candidacies.

As previously reported by the Long Beach Business Journal, Zendejas is focusing on improving public transit systems, affordable housing and tenant protections, and ADA accessibility. Gon-

zales, a Democrat, is focusing on a green platform, emphasizing renewable energy. He is also leading on affordable housing.

After the 1st District seat is decided, Long Beach residents will jump back into an election March 3, 2020, when the even-numbered districts of 2, 4, 6 and 8 will be defended by incumbents Jeannine Pearce, Daryl Supernaw, Dee Andrews and Al Austin, respectively. The passage of Measure BBB last November allows Long Beach councilmembers to run for a third term.

Challenging Pearce are candidates Jeanette Barrera and Robert Fox. After initially competing for the 2nd District seat, Richard Harrison, president and CEO of New Life USA, confirmed with the Business Journal that he is no longer seeking office for personal reasons.

Pearce's objectives, if re-elected, include environmental efforts to reduce energy consumption, strengthening the San Pedro Bay Ports' Clean Air Action Plan and focusing on economic development.

Barrera, a Democrat, seeks to address affordable housing, homelessness and parking for 2nd District residents. She has a background in social services.

Fox, a Democrat, is basing his platform on transparency, addressing the city's land use element and parking. Fox also expressed concerns about street safety, particularly the Broadway Corridor, from Alamitos Avenue to Redondo Avenue.

Supernaw, an independent, is currently running unopposed for his 4th District seat.

Vice Mayor Andrews is a registered Democrat and said he is seeking to continue his work creating jobs, promoting city park programs, improving public safety, providing public infrastructure improvements and improving communication with 6th District residents.

Steve Meng, a business consultant with the Pacific Asian Consortium in Employment in Los Angeles, is running for the 6th District seat, with plans to represent the Cambodian community as well as to address economic development, infrastructure improvements and create job opportunities.

Suely Saro, an adjunct faculty member at the School of Social Work at California State University, Los Angeles, is seeking the 6th District position with a focus on the local economy, maintaining safe neighborhoods and creating a clean environment.

Craig Ursuy, a Democrat, is an adjunct associate assistant professor at Santa Ana College. In his 6th District campaign, Ursuy said he will emphasize job development, an area in which he feels Long Beach has underperformed, particularly the 6th District. Ursuy also aims to address housing and homelessness.

Incumbent Austin is aiming his efforts at continuing to improve the 8th District's economic development and housing, increasing park space and emphasizing public art and culture in the community.

On June 26, Juan Ovalle, co-founder of People of Long Beach and founding board member of the Long Beach Reform Coalition, announced his intention to run for the 8th District seat. Ovalle's top priorities are public safety, environmental health and governmental reform.

In her campaign announcement in February, Tunua Thrash-Ntuk, executive director of the non-profit Los Angeles Local Initiatives Support Corporation, said her work allows her to finance and build thousands of affordable-housing units in Los Angeles County and stated her intent to engage with the Long Beach community about improving the 8th District neighborhood. She co-chaired Long Beach's "Everyone In" Economic Inclusion Policy Task Force in 2018.

Although candidates may be registered with a particular political party, the Long Beach City Council is a non-partisan body. Some information from campaign websites and press releases was used in lieu of direct responses, as certain candidates did not directly answer the Business Journal's inquiries by press time. Some candidates did not specify their political party. ■

State Auditor Calls CSU's Financial Practices Into Question

■ By **SAMANTHA MEHLINGER**
Editor

The state auditor, Elaine Howle, released an audit critical of the California State University (CSU) system's surplus funds and transportation policies on June 20, taking issue with financial practices that could impact students. CSU Chancellor Timothy White was quick to respond, and in an interview with the Business Journal that day, repeatedly called the auditor's report "misleading."

Howle and her office found that the chancellor's office did not disclose \$1.5 billion in available surplus funds to the state legislature when providing information about its financial resources for budgeting purposes, nor did the office disclose the information to students when consulting with them about hiking tuition. "As a result, legislators were unable to evaluate whether CSU's accumulation of surplus funds was reasonable and to consider whether that surplus should be used to fund certain portions of CSU's budget requests rather than the state's general fund appropriations," Howle's summary stated.

As a specific example of an instance in which the surplus was not reported, the audit report stated, "In certain budget acts, legislators specifically directed CSU to prepare projections of its available resources for the next three fiscal years. For example, the 2016 state budget act required CSU to submit this information to specified parties, including legislative committees that consider appropriations for CSU. Although the Chancellor's Office provided the Joint Legislative Budget Committee and other legislative entities with projections of tuition revenue at that time, it did not include information detailing CSU's accumulated surplus, derived primarily from tuition." Howle's report continued, "According to CSU's assistant vice chancel-

lor for system budget, the academic plan included all of the elements that the state budget act required."

White said that over the 10-year period assessed in the audit – 2008 to 2018 – CSU issued more than 30 public reports that included information about its surplus. "With respect to not informing the legislature, that is categorically untrue," he said. Asked if any of these reports were sent directly to the legislature, he said they were.

"We report routinely, quarterly, all of our finances in public meetings to our trustees, [and] annually to the state treasurer, the state controller, the department of finance and to the legislature," White said. "Those reports were made available to the auditors when they were visiting us, and they chose not to report on them."

Although the CSU's total budget surplus is closer to \$4 billion, only about \$1.5 billion are discretionary. The majority of this amount is sourced from student tuition, according to the auditor's report. The remaining amount is sourced from restricted revenues, such as student housing fees, that may only be for certain purposes per state law.

White argued that including this surplus in discussions about ongoing costs is not appropriate, as the surplus really serves as a reserve. "That's more than just a semantical difference. Surplus sounds like it's extra money you don't need and you just do something with, whereas a reserve is essential revenue that we do need and we have a specific purpose for," he said. "Part of our concern with the words that appear in the audit report is calling it a 'discretionary surplus.' It really mischaracterizes the essential role that these reserves actually play for us."

The \$1.5 billion in reserves, as White

prefers to refer to them, is only enough to keep the CSU operating for about two-and-a-half months in the event of some type of crisis in which it has no access to other funding. "For the average person, if they went to a banker or a website and said, 'How much money should I have in my bank account,' the answer would be, you should have six months of your life's living expenses in your bank account to pay for your rent and your car payment and your food and your health insurance, et cetera," White said. "I know it's a big number, but we have 23 campuses. You can divide that number by 23 and [suddenly] realize it's actually a very conservative number."

The audit was also critical of the chancellor's office practices, or lack thereof, in providing enough parking for CSU campuses and encouraging alternate forms of transportation. State auditors visited four CSU campuses – Fullerton, Channel Islands, Sacramento and San Diego – to assess such practic-

es, and found that though the campuses had raised parking fees to finance new parking facilities, it was of little benefit to the students due to increasing enrollment. The report stated, "Moreover, the Chancellor's Office has not ensured that campuses have consistently planned for or implemented options for alternate methods of transportation . . . such as shuttles, carpools and bicycles – before requesting to build new parking facilities, as CSU policy requires."

To these criticisms, White said it was "fair for us to do more on analyzing alternative transportation possibilities when we are analyzing requests for parking facilities." He added, "I think we have been doing that. We may not report it as well as we should have. We may not have done it on some campuses as deeply as it should have been done. So yeah, we will take that recommendation and do better going forward."

Gov. Gavin Newsom's office declined to comment on the audit, but Lieut. Gov. Eleni Kounalakis released a brief public statement on the matter. "The State Auditor's report raises serious questions about transparency in the CSU's accounting practices. I have requested a full staff presentation, and opportunity for public comment, at the next CSU Board of Trustees meeting on July 23-24. Public trust is crucial to California's public higher education system," she stated. ■

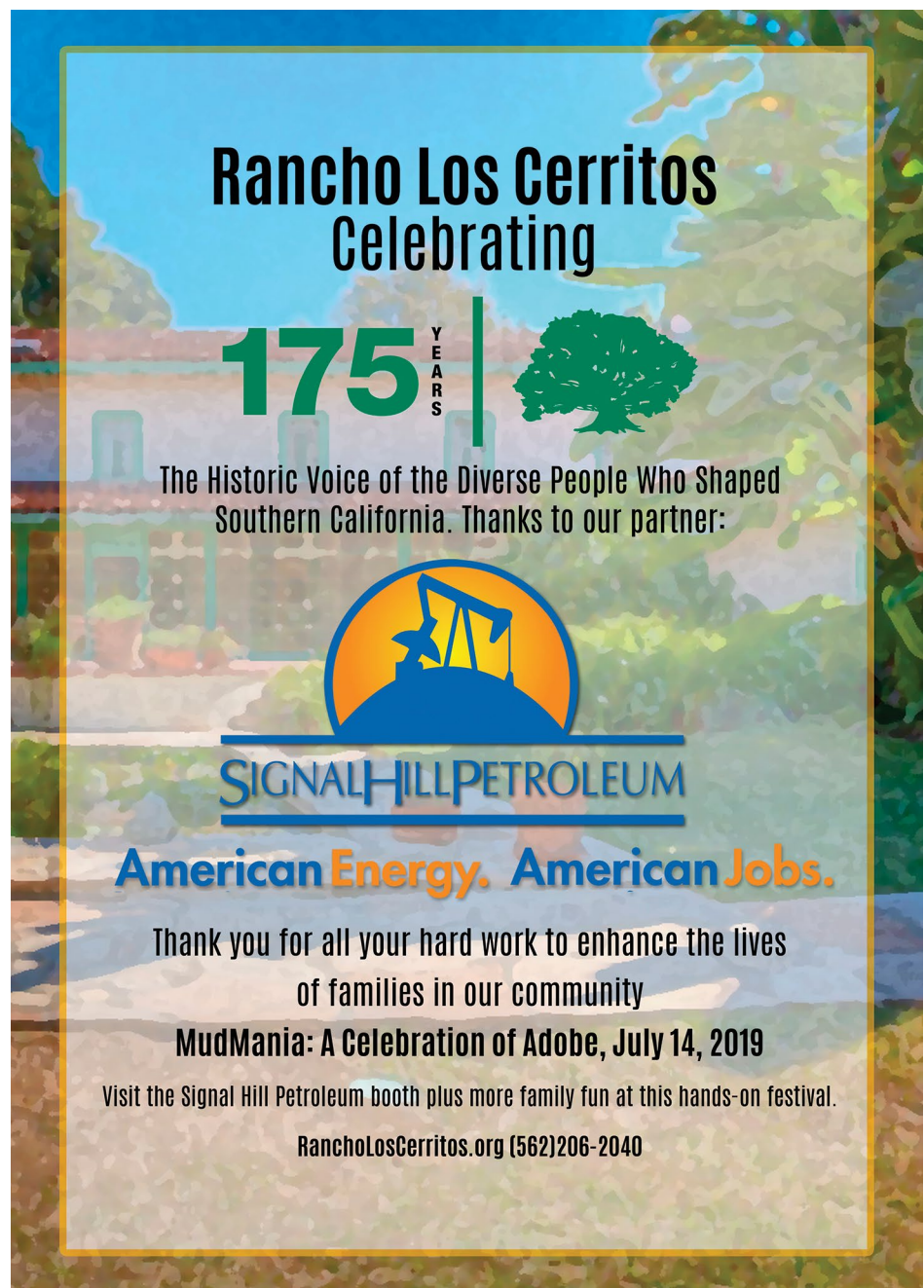


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Real Estate & Development

■ By **BRANDON RICHARDSON**

Senior Writer



The Goodman Group, an Australia-based development firm, has closed escrow on the purchase of the 93-acre former Boeing C-17 site, Boeing confirmed with the Business Journal on June 27. (Business Journal Photograph by John Robinson.)

