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# Economists Mostly Bullish On 2020 Economy



Economists are projecting consistent but slowed growth for 2020, as consumers continue to reap the benefits of low interest rates and increasing home values. “The consumer will be the key to keeping the expansion going,” Ryan Sweet, head of monetary policy research at Moody’s Analytics, said. (Photograph by Brandon Richardson)

■ By **ALENA MASCHKE**  
Senior Writer

At the beginning of 2019, most economists were cautiously optimistic. Ongoing trade tensions with China lin-

gered like a dark cloud over the Pacific Ocean and relatively high interest rates hindered investment. More than 10 years of economic growth following the 2008 Recession seemed almost too good to

last. But as we enter 2020, in what is now officially the longest economic expansion in U.S. history according to the National Bureau of Economic Research, analysts feel much

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## Councilmember Mary Zendejas Went From Advocacy To City Office: What’s Next?

■ By **ALENA MASCHKE**  
Senior Writer

When Councilmember Mary Zendejas began her campaign for the 1st District council office in fall of 2019, she was surprised to hear that many voters considered her the ‘establishment candidate.’ After making a name for herself through years of advocacy for the rights of immigrants, people living with disabilities

and low-income families in need of housing, the title just didn’t sit right. “I felt kind of insulted by that,” she told the Business Journal.

Today, she has built a strong network within Long Beach’s political scene, but Zendejas’ early life didn’t exactly scream ‘establishment.’ After suffering a polio infection as a child, Zendejas, her parents and older siblings immigrated to the U.S. from

Mexico in search of better health care. Here in Southern California, she grew up with eight siblings, often translating for her parents and readying herself to be financially independent at a young age.

“I think that’s what shaped me to always be the independent person that I am,” Zendejas explained. But her parents also equipped her with confidence

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## City Auditor To Review Queen Mary Operator’s Financial Data

■ By **MICHAEL GOUGIS**  
Contributing Writer

The City Auditor’s office is looking into the financial statements of the Queen Mary’s operator to reconcile that data with the company’s statements to the investment community to ensure that the company is financially sound and capable of meeting its lease and maintenance agreements with the city.

“The iconic Queen Mary has for generations been a significant and meaningful part of our City’s history, but the ship has gone through some very challenging times,” said City Auditor Laura Doud as she announced the sixth audit of the Queen Mary’s operations. “This latest audit is a continuation of our work to ensure good stewardship of this historical asset.”

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## Queen Mary Inspector Ousted; City Adopts New Inspection Process

■ By **MICHAEL GOUGIS**  
Contributing Writer

Saying that the longtime inspector of the Queen Mary had divulged confidential information and had violated the terms of his agreement with the city, Long Beach officials have terminated his contract.

The contract with Ed Pri-bonic, who has performed the ship’s inspections for the city since 1996, ended January 8, 2020, and the city has contract-

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Long Beach Business Journal  
2599 E. 28th Street, Suite 212  
Signal Hill, CA 90755-2139  
562/988-1222 • www.lbbusinessjournal.com

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## Realty Views

■ Perspective by **TERRY ROSS**

Homeowners and homebuyers have some good news to look forward to in 2020. Most of the recent announcements by the federal agencies that oversee lending and banking recently made moves that will widen the availability of mortgages in a number of loan categories and should enhance the financing

## Good News on Lending

climate for housing in general.

On top of the Federal Reserve lowering its lending rates to institutions last year – which translated to lower cost consumer mortgages – another drop is anticipated in 2020 that could lower the cost of home loans even further.

In addition, the Mortgage Bankers’ Association

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Long Beach Business Journal

Vol. XXXIX No. 01 • January 21–February 3, 2020

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**SUBSCRIPTIONS:**  
1 year: 25 issues  
Standard Bulk: \$30

The Long Beach Business Journal is a publication of South Coast Publishing, Inc., incorporated by the State of California in July 1985. It premiered March 1987 as the Long Beach Airport Business Journal. The Business Journal is published every other Tuesday, except between December 25 and mid-January. Distribution is approximately 22,000. Reproduction in whole or in part without written permission is strictly prohibited unless otherwise stated. Opinions expressed by perspective writers and guest columnists are not necessarily the views of the Long Beach Business Journal.

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PortSide: Keeping Up With  
The Port Of Long Beach



■ By **BRANDON RICHARDSON**  
Senior Writer

For nearly 14 years, Shashank Patil has served as a senior planner in the Port of Long Beach’s Transportation Planning Division, which conducts transportation and goods movement studies. During his time with the port, he has contributed to California Environmental Quality Act and National Environmental Policy Act reports, as well as assisted with state and federal funding applications for large-scale projects such as the Gerald Desmond Bridge, Middle Harbor redevelopment and the Pier B on-dock rail support facility. “It’s very gratifying when something that you were a part of is now coming to fruition,” Patil said. “It gives me a sense of pride that I am involved in [projects] this large and

iconic.” Currently, Patil is a project manager for the San Pedro Bay Portwide Rail study, a collaborative effort with the Port of Los Angeles. Prior to his work at the port, Patil was a transportation consultant in the private sector and conducted traffic studies for projects such as the Panther’s football stadium in North Carolina and the temporary closure of Pennsylvania Avenue in front of the White House. He noted that with the port, he follows projects from inception to completion and beyond, whereas in the private sector, he only participated in the study. “[Working for the port] has been a satisfying experience,” Patil said. “It’s a perfect work-life balance, which was important to me as my son was growing up – something I was not able to do in the private sector.” (Photograph by Brandon Richardson) ■

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# Closed Loop: Pushing The Recycling Boundaries



Closed Loop Plastics co-founders Will Amos, left, and Aldrin Lupisan have refined a process of recycling red Solo cups and converting them to plastic filament for 3D printing. Synonymous with parties, red Solo cups are often not recyclable due to beer residue. (Photograph by Brandon Richardson)

■ By **MICHAEL GOUGIS**  
Contributing Writer

The expansion of 3D printing into the consumer market has created a new market for the feedstock needed to produce the products these magical devices can create. And the economics of recycling has left a large supply of plastic products untapped.

Closed Loop Plastics did the market research, put the two together, applied some technology to the niche it discovered and it is now in business in Long Beach, reducing the materials heading to landfills and providing high-quality feedstock for 3D printers.

“We’re excited to be in the city of Long Beach,” said William Amos, co-founder

of Closed Loop Plastics.

“We are filling a need,” said co-founder, Aldrin Lupisan, who is familiar with the city, having attended St. Anthony High School.

Long Beach was attractive for a number of reasons, not the least of which was that it has an active support system for assisting new companies, a system that Closed Loop relied on to establish itself in the city.

Every manufacturing process needs raw materials. Closed Loop’s approach has been to recover an underutilized product and turn it into its finished product, said Sharon To, chief technology officer.

“One of the biggest plastics that was not being recycled was high-impact polystyrene,” To said. “This is a very, very

prevalent plastic, and it’s almost never been recycled, mostly because it interacts with food, and it would be contaminated in terms of traditional recycling processes. Our team created a cleaning technology that removes the contaminants.”

The technology is not just innovative, but cost-effective as well, Amos said.

“It is a low-cost, low-energy consumption process,” he said. “We just had to find industrial space. We didn’t have to build something in the middle of nowhere.”

This is the point at which so many inventors fail to make the leap to entrepreneurs. There’s a huge difference in creating a new software program or plastic recycling process and turning that idea into a successful business. Siting a manufacturing process can be complicated.

And that is where the city’s support network came in.

Closed Loop did a presentation at a 1 Million Cups entrepreneur networking event in Long Beach, where Seyed Jalali, Economic Development Officer for the city, met with them. The city is a community sponsor for the event, as is CommonGrounds Workplace, the Downtown Long Beach Alliance, and the CSULB Institute for Innovation & Entrepreneurship.

Jalali connected Closed Loop with Wade Martin, the institute’s director, who was instrumental in getting the company into its 5,400-square-foot space on the West Side.

“The big thing with Closed Loop was their site need,” Martin told the Business Journal. “We talked to them about their business model, their physical needs. And then made connections with the necessary people who could help them find the appropriate space. They had such a good business model and such a desirable company.”

“It was really a matter of just making sure what their needs were and make the connections to help them find the space that met the zoning needs and production capability . . . to meet their needs. Hopefully, we made it so they didn’t have to make a lot of different phone calls, so they didn’t have to hire a navigator.”

Martin was able to act as a liaison, interpreter, mentor and go-between for the company in its dealings with the city and with the real estate community in Long Beach.

And Amos says Martin’s guidance was instrumental in successfully establishing operations in the split-level building – factory on the ground floor, offices on the second floor – that met their needs, and a few of their wants as well.

“Being right next to the port, it kind of fit into a lot of what we were hoping to do with the company. It wasn’t a major point, but it was kind of a bonus,” Amos said.

“This was the first time we’d built a factory as a team. We hit some snags in the process, and they guided us through it. It was nice to have some people at the city help us through those snags.” ■

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# Queen Mary Financial Data

(Continued from Page 1)

The announcement of the audit followed news reports questioning the profitability of Urban Commons, the company that currently holds a 66-year lease to operate the ship and to develop the surrounding area. Negative publicity was at least in part responsible for the plunging stock price of the company’s Eagle Hospitality Trust shares, which are traded on the Singapore Stock Exchange, and which were pulled off the exchange temporarily.

“In light of the initial public offering (IPO) on the Singapore Stock Exchange by Urban Common’s Eagle Hospitality Trust, the audit will reconcile the audited financial statements and the financial information contained in Eagle Hospitality Trust’s investor prospectus related to the Queen Mary,” Doud said in a news release.

Doud said the audit will be conducted in partnership with an outside forensics accounting firm.

The announcement followed a series of events in recent months that included the revelation of losses in 2018, as well as concerns about the pace at which restoration and maintenance projects were taking place.

Taylor Woods, Urban Commons principal, told the Business Journal that different financial terminology used in the prospectus and in the audit might have led to confusion about the company’s financial performance.

“We believe there may have been a misunderstanding with the terms Gross Operating Profit, or GOP, which is a common term used in the hospitality industry and ‘total profit.’ GOP does not take into account certain non-operating and non-cash expenses that contributed to the negative net income for 2018, together with the renovation disruption to operations,” Woods said. “It is common for a property to have positive GOP and negative net income, and the figures provided in both reports are consistent.”

Company officials said that some of the issues that affected its earlier financial performance have already been addressed.

A series of shutdowns during 2017 and 2018 cost the operation significantly in terms of revenues, they said. During that period, costs associated with renovations and operational disruptions totaled more than \$23 million. For example, the



An audit by Chicago-based accounting firm Grant Thornton LLP showed that Queen Mary leaseholder Urban Commons had a net loss of more than \$6 million on operating costs and interest payments in 2018. (Photograph by Brandon Richardson)

ship’s popular Ghost and Legends tour and the five-star Sir Winston’s Restaurant & Lounge were both non-operational for a significant period of time during renovations and thus unable to generate revenues.

Both were operational in 2019, and the ship’s management also joined with event promoter Goldenvoice to hold more concerts at the ship in 2019, which helped generate revenue as well as increasing parking lot profits.

Woods was quick to note that since Eagle Hospitality has resumed trading its stock, the per-share price has stabilized and the company is pushing forward with plans to continue renovating the ship and maintain and develop the area.

“Urban Commons has implemented a perpetual funding mechanism to ensure the longevity of the ship, ensuring an adequate amount per year toward repairs, expected to continually increase thanks to an agreement between Urban Commons, the City and Carnival Cruise Line,” he told the Business Journal. “We are happy to observe Eagle Hospitality Trust’s share price has increased more than 25%, to 0.56 USD, over the past six weeks.

“We are confident in the financial well-being of Urban Commons Queensway, LLC, and its ability to perform under the terms of the lease agreement with the City of Long Beach. Since taking over the lease of the Queen Mary in 2016, we created a preservation program that has facilitated nearly \$29 million in improvements - far more than any previous owner. These major renovations were started in 2017 and continued throughout 2018, which significantly impacted income during that time period. Urban Commons is proud of its long-term partnership with the City of Long Beach on the iconic Queen Mary. We are committed to doing what is best for the Queen Mary and the city.”

During his 2020 State of the City address on January 14, Mayor Robert Garcia spoke endearingly about the ship, including its history as a luxury liner turned World War II troop transport. However, he acknowledged the failings of the city and past operators in the preservation of the historical landmark, which has led to its current state of disrepair.

To rectify past mistakes, Garcia announced that Urban Commons has com-

mitted to three new initiatives that aim to improve the well-being of the Queen Mary. First, the firm will provide the city with a study within 60 days on the ship’s economic impact on Long Beach and the region, to be conducted by Beacon Economics; second, Urban Commons will develop a historic preservation blueprint over the next 90 days that maps out renovation and critical repair projects, and will be open to the public; lastly, the company will present revised plans to the city and public for its proposed 40-acre Queen Mary Island development.

“In the past, operators have been interested in turning a profit on the Queen Mary, but I have been convinced that this strategy alone will not work. Why? We have 50 years of history telling us so. Moving forward, the Queen Mary first and foremost must be treated as a significant historical location worthy of public investment,” Garcia said during his address. “The Queen Mary is part of this city and she isn’t going anywhere.”

*Senior Writer Brandon Richardson contributed to this story.* ■

# Queen Mary Inspector Ousted

(Continued from Page 1)

ed with the international marine engineering firm Moffat & Nichol to assist with monthly inspections and to put into place a new inspection process, tracking system and reporting system.

Pribonic also failed to provide additional information clarifying concerns raised in his own reports, city officials said.

The termination was the final step in

a series of escalating tensions between the city and Pribonic, who said his termination was an attempt by the city to cover up its failures to manage maintenance and repair programs on the historic vessel.

“I’m disappointed that they’ve done that. I think their logic has been to create a diversion [away] from the city’s inability to monitor repairs and expenditures on the ship,” said Pribonic, who has served as a safety engineer for Disneyland, other entertainment venues and for other public entities for decades.

The dispute flared as city officials

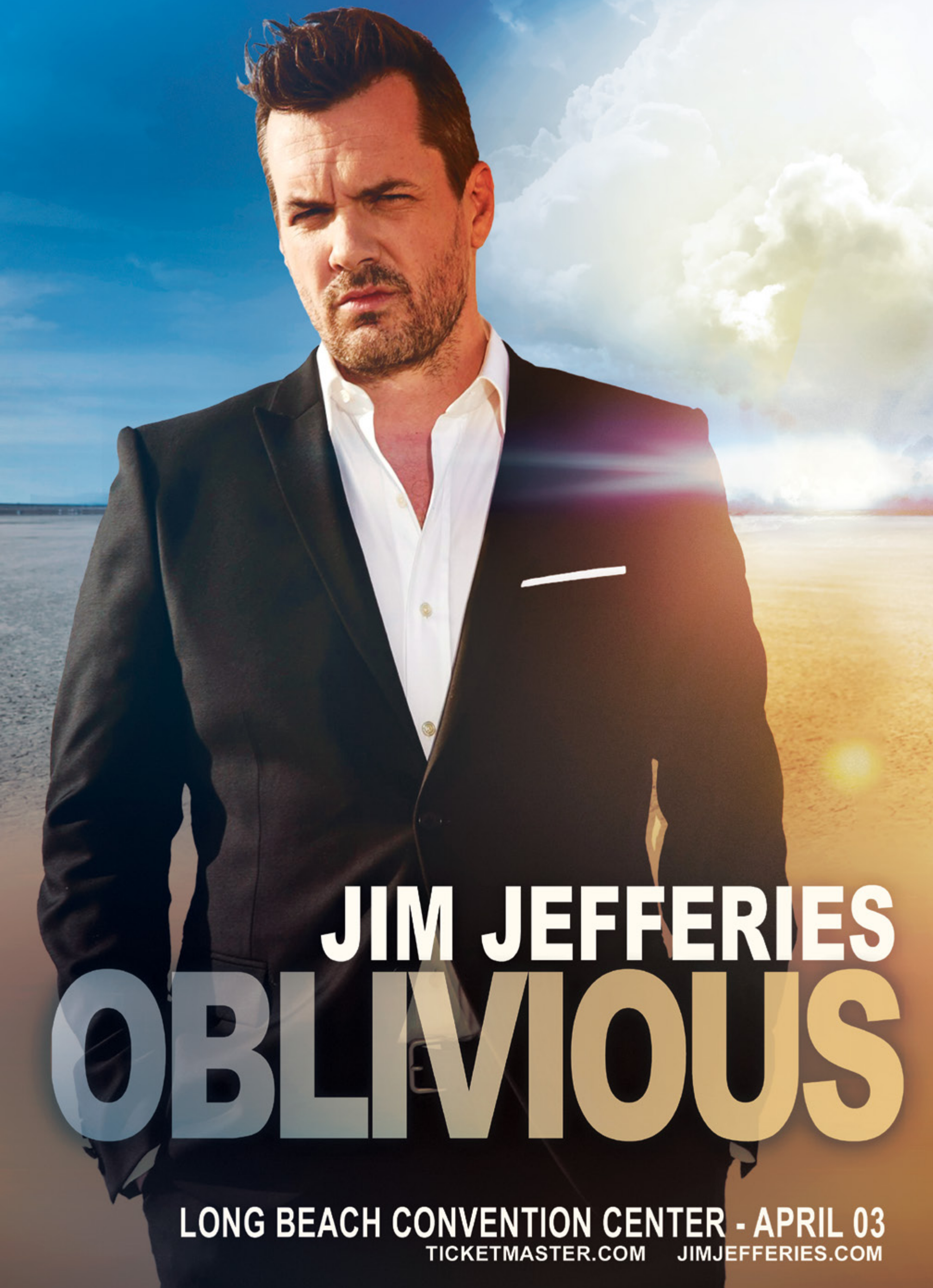
were moving to “improve and strengthen oversight of the Queen Mary,” according to a recent city staff report, and as the ship’s operator Urban Commons updated its plans for repair, maintenance and improvements of the famed cruise liner.

The city’s increasing discontent with Pribonic surfaced last year, when Moffat & Nichol were brought on to review Pribonic’s monthly reports to the city. The inspector’s public comments about the inspections also drew criticism from the city, which alleged that Pribonic’s statements to media outlets violated the terms of his contract.

“We have always treated the inspection process with a great deal of attention, sensitivity, and respect,” wrote John Keisler, the city’s director of economic development, in an Oct. 23 letter to the inspector. “The healthy working relationship we have established over the last few years depends on an honest, transparent, and collaborative effort. Your recent actions in violation of Sections 9 and 11 of the Agreement, have created a level of tension and distrust between parties — City, operator, and maintenance staff on the Ship.”

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In response, Pribonic's attorney denied the accusations and demanded that the city retract its statements about the inspector.

"Mr. Keisler's letter deliberately sets out false and defamatory allegations of breach of confidentiality which is damaging to Mr. Pribonic's reputation and good standing. This cannot be allowed to stand," wrote Philip Kaufler in a November 12 letter to the city. "Demand is hereby made that Mr. Keisler's claim of breach of confidentiality be retracted and corrected forth with."

A day later, Keisler wrote to the inspector again, saying that the city's concerns had not been replied to and that

Pribonic had conducted another inspection of the ship despite being told not to do so.

"The monthly inspection reports prepared by Pribonic under the agreement are only made public once those reports have been reviewed and approved by the City as final," Anthony wrote. "Draft reports are not public documents, and the reports which were obtained by the Long Beach Post and/or other news agencies were not public and were not made so by the City."

"The City rejects the allegations that City staff has engaged in any illegal conduct, and the City will not retract or otherwise further address the comments already made to news agencies. Further,

the City hereby terminates the Agreement, effective as of January 8, 2020, as provided in Section 10 of the Agreement."

In a further statement, Keisler reiterated that the city had not received information requested from Pribonic – an allegation that the inspector also disputed.

"Recent inspection reports submitted by the City's third-party inspector Mr. Ed Pribonic raised important questions about the condition of the Queen Mary that required additional investigation and clarification. Although the City made multiple requests, Mr. Pribonic, through his legal counsel declined to provide the clarifying information," Keisler stated.