Australia-Based Developer Closes Escrow On Former C-17 Site

The former 1.1-million-square-foot manufacturing facility for the Boeing C-17 aircraft and surrounding land have been sold to Australia-based developer Goodman Group for future development, Boeing confirmed with the Business Journal. Escrow on the property closed June 27.

“I’m pleased to confirm . . . we acquired Boeing’s C-17 manufacturing property in Long Beach,” Anthony Rozic, CEO of Goodman North America, said in an e-mail to the Business Journal. “The 93-acre facility will be renamed ‘Goodman Commerce Center Long Beach’ and we are currently partnering with the City of Long Beach on future plans for the site.”

The City of Long Beach has been working on the Globemaster Corridor Specific Plan, development guidelines for the Cherry Avenue corridor between Spring and Carson streets, for about one year. City staff have conducted several public outreach events for community input. While the plan is still being drafted, the current iteration calls for uses similar to Douglas Park and the Long Beach Exchange retail center.

A parcel on the northeast corner of Wardlow Road and Cherry Avenue has

been identified as ideal for a community commercial zone, an area for retail and services. South of Wardlow Road along Cherry Avenue has been identified for either a community commercial or business park zone, which includes light industrial uses. The majority of the C-17 site, namely areas not directly along Cherry Avenue, have been identified for a business park zone.

“Throughout the process, Boeing has partnered with the City of Long Beach to identify the buyer who was best aligned with the vision of this unique site,” a Boeing spokesperson said in an e-mail to the Business Journal.

According to a staff PowerPoint presentation, the specific plan’s overarching goals are to:

- Create a 21st Century employment district that fosters innovation
- Stimulate economic development and job growth
- Cultivate the existing human capital of Long Beach
- Establish Cherry Avenue as a multi-modal unifying spine
- Increase mobility choices with an emphasis on active transportation, such as bicycles

“The [specific plan] . . . will build on the strong legacy of the Boeing aircraft manufacturing industry in Long Beach,” Linda Tatum, director of Long Beach Development Services, told the Business Journal in an e-mail. “The dis-

trict . . . is intended as a smart, mixed-used area – flexible, commercial and low-intensity industrial activities that leverage access to the Long Beach Airport and related aerospace and avionic industries in the area.”

Multinational package delivery company United Parcel Service (UPS) previously announced its interest in purchasing the site to build a regional hub. In March, UPS Vice President of State Government Affairs Bruce MacRae told the Business Journal the facility would bring 2,500 jobs and a \$300 million investment to Long Beach. During a June 24 interview with the Business Journal, MacRae said UPS is “bummed that Boeing decided to go with another buyer.”

MacRae noted that UPS would still be open to developing a facility in Long Beach but that with such limited space it does not seem likely. Speaking of the former C-17 assembly building, he added, “I don’t know what their plans are but it’s an iconic building, so whatever they do, I hope they leave it standing.”

Long Beach has been experiencing its lowest unemployment in city history, according to Mungo, in large part due to 6,500 jobs that have been created at Douglas Park over the last five years. “We look forward to expanding on that to make sure that there are lots of good high paying jobs . . . for Long Beach residents,” she said. “I’m really excited about the possibilities.”

Negotiations Underway For Former Marina Pacifica Best Buy Location

Avi Lerner, the property owner of the Marina Pacifica shopping center in Southeast Long Beach, is negotiating with a national gym chain to open in the space previously occupied by Best Buy, city officials confirmed. “[Lerner] did not want to disclose the name of the gym, as a lease has not been signed yet,” Sergio Ramirez, deputy director of the Long Beach Economic Development Department, said. “They are still in discussions; however, the ownership is starting the clean-up of the tenant space.” Best Buy vacated the 35,000-square-foot building in October of last year.

San Pedro Fish Market Owners Announce Long Beach Location Opening Date

Exterior and interior construction is well underway on the San Pedro Fish Market on Alamitos Bay, with a soft opening anticipated for September 1, the Business Journal confirmed. Located at 6550 Marina Dr. in Southeast Long Beach, formerly a Joe’s Crab Shack, the restaurant is the second location for the Ungaro family, which has owned and operated its San Pedro restaurant since 1982. The family has been in the fresh seafood business since 1956. The restaurant is comprised of 11,500 square feet on two floors, including a 2,500-square-foot outdoor deck that overlooks Alamitos Bay. The space will open with about 450 seats, with the potential to increase occupancy to 500, according to Scott Choppin, founder of Long Beach-based development firm Urban Pacific.

Citywide Land Use Element PEIR Available For Public Comment

Long Beach Development Services recently released a revised program environmental impact report (PEIR) for the General Plan Land Use Element and Urban Design Element, documents that set guidelines for placetypes, building heights and design standards citywide. The final maps were adopted by the city council in March 2018 after several outreach events in response to community backlash. The PEIR is available for public comment through August 16 at longbeach.gov/lbds.

Long Beach Rents Continue To Increase

Average rental rates for apartments in Long Beach increased 0.5% in May over the previous month to \$2,026, according to a report released by RENT-Café. Santa Monica continues as the most expensive Southern California city after a 0.2% month-over-month increase that brought average monthly rents to \$3,727. Pasadena experienced the largest increase at 1.7% month-over-month. Six

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Negotiations are underway between the property owner of Marina Pacifica and an undisclosed national gym chain for the space previously occupied by Best Buy, the Business Journal confirmed. (Photograph by Brandon Richardson.)

Southern California cities experienced decreases in average asking rents, with Chino Hills having the largest decrease at 0.6%. As of May, the national average rent is \$1,442, a year-over-year increase of 2.5%, according to the report.

Tanaka Park

The Long Beach City Council voted unanimously during its June 18 meeting to approve the \$1.1 million purchase of

Tanaka Park. Seventh District Councilmember Roberto Uranga spearheaded the push for the city to purchase the privately-owned park following the announcement that the owners, the Tanaka family, would sell the parcel it has been leasing to the city for about 15 years. Located at 1400 W. Wardlow Rd. in West Long Beach, the 1.4-acre park serves nearly 6,000 residents that live within one-half mile, according to



A soft opening for the second location of the San Pedro Fish Market, located at 6550 Marina Dr., is expected September 1, according to Urban Pacific Founder Scott Choppin. (Photograph by Brandon Richardson.)

Uranga, who noted that one in six Long Beach residents are not within walking distance of a park.

Office Report

At the end of the first quarter of this year, office vacancy rates in the South Bay and Long Beach increased 0.5% year-over-year, according to a report released by Marcus & Millichap. Despite rising vacancy, average asking rents increased 11.4%

over the same 12-month period. In the South Bay and Long Beach, approximately 765,000 square feet of new office space construction is expected to be completed this year, two-thirds of which are within the new Long Beach Civic Center development. At the county level, office vacancy decreased 0.4%, average rents increased 4.1% and approximately 6.5 million square feet of new office construction is expected to be completed by the end of 2021. ■

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Building A Better Long Beach: Artist Lofts Coming To Central Long Beach

■ By **BRANDON RICHARDSON**
Senior Writer

Over the last two years, The Vault Warehouse in Central Long Beach has been transformed through art. South African artist Ricky Lee Gordon and Philadelphia-based artist Noségo have adorned the 1920s-era building's exterior with massive murals. Local Hollywood artist Rufino Luis also has recently left his mark on the building, which will soon become a haven for other artists to live and create.

"Artists are such a unique group of people. They create from nothing and in that creation, they bring in an entire community with them," Liz Carnes, owner of The Vault, said. "Anywhere that you have artists, you'll have a great community."

Carnes and her life partner Roark Merrill are in the process of converting the 34,000-square-foot, four-story former storage building into 19 industrial-style artist lofts at 1000 New York St. Each unit is uniquely shaped and sized, ranging from 750 to 1,700 square feet,

according to Carnes.

Only city-certified artists will be eligible to apply for a loft. Asking rents start around \$1,800, Carnes said. She added that her hope is to save artists money by consolidating rental costs, as opposed to paying for an art studio and an apartment separately. Additionally, Carnes explained that 67% of the rent is tax deductible because each loft consists of 33% living space and 67% working space.

"This building is finally becoming what it's wanted to be for a long time. It's perfect for the use that we've chosen," Carnes said. "I think it's going to make an enormous difference in this neighborhood in a real positive way. It's important that we better the communities that we live in. We're in it together."

Only light construction is required to complete the lofts; electrical and plumbing already run through the entire building, with just minor upgrades needed. Carnes said she expects final

permitting to be approved by the city in the next several weeks, which will allow work to proceed. She added that she is anticipating a grand opening in December or January, approximately six months after permit approval.

Once approved, several walls will be added and others removed, fixtures will be installed, an exterior staircase will be added for emergencies, the interior staircase will be enclosed for safety and a sprinkler system will be installed. The walls and ceilings throughout the building will remain as they are – mostly concrete and exposed brick.

The roof of the building cannot be used as a common area for the future residents because it is not accessible to people with disabilities, which is required under the Americans with Disabilities Act, Carnes explained. However, she said she hopes to eventually make the roof accessible to all. The building's manual lift, which is large enough and powerful enough for a car,

reaches all four floors and will remain operational in its original form.

Carnes moved from New York to attend California State University, Long Beach, (CSULB) in 1978 – she paid \$160 a month to rent a studio apartment blocks from the ocean. Though she did not graduate from CSULB, she said she fell in love with Long Beach and that her fondest college memories are from her time here. Prior to purchasing The Vault for just under \$1.3 million in 2012, Carnes built a portfolio of small rental properties, including two four-plexes in Long Beach.

"The community here is rich in its diversity. It's a youthful community, very hip," Carnes said. "It's a real community made up of real people, and in each neighborhood you just never know what you're going to get. It does remind me of New York – different neighborhoods, different people, different vibes, different cultures, all living together, working together." ■



Liz Carnes, owner of The Vault Warehouse at 1000 New York St., is converting the 34,000-square-foot, 1920s-era storage building into 19 artist lofts, which will be available during the first quarter of 2020. (Photograph by Brandon Richardson.)

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Realty Views: Be Careful What You Wish For In Housing Solutions

■ Perspective By **TERRY ROSS**

Almost everyone agrees that California has an affordability problem when it comes to housing – but what they don’t agree on is the method to fix the situation. Some real battles have occurred and continue to rage about how to remedy the problem.

The current battle is over who is going to take the lead in local communities – the state or local government. Leaders in Sacramento want to mandate that all cities do their share and provide affordable housing as part of their land-planning. But some cities – especially those in coastal areas where rents and prices have risen the most – are getting blowback from their citizens who are telling their elected officials that they don’t want to see lower-income housing among their higher-priced homes because it will harm the neighborhood. The old NIMBY (Not In My Back Yard) argument is putting local elected politicians in direct conflict with policy in Sacramento.

Currently, the rent control solution has once again come to the forefront

in California as protestors are staging demonstrations to force price controls on landlords. Rent control sounds like an easy solution to the affordability problem, but if what has happened in a very similar situation on the other side of the country is any indication, it could lead to some very serious and unintended consequences that will cause a host of problems.

New York is much like California in that it has one of the largest populations in the country. It has very desirable and expensive real estate, and an affordability problem as bad or worse than we have in California. New York’s rent reforms that are about to go into effect have already had a decided impact on lenders and banks, as three institutions have already reported a combined loss of \$2.5 billion in market capitalization just since this spring, when the debate over rent control began to look bad for multi-family owners.

“These stocks have really been hammered . . . in the last month and a half,” Peter Winter, a stock analyst who covers

New York Community Bank and Signature for Wedbush Securities, recently told “The Real Deal,” a real estate news service. “[Rent regulation] has been a large part of it, no question.”

Many observers believe there will be fewer refi and purchase transactions for these lenders, not to mention the impact on the multi-family owners themselves who will suffer economically from the controls. Some have noted that lenders who issue large loans with the belief that rents would be going up under the old laws would in fact default under the new rent control regulations, which could depress bank stocks even further. While many believe that the value of these units will decline, others point to the fact that these regulations will also lead to owners not spending the money to upgrade older units because there is no financial incentive to do so.

“The feeling is that you could see less refi activity and less loan demand just because the ability to increase the rent rolls of these buildings really has

been hampered,” Winter added.

According to JLL, a national real estate investment company, the new proposals will likely drive prices down by reducing the incentives for multifamily investors to buy rent-controlled buildings in the first place.

“Nobody buys real estate wanting to get a three percent return on your money, but you’re willing to do that on multi-family because you knew over time you’d be able to improve the quality of the building, increase the rents, and get your return level,” said JLL’s Robert Knakal, adding that the state’s proposals “reduce the incentives for the private sector to invest in properties.”

Just think, what if one of the proponents of this new legislation had stock in, or their 401K was invested in, one of the lending institutions or large owners of rental real estate that has its value diminished by these regulations? How ironic would that be?

This has and will continue to happen in New York, and could happen here very easily if legislators tried the same tactic. That’s why it is essential that sound free market solutions be found to address the housing issues on our side of the country

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



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Economic Forecast

(Continued from Page 1)

a recession,” Christopher Thornberg, founding partner of Los Angeles-based Beacon Economics, told the Business Journal. To say that we could have a recession because we’re due for one “simply doesn’t cut it,” he added.

The country’s rate of economic growth is slowing – both Thornberg and Wells Fargo Managing Director and Senior Economist Mark Vitner predict a 2% increase in gross domestic product (GDP) this year versus 2018’s 2.9% growth rate. “The slowdown in the U.S. economy is primarily due to the slowdown that we are seeing in global economic growth,” Vitner said. “A lot of that is tied to the uncertainty surrounding the ongoing trade negotiations with China. China’s economy has slowed a great deal. And companies [and] countries that export a lot to China have seen business fall off.”

In May, the Trump administration increased tariffs on \$200 billion worth of Chinese imports from 10% to 25%. In response, the Chinese government increased tariffs on about \$60 billion in American imports by the same amount. President Trump and China President Xi Jinping were expected to meet at the G20 summit in Japan on June 29, after the Business Journal’s press time, to discuss the ongoing trade dispute.

“I do think that if the trade war escalates significantly and persists for a very long time that it could plunge the global economy into a recession, and that could pull down the U.S. economy,” Vitner said. Still, he said that’s not in Wells Fargo’s forecast. “I think it’s going to be contentious right up until the moment an agreement is reached. . . . And then, as we have seen so many times with Trump, out of the blue – boom, there is an agreement.”

Thornberg pointed out that slowing economic growth could be tied to the waning effects of the tax cuts, which were primarily felt last year. “Remember, last year’s growth rate was in part driven by the fact that in the midst of a full employment expansion economy, Congress went and passed fiscal stimulus, which is typically something used during recessions to reduce the impact of that negative shock [to the economy],” Thornberg explained.

The Tax Cuts and Jobs Act of 2017 acted as something of a steroid to the economy in 2018 – GDP increased 3.5%, 2.6 million new jobs were created, wages increased, and the national unemployment rate dipped just below 4%. The economy continues to add jobs, wage growth continues and the unemployment rate remains low at 3.6%. But Thornberg noted that the initial shot in the arm from the tax cuts has likely worn off.

“You’ve got the big short-run bounce, which is just what happens when you put a big surge of extra money in people’s pockets. And that kind of fades away relatively quickly,” Thorn-

berg said. “But the long-run impact is there, [although] probably much smaller.” He noted that the Congressional Budget Office has estimated that the annual impact of the tax cuts will shape up to a one-tenth of a percent increase per year, a figure he called “miniscule.”

While Vitner felt that the initial boost the tax cuts gave to consumer spending may have passed, he said that the cuts are still acting as an economic stimulus. “We are seeing that businesses are investing more in capital improvements and process improvements in their workplaces, which is boosting productivity growth and allowing the economy to grow a little bit faster,” he said. Still, he qualified, “I think the benefits in tax cuts are more long term, but those long-term benefits are going to be far less dramatic than what we saw last year.”

Consumer spending has increased by about 3.5% this year, according to Vitner. “My general sense is that the consumer is in pretty good shape,” he said. “On the plus side, wage increases are picking up. The unemployment rate is low, jobs still seem to be readily available. Inflation has come down, and gasoline prices are coming down a little bit.” To that last point, Vitner noted that Californians, who are subject to a state gas tax with another increase scheduled to take place July 1, are less likely to benefit from lower gasoline prices.

Wage growth is continuing this year at a rate of about 3-3.5%, according to Thornberg. However, he noted, this figure does not account for employment benefits, which are also improving. “People are getting ahead for sure,” he said. “The labor market is super tight, and it’s good for workers.”

Current economic uncertainties primarily have to do with concerns abroad and the domestic housing crisis, based on feedback from Thornberg and Vitner.

The German and French economies are losing momentum, Italy is experiencing sizable budget deficit challenges, and the threat of Brexit is still looming on the horizon, Vitner pointed out. Although the domestic economy is “looking fairly good,” Vitner said, “There are a lot of issues in the global economy that are likely to come to a head in the second half of the year.” He added, “Most of them have negative implications for global economic growth.”

A short housing supply has been exacerbating affordability issues in California and nationally. Here in the Golden State, if the issue isn’t resolved, expect the labor market to become even more constrained, according to Thornberg. “Labor force growth is terrible because we’re not building enough housing,” he said. “It makes me crazy that the state has done basically nothing to actually start to alleviate things. All their grand ideas were stalled in committees and it’s like, c’mon, man.”

Thornberg emphasized that the root problem is one of supply. “Affordability is driven by the lack of supply,” he said.

“It’s not really an affordable housing crisis in a direct sense, and it’s dangerous to use those terms, because then we run around and talk about rent control. Well, rent control doesn’t increase supply. Are we talking about affordable housing mandates? That doesn’t increase supply. Ultimately, if you come up with plans that actually reduce supply, the reduction in supply is going to worsen affordability for everybody else.”

Thornberg said that cities must be incentivized to build more housing rather than new commercial projects. “The problem here is cities just don’t want housing because 80% of their revenues come from business, [and] 80% of their expenses come from residents,” he said. “There are all sorts of road blocks and too much downzoning and everything else. They need to get serious about what to do about it.”

Vitner made a similar assessment of California’s housing situation. “We’re going to continue to see an affordability problem until the government finds a way to reduce the up-front cost of building a home,” he said. “We have to streamline the permitting process. We have to find a way to reduce entitlement costs. Because the homes are almost unaffordable even before you pour the foundation, and it’s just so expensive to develop the land.”

A commonly cited indicator of an

incoming recession, an inverted yield curve – a phenomenon that occurs when long-term debts have lower yields than short-term debts – is currently present in the U.S. economy. But Thornberg doesn’t find it to be an indicator of tough times ahead. “The inverted yield curve is not a sign that we’re going to have a recession. The inverted yield curve is driven by the Fed,” he said. The Federal Reserve controls interest rates on debts through its federal funds rate. Last year, the Fed raised this rate multiple times, resulting in higher interest rates for short-term debts, and contributing to the inverted yield curve.

“In ’06 we had an inverted yield curve because the Fed thought the economy was overheating, and then they were trying to slow things down. They didn’t slow it down enough and we had a recession anyway,” Thornberg recalled. “This time we have an inverted yield curve because the Fed thought we had an inflation problem. But we don’t have an inflation problem.”

Vitner said he expects the Fed to reduce interest rates in response to the inverted yield curve. “It has been a fairly good predictor of a recession because every recession we’ve had since World War II has been preceded by an inverted yield curve,” he said. “But not every inverted yield curve has been followed by a recession.” ■

CITY OF LONG BEACH BID OPPORTUNITIES

TITLE	BID NUMBER	DATE
Shop Equipment Repair & Maintenance	ITB FS19-043	07/09/2019
Inmate Telephone and Video System	RFP PD19-079	07/10/2019
Cast Iron Water Main Replacement Project	WD-28-17	07/11/2019
Transportation Services (REISSUE)	RFP PR19-073	07/16/2019
Tape Products	ITB ER19-095	07/18/2019
Maintenance Office Remodel	RFP FS19-048	07/25/2019
Airport Security System Maintenance	RFP AP19-092	07/25/2019
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

Bidder Registration

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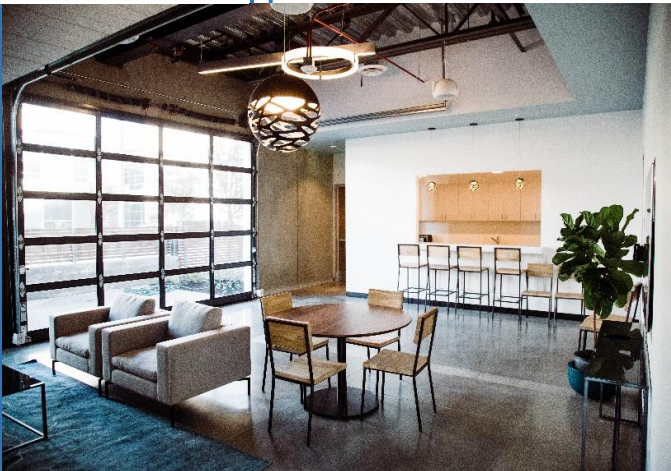
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Uncertainty Dominates International Trade Outlook

By SAMANTHA MEHLINGER
Editor



A container ship docked at Pier J in the Port of Long Beach carries goods from China and elsewhere abroad. The Trump administration's trade feud with China is creating an uncertain outlook for the international trade industry, according to port executives. (Photograph by Brandon Richardson.)