After reviewing Pribonic's reports, Moffat & Nichol in November recommended "improvements necessary to professionalize the (inspection) process" that included referencing building codes and standards, dividing the report into separate sections for safety/structural concerns versus hospitality issues, and creating a defect rating, tracking and prioritization system.

"Moffat & Nichol will continue to assist the City with monthly inspections while the new inspection process, tracking and reporting systems are implemented. The City will continue to make the results of these ongoing reports available to the public as they are finalized," Keisler wrote. ■

## Councilmember Mary Zendejas

(Continued from Page 1)

and compassion, attributes that she said have guided her activism and political ambitions. "They were also very compassionate, very giving and very generous, even though they did not have much to give," Zendejas noted. "I think that has also shaped me and my political views."

When former councilmember and current State Senator Lena Gonzalez left for Sacramento, Zendejas' friends and fellow activists encouraged her to run for the 1st District council office. At first, she was hesitant, Zendejas recounted. While others viewed her community activism as the perfect preparation for a position representing the district, she wasn't so sure. "I just saw that as me being Mary," she explained. "I wasn't being part of these organizations with the agenda of running for office."

But speaking in front of the council about an issue she deeply cared about changed her mind. One of the most contentious debates of last year's city council meetings, the effort to implement a tenant relocation ordinance, which was originally spearheaded by her predecessor Lena Gonzalez, led to a change of heart for Zendejas. "That's when I realized: wait a minute, I could be so much more powerful on the other side of the dais than I am on this side," she thought.

Months of public events, many evenings of talking to residents in her campaign office on Pine Avenue and an aggressive mail campaign later, Zendejas emerged as the top fundraiser in her race and eventually won the seat with 31.3% of votes in the November 5 special election. She's proud of what she achieved within the accelerated time frame of a special election. "I was not able to reach all of my voters via their front door because of inaccessibility," she noted. "So I had to be creative and make sure that if I wasn't able to meet them at their front door, that they could come to me, that they would see me, that they would learn about me."

As the new representative of Long Beach's 1st District, which includes Downtown, Willmore City and the industrial West Side, housing has remained the



Newly-elected Long Beach City Councilmember Mary Zendejas attended California State University, Long Beach, together with Mayor Robert Garcia and fellow Councilmember Suzie Price. "Seeing them aspire to a political career just really, really excited me," she said. (Photograph by Brandon Richardson)

topline issue for Zendejas. "There's just so many things we need to do when it comes to housing," she explained. "And I get frustrated, because every time we come close to doing something, it doesn't go through."

One of the first setbacks Zendejas has had to stomach in her new position was the dismissal of a proposed bond measure that would have increased property taxes to fund affordable housing projects. "I was saddened that we did not even get a chance to look at the possibility of bringing in such a huge bond that would help so much," she bemoaned, in reference to the 4-5 council vote that prevented such a bond from being placed on the November 2020 election ballot.

But all is not lost on the housing front, she noted. Going forward, Zendejas said she will continue to advocate for the creation of additional funding sources dedicated to the development of affordable housing and homeownership. One instrument she's particularly interested in is mortgage assistance, which could

help turn renters into homeowners and prevent those already living in their own homes from losing them. "We really need to explore all options," Zendejas insisted.

Housing affordability also has an impact on a neighborhood's ability to recruit and retain businesses, another issue Zendejas is hoping to tackle during her next two years in office. "In the lower part of the district, the downtown [area], we're doing okay. But even a block up, that's where we need business improvement and more love towards our small businesses," she explained. "If we have affordable housing, people will have more money on hand to spend on the businesses."

More affordable housing, Zendejas argued, would also help reduce the depressing effect homelessness has had on business development in her district. "Homelessness affects our quality of life, for everyone, not just for the people experiencing homelessness," she noted. Homeless residents living in front of businesses can scare away customers

and create a nuisance for business owners, Zendejas explained. In addition to advocating for the development of more affordable housing, she is hoping to convert some motel vacancies into temporary shelters.

To attract more businesses to her district, Zendejas said she's looking into the Opportunity Zone program, which offers tax deferrals to investors who fund projects in low-income communities. California is one of three states that does not offer state tax deferrals under the program, according to real estate investment firm Realize, but investors in California opportunity zones still benefit from federal tax deferrals.

Zendejas is optimistic about the future of her district. "I think that eventually we'll be able to get more businesses and more people to come," she noted. "What's important is to have an open line of communication with the businesses on the West Side and the 1st District council office, so that we can find solutions." ■





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# Mayor Talks History, Successes And Challenges During Annual State Of the City Address

■ By **BRANDON RICHARDSON**  
Senior Writer

During his sixth annual State of the City address on January 14, Mayor Robert Garcia once again presented a bullish outlook on the city's economy, education, infrastructure investment, crime reduction, billions of dollars of development and the future of the Queen Mary (see audit story on page one).

"I'm proud to report to all of you tonight that the state of this city is strong," Garcia said. "Our progress in these last few years is visible from every neighborhood across our city."

From 1990 to 2010, violent crimes in Long Beach decreased from 8,403 annually to 2,720. Garcia touted a further reduction in violent crimes to 2,374 in 2019. A common misconception is that crime is on the rise, according to Garcia. He explained that social media has made information on crime more readily available than ever before, which he said is good but

could be misleading. Overall, crime decreased 5% decrease in 2019 over 2018, he added.

"We should not accept any crime in our community or in any neighborhood," Garcia said, "but let's be crystal clear: our city is safer today than it was 20 years ago, 10 years ago, five years ago, and is only getting safer."

Other public safety achievements noted by Garcia included 1,032 guns being removed from the streets, 50 graduates from the policy academy, the reopening of the South Division police station, and the reopening and renovation of fire and paramedic units throughout the city. Additionally, Garcia announced that officer-involved shootings hit a 10-year low and that by summer of this year all officers will be equipped with body cameras.

Much of the public safety investment was made possible through Measure A, a voter-approved tax increase. Since it went into effect in 2016, Measure A investment into public safety

and infrastructure has reached \$110 million. Garcia noted that in 2019 alone, 22 miles of sidewalk and 25 miles of streets were repaired, 35,000 potholes were filled and 630 American Disabilities Act-approved access ramps were constructed.

Over the last several years, the Douglas Park development has attracted three small satellite and space-flight technology development companies – Virgin Orbit, SpinLaunch and Rocket Lab. "We have one of the largest satellite space ecosystems in the United States," Garcia said. "Just as we led on aviation decades ago, we are now leading the future of space with some of America's leading innovation and technology companies."

Garcia stressed the importance of education, noting that California State University, Long Beach, has become the seventh-most applied to university in the country, with over 100,000 applicants annually. He also noted increased travel at Long Beach Airport, as well as a 25% increase

of Port of Long Beach cargo traffic since 2005.

Homelessness and the continuing housing crisis are two of the city's (and state's) most persistent challenges. Garcia announced plans to request the city council to create a new inclusionary zoning policy that encourages the production of affordable housing citywide, as well as revisit and update the Downtown Plan, which was enacted in 2012 and sets development guidelines in downtown to streamline projects. Additionally, Garcia noted that Long Beach's first year-round homeless shelter is expected to open this summer and the city's SAFE Parking Program will begin in 2020 to provide a space for residents living in their cars.

"Our work to end street homelessness will be the defining issue in this next decade," Garcia said. "We must not turn away from our failure as a society to care for those who are suffering, who are mentally ill and who need our support and a home." ■



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# Lawsuits Contest New Independent Contractor Regulations

■ By **ALENA MASCHKE**  
Senior Writer

Entering 2020, the fight over the classification of independent contractors in California rings in another round. Assembly Bill 5, which was approved as a clarification to existing laws governing independent contractor status in the state, officially took effect on January 1, and at least two industry groups are suing the state to obtain an exemption from the law.

At the end of last year, the California Trucking Association (CTA) requested a temporary restraining order (TRO), exempting motor carriers from the requirements of independent contractor status set forth in the new law. U.S. District Court Judge Roger T. Benitez issued the requested TRO on December 31, 2019. Two weeks later, on January 13, he extended the order until the CTA's underlying case against the state on the issue of AB 5 has been resolved.

This effectively exempts trucking, one of the main industries targeted by the law, from its newly established test for independent contractor status. "Trucking is still an issue," the bill's author, Assemblymember Lorena Gonzalez, told the Business Journal. "These companies continue to misclassify these drivers, rather than payroll them."

Under AB 5, workers must meet what's called the ABC Test to be considered legitimate independent contractors. The test requires workers to A) be free from control or direction of the hiring entity, B) perform work that is outside of the hiring entity's usual course of business and C) that the worker is customarily engaged in an independently established trade, occupation or business of the same nature as the work performed.

The CTA, an industry organization that represents major motor carriers, truck and trailer suppliers, and truck owner-operators, argued that the Federal Aviation Administration Authorization Act of 1994 (FAAAA) likely preempts part B of the law's independent contractor test. Benitez agreed. "AB-5 effectively mandates that motor carriers treat owner-operators as employees, rather than as the independent contractors that they are," he wrote in his analysis.

Two other industry groups have joined forces in filing their own legal complaint against the new law. The National Press Photographers Association (NPPA) and the American Society of Journalists and Authors (ASJA) filed a joint lawsuit on December 17, 2019, arguing that AB 5 violated their First Amendment

rights by separating journalistic writing, photography and videography from other forms of speech.

The complaint argues that by providing an exemption from the ABC test to marketing professionals, while capping the amount of annual submissions by journalists, the law draws "unconstitutional content-based distinctions about who can freelance – limiting certain speakers to 35 submissions per client, per year, and precluding some freelancers from making video recordings." Through the lawsuit, the associations are seeking injunctive relief for their members, effectively exempting them from the new law.

"I could write 200 press releases in a year for a marketing firm as a freelancer, and that's no problem," Randy Dotinga, a freelance journalist and member of the ASJA, told the Business Journal. "But if I want to write a weekly column about the homeless, I can't do it. I'd be over the cap."

This creates an environment that gives preferential treatment to writers working in marketing and PR, while leaving those working in journalism scrambling, he explained. "No offense to PR people, but in the age in which we live, truth is more important than ever," Dotinga pointed out. "And we don't need a law that favors those who massage the truth over those whose job it is to get it right."