When discussing the outlook for international trade through the San Pedro Bay Ports this year, one word comes up again and again among industry executives: uncertainty. Given the ongoing trade dispute between the United States and China, it's no wonder. In May, the Trump administration escalated the tariff rate on \$200 billion worth of Chinese imports from 10% to 25%. China responded by imposing increased tariffs on about \$60 billion in American goods.

After the Business Journal's press time, President Donald Trump was expected to meet with China President Xi Jinping at the G20 summit in Japan to discuss the matter.

"We have a trade policy and apparently now a foreign policy that is shaped by tweets that change by the day and by the hour, so I think it's really difficult to predict how the rest of the year is going to unfold," John McLaurin, president of the Pacific Merchant Shipping Association (PMSA), told the Business Journal. The PMSA represents the interests of shipping lines and terminal operators doing business at West Coast ports.

"What we saw last year was more front loading of cargo in advance of tariff deadlines. So we saw a lot of growth in terms of imports. That clearly has slowed for this year," McLaurin said. "People are

trying to figure out what's going to happen next. Are we going to see additional tariffs imposed or increased, and will it impact the volumes? Will it impact where goods start to originate or [are] manufactured overseas, which would also affect the supply chain?"

As of June 11, year to date, the Port of Long Beach (POLB) has experienced a 6% decrease in containerized cargo volumes, while the Port of Los Angeles (POLA) has experienced a 5.2% increase. Top executives at both ports say that the trade dispute with China is impacting their cargo volumes, noting that the largest cargo traffic gains have been in the empty shipment of containers overseas, rather than in actual goods movement.

Asked about why POLA was experiencing an increase and POLB has had a decrease in cargo volumes, POLB Executive Director Mario Cordero pointed out that such fluctuations are common between the ports, which are in direct competition.

"Tariffs do create that uncertainty for the industry and stakeholders as a whole," Cordero said. "Going forward, in terms of this year, we have modest expectations in terms of the cargo movement for the nation. We're talking about an increase of 1.8% on loaded imports overall as a nation. So [the outlook for]

this gateway kind of reflects that."

Gene Seroka, executive director of POLA, pointed out that exports to China between both ports have decreased by 28% this year. Nationwide, that figure is 25%, he noted. "One word describes my expectations, and that is all-around 'uncertainty,'" he said. "What we've seen thus far is that imports to the Port of Los Angeles are virtually even with what they were last year. And exports have declined marginally, just a little bit less than 2%. The area of increase has been on the empty containers that are being repositioned back to Asia, and we have taken a precipitous hit on cargo that moves through our gateway to China." More than half of POLA's business is with China, he noted.

The shipment of empty containers overseas increased 11.7% through the Port of Long Beach in May, and 20% through POLA, according to statistics released by the ports. With an imbalance of more imports to fewer exports, increasing numbers of containers are sent back overseas to be refilled with more imports, Seroka explained.

Seroka said that the cost of tariffs has been passed on to American companies. "Therefore those companies are absorbing some of this increased taxation, which has an impact on jobs, investments and outlook as to how they are going to manage their businesses and to use their supply chains," he said.

Beyond the trade dispute with China, Cordero noted that strong economic factors domestically also play into the outlook. "There has been up to this point a strong consumer demand," he said.

The inventory-to-sales ratio for retailers is at its highest point since the days prior to the recession, Seroka noted. This is because retailers placed orders in advance of tariff implementations to try to save money, and those goods are now sitting in regional warehouses, he explained. "We have warehouses that are bursting at the seams," he said.

While the tariffs are not within the ports' control, both port authorities are focusing on what is: namely, improving their infrastructure and operational efficiency. Both ports are investing in technologies to improve supply chain visibility and efficiency, as well as capital improvement projects to upgrade facilities.

The construction of the Gerald Desmond Bridge replacement, which will accommodate more vehicular traffic and the passage of larger ships beneath it, is on track to be complete in Spring 2020, according to Cordero. While it was originally scheduled to open in late 2019 or the first quarter of 2020, an unusually wet rainy season delayed progress, he explained. The completion of the Middle Harbor Redevelopment Project, which is transforming Long Beach Container Terminal into a fully-automated, zero-emission facility, is scheduled for completion in 2021. The port is also planning extensive additions to its on-dock rail capacity.

Orient Overseas Carrier Line's (OOCL) is selling Long Beach Contain-

er Terminal to Macquarie Infrastructure and Real Assets, an international asset fund. OOCL's parent company was required to divest the asset when it was bought out by COSCO Shipping. According to Cordero, the deal is still going through an approval process with the federal government. He expects it to be completed within two months.

At the Port of Los Angeles, "There is some exciting work happening today at Evergreen [Container Terminal] as well as several of our other facilities including furtherance of our on-dock rail project," Seroka said. "We also in January implemented Version 1 of the General Electric Port Optimizer, and now, with the participation of the liner shipping companies and terminal operators, we have 95% of all the import cargo covered within this port community system."

The General Electric Port Optimizer allows supply chain stakeholders to track the shipment of goods through POLA as it passes to various entities such as trucking companies and rail lines. Seroka said the program is the first of its kind in the United States. Cordero said the Port of Long Beach is considering implementing similar technology.

"For the Port of Long Beach, we are going to continue with our plan of action in terms of the priority of operational excellence, which includes taking a second look at vacant land that we have . . . which we can use to either enhance our revenue and/or for logistic purposes," Cordero said.

California ports may be up for a challenge if any of their terminal operators wish to implement automated technology – Assembly Bill 1321, which is currently making its way through the state legislature, would require State Lands Commission approval of any such changes. To approve automation, the commission would have to find that it would "provide a safe working environment and not cause critical damage to the state economy or to the economies of surrounding local communities, as specified." The bill is currently going through committee readings in the state senate following passage in the assembly.

At the Port of Los Angeles, the approval of a coastal development permit in June that would pave the way for automation at APM Terminal led to public protests by the International Longshore and Warehousing Union (ILWU), which represents West Coast dock workers. "The company announced over 18 months ago that they wanted to put into works semi-automated machinery that would not require ILWU labor to operate. And since then there have been ongoing discussions," Seroka said on the subject. "Technology improvements are all around us, including in our port industry. But technology advancements should not leave the working people behind. And that's what we're trying to solve for today."

McLaurin noted that terminals in both ports employ automation. "It sounds like this is going to be an ongoing issue and struggle between the union and the trade community," he said. ■

Energy Producers Disagree On Potential Effects Of State Focus On Renewables

■ By **ALENA MASCHKE**
Staff Writer

As California continues to pursue ambitious goals for greenhouse gas emissions, local power producers voice diverging perspectives on the effect the corresponding state and local efforts are likely to have on the energy sector in the Long Beach area.

“The energy sector will remain challenging in the Long Beach area,” AES Southland Director of Generation Weikko Wirta told the Business Journal. “As an influx of rooftop solar continues, the belly of the infamous duck curve will continue to be more depressed, and the late afternoon ramp rates will continue to be more pronounced.” The “duck curve” describes the incongruence between the time of day when alternative sources of energy, especially solar power generators, are most productive – during the day – and the times of peak demand on the power grid, which occur in the early morning and evening.

“This will require flexible, fast ramping generation or energy storage resources to meet this demand,” Wirta concluded. Utilities can help counter the timing imbalance between alternative power production and peak power demand by providing consumers with incentives to modify their power usage, he noted. “Load flexibility – changing energy use timing to support the grid – provides customers [with] cost benefits while reducing pressure on the electrical grid [and] is almost as important as energy conservation measures,” Wirta explained.

As more Californians transition to

electric vehicles, vehicle-to-grid technology provides another opportunity to even out the imbalance, Wirta pointed out. This technology, which is currently being piloted in programs across the world, including on the small island nation of Barbados and on the Portuguese island of Porto Santo, enables electric vehicles to return unused energy to the grid while stationary.

For those who still rely on gas and diesel-powered vehicles, Robert Grundstrom, leader for the L.A. Basin at the California Resources Corporation, paints an uncertain picture. “Oil prices are particularly sensitive to supply disruptions and concerns over global energy security. Recent attacks in the Middle East on oil supertankers have driven global oil prices higher,” Grundstrom told the Business Journal. “An escalation in these incidents or a more significant supply disruption could dramatically impact prices that Californians pay at the pump.”

Fuel prices in the Los Angeles area shot up significantly from the end of March to early May, reaching a peak average of over \$4 per gallon, but appeared unaffected by the recent attacks on oil tankers in the Strait of Hormuz in late June, when the average price dropped to \$3.7 per gallon.

Overall, Grundstrom voiced concerns over the future of California’s energy supply and the cost associated with it. “Californians send \$32 billion per year out of state to buy oil from Saudi

Arabia, Iraq, Kuwait, and other states and foreign countries. The local energy sector should retain more of that market, investing those resources back in California,” Grundstrom argued. “Unfortunately, activist groups have proposed regressive energy policies aimed at limiting local oil and gas production which threaten our energy security, local government revenues and working Californians,” he added. “Further restricting local energy operations would simply increase our reliance on imports from places that do not apply California’s leading safety, labor, human rights and environmental standards.”

Grundstrom cautioned against a single-minded focus on renewable energy and advocated for continued and renewed investment in oil and gas production instead. “Through our unique THUMS and Tidelands production-sharing agreements, the City of Long Beach and the State benefit directly from every barrel of oil produced here,” Grundstrom said.

“This sustainable, affordable and reliable energy source will remain a key economic engine for Long Beach.”

While recognizing the challenges associated with shutting down traditional power plants, such as the closure of three gas-powered plants announced by Los Angeles Mayor Eric Garcetti in February, Wirta shared a more optimistic outlook on the potential of alternative energy in the region. “The state’s focus on appliance and building efficiency standards will help drive conservation goals,” he said.

In addition to federal efficiency standards, the California Energy Commission sets state-wide standards for the efficiency of electrical appliances, such as refrigerators or ceiling fans, and new buildings. “We will see a continued increase in the areas of renewable generation, a reduced number of gas and diesel vehicles and a significant number of electric vehicles of all types hitting the roads,” Wirta said. ■



On June 27, AES broke ground on the battery storage unit at the site of the new Alamitos Energy Center. Pictured from left: Nicholas Cabeza, field representative for Assemblymember Patrick O’Donnell; Gus Flores, principal manager of origination for Southern California Edison; Ken Zagzebski, president of AES Southland Energy; 3rd District Councilmember Suzie Price; Manuel Pérez Dubuc, senior vice president of global new energy solutions for The AES Corporation; Long Beach Fire Chief Xavier Espino; and John Zahurancik, chief operation officer of Fluence. (Photograph by Brandon Richardson.)

Navigating a Business Loan: Know the Five C’s of Credit

As a consumer, it’s easy to understand the importance of an excellent credit score should you wish to obtain a loan. As a business owner, however, navigating the world of credit and lending can be much more extensive. In business, especially in a privately-held or family-owned business where the owner or owners are filling many roles, a close, working relationship with a local bank can be essential to a business’ long-term success.

“Even if you don’t have a great borrowing need now, it’s still a good idea to establish a solid working relationship with a trusted bank,” explained Maria Hunter, First Bank’s Relationship Manager. “In doing so, you will have already established some good will with the bank, allowing the banker to gain general knowledge of your business. Plus, you’ll already have a proven track record with your bank before ever even applying for a loan.”

Applying for the Loan. The process of applying for a business loan starts before ever entering the bank. Bob Sullivan, First Bank’s tenured Senior Regional Credit Officer, commented that it’s essential to work with a reputable Certified Public Accountant (CPA) to help you prepare accurate, current financial information. To help ensure a successful lending meeting, gather the following information to bring:

- Three Years CPA-Prepared Financial Statements.
- Interim Financial Statement (F/S) within 60 Days.
- A/R and A/P Agings to match interim F/S.
- Business Debt Schedule and Projections.
- Business History, Industry Background, and Management Resume(s).
- Personal Financial Statement for each owner with greater than 20% ownership.
- Personal Tax Returns for the last three years.

“Remember, the more accurate and complete information you bring to the lender,” Sullivan said, “the higher probability you and your business will be considered creditworthy and have access to the funds it needs.” Many borrowers may not realize that most reputable lenders use standards in which to prudently evaluate potential borrowers. They’re considered the “Five C’s of Credit,” including Capacity, Collateral, Character, Capital, and Conditions.

Capacity—Your capacity to re-pay the loan is an extremely important part of the five “C’s”. In fact, Sullivan said, “A company’s sustainable, identifiable cash-flow is the most important part of the five C’s in credit.” In an effort to manage their own business risks, a bank’s credit department will need to verify the creditworthiness of the business owner or owners. “As the saying goes,” said Hunter, “Cash flow is king. That same holds true for borrowing. The bank wants to know if the business has the proven ability to re-pay the terms of the loan with proper cash flow.”



Collateral—Collateral is defined by Merriam-Webster as a property (such as

securities) pledged by a borrower to protect the interests of the lender. Collateral is considered the secondary source of repayment on a loan. Meaning, this is how banks will get paid if the main source of repayment, or the capacity, becomes inadequate.

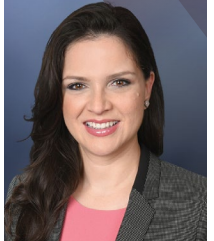
Character—Character is one of the most important aspects of the five C’s of credit to family-owned and privately-held businesses. “Character is key for family-owned and privately-held businesses,” explained Hunter. “This is because of the multi-generational nature of family-owned businesses. They want to uphold the values that were passed down to them or that they’ll hand over to the next generation. The owners are essentially the people behind the business.”

Sullivan explained, “At First Bank, we’ll go the extra mile to ensure we understand the numbers and the character of the people behind the numbers. To further support family-owned and privately-held businesses, we approach our lending with a long-term relationship mindset and not just as a single transaction.” Hunter added, “Having a working relationship established with a commercial loan officer that has the experience within their organization to advocate for you can have a large impact.”

Capital—Capital, or one’s assets, is considered a representation of the credit worthiness of the borrower. Capital is a form of equity investment into the company. “Again, lenders want to know that the borrower has some “skin in the game” and is committed to the long-term success of the business,” said Hunter. “Banks are not angel investors in a business, but rather long-term partners.”

Conditions—The conditions of the economy and competitive landscape are also part of the equation. Banks take into consideration any outside support as well as the volatility and profitability of the industry. “In the past, I’ve had prospective borrowers unable to continue their business due to the impact of federal regulations and labeling standards set forth to their specific industry at that time,” she said. “What’s going on within a prospective borrowers’ industry is also part of the consideration for lending.”

It’s important to stay in contact with your banker, keep him or her informed of any changes to your situation, and, of course, to remain honest and upfront. With First Bank’s flat structuring and localized decision-making, rest assured you’ll not only receive prompt service but also direct access to the ones making the decisions. As always, First Bank’s team of trusted advisors is available to help guide you through the lending process.



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As Hospitals Expand And Invest, Reimbursements And Seismic Retrofits Remain Challenges

■ By **SAMANTHA MEHLINGER**

Editor



Scheduled to break ground in late July, a new outpatient children's center at Miller Children's & Women's Hospital will consolidate specialty care services for easier patient access. (Rendering courtesy of MemorialCare Miller Children's & Women's Hospital.)

Hospitals in the Greater Long Beach area employ thousands of health care workers in the area, serving as central hubs for the industry. Through the end of 2019, top hospital executives feel the economic outlook for the health care industry is favorable, noting that they continue to invest in facility expansions and new programs. However, ongoing challenges are associated with care reimbursement, future compliance with state seismic requirements and labor negotiations.

John Bishop, president and CEO of two MemorialCare Health System hospitals in Long Beach – Long Beach Medical Center and Miller Children's and Women's Hospital – said that the outlook through 2019 is positive. "We're farther along than many of our peers with respect to population health, and we have set up the infrastructure to do what we really think is right, which is to keep patients out of the hospital and not be financially rewarded when people are sick," Bishop said. "We're investing in ambulatory surgery centers, free-standing imaging and primary care in a way that will enable us to practice not only preventive medicine, but to enable patients to have lower cost procedures in a more convenient venue with greater access."

At the end of July, Miller Children's is breaking ground on a new four-story outpatient center for children, the Chereise Mari Lauhere Children's Village, where pediatric patients will be able to consult with multiple specialists in one place. "It has a lot of benefits because our children's outpatient specialty clinics right now are effectively decen-

tralized," Bishop said. "It enables better communication for our physicians because many of these kids are very sick and need to see multiple specialists. Rather than driving from office to office, they can have one hand-off between physicians."

MemorialCare also continues to invest in new equipment at its Long Beach hospitals, including surgical robots. "We have a DaVinci robot that does general surgery and cardiac procedures. We have a Mako robot that does orthopedic procedures like knee replacements. And we just purchased an Excelsius robot that enabled us to do shoulder procedures," Bishop noted.

Dignity Health St. Mary Medical Center, located on the outskirts of Downtown Long Beach, is also investing in robotic surgery and other services. The hospital is working to become recognized by the state as a comprehensive stroke center, and recently launched a "hospitalist program" to provide 24/7 care to admitted patients, which "provides a favorable impact on a patient's length of stay and quality outcomes . . . [and] enhances existing services provided by our physician partners," according to hospital President and CEO Carolyn Caldwell.

Located adjacent to North Long Beach in the City of Lakewood, Lakewood Regional Medical Center is also investing in expanding its services. "We're working on beefing up our neurosciences program [and] moving to a higher accreditation level for our stroke program," CEO John Grah said. "We are

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(Continued from Page 22)

[also] working on some activities to further enhance our cardiac services.”

In general, Grah said the hospital is doing fairly well, but faces some challenges due to last year’s closure of Community Hospital in East Long Beach. In part because of that closure, “We just keep seeing growth in our business and activities,” he said. “High demand, and continued physician shortages of primary physicians have people using the hospital for health care.”

According to Grah, the area within a five-mile radius of Lakewood Regional is about 600 to 700 physicians short per thousand residents. “And I would think in the Greater Long Beach area we’re probably over 1,200 to 1,500 physicians short of what would be ideal,” he said, noting that the lack of access to primary care leads people to use emergency rooms for that care.

“Hospitals are becoming, more and more, [part of everyday health care], not just a health care safety net; but we’ve turned into a kind of social safety net in [many] regards,” Grah said. He cited California Senate Bill (SB) 1152, which passed last year and implemented new rules for how hospitals must discharge homeless patients, as an example. The bill requires hospitals to make arrangements for the care of homeless patients once they exit their doors. “It is adding some pretty significant cost, and there is no reimbursement there,” he said. Grah expects SB 1152 to cost Lakewood Regional Medical Center as much as \$750,000 annually.

Bishop also cited reimbursements as an issue. “Reimbursement continues to not go up as quickly from an inflationary perspective as expenses,” he said. “So that forces us every year to have to become more efficient and have initiatives that enable us to effectively offset that inflation expense. So we need to have about \$20 million in operating improvements every year just to stay in place from a bottom-line perspective.” He explained, “The root of it is that governmental reimbursement, and by that I mean Medicare and Medicaid and Medi-Cal, don’t give inflationary increases that keep up with expense increases.”

Both Long Beach Medical Center (LMBC) and St. Mary Medical Center have experienced some labor upsets in recent months. As reported by the Press-Telegram, physicians who work on contract with St. Mary took a vote of no confidence in Caldwell in May after a dispute regarding contracts with anesthesiology providers.

“Physicians are not employed by the hospital, instead they are independent practitioners,” Caldwell told the Business Journal via e-mail. “St. Mary has contracts with medical groups to provide certain services. It is a standard hospital procedure to review contracts to ensure the best services are being provided to our community. We respect the confidentiality of the contracting process and look forward to working with our physician partners to continue

to deliver high-quality compassionate care in a safe environment.”

On June 24, nurses began picketing outside LBMC to inform the public about ongoing contract negotiations with the hospital, which began in January. In a press release, the California Nurses Association indicated that picketers were seeking to ensure the hospital complies with required nurse staffing levels, that it provides competitive wages and that nurses have whistle-blower protections.

“Unfortunately, we simply haven’t made the progress that we had hoped to make because the union has not been willing to make progress,” Bishop said of contract negotiations with the nurses. “They have not been willing to meet with us regularly enough and have not put meaningful offers on the table. . . . We haven’t even begun speaking about economics yet, so it seems preliminary at best that they are doing a picket, but we respect their right to do that.”

Another looming uncertainty for local hospitals, though a way off, is the challenge of meeting state-imposed seismic safety requirements. “We have done the necessary work to keep the entire facility open through 2030, and we are currently working with OSHPD [Office of Statewide Health Planning and Development] to identify if there is a way to keep the main tower beyond 2030,” Bishop said. “All of our other buildings we’re



After six months of failed contract negotiations, nurses at MemorialCare Long Beach Medical Center and Miller Children’s & Women’s Hospital Long Beach held an “informational picket” and rally along Atlantic Avenue in front of the hospital campus on June 24. (Photograph by Brandon Richardson.)

able to keep beyond 2030, so there is the potential that we would have to rebuild the main tower. And we have been planning and saving for that replacement if we ever get to that point.”