Dotinga has been vocal about California freelance journalists' struggles associated with the approval and implementation of AB 5. "It's been really devastating," Dotinga said. "We've had hundreds of freelance journalists who have found their work either cut out entirely or restricted." Many out-of-state media companies have stopped working with California freelancers altogether as a result of the new law, he noted.

Gonzalez argued that freelance journalists' woes could be solved by utilizing the business-to-business exemption of the bill, which allows for sole proprietors and LLCs to work with other companies without any of the limitations applied to independent contractors, such as the 35-submission cap.

"There's nothing in this [bill] that prevents them from having that business-to-business relationship," Gonzalez said. "If you're truly acting as a small business, you should be able to continue that relationship."

In theory, this exemption could help freelance journalists, many of whom already operate as indepen-



Franchisees of the convenience store chain 7-Eleven have used the ABC Test at the core of AB 5 to revive a lawsuit against the company, arguing that its control over day-to-day operations violated their independent status. Other industry groups have opted to sue the State of California, combatting the law instead. (Photograph by Brandon Richardson)

dent businesses, according to Dotinga. But in reality, media companies are simply choosing to work with freelancers in other states, he explained. "I've been fortunate because my clients like me and trust me, and

haven't cut my workload," Dotinga said. But for most companies, the rationale is simple, he said: "You're going to go with the one that's less hassle and less risk." ■



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# A Locally Owned Electric Utility For Long Beach Is Still On The Table, For Now



Long Beach's 108 large industrial clients, including the city's port and oil operations, take up 50% of the city's power load, according to Energy Resources Director Robert "Bob" Dowell. Offering competitive pricing to those accounts is likely to present an obstacle for a potential Long Beach Community Choice Aggregation program, Dowell noted. (Photograph by Brandon Richardson)

■ By **ALENA MASCHKE**  
Senior Writer

The formation of a Long Beach community choice aggregation (CCA) program, which would include the formation of a locally owned electric utility, is on the table once again. If the city council heeds the advice it received from several department heads, including Director of Financial Management John Gross and Energy Resources Director Bob Dowell, that's exactly where the issue will remain: tabled.

In December, a feasibility study on the formation of a Long Beach CCA was submitted to the city council. The results of the study were accompanied by a recommendation from Gross, Dowell and Long Beach Water General Manager Chris Garner, to defer any decision on whether to form a local electric utility or not by two years, unless new information becomes available that would tip the scale in either

direction. The council, in an 8-0 vote, decided to delay any conversation on the item until later this spring to give councilmembers additional time to review the results of the study.

CCAs – also referred to as community choice energy (CCE) – are locally owned electric utilities that utilize the distribution networks of investor-owned utilities (IOUs), such as Southern California Edison, but enter their own contracts with power producers. The first CCAs were formed in Northern California at the beginning of the last decade, promising a higher percentage of renewable energy than their investor-owned competitors and an alternative to the local IOU, Pacific Gas & Electric (PG&E), which had been losing trust amongst consumers in the region.

"There's been a long, long history, up north, of displeasure with PG&E," Garner explained. Southern California Edison, the IOU serving residents

of Long Beach and beyond, doesn't have the same troubled history with its clients, he argued, which is one of the reasons Garner and his colleagues question whether there is broad community support for the formation of a local CCA. "I don't get a real sense that it's the community as a whole that's driving this," Garner said. "And that worries me."

Local energy consultant Clay Sandidge is part of a working group advocating for the formation of a Long Beach CCA. "I don't think anybody cares more about Long Beach energy resiliency, air quality and such than Long Beach residents. Long Beach should control Long Beach's energy future," he told the Business Journal.

With the implementation of Assembly Bill 117 in 2002, cities and counties have had the right to form CCA programs on behalf of their residents. The first CCA was formed in 2010 and since then has expanded to 19 programs

across the state. Even in the early stages of adoption, these locally controlled utilities were able to offer plans that procured a higher percentage of power from renewable sources, often at prices lower or equal to the plans provided by investor-owned utilities.

While Sandidge supports the council's decision to delay its discussion on the issue until councilmembers review the 115-page report, he also said a complete hiatus on the issue would be a setback. "For the city to sit on this and not do anything for a couple of years would be a disservice to the residents and the business community of Long Beach."

Dowell, Garner and Gross argued that a two-year wait period on any decision related to the formation of a CCA would allow elected officials and their constituents to carefully weigh their options before making a decision with significant financial implications.

"This would be a large transaction,"



Gross explained, noting that a CCA would require an annual cash flow of approximately \$140 million. The ratio between risk and reward needs to be considered, Gross noted, especially given that CCAs are still a relatively new concept. “Are the savings really there? Are there really going to be greenhouse gas emission reductions? And what are the financial risks; what happens if people opt out?” Gross asked. “It hasn’t been well established what happens if things go south.”

The concern, Gross and his colleagues noted, is that customers could be held accountable for millions of dollars in pre-procured power agreements if the CCA failed or large swaths of businesses and residents decided to opt out. “It would be a political nightmare if that happened,” Garner noted.

Additionally, consumers are often unaware of the volatility of the energy market, Dowell pointed out. “There’s a reason that investor-owned utilities are owned by investors: they’re willing to put their own money into it for the risk that’s in that market and they know that if the utility does well, they benefit from that,” he explained. “When you’re a CCA and you’re buying a commodity, your investors unfortunately are your residents. And unbeknownst to them, they’re taking on a piece of the risk in

the energy market.” While IOUs have to present their rates to the California Public Utilities Commission for approval, CCAs can set their own rates based on their financial needs.

Proponents of CCAs point to the existing 19 programs across the state, with more on the way, as a measure of the concept’s viability and success. “Community choice energy is a proven model that’s working,” Sandidge argued. “Long Beach would be no different.” The startup costs shouldn’t be an obstacle, he added. “The city is financially well enough to where they could create and launch a CCA and guard its general budget.”

As for the risk involved, Sandidge argued rate payers would be protected should a new local CCA falter or lose a large number of customers in its early years. “If a CCA failed, there [are] insurances and safeguards in place that protect that investment,” he noted. “You’re probably talking a few million dollars because you’re not procuring, in most cases, long-term energy contracts, initially.”

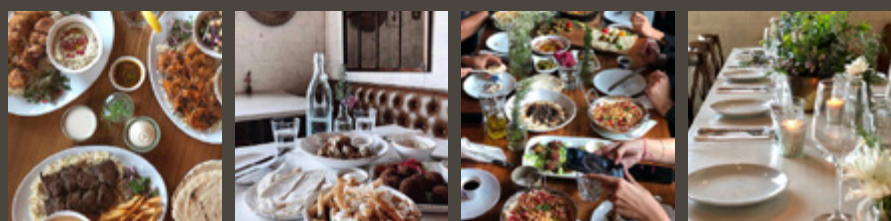
Data published by the California Community Choice Association shows at least some young CCAs have already entered long-term power purchasing agreements. Monterey Bay Community Power (MBCP) has secured two

power purchasing agreements, 15 and 20 years each, only two years into its existence.

One thing both sides can agree on is more outreach is necessary to ensure that Long Beach businesses and residents are aware of the proposed changes to the local power supply. If a CCA was to be formed, consumers would automatically be opted into the newly-formed utility, but their bills would continue to carry the SoCal Edison letterhead.

“The public just doesn’t have any

idea that this is on the horizon, and that’s residents and businesses,” Garner argued. “It’s invisible. Physically, nothing changes.” Sandidge noted that his group has held meetings with neighborhood associations to inform local residents about the proposed concept of a Long Beach CCA, but he agreed that more needs to be done. “There needs to be a much better, formalized public outreach approach to make sure everybody’s aware of what a potential CCA program could look like in Long Beach,” he said. ■



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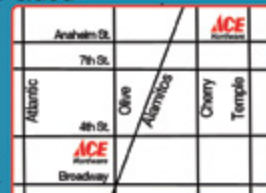
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# L.A. Superior Court Judge Rules Water and Sewer Rate Transfers Unconstitutional

■ By **ALENA MASCHKE**  
Senior Writer

Los Angeles Superior Court Judge James Chalfant issued a tentative ruling that transfers of surplus revenue from the Long Beach Water Department's fund to the city's General Fund are unconstitutional. Voters approved the practice when they voted to support Measure M in June 2018, but two local residents, Diana Lejins and Angela Kimball, sued the city in an effort to stop it.

"It doesn't matter how many people vote for it; you still can't do that. It's a constitutional issue," Lejins told the Long Beach Board of Water Commissioners at a hearing on water rates last year. "Technically, you're

breaking the law." Judge Chalfant agreed.

In his analysis, Chalfant concluded the city's water and sewer surcharge violates the Proposition 218 amendments to the California Constitution, "because the fee or charge imposed [. . .] exceeds the revenue needed to operate the City's utilities." Among other protections noted in Chalfant's ruling, Prop 218 prohibits local governments from imposing fees on property owners that exceed the cost of providing those services. "The City concedes that its water and sewer charges to customers are inflated to fund Measure M transfers and that the funds transferred do not fund utility-related services," Chalfant wrote.

The City of Long Beach settled a previous lawsuit on the issue, which was also filed by Lejins, in November 2017. The complaint alleged more than \$90 million had been misappropriated over the past decade. In the settlement, the city agreed to return \$12 million from the city's General Fund to the water department, \$3 million each year, starting in 2018. As a result of the settlement, water rates dropped in January 2018, but were restored to pre-settlement levels after voters approved Measure M in June of that year.

In FY 2019, the water department transferred \$12.3 million to the city's General Fund, according to a budget presentation. The FY 2020 budget, which was approved by the city

council on September 3, 2019, allocated \$12.7 million for transfers to the General Fund. During the same meeting, the Long Beach City Council approved a 12% increase in water rates, which went into effect on October 1, 2019.

The city is appealing Chalfant's decision and a hearing has been set for February 20 at the Stanley Mosk Courthouse in Downtown Los Angeles. "The City of Sacramento has faced a similar challenge and has advanced its case by appealing," a January 6, 2020 statement by the city noted. "The City believes it has the ability to legally transfer the water and sewer revenue funds to the General Fund and will be appealing the decision. ■

## Local Space Firm Announces New Investment, Jobs For Long Beach Headquarters

■ By **MICHAEL GOUGIS**  
Contributing Writer

A local aerospace firm has announced it will expand its Long Beach operations after acquiring \$35 million in new investments.