One of the biggest factors in the outlook for the local health care industry is when Community Hospital will re-open its doors. The hospital closed in July 2018 after its former operator, MemorialCare, determined it would be too costly to retrofit it. But this March, the

city reached an interim agreement with Molina Wu Network to take over operations of the hospital, with the city contributing \$25 million over 15 years toward the cost to bring the hospital up to seismic standards. John Molina, partner in MWN, declined to be interviewed regarding the re-opening of the hospital, but Assistant City Manager Tom Modica told the Business Journal that he expected to reach a permanent agreement with the firm within two months. ■



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Experts Say Technology Brings ‘New Benefits And New Peril’ To Financial Services

By **ALENA MASCHKE**
Staff Writer



Kris Allen, area manager at the FirstBank Bixby Knolls branch, said low interest rates are the primary headwind faced by banks and other lenders at the moment. In turn, he noted, economic growth has spurred an increased need for financial services. (Photograph by Brandon Richardson.)

Experts across the financial services industry expect no significant changes to the financial sector as well as the overall economy for the upcoming six months, despite growing public concerns over a looming economic downturn. “Short-term, for the balance of 2019, it will be steady-as-she-goes,” W. Henry Walker, president of Farmers & Merchants Bank, told the Business Journal.

Business as usual also means continued challenges to the profitability of banking posed by government regulation of the industry, rising employment costs and expensive technology upgrades, according to Walker. Paired with low interest rates, he noted, these factors will continue to put a damper on the industry’s profitability.

“Banking has suffered considerably since the Great Recession from a compressed net-interest margin. It appears as though, with the current forecast, we will not see interest rates going up,” Walker said, noting that low interest rates had a compressing effect on profit margins. “Margin compression, I think, will be a part of banking as a whole for the foreseeable future.”

Walker also noted that government regulation on record-keeping, reporting and analysis of financial transactions has not eased under the current administration. “We spend an enormous amount of dollars being the policeman for the government,” he noted. Regulatory requirements increase the need for new internal technology, which comes at a cost. “Internal and customer-facing technology is

very expensive,” Walker said.

Yet, customer-facing technology has become an integral part of the equation for banks seeking to grow their client base. “People use cash less and less,” Walker noted. Customer services, including access to convenient technology, has emerged as the main opportunity for growth among regional and community banks in their race against national competitors, Walker explained.

“The regionals and community banks work diligently on providing great customer service and knowing the customer. And there’s a large segment of the affluent population that wants a true banking relationship and wants to be known by their bank,” Walker said. “That is a segment that is being separated at the larger banks and is an opportunity for regional and community banks.”

Kris Allen, area manager at the FirstBank branch in Bixby Knolls, agreed. “A big opportunity for [the] financial services industry lies in providing comprehensive or 360-degree services to clients,” Allen said. “Meaning, for institutions to become a true partner to clients in all things financial.” With this proposal for more comprehensive customer service, Allen also touched on another trend identified by several industry experts: consolidation. “So instead of having different providers do banking and lending, and wealth management, and insurance, and trust, and treasury, etc. – you have one institution who can provide it all,” he explained.

Allen also noted the dual role techno-

logical advances have played for the industry. “We know the rapid advances in technology and process innovation will continue to have an impact on our industry in this second half of the year and well into the future,” he said. “This is both exciting and challenging, offering both new benefits and new perils.”

While technology can enhance the customer experience, it also provides additional opportunities for fraud and identity theft, a growing concern for the financial services industry, according to LBS Financial Credit Union President and CEO Jeff Napper. “Identity theft is on the rise, no doubt as a result of the continuous and nationwide data breaches we have all seen over the past few years affecting millions of consumers,” Napper told the Business Journal.

Like most financial institutions, the credit union recently transitioned to a chip-based credit and debit card system to mitigate the risk of digital transactions. The effort has shown results, Napper noted, with card fraud losses dropping by over 50% in just one year. “But we anticipate the fraudsters will not give up, and we all need to be vigilant about protecting our personal financial information.”

Serving the area for 83 years, LBS Financial is the largest credit union to be founded in Long Beach, with 137,000 members and \$1.5 billion in total assets, according to Napper. Overall, the credit union has done well in the first half of 2019, he stated. “Rates for deposits and especially for certificates of deposit are

much higher than they were a year ago,” he said. “The financial services industry has benefited [from] having a near-record economic expansion cycle in U.S. history.” While noting that loan growth has softened in 2019 and auto loan growth has declined from the prior year, Napper said “very few delinquencies and losses [have demonstrated] that consumers at present are able to generally handle their debt obligations.”

Blake Christian, of accounting firm Holthouse Carlin & Van Trigt LLP, said he expects overall economic conditions to remain positive for the industry. “I think we still have the economic underpinning for more growth in the economy, and this will bode well for the financial services sector,” Christian said. “Absent some global conflict or significant stock market correction, I do not see any major change.”

In his practice, Christian noted, one of the “most explosive areas of growth” has been advising clients on the relatively new Opportunity Zone program, which allows taxpayers to invest in a Qualified Opportunity Fund (QOF) in exchange for capital gains tax incentives. The QOF, in turn, is designed to invest in one of 8,700 designated census tracts throughout the U.S. “This is creating real estate projects in Long Beach and most other cities, and new businesses are looking at the Opportunity Zones as great places to start or expand businesses – thereby spurring real estate sales, generating construction activity, increasing loan activity, and increasing job growth,” he explained.

Overall, Christian noted an increased demand for financial services from both individuals and businesses. “There is a healthy entrepreneurial segment in the economy and that is helping drive business-to-business activity as well as employment,” he said.

Trent Bryson, CEO of the Long Beach-based financial consulting firm Bryson Financial, noted that private equity investment will have a significant impact on the financial services sector. “We will see a continued influx of capital plugged into the industry,” Bryson said about efforts by private equity firms to buy up companies with various levels of earning potential. “While long term I think the valuations are unsustainable, they are creating an opportunity for companies to sell unlike we have ever seen.”

Locally, however, he warned of the effects of regulation on private business, while noting the opportunities business relocations offer to the financial services industry. “The biggest challenges we see are hyperlocal to California, with continued laws being passed that are anti-business,” Bryson said. “As companies continue to get chased out of California by politicians, it will be important for financial services companies to understand clients’ needs in the new markets they are moving into.”

For his industry, Bryson projected a continued tailwind, while noting that consolidation is likely to continue. “We expect the financial services industry to remain strong for the rest of the year,” he said. ■

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Local Retailers Cite Tariffs As Dark Cloud Over Otherwise Healthy Industry

■ By **ALENA MASCHKE**
Staff Writer



Tokyo Guild, a restaurant serving Japanese comfort food, recently opened on Atlantic Avenue in Bixby Knolls. General Manager Val Lee told the Business Journal what made the neighborhood especially attractive was its “up-and-coming” feel. (Photograph by Brandon Richardson.)

Experts on the local and national retail market have voiced concerns over the impact of tariffs on the construction of new retail spaces and the price of consumer goods. This, they say, is putting additional pressure on an industry already affected by rising labor costs.

“To this point, the industry has largely been working to internalize the impact of tariffs, but given the potential of further increases, companies will need to develop more clear strategies for pricing changes and sourcing strategies to ensure profitability meets their goals,” Chris Randall, managing director at L.E.K. Consulting, told the Business Journal.

Tariffs on steel and other materials used for the construction of new retail spaces have slowed down delivery timeframes of those materials and have increased the cost of creating new retail centers, Burnham USA Equities Executive Vice President Stephen Thorp noted. “It’s an impact we’re all seeing in the construction world,” Thorp said. Burnham USA Equities, Inc. and Burnham-Ward Properties LLC, where Thorp is a partner, are the developers behind the new Long Beach Exchange retail center.

Especially in the short term, retailers will have to anticipate impacts from current trade tensions and “geopolitical posturing,” said Tony Shooshani, managing member of Shooshani Developers and owner of The Streets retail center in Downtown Long Beach. “The key will be maintaining consumer confidence

while going into the back-to-school season, the holidays, the new election cycle,” Shooshani said.

Beyond tariffs, Randall noted, retailers would be well advised to take stock of the successes from promotional activity. “It is critical retailers invest to understand [which] promotions drive real, incremental profit lift and which are just eroding the bottom line,” he explained.

In the long term, the cost of labor along with related benefits will continue to impact profit margins for retailers, Thorp said. In addition to other factors, such as tariffs, labor costs are likely to make it less attractive for retailers to open additional locations, he noted. “Overall, [retail] tenants are slower to pull the trigger on opening new locations, due to the unknowns created by these varying elements,” Thorp explained.

The most successful endeavors, according to Thorp and other local experts, are those that create an experience for the customer, rather than just a space for transactions. “The true opportunity lies within creating new and exciting environments for the community to shop, eat, play,” he pointed out.

Blair Cohn, executive director of the Bixby Knolls Business Improvement Association, agreed, adding that the opportunity for real life experiences is what sets brick-and-mortar retailers apart from their online competitors. “As easy and convenient [as] it is to have Amazon.com on your computer

screen and click away, ordering everything you can imagine, that does not compare with the human experience of touch, taste, smell of being in a shop and actually interacting with a human being proprietor,” Cohn said.

In an effort to encourage the community to seek out those real-life experiences in retail, the association hosts regular events showcasing local retail offerings. “We remind our locals that they must also invest in the health and vitality of the business corridors,” Cohn said. “This is a course we will continue on.” To support those efforts, Cohn said, it is crucial for small businesses to be social media savvy and engage with their customers in the digital sphere.

In Belmont Shore, many businesses are already using their digital opportunities, with notable success, according to Dede Rossi, executive director of the Belmont Shore Business Association. “Our smaller businesses do well. They’ve been here 20, 25 years,” Rossi said. “They have their clientele, they work their social media, a lot of them have an online presence.”

It’s big, corporate retailers, like the recently closed White House Black Market store, that are leaving the area, said Rossi. With several retail spaces in the neighborhood’s main shopping district, 2nd Street, inhabited by retail chains like GAP and Banana Republic, Rossi is foreseeing change in the area’s retail profile as their leases come up. The chal-

lenge, she noted, will be repurposing those large spaces for a different use.

For example, she pointed out, “you can’t turn retail into a restaurant, not with the parking restrictions. You can only put a restaurant where a restaurant was.” But still, Rossi said, she’s not worried. “I know that we’ll be fine,” she said. “We will always be a mix of retail, services and restaurants.”

A lack of available parking has been the main factor impeding an otherwise successful cluster of retailers at Shoreline Village, General Manager Debra Fixen noted. “We are hoping that the local car culture will shift,” Fixen said. “There are other choices than park and drive.” Fixen pointed out the positive impact of increased housing options in close distance to the waterfront shopping center and the growing popularity of bikeshare and scooter programs. “If this trend continues, Shoreline Village should have its sixth year in a positive growth curve,” she said.

Shooshani also pointed to the boom of residential development in Downtown Long Beach as a driving force for growth in the local retail sector. “There are a number of new residential projects opening soon in the downtown area that will create more density and population growth, that will require increased services and goods,” Shooshani explained. “New and existing retailers are well-positioned to meet the needs of these new groups of consumers.” ■



The Belmont Shore Business Association’s executive director, Dede Rossi, said she’s not concerned about the impact of the new 2nd & PCH shopping center currently under construction. “I know that we’ll be fine,” she said. (Photograph by Brandon Richardson.)

Southern California Aviation/Aerospace Entities Tout Economic Growth For Rest Of 2019

■ By DENNY CRISTALES
Staff Writer

Long Beach Airport

Claudia Lewis, interim director of Long Beach Airport, said airline traffic is projected to hit 3.6 million passengers this year, up from the airport's average of 3.1 million over the past 10 years, but below last year's record high of nearly 4 million.

Lewis attributed the forecasted decrease in airline traffic to JetBlue Airways' underutilization of supplemental flight slots, but said the numbers will go back in 2020 when the slots are permanently reallocated and accounted for in the full calendar year. Long Beach Airport recently released airline traffic data for May 2019 that showed an 11.7% decrease compared to May 2018.

Cargo traffic is also expected to increase, Lewis said. Projected 2019 cargo landings are expected to total 532, compared to last year's 530, and cargo weight is expected to reach 22,897 tons, up from last year's 21,635 tons. In the airport's recent report, May 2019 numbers were up by 2.8% compared to May 2018.

Lewis' short-term priorities for the airport involve a smooth transition to new director Cynthia Guidry, who begins work on July 29. Long-term developments include the Phase II Terminal Area Improvements project, which includes a new ticketing facility, baggage claim area and pre-security concessions. It is scheduled for completion in 2021.

Aeroplex/Aerolease

Curt Castagna, president and CEO of Aeroplex/Aerolease Group, said business aviation firms continue to excel nationally. His group's focus for the second half of 2019 is set on developments at Van Nuys Airport and out-of-state facilities to promote economic growth and sustainability efforts.

Part of the firm's priorities for sustainability programs involve utilizing solar power and alternative jet fuel. Castagna said Aeroplex/Aerolease has led sustainability efforts in Van Nuys, where the Los Angeles Department of Water and Power provides "great incentives for such a private-public partnership."

Castagna said the redevelopment of airport-adjacent Douglas Park and, eventually, the defunct Boeing C-17 manufacturing facilities will provide a welcome and "continued evolution of the Long Beach economic base." He added, "[They will] bring a new corporate presence that will result in business-aircraft operations for those pri-

vate equity and Fortune 500 operators who use business aircrafts and will wish to utilize Long Beach Airport."

Boeing

On June 17, at the Paris Air Show in France, Boeing officials released the company's market outlook, indicating that the international aerospace and defense market will be valued at \$8.7 trillion over the next decade, up from last year's projections of \$8.1 trillion.

Boeing's Commercial Market Outlook also projected that commercial airplane fleets worldwide will be able to sustain a high need for aviation services. The global airplane market is currently valued at \$9.1 trillion. If strong demand continues, Boeing officials said the total commercial market opportunity can reach an estimated amount of \$16 trillion through 2038.

Rudy Duran, site manager at Boeing, said this projected growth will spur high demand for talent in Southern California, since the need for manufacturing will increase. "We are aggressively pursuing new hires across the board to meet not only needs for 2019, but beyond, as well," Duran said. "Overall, Boeing in Long Beach is an active, very busy location."

Duran said the Boeing teams in Long Beach and Southern California also support engineering design work and provide global customer support and services for airline customers.

Gulfstream

Home to nearly 900 employees, the Gulfstream Aerospace Corporation's site at Long Beach Airport anchors the company's West Coast operations, according to Thomas Anderson, vice president and general manager of Gulfstream Long Beach.

In 2018, the site added nearly 100 employees, many of whom were hired to eventually be transferred to Gulfstream Van Nuys, which is scheduled to begin operations in the third quarter of 2019. Anderson said the goal is to maintain work progress in Long Beach while preparing the soon-to-open location in Van Nuys.

Anderson said Gulfstream Long Beach also provides mobile response technicians to Van Nuys Airport and Hayward Executive Airport in their respective locations of Southern and Northern California, in addition to Seattle's Boeing Field. These technicians make up the field and airborne support teams for those areas.

While Gulfstream Van Nuys will focus on typical aircraft maintenance, Gulfstream Long Beach will handle

"more involved" support. The Long Beach site includes a sales and design center and completion area, focusing on exterior painting and interior installation work, for the corporation's flagship aircraft, the Gulfstream 650ER and the Gulfstream G650.

"Gulfstream Long Beach is also the home of a service center and supports all in-service Gulfstream aircraft, which number more than 2,750 worldwide," Anderson said. "In May, the site began regular sales of sustainable alternative fuel to operators who bring their aircraft in for service."

Anderson said the aircraft company is focused on continuing the success of the Gulfstream G500 – which entered service in September 2018 – and the certification of its sister ship, the Gulfstream G600.

Hawaiian Airlines

Brent Overbeek, senior vice president of Hawaiian Airlines, said com-

munity response to the implementation of direct flights from Long Beach to Honolulu on June 1, 2018, has been positive. Overbeek said the airline has flown 100,000 passengers since it began its non-stop service between Long Beach and Honolulu.

"Our load factors have been in the low 80% [range] during our first year, and we are encouraged by increased demand leading up to the start of the summer season and beyond as more travelers become aware of our service," Overbeek said. Load factors indicate an airline's average passenger occupancy.

Hawaiian Airlines' main priority is to expand its service between Hawaii and the U.S. mainland and other international locations by the end of 2020, Overbeek said. "We recently announced our intention to launch new service between Fukuoka in Japan and Honolulu starting in November, ex-

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Long Beach area airlines and fixed-base operators indicated that economic development will thrive for the rest of 2019, with efforts being placed on sustainable energy and site expansions. (Photograph by Brandon Richardson.)

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panded service between San Francisco and Honolulu starting in October and received approval to operate additional service between Haneda [Tokyo] and Honolulu – which we plan to begin next spring.”

Ross Aviation

Greg McQueary, general manager of Ross Aviation, said business has fared well, specifying that fuel uplift – the amount of fuel transferred from trucks or tanks to aircrafts – has increased by 28% compared to this time last year.

“Fuel prices have become volatile over the last month due to issues with refineries,” said McQueary, who said the problems included issues like fires and loading-dock issues. However, he said Ross Aviation is working with its suppliers to mitigate the issues and keep fuel prices stable.

Ross Aviation’s focus for the rest of year will be on capital investments and infrastructure developments, specifically work on a new hangar. “[We’re] improving our leasehold by demolishing some of the oldest hangars on the airfield and replacing them with one larger hangar,” he said. “By investing in the new hangar, we will create a better image for the area, but also expand the available space private and corporate aircrafts have to park at the Long Beach Airport.

McQueary projected an increase in sales of fuel and rented space at the airport, but could not provide an exact projection or timeline for the hangar project by press time.

Southwest Airlines

Southwest Airlines is expected to continue its business expansion at Long Beach Airport after garnering additional flight slots earlier this year,

said Adam Decaire, Southwest Airlines’ vice president of network planning. The airline offers 16 departures a day to five cities out of Long Beach Airport, per a fact sheet emailed to the Business Journal.

According to Brad Hawkins, South-

west’s senior advisor of communications, the airline has published a Long Beach and systemwide flight schedule through early January, but is not able to discuss projected numbers of passengers carried or future pricing. However, Decaire did express optimism for

the airline’s business.

“We’re grateful for the successes our Southern California customers have facilitated at Long Beach Airport, allowing us to grow the amount of foundational service through additional slots,” Decaire said. ■



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Real Estate Outlook Is ‘Steady’ Heading Into 2020, Experts Say

■ By DENNY CRISTALES
Staff Writer



Exterior finishes are underway at Pacific Pointe Northwest, the final major development at Douglas Park by Sares-Regis Group. With four buildings totaling approximately 390,000 square feet, construction is expected to be fully complete by October. The first building is slated for completion this month. (Photograph by Brandon Richardson.)

Claudia Lewis, interim director of LoSouthern California real estate experts told the Business Journal in June that they forecast a strong and steady market heading into the end of 2019, although there could be a slight decrease in single-family home sales.

Multi-Family Market

Kevin King, senior managing director of investments at Marcus & Millichap, said Long Beach’s multi-family market will see historically low interest rates. “Buyers will remain enthusiastic,” he said. “Many sellers are considering coming to the market, as they see changes on the horizon that will affect how they operate their properties.”

Factors that could impact the market include tenant relocation fees, which are now required in Long Beach to be paid to tenants if a rent increase of 10% or more is given and the tenant elects to move out as a result, King said. It would also be required if a landlord wanted to take possession of the unit for the purposes of upgrading it. Tenant-relocation fees may cause sellers to re-evaluate their hold periods, he said.

“That said, buyers remain bullish on the market and velocity remains healthy,” he said. “Multi-family remains the strongest sector due to the high demand for housing.”

The looming potential passage of Assembly Bill 1482, a statewide rent-control initiative that would prevent landlords from raising rents more than 5% a year after inflation,

could pose significant changes to the multi-family market, King added. The bill is set for its first committee hearing on July 9.

Single-Family Market

Jordan Levine, deputy chief economist for the California Association of Realtors, forecasted that sales for single-family properties would slightly decrease in the Long Beach region. “This year, we have a mid-single-digit decline in Southern California, and that’s because we’re starting to get to the point where affordability is becoming a bigger crunch,” he said. “We have some reluctance on the part of buyers, and I think that both of those are putting themselves together to reduce home sales and a bit softer growth in prices, as well.”

Levine said the rate for a 30-year fixed-rate mortgage has dipped to below 4%, compared to 5% in November 2018. In analyzing the single-family market, Levine said experts with the California Association of Realtors focus on the number of homes sold and look at how that trend affects prices.

Levine said changes in tax reform have played a role in the economic outlook of single-family real estate. Increases in standard deduction rates, which allows a fixed amount of income to not be subjected to tax, have made the market more challenging, he said.

A standard married couple, for instance, has a \$24,400 deduction, a tax advantage that is granted to them re-

gardless if they rent or own a home. “I do think that is playing a role in reducing demand at the entry level,” he said. “That has diminished the incentive to become a homeowner.”

Levine also emphasized the top end of the market is experiencing a slower pace of sales than it did this time last year. He said part of the slowdown has to do with the current cap on the amount of mortgage interest that homeowners might be able to deduct.

“It’s less demand, not no demand,” Levine clarified. “You still don’t see much discounting [of list prices], yet prices are still growing, just at a slower clip. Obviously, you want more and more folks able to achieve the dream of homeownership. I do believe that the market is going to be more challenging this year, but I also don’t think that it’s time to panic, either.”

Industrial Market

Brandon Carrillo, a principal with Lee & Associates, said Long Beach’s industrial real estate vacancy rate is hovering around 1.2%, a slight increase compared to last year, when it was about 1%.