SpinLaunch, which is developing the world's first kinetic launch system to put small satellites into orbit, attracted additional investments from venture capital firms and investors Airbus Ventures, GV, KPCB, Catapult Ventures, Lauder Partners, John Doerr and the Byers Family.

"Our team at SpinLaunch greatly appreciates the continued support of this formidable syndicate of investors, who share our vision of enabling low-cost and frequent launch of imaging and communications constellations that will protect our planet and humanity," SpinLaunch Founder and Chief Executive Officer Jonathan Yaney said in a January 2020 news release.

SpinLaunch relocated its corporate headquarters to Long Beach one year ago. The company now plans to complete the build-out of its 140,000-square-foot facility by investing in new equipment, machinery and personnel.

SpinLaunch is designing a launch



Late last year, spaceflight technology development company SpinLaunch relocated its headquarters from the Bay Area to Douglas Park in Long Beach. Founder and CEO Jonathan Yaney is pictured at the new facility at 4350 E. Conant St. (Photograph by Brandon Richardson)

system that incorporates a large electrical mass accelerator to provide the initial thrust, propelling small satel-

lites to hypersonic speeds en route to orbit. The technology is designed to provide launches at significantly

lower cost than any other existing or proposed system, and to do so with less environmental impact. ■



# Assistance League Names Jane Netherton The Rick Rackers Woman Of The Year 2020

■ By **BRANDON RICHARDSON**  
Senior Writer

The Assistance League of Long Beach (ALLB) announced Jane Netherton, one of the first women to serve as a bank president in California, as its 2020 Rick Rackers Woman of the Year.

Netherton worked her way up from bank teller to president of International City Bank, a position she held for over 25 years. In 1987, she was one of four women to join the Rotary Club of Long Beach, which previously had exclusively male members.

Utilizing her financial exper-

tise, Netherton has served the Long Beach community through the Rotary Club's Scholarship Foundation, the Long Beach Conservation Corps and the Long Beach Community Foundation. Currently, she is president emeritus of Southern California Special Olympics. She has also raised two sons, one with special needs.

"[Jane's community work] reflects the fact that she offers a solemn involvement as a leader as well as a team member, who attaches herself with boundless energy with a gift of talents and skills for the ultimate improvement in the lives of so many,"

Mari Hooper, 2011 Rick Rackers Woman of the Year, said in a press release.

Rick Rackers Auxiliary is the ALLB's signature philanthropic program, with member volunteers managing Operation School Bell, a program that provides approximately 10,000 Long Beach public school students with uniforms and backpacks each year.

"I feel very strongly about the importance of giving back to the community," Netherton stated. She will be honored during the Rick Rackers Woman of the Year luncheon on February 7. ■



Jane Netherton (Photograph courtesy of Assistance League of Long Beach)



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# Menstrual Products and Children's Diapers Now Tax-Exempt

■ By **APRIL ECONOMIDES**  
Publisher

As of January 1 and effective through December 31, 2021, Californians don't have to pay sales tax on menstrual hygiene products like tampons, menstrual cups and sanitary pads, or on diapers for infants, toddlers or children.

Senate Bill 92 was authored by Assemblywomen Christina Garcia

of Bell Gardens and Loran Gonzalez of San Diego and signed into law by Gov. Gavin Newsom last June. Garcia and Gonzalez have tried to pass similar legislation for years but were unsuccessful. In 2016, then-Gov. Jerry Brown vetoed legislation, and a 2017 proposal died in a legislative committee.

"It's just common sense that we shouldn't tax life necessities like diapers and tampons, and every dollar

we can save parents . . . is critical," Assemblywoman Gonzalez said in a statement. "We need our tax system to reflect our values." Gonzalez said the diaper tax repeal will save the average family \$100 a year per child.

California joins at least nine other states that have repealed taxing menstrual products, arguing that such a tax violates Equal Protection clauses since menstrual products are not a choice for women. California state

code already exempts health products like walkers and prescription drugs, including Viagra.

Anyone who believes they've been wrongfully taxed on diapers or menstrual products can request a refund by bringing their receipt to the retailer and a copy of the notice from the California Department of Tax and Fee Administration, found at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). ■

# Two SoCal Leaders Recognized At Women's Summit

■ By **APRIL ECONOMIDES**  
Publisher

Two Southern Californian CEOs are being recognized this month at the third annual World-Changing Women's Summit, produced by Conscious Company Media, where, from January 29–31, more than 250 women in over 20 industries from seven countries will convene to share their experiences as conscious business leaders.

'Conscious businesses' describes private sector companies that, instead of just focusing on the bottom line, also exist to benefit people and our natural environment.

Kelly Vlahakis-Hanks, President and CEO of Earth Friendly Products and ECOS, based in Cypress, is being recognized as one of 43 leaders at the third annual "Top World-Changing Women in Conscious Business" awards ceremony, created by Con-

scious Company Media and sponsored by Kate Spade New York. All ECOS products are made at the company's four carbon-neutral plants, powered by solar energy and using Zero-Waste guidelines, and 140 of its products are certified under the Environmental Protection Agency's most stringent "Safer Choice" standards, giving ECOS more Safer Choice-certified products than any other manufacturer in the U.S.

This year's 43 awardees come from five countries and 12 U.S. states.

Jane Wurwand, founder of international skincare company Dermalogica and FOUND/LA and a 2018 "World-Changing" award recipient, will share how Dermalogica, which manufactures all of its formulae in California, is on track to have 90% of its packaging be recyclable or bio-degradable by end of year as well as other environmental strides. Wurwand will also share the latest accomplishments of FOUND/LA, a social investment organization that connects L.A. entrepreneurs with funding, coaching and a like-minded community.

"We started Conscious Company Media to highlight the work of business owners and leaders who are working to make the world a better place but whose stories don't typically get told," Meghan French-Dunbar, CEO and co-founder of Conscious Company Media, said. "Our World-Changing Women's Summit is a direct extension of this work — telling the stories of women and nonbinary business leaders who are working differently and helping them find one another."

Kate Byrne, president of Intentional Media, Conscious Company Media's parent company, added the Summit allows women from diverse backgrounds to meet and learn from one another. "I'm excited to see the conversation around how women can be better allies for themselves and each other deepening," she said. "As women rise into leadership, we need to build a more supportive environment for them to own their power rather than beating each other up. I'm proud that this year's Summit will address this as well as share concrete practices that all can immediately put into action."

For more information about the World-Changing Women's Summit, visit [www.consciouscompanymedia.com/womens-summit](http://www.consciouscompanymedia.com/womens-summit). ■



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# 2020 Economy

(Continued from Page 1)

more confident about the year ahead.

“There really is no sign of a recession on the horizon here in 2020,” Dr. Robert Kleinhenz of Kleinhenz Economics told the Business Journal. “Although the forthcoming election later this year can create uncertainty, there’s a lot of forward momentum at the local level, throughout Southern California and all the way up to the national picture.”

While 2019 started with an Effective Federal Funds Rate of 2.4%, the January 2020 rate of just over 1.5% is likely to contribute to continued economic expansion, experts say. The combination of low interest rates, low inflation, appreciating home values and strong stock and job markets work to motivate consumer spending, explained Ryan Sweet, head of monetary policy research at Moody’s Analytics. “When the consumer does well, most of the time, the economy does well,” he noted.

Low interest rates also help spur development in the housing market. “The U.S. housing market will continue to strengthen,” Sweet predicted, adding that the mix of construction is moving away from high-end luxury homes toward more affordable homes for first-time buyers. “That’s going to be important in keeping housing moving forward in 2020,” Sweet said.

Housing will remain a key issue in California and the Los Angeles metropolitan area, Kleinhenz warned, even as wages continue to grow. “The multi-county [area] will likely experience wage growth that’s in the low single digits and will probably beat inflation, so the real purchasing power of wages will increase,” he explained. Rising housing costs could throw a wrench in the works, especially for the 52% of metro area residents who rent, as estimated by the 2018 American Community Survey. “It’s not at all clear that wage increases will keep up with rent increases,” Kleinhenz said.

While state legislators have pushed for increased housing production, Kleinhenz said cities, including Long Beach, need to do more to join in on the effort. “Clearly the state recognizes that inadequate housing, not building enough housing units, is really limiting the growth potential of the state’s economy,” he said. “We’re not going to be able to escape this problem and the state is going to continue to put pressure on not just Long Beach, but cities overall, to build more housing.”

Meanwhile, elected officials in Long Beach and surrounding cities

have opposed legislative proposals mandating increased development or zoning changes, such as Senate Bill 50, which would have required the “upzoning” of residential neighborhoods near transit centers to allow for denser developments and increased building heights. In a letter to the bill’s author, Democratic State Senator Scott Wiener, then-City Manager Patrick West argued that the bill would take away local control and “hinder the city’s ability to responsibly plan developments, programs and public infrastructure to support a more sustainable and livable city.”

However, Long Beach’s latest Land Use Element limits the city’s ability to accommodate future housing growth, according to Kleinhenz. “The city has seen fit to allow new housing units to be built in the downtown area, [while] creating very little incentive to build outside of that area,” he noted. “The problem with that stance is that it will jeopardize the long-term growth potential of the city.”

The pressure of housing costs presents a particular burden to those entering the labor force, a group Long Beach should do its best to attract, Kleinhenz explained. With baby boomers aging out of the labor force and the majority of Generation X already in it, labor force growth relies heavily on Millennials entering the job market, he noted. “That’s going to be the issue: are we going to be able to maintain the younger part of our labor force, keep them here in town, keep them in Southern California, or are they going to leave?” he asked.

One way of attracting the younger portion of the labor force would be to ramp up business recruitment in the lucrative tech sector, which has taken a hold along the coastal cities of the South Bay and within Orange County, but has leapfrogged over Long Beach so far, Kleinhenz pointed out. “Long Beach doesn’t have nearly the concentration of tech jobs that we find elsewhere in Los Angeles County. There’s a real opportunity – and challenge – that the city faces in trying to lure employers that are going to offer well-paying tech jobs, not just startup jobs,” he noted.

Short of that, Kleinhenz said 2020 job growth will be concentrated in the healthcare, hospitality and, to a lesser extent, logistics industries. “These sectors are doing okay, but they need to be doing a little bit better perhaps if they want to attract younger workers to live and work here in Long Beach,” Kleinhenz said. The goods movement industry, which usually has strong regional job growth, has been hampered by the ongoing trade

conflict with China. “That is going to hold back the kind of growth we would have otherwise expected in the local ports and more generally in the logistics industry this year,” he pointed out.

Despite concerns over housing and land use policy, Kleinhenz commended city officials for their approach on promoting the city. “This is also a time for the city to continue to look at the opportunities that it faces, having a downtown right on the Pacific Ocean and being a major city by any measure, not just living in the shadow of Los Angeles,” he said. “I think city officials are doing a better job than ever of trying to capitalize on these advantages.”

Businesses, he noted, can do their part to promote economic growth in the city by taking advantage of the national economy’s continued expansion. “There’s opportunity here in 2020. This is not the time to hunker down, this is the time to be smart about business decisions,” Kleinhenz said.

Meanwhile, he cautioned businesses that good times won’t last forever. “You cannot escape a recession,” Kleinhenz noted. “Even as we

look at 2020 being a year of continued growth, we always need to work on a strategy that enables us to respond wisely to what happens when the economy does slow down or dip into recession.”

In theory, a tight job market could provide another incentive for businesses to invest, especially in productivity-enhancing measures such as intellectual property, equipment and software. In reality, however, that theory has rarely proven to be true, Sweet said. “I wouldn’t be surprised if business investment remains soft,” he noted. “It’s going to be better than last year, but I don’t think we’ll be going gangbusters.”

Overall, Sweet said he expects economic growth to continue, despite some political uncertainty in the nation and beyond – such as presidential impeachment, the 2020 election and our relations with Iran. “We’re heading into our 11th year of the expansion and strength of the U.S. economy [and] the U.S. labor market is starting to reach some metro areas that have been left behind,” Sweet pointed out. “So I think it’s important that we keep this expansion going for as long as we can.” ■

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# 2020 Real Estate Market Trends To Mimic 2019 Across All Sectors, Experts Forecast

■ By **BRANDON RICHARDSON**  
Senior Writer

Despite an election year, the remnants of a trade war and tension with Iran, economists and local experts forecast all real estate markets to continue with trends similar to 2019: stable. Richard Green, director of the USC Lusk Center for Real Estate, said economic indicators, such as low unemployment and increasing wages, bode well for all real estate markets. He does not expect the 2020 election to greatly impact markets, adding that the United States–Mexico–Canada Agreement and early details of a trade deal with China moving forward would only benefit real estate markets.

“I think 2020 is going to look a lot like 2019. One thing that happened last year is [that] I was expecting single-family prices to go down a little bit,” Green said. “They didn’t – except for in very specific parts of the market. And that’s because I expected the [Federal Reserve] to keep raising interest rates and they didn’t. In fact, they reversed themselves.”

William Yu, an economist with the

UCLA Anderson Forecast, explained that high-end single-family homes experienced price reductions in Los Angeles County last year, while “low-price areas” continued to experience upward pressure on prices – a trend he expects to continue into 2020.

“We are seeing a kind of market equilibrium. Over the past several years, high-price areas have reached a level that people can’t afford, so we have seen an adjustment,” Yu said. “Young people continue to move to Los Angeles, but they cannot afford the high-priced areas, so they opt for the second-tier market and drive up those area’s home prices. It’s an interesting dichotomy.”

Robert Stepp, principal of Long Beach-based Stepp Commercial, said it’s likely that multi-family sales activity will increase in the first half of 2020, with owners wanting to get ahead of any future uncertainty the presidential election may cast upon the market. Additionally, new construction of multi-family and mixed-used properties in Long Beach and surrounding areas continues to spur renovation in older housing stock, which

increases rental rates in what were less expensive buildings.

Stepp said the multi-family market’s greatest challenge is a disconnect between seller and buyer price expectations. As continued demand has kept upward pressure on property sales prices, Stepp said buyers are finding it increasingly difficult to justify asking prices.

On January 1, statewide rent control went into effect; however, both Green and Yu agreed the law will likely not have a significant impact on the multi-family market overall. Green noted the rent cap will likely be inconsequential to more than 90% of properties in L.A. County. California rent increases are now capped at 5% plus inflation, or 10% – whichever is less. The annual inflation rate in the U.S. has been around 2% since 2016, according to U.S. Labor Department data. If this annual inflation trend continues, California landlords will be able to increase rents 7% each year, which is more than they have been, Green explained.

“The impact of statewide rent control has been fairly muted so far. From an industry standpoint, the regulations are

moderate and manageable for professional investors and those accustomed to rent control in markets such as San Francisco, Santa Monica and Hollywood,” Stepp said. “Ironically, those most affected are owners who have not kept up on their annual rent increases, who will now most certainly raise rents regularly going forward.”

### Commercial Real Estate

The industrial real estate market will remain the hottest commercial market through 2020, with average rent per square foot at historic highs and vacancy at historic lows, Green said. He noted that new industrial properties are being built rapidly in L.A. County – including two projects in Long Beach that recently came online bringing hundreds of thousands of square feet of Class A space to the market – but that eventually investors will opt to build in the more affordable Inland Empire.

E-commerce continues to drive the industrial real estate market through the use of warehousing and online order fulfillment, Yu said. Brandon Carrillo, a principal in Lee & Associates’ Long Beach



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Economists and local experts forecast that all real estate markets will mimic last year's trends in 2020. (Photograph by Brandon Richardson)

office, noted the local industrial market closed out 2019 strong, with a momentum of deals carrying into the first quarter of 2020 and no sign of stopping. However, with the introduction of new product and historically high asking rents, he expects vacancy to increase slightly and rents to come down a couple of cents per square foot.

“Locally we’re very strong. One of the positives, and this is why I love Long Beach and Signal Hill, is we have such a wealth of diversification of different companies that operate here,” Carrillo said. “One of the great things is when some companies are down, other companies are benefiting and help hold up the local economy.”

As e-commerce continues to strengthen and shape the industrial real estate market, it will continue to have adverse effects on traditional retail, forcing continued adaptation by the market into 2020, Yu explained. Over 1,700 store closures have already been announced for 2020, accord-

ing to Business Insider, including 450 Pier 1 Imports locations, 230 Gap stores, 200 Walgreens and 178 Forever 21 locations. Carrillo noted one bright spot for traditional retail in the shadow of e-commerce: online ordering for in-store pickup, which has increased store sales.

Retail property owners have had an influx of service-based tenants, particularly restaurants and medical uses, as traditional retail struggles, Green explained. “My views on retail hasn’t changed – it’s bearish,” he said. “I just don’t see a promising future for retail other than necessity retail – [grocery and drug stores]. Something that I’m struggling with is shopping center strategy to replace stores with restaurants because restaurants don’t make money.”

Long Beach saw the addition of more than 215,000 square feet of retail at 2ND & PCH in Southeast Long Beach late last year. According to Sheva Hosseinzadeh, an associate vice president with Coldwell Banker Commercial BLAIR WESTMAC (BW), the retail center is a positive for the

city overall, but has and will continue to have a negative impact on surrounding businesses.

“The 2ND & PCH project is one of the best projects that the city has to offer,” Hosseinzadeh said. “It did affect some of the other existing retailers located on 2nd Street. If you drive by, you just see a lot more vacancies along 2nd Street than you’ve ever seen before.”

Historically, Belmont Shore has had some of the highest retail rents in the city, but Hosseinzadeh said landlords may need to consider reducing rents and reconfiguring space in light of the new competition up the street. While 2ND & PCH asking rents are higher, Hosseinzadeh noted that the location is brand new, as opposed to 2nd Street, where buildings are decades old and may be in need of improvements. However, despite current challenges, Hosseinzadeh said 2nd Street in Belmont Shore always will be a desirable location to open business, as long as landlords invest in their properties and rethink asking rents.

In dense, urban areas, such as Downtown, many new residential developments with ground-floor retail are slated to open in 2020 and 2021, according to Becky Blair, president of BW. Traditionally, ground-floor retail has been dominated by food and shopping; however, Blair said different uses are beginning to emerge for ground-floor occupancy, such as creative office space and medical.

Office vacancy has been on the rise in L.A. County, despite strong economic indicators, Green noted. He explained that many jobs have been automated and the amount of space per employee continues to decrease, meaning companies need less space overall. Absorption has been “well behind” new construction in L.A. County, Green said, adding that he expects continued vacancy increases.

The need for less space by companies and lagging absorption will likely mean a decrease in the amount of new office construction in 2020, Yu explained. In Downtown Long Beach, office stock has actually decreased by around 125,000 square feet due to multiple buildings coming off the market for conversion to residential or hotel uses, according to Hosseinzadeh.

“There’s just less inventory that’s available. That can generally mean owners that have had vacancies sitting on the market for some time may start to fill up now,” Hosseinzadeh said. “I wouldn’t say [rental rates] are going up necessarily, but they are stabilized.”

For smaller office properties, Hosseinzadeh said many companies in 2019 opted to purchase a building utilizing a Small Business Administration loan and lease extra space as a source of additional income. However, she noted a recent slowdown of sales due to increased prices, causing an uptick in leasing activity while companies wait for the market to cool down and lower prices.

“Office is always the lingering sector in commercial real estate that doesn’t come full circle [after a recession] in relation to industrial, multi-family or retail,” Hosseinzadeh said. “But last year and going into the new year, there has been a lot more activity. That’s a positive. I think we’re going to see a very strong market this . . . year.” ■



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## International Port Trade 2020: A Challenging Outlook

■ By **MICHAEL GOUGIS**  
Contributing Writer

Increased competition from upgraded ports and a diversifying global economic base will create challenges for the ports of Long Beach and Los Angeles in 2020, port executives and international trade analysts say.

“It’s going to be a very, very busy year. But we believe there are opportunities, particularly for export,” said Gene Seroka, executive director of the Port of Los Angeles.