Lease rates for Class A industrial properties have climbed above \$1 per square foot, especially for cannabis businesses. “Class A [are] really the ones that are driving that,” Carrillo said.

He said in Long Beach there are comparable sales, or industrial sites located in the same area with similar features to other properties, that are

available at 20 to 30 cents per square foot. The properties are available at a triple-net lease, in which the buyer agrees to pay all real estate taxes, building insurance and maintenance, in addition to normal fees.

Carrillo said the industrial market looks healthy, complimenting Long Beach Mayor Robert Garcia’s approach in “creating a welcoming, business-friendly attitude” for companies to establish in the city.

But Carrillo said that a lack of supply of industrial properties is still plaguing Long Beach. Although there is no clear solution, Carrillo said city officials must develop “creative ways” to drive industrial business to the region. “We’re trying to see how we can transition [companies] here to Long Beach,” he said.

Commercial Markets

Sales of Long Beach office properties remain solid, but leasing activity is beginning to wane, said Becky Blair, president and principal of Coldwell Banker Commercial BLAIR WESTMAC.

Certain properties are creating market competition, including B- and C-class buildings that are being repurposed to create higher cash flow, she said. The attraction for buyers to purchase smaller buildings, at about 10,000 square feet, is becoming popular as lease rates are rising.

Smaller office buildings, ranging from 10,000 to 15,000 square feet, are leasing at a rate of about \$1.50 to \$1.75 per square foot. Blair said the office market would remain stable as long as interest rates remain low, but added that several regionwide experts are anticipating a slowdown beginning in 2020.

“It’s tough to lease spaces today, because most investors . . . are really looking to purchase rather than lease,” said Blair, who mentioned vacancy data is still being collected for the downtown region but is estimated to be at 12%, lower than last year’s average of 13.3%.

Martin Porter, a Marcus & Millichap associate, said commercial properties will move on an “upward-growth model” for 2020, when interest rates will fluctuate from 5.25% to 6%.

In Downtown Long Beach, the vacancy rate of retail properties is 5.7%, while suburban rates are 5.1%, according to a June 2019 report by real estate firm CoStar. Porter said there are notable vacancies in traditional retail in Belmont Shore, especially along East 2nd Street, where seven to 10 units are available at over 2,000 square feet.

Porter mentioned that multi-family projects that are under construction in Downtown Long Beach will warrant demand over the next six to 24 months. This uptick in density will contribute to the success of retail and restaurant businesses in downtown, he said.

Overall, downtown and suburban retail is forecasted to remain steady, with no outstanding shifts. “We’re going to be cooking along in 2019 and more than likely 2020,” he said. ■

(Continued from Page 1)

get them the most bang for their buck. And nowadays, the age group that stands to inherit the most amount of money – and that is also currently the most populous generation in America – is the Millennials.

Millennials are well known both for reveling in nostalgia – and throwing money at whatever can transport them back to simpler times. Just last week I walked into Target and found two oversized t-shirts printed with 1990s-era album covers by Britney Spears and NSYNC, and if it weren't for the fact that I absolutely cannot stand crew necks, you can bet I would've snapped those babies up in a second.

Thanks to our collective spending clout, and our nostalgia for days gone by, here are a few things Millennials have successfully revived in recent years (whether the rest of you like it or not):

'90s Fashion: I am decidedly in the "not" camp on this one, but our staff writer Alena Maschke delightedly plunks herself on the "yas please" side of this fence. (Our office divisions have never been greater. You could cut the tension with a butterfly clip.)

Perhaps it is because we're yearning for the simpler days of yore, when Buffy the Vampire Slayer traipsed across our screens in plaid miniskirts and chokers, TLC lit up our screens with glitzy athleisure and streetwear, and the Fresh Prince blinded us with his neon menagerie of oversized t-shirts: '90s fashion is back. And, as I recently discovered upon making the mistake of entering an actual mall (something many a magazine writer has lamented that my generation is "killing"), you can once again buy every single one of these items of clothing. Your local mall is brimming with jelly shoes just waiting to adorn your toes in blisters. Good times are here again!

As a caveat to my distaste for this trend's tendency to give me flashbacks to "free dress days" at my uniformed Catholic grammar school, I will say I do rather enjoy the re-popularization of the oversized flannel shirt as an acceptable statement piece. No need to squish into a tight top for a night out on the town anymore, y'all! Just put on a flannel tent, add some boots and you're good to go. It's a carb-eater's dream come true.

Brewing: As Marketwatch reported in May, "Millennials spend more on craft beer than they do on their cell phones and utilities." Is it me, or do I detect a hint of judgement in that declaration? So what, if we want to stand in the dark in an unheated shower while sipping on an \$18 growler from Beachwood Brewing, adorably named Dia de los Mangos? Who needs to call our families when we can have a beer that tastes like sour dried mangos rolled around in tajin? In tajin, you guys! You think you're better than us with your hot

showers and your lights and your unlimited data usage. Who's elitist now? Pish-posh, you olds.

Wine: Are you noticing a theme here? We like booze. Specifically, the good stuff. Once we have literally any amount of discretionary income, you will no longer find us as you did in college, exiting Ralph's with a magnum of Barefoot White Zinfandel. Nope. We only go in for the classy (but still affordable) stuff now, thank you very much.

Think about how hard it used to be to find rosé in any grocery store. Then, a bunch of Millennials graduated college, backpacked in France or Spain or wherever, realized that wine is actually good, and voila – we have a new supermarket staple all year round, not just during the summer. I mean, if you have the sense to pick it up at Trader Joe's, you can actually find the French stuff for like eight bucks.

Don't believe me? In 2016, the nonprofit Wine Market Council found that 42% of all wine consumed in the United States was by Millennials. A flurry of articles suggesting how to market wine to that age group followed.

But while our grocery stores are now fully stocked with a wide variety of vino, it looks like the future growth of wine sales is less certain. According to Silicon Valley Bank's latest State of the Wine Industry Report, cannabis legalization is distracting some Millennial consumers from wine.

Oh well. Enjoy it while it lasts, wino-s.

Protesting: Do I really have to explain this one? You say we must have time to be regularly yelling on the streets because we don't have jobs. We say we don't have time for your excuses, but we do have time to rail against the destruction of society. Let's agree to disagree.

Houseplants: In April, the New Yorker ran a charmingly titled piece, "The Leafy Love Affair Between Millennials and Houseplants," highlighting a "growing cohort of young plant obsessives" among the Millennial generation. A few days prior, Bloomberg published an article called, "The One Thing Millennials Haven't Killed Is Houseplants." Well, I beg to differ there, Bloomberg. I have killed several succulents in the past few years.

The National Gardening Association's annual research on the gardening industry found that houseplant sales have increased 50%, and pointed to the Millennial generation as the driver. Just what is making us fill our homes with leafy companions? I'm probably the last one who could tell you. I stray from keeping anything in my home that might appeal to spiders. But from what my plant-loving friends and neighbors tell me, they get a kick out of caring for their plants much like they would a pet or a kid, but without the accompanying stresses (or monetary commitment). ■

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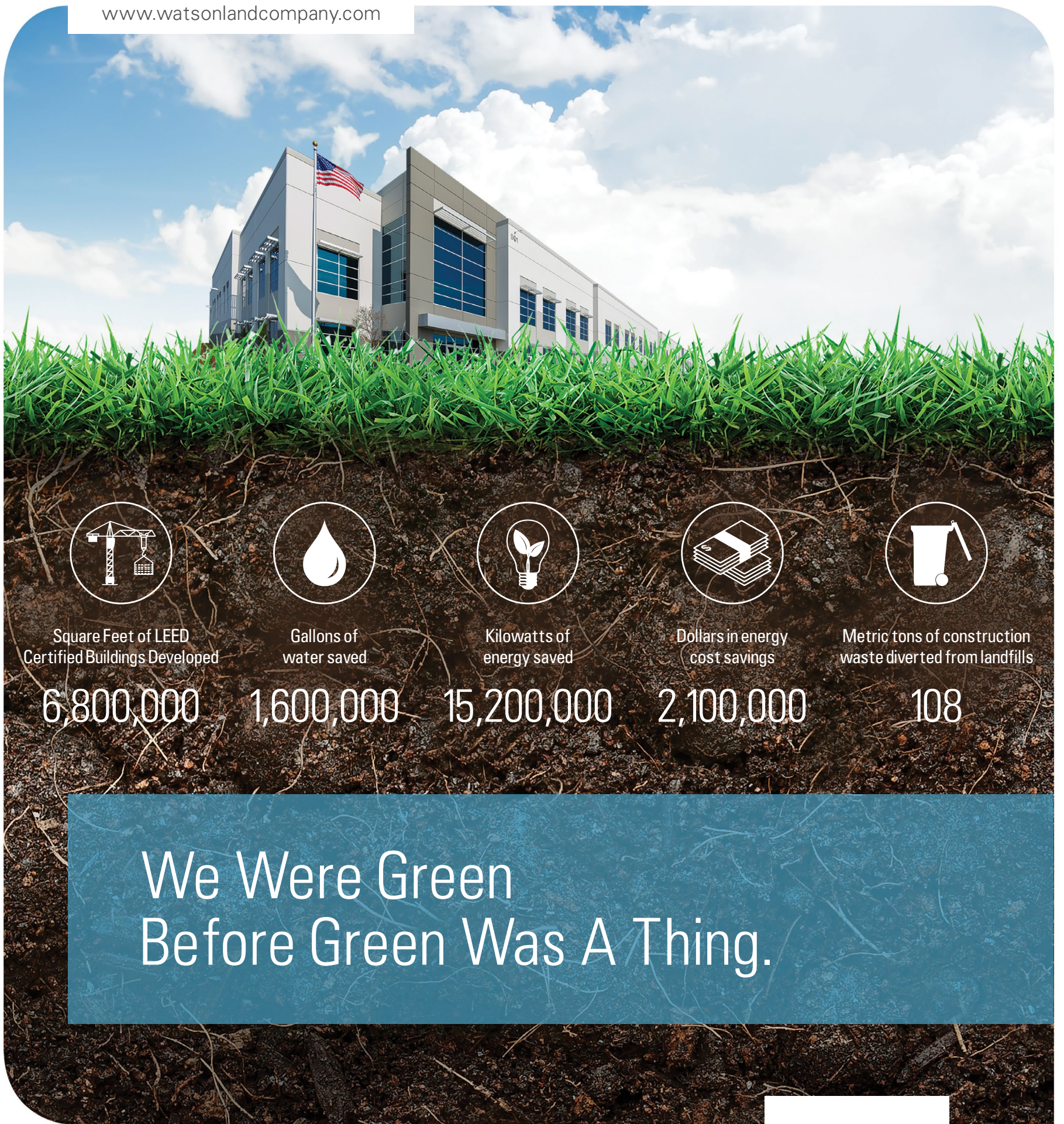
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