In the short term, tariffs from the ongoing trade war with China are the biggest talking point, with short-term impacts to the port only part of the concerns expressed by those who manage and analyze port and shipping operations.

“A lot of the factors that set up the boom in the trans-Pacific trade are going away,” said Jock O’Connell, international trade advisor for Los Angeles-based Beacon Economics. “The big question the ports will struggle with is their market share, particularly in terms of cargo heading for the East.”

Tariffs on goods moving between the U.S. and China have encouraged shippers and entire industries to pursue short- and long-term strategies to avoid the higher costs of goods movements. On January 15, President Donald Trump signed the first phase of a U.S.-China trade agreement, in which China

pledged to increase the amount of U.S. goods and services it purchases over the next two years to the tune of \$200 billion over 2017 levels. While the agreement reduces a portion of U.S. tariffs to 7.5% on Chinese products, 25% tariffs remain in place on hundreds of billions of dollars worth of Chinese goods. Trump stated tariffs could be lifted with the second phase of the deal.

“This is a big win for the president,” Treasury Secretary Steven Mnuchin told Fox News. “It’s not everything. There will be a ‘Phase 2.’ But this is the first time we’ve had a comprehensive agreement with China.”

The trade conflict has sped another trend that had already begun – the diversification of manufacturing throughout countries away from Japan, China and Korea. Pursuing inexpensive labor and manufacturing costs, heavy industry is moving to other Southeast Asia countries and increasingly also Africa.

“During the past 18 months, we’ve seen shifts in our trading partners,” Seroka said.

For example, in 2009, total imports from Vietnam into the U.S. were valued at \$12.2 billion, according to U.S. Census Bureau data. A decade later, that figure had risen to \$55.3 billion, and that was before the import figures for November and December had been added in. In response, the U.S. added tariffs to exports from that country, which is becoming a major player in the electronics



Port of Long Beach Executive Director Mario Cordero (Photograph courtesy of the POLB)



Port of Los Angeles Executive Director Gene Seroka (Photograph courtesy of the POLA)

and tech industries.

This will create challenges and opportunities for the ports in the near term, but especially in the more distant future.

“The Southern California ports benefited from the fact that the bulk of the trans-Pacific trade took place with Japan, China, Korea,” O’Connell said. “When you start trading with Vietnam, Malaysia, other ports start to become more feasible. More cargo now is originating in places that would not travel through

West Coast ports.”

But the diversification of manufacturing means opportunities as well.

“As [Asian] exports have grown, their demands for raw materials are going to be growing to support that cycle, and we see potential for exports there,” Seroka said.

In addition, the new U.S.-Mexico-Canada trade pact could benefit the ports of Los Angeles and Long Beach as components from Asia flow through the ports and, via rail, to

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assembly facilities across North America. In addition, as the economies of Asian countries strengthen, the potential for exports of goods increases.

Shifting origin points are combining with improving port facilities on the East Coast to provide more competition for the ports of Long Beach and Los Angeles. The emergence of lower-cost manufacturing in the Indian Ocean and East African regions means that cargo originating there is closer to East Coast ports than it is to the West Coast.

“The advantage the ports of Los Angeles and Long Beach held for a very long time was that they were the only ports that could handle the very large vessels and the pressure those vessels placed on the port infrastructure,” O’Connell said.

With more capability from East Coast ports, and Canadian ports on the West Coast aggressively marketing shorter shipping periods, there is increased competition for shipping goods to the U.S. Midwest region, an area O’Connell calls the emerging “battle-ground” for market share among ports.

One of the advantages that the ports of Long Beach and Los Angeles have is their experience in dealing with the pressures of unloading the world’s largest container ships and processing those massive loads quickly and effectively. Port administrators say that continuing to increase the speed and efficiency with which containers are handled is key to maintaining their competitive advantage.

One development that will be critical in the near future, Seroka said, is the deployment

of a universal truck reservation system, which will allow drivers to schedule pickups and deliveries by visiting a single online site, rather than having to try to coordinate arrivals on

several platforms.

“We have to continue to enhance our efficiencies,” said Mario Cordero, executive director of the Port of Long Beach. “We have

to be able to continue to compete with other ports.”

*Senior Writer Brandon Richardson contributed to this story. ■*



President Donald Trump signed phase one of a U.S.-China trade agreement in which China has pledged to increase its purchasing of U.S. goods by \$200 billion over 2017 levels. Some U.S. tariffs on Chinese goods have been reduced but many remain in place. The Trump administration said they may be removed in phase two. (Photograph courtesy of the POLB)

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# Reimbursement, Outpatient Care Are Topline Issues For Health Care Industry

■ By **ALENA MASCHKE**  
Senior Writer

When most people think of hospitals, they imagine large, looming buildings like MemorialCare's Long Beach Medical Center, its red cross visible from the 405 Freeway, signaling: if you need medical attention, this is where to find it. But recently, hospitals in the Long Beach area have sought to spread out their presence in the community. The reason: a shift in perspective toward the larger goal of improving population health.

Long Beach Medical Center CEO John Bishop put it plain and simple: "Keeping people healthy is better than being able to treat them when they're sick." Carolyn Caldwell, CEO of Dignity Health's St. Mary Medical Center agreed. "Usually, in a community like the Long Beach area, we look at the social determinants of health," Caldwell explained. "That's why it's so important for an organization like ours to not just look at the care that we provide

inside our four walls, but also the care that we provide outside in the community." Early childhood education, hunger and housing are some examples of those social determinants.

St. Mary Medical Center has partnered with other organizations and agencies in the community to address some of the underlying factors impacting population health. "Our mayor, police, fire and health department, everyone really works together to try to make sure that we are addressing all the potential challenges that are occurring here in our community, to make sure that we can keep people as healthy and as strong as we can," she explained.

Homelessness is one significant factor influencing overall population health, especially as the number of homeless seniors in Long Beach continues to increase. To improve the health outcomes of homeless patients after they are discharged from St. Mary, the hospital provides funding for recuperative housing. The financial value of St. Mary's investment in recuperative

care from July to December 2019 was \$574,813, according to Dignity Health Southern California Communications Manager Megan Martinez, who said annual investments likely exceed \$1 million.

Outpatient care is another vehicle for spreading health care resources across the community. "More and more health care is moving to the outpatient arena," Caldwell said. "We want to try to provide as much care as we can outside of the hospital."

Long Beach Medical Center is currently building a new center for outpatient pediatric care on its campus, which is scheduled to be completed in spring 2021, according to Bishop. The center will offer a centralized venue for children to receive care outside of the hospital. "We have a significant population of very sick children where transportation can often be a challenge. [The planned center] is a significant improvement, not just for the children, but for the families and for the physicians as well," Bishop explained.

For patients with less severe care needs, urgent care centers offer an outpatient alternative to overcrowded emergency rooms. "A significant portion of our emergency room visits could be treated in urgent care," Bishop said. "It's a more efficient and lower cost venue, so we continue to invest in those."

Lakewood Regional Medical Center recently formalized a system that fast-tracks patients who arrive at the hospital's emergency room from an urgent care center. "The idea is: the work has already been done on the patient, so we may not need to spend as much time on that patient in the emergency room as a result," Lakewood Regional CEO John Grah explained. "These are the patients that tend to take a lot less resources, so let's get them in and out quicker."

Urgent care centers can provide a faster alternative to emergency rooms, and often offer a clear list of prices for their services, which can be challenging for hospitals given the variety

(Please Continue to Page 24)



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We want to emphasize that these developments do not affect patients other than those enrolled in the HealthCare Partners HMO and Medicare Advantage plans. Patients enrolled in other plans and with other groups will continue to have full access to Long Beach Medical Center and Miller Children's & Women's Hospital Long Beach.

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John Bishop  
Chief Executive Officer  
MemorialCare Long Beach Medical Center  
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MemorialCare Long Beach Medical Center CEO John Bishop is pictured on the construction site of the Cherese Mari Laulhere Children’s Village, a new outpatient pediatric center on the hospital’s campus that is scheduled to open in Spring 2021. (Photograph by Brandon Richardson)

(Continued from Page 22)

of factors that play into each patient’s individual cost of care.

For example, even insured patients may face sticker shock if the doctor that treated them did not have a con-

tract with their health insurance company, Grah explained. Coined ‘surprise billing,’ this occurs when doctors and insurance companies can’t come to an agreement on the cost of a specific service.

Insurance companies then try to steer their patients towards hospitals serviced by doctors they do have a contract with, but in an emergency setting, that’s not always an option. While all hospitals have contracts with insurance providers, the doctors who work there are independent entities in the State of California. “I can’t negotiate on behalf of doctors. They’re not my employees, they’re free agents, they’re independent businesses,” Grah said.

This is one of the many factors making it difficult to calculate and communicate the final cost of services for each patient, an issue that has garnered the attention of lawmakers. “You’re seeing a lot of noise on both the state and the federal level on that,” Grah pointed out.

A federal law that took effect on January 1, 2019, now requires hospitals to publicly post the self-pay prices for 50 conditions that yield the most revenue from Medicare. Another proposal currently under consideration would mandate set prices for certain treatments on a federal level, Grah noted, with potentially grave consequences. “If we let the federal government dictate what you can get paid, we’re going to see dramatic problems in physicians’ willingness to even see patients, and you’ll see tremendous losses on the hospital and urgent care center side,” he pointed out.

The increasing cost of health care

has outpaced general inflation, a phenomenon that is largely due to an aging population, rising labor costs and innovation in the pharmaceutical industry, according to Bishop explained.

While the pharmaceutical industry has made some impressive advances, Bishop noted, that innovation came at a high cost. “Prescription drug costs will remain a topic of much discussion in the year ahead,” Chris Wing, CEO of SCAN Health Plan, which specializes in providing health insurance to seniors, told the Business Journal. “Though SCAN strives to deliver low cost prescription drugs to our members, lowering costs starts with lower list prices from pharmaceutical companies. We believe federal legislation that reduces the cost of prescription drugs for all seniors is the best path forward.”

Over 131 million Americans are enrolled in the federally-funded Medicaid, Medicare and Children’s Health Insurance (CHIP) programs, according to data collected by the Kaiser Family Foundation and the Centers for Medicare & Medicaid Services. Paying for their health care is costly. “These costs are becoming more and more of a burden on the federal and state budgets,” Grah explained.

As a result, the federal government has implemented incentives as well as penalties for providers, such as medical groups, who fall below or above a certain threshold of cost per patient. “What you’re seeing is the [federal government] trying to save money and asking the health care community to be the ones to manage it,” Grah noted. “If we don’t do well and costs go up, then we’re on the hook for those additional costs.” This has led to a shift of resources away from patient care and toward the administrative task of complying with federal cost management programs, he added.

Another process hospital executives are watching closely is the federal government’s effort to unravel the Affordable Care Act. “We’re concerned and we’re monitoring very closely what’s going to happen with the Affordable Care Act,” Caldwell said. Her colleagues at area hospitals echoed that concern. With the recent repeal of the individual mandate, a tax penalty for those foregoing insurance, Grah and Bishop said they’ve seen a significant increase in uninsured patients, as young and generally healthy people drop their insurance.

On the flipside, a continued economic expansion has enabled more patients to purchase insurance in the commercial market, Bishop noted. “A thriving economy not only increases our volume of commercially insured patients, but it also reduces the number of uninsured patients that we have,” he said. ■

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# Strong Economy Prompts Positive Outlook For Financial Services Industry

■ By **ALENA MASCHKE**  
Senior Writer

Economists are entering the new year in a far more optimistic mood than the last and experts in the financial services industry have joined the choir. Blake Christian, tax partner at Houthouse Carlin & Van Trigt LLP (HCVT), said he feels far more confident in the economy at the beginning of 2020 than he did any of the previous five years.

“We foresee a very robust economic landscape, all the economic fundamentals are very strong,” Christian said, noting that in his industry, interest rates contributed to this confidence. “With the low interest rates, it’s much easier to implement some estate planning strategies,” he pointed out, citing personal loans to family members as one example.

Christian also pointed to the Tax Act of 2017 as a driving force behind job growth and overall economic

expansion. With many Democrats hopefuls in the upcoming presidential election favoring higher taxes on corporations and wealthy individuals, Christian said some of that momentum may be stymied if Democrats win the presidency in 2020.

“If the rates go up, I’m going to have a whole lot of irate clients,” he noted. While tax increases are likely to cause frustration among those affected, they don’t necessarily have a negative impact on financial accounting firms. In fact, they tend to make their services more valuable, Christian said.

As things stand today, the tight labor market is making it challenging for HCVT and others to secure top talent, especially as interest in accounting remains low among young people, Christian said. “The accounting profession isn’t really sexy to a lot of college students. Our challenge is getting out there and telling them that it is a really fascinating business and you get exposed to some incredibly

interesting projects.”

But convincing college students to consider a career in accounting is only one approach large accounting firms like HCVT have taken to ensure sufficient staffing to service their clients’ needs. “Most of the large CPA firms are outsourcing some portion of the tax preparation side,” Christian explained. Outsourcing tasks such as data entry for tax returns to countries like India frees up expert staff at domestic offices for more complicated assignments.


Additionally, HCVT is hiring ahead of its needs, he said. The firm is planning to add at least 100 employees to its staff of 700, spread across 12 offices nationwide, according to Christian. While this strategy might work for large firms like HCVT, Christian acknowledged that smaller companies will likely be forced to roll with the punches in terms of recruitment. “We recognize small businesses don’t have that luxury,” he noted.

In 2019, the Opportunity Zone pro-

gram constituted a large portion of his workload, Christian noted. Opportunity zones are low-income census tracts in both urban and rural areas across the country designated by the federal government for participation in a tax incentive program to attract investors. Through special funds, investors can receive a tax deferral until 2027 on investments made in these designated zones, an incentive that aims to spur growth in low-income areas.


“There’s been an incredible amount of construction, including residential. I think it has been a real success story,” Christian, who helped set up more than 60 opportunity funds for his clients in over 15 states last year, said. “It’s about half of my practice now. Over the next two or three years, there should be plenty of money flowing into these.”

While investors in California opportunity zones can count on a federal tax deferral, their investment in the designated census tract hasn’t bene-



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## CITY OF LONG BEACH

### BID OPPORTUNITIES

TITLE	BID NUMBER	DATE
Miscellaneous Personal Computer Software	ITB TI20-013	01/28/2020
Independent Redistricting Commission Services	RFP CM20-015	01/30/2020
As Needed Towing Services	RFP FS20-019	01/30/2020
Construction Mgmt. & Inspection Svcs for LBWD Alley Water Main Conversion – Daisy Ave	RFP (MC-5161)	01/31/2020
Professional Engineering Design Services for Artesia Great Blvd Improvements	RFP PW20-004	02/04/2020
Labor Compliance Monitoring Services	RFP FM20-022	02/07/2020
Long Beach Boulevard Pedestrian Improvements	R-7163	02/26/2020

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

**Bidder Registration**

To receive notifications of bid opportunities, register with the City of Long Beach at [www.longbeach.gov/finance/business-info/purchasing-division/purchasing-division/](http://www.longbeach.gov/finance/business-info/purchasing-division/purchasing-division/). Additional details on upcoming bids and how to register can be found on the website.

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Bank lobbies, like this one in the historic Farmers and Merchants Bank (F&M) Building on Pine Avenue, are likely to see fewer visitors in the future. Today, most clients expect general banking services, such as deposits, to be automated, F&M President Henry Walker explained. (Photograph by Brandon Richardson)

fitted them with regard to state taxes. California is one of only three states in the nation that does not conform with the federal program.

But there's a light at the end of the tunnel for those hoping to invest in California's zones. California Gov. Gavin Newsom in his 2019–20 proposed budget announced that going forward "the state will conform to federal law allowing for deferred and reduced taxes on capital gains in Opportunity Zones for investments in green technology or in affordable housing, and for exclusion of gains on such investments in Opportunity Zones held for 10 years or more."

Both Christian and Farmers & Merchants Bank President W. Henry Walker pointed to the state's regulatory environment as one of the biggest challenges companies in the financial

services industry and their clients face at the moment. "Regulation. [With] all of my business clients, that's their biggest complaint," Christian said. "They're more willing to live with higher tax rates than over-regulation."

Walker expressed a similar concern. "California is regressive towards business," he said. "Everybody has to work for a living and if you're regressive towards business, it affects everyone negatively. You can't keep making it tougher and tougher." Walker said his business, which was founded in Long Beach over 100 years ago, is anchored in California. But many of his clients have chosen to leave the Golden State for states with less restrictive regulations and lower taxes. "We have customers, every year, that leave," he stated.

Still, Walker said his overall out-

look for 2020 is positive. Farmers and Merchants Bank will continue to make investments in technology, he told the Business Journal, responding to a growing demand by both private and business clients to automate general banking services. "What we've seen is significant implementation of fintech throughout all banking services," Walker noted. Fintech, or financial technology, refers to the integration of technology into offerings by financial services companies, in an effort to better reach and serve consumers.

"Banks like us, that can invest, that can be nimble, can move more quickly to meet customers' needs," Walker explained. He said that F&M's medium size, with about 750 employees across Southern California, and its approximate \$7.5 billion in asset holdings is an advantage.. "There's a bit of a sweet

spot: you have to be big enough so you can afford to invest, but you can't so big you can't move."

Technology also plays a key role for investment management firms hoping to grow, according to the Deloitte Center for Financial Services' 2020 Investment Management Outlook. "Internally, long-standing operating models may need transformation to keep up with the competition; and digital-enabled customization is becoming a client expectation," the report stated. "Externally, firms may discover finding investors in new demographic segments or geographies is the most effective path to asset growth."

Artificial intelligence and alternative data are two terms dominating the conversation on tech use in the investment realm. Alternative data refers to the use of non-traditional data points, such as satellite images or geolocation data collected from cell phones, to predict the potential return on investments.

Overall, Deloitte's report paints an optimistic picture for the investment sector but also notes significant changes in the industry, including a shift from active to passive funds, transitions in firms' leadership to advance technological and cultural adjustment goals, and a trend towards global diversification of investments. For U.S. investment management firms, both Asia and Europe remain attractive areas of investment, despite some uncertainty resulting from Britain's plans to exit the European Union and the slowing Chinese economy.

"A quick glance at the asset growth in the investment management industry over the past nine years shows steady growth—a sign of health and stability," the report noted. But, "the cumulative effect of fee pressure, a shift to passive investments, and concentration of success in gathering assets is driving many firms to continue to take bolder actions to find growth, operate efficiently, and engage customers." ■





# LOOKOUT 2020

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## Renewable Energy At Record Levels; Fossil Fuels Face Uncertainties

■ By **MICHAEL GOUGIS**  
Contributing Writer

Tensions in the Middle East and the escalating war between Sacramento and the White House have left the energy sector – particularly the petroleum component – staring at uncertainty heading into 2020.

But at the same time, local and state firms have kept their heads down and worked hard, creating systems for crude oil extraction and refining that are cleaner and more energy-efficient.

And on the national level, a milestone in the electricity market was reached last year, with power generated from renewable resources exceeding the power created by coal-fired generators for the first time in history.

Conflict in the Gulf Arab region poses particular problems for California, which relies heavily on imported oil to meet its need for gasoline and other petroleum-based products.

“California leads the U.S. in crude oil imports, mostly from the Mid-

dle East. Saudi Arabia has been the leading source of imported crude oil to California for many years, with Iraq and Kuwait typically among the top five foreign sources,” said William Gillespie, operations manager of coastal operations for the Long Beach-based California Resources Corporation (CRC).

“While the rest of the U.S. enjoys growing energy independence, California has become increasingly dependent on Middle Eastern oil imports in recent years. In the past few months, growing turmoil and violence in the Middle East presents a more immediate threat to California’s energy supply and economy, since over a third of our crude oil passes through the Persian Gulf via supertankers on their 14,000 mile journey to California’s coast. If that supply is disrupted by conflict, civil unrest, transportation accidents or conflicts with Iran, California’s working families will immediately suffer.”

National and state officials seem diametrically opposed in their approach to addressing the issue of im-

ported oil. The Trump administration is pushing for expanded oil extraction in California, while Gov. Gavin Newsom is pushing toward the state’s goal of transitioning away from the use of fossil fuels.

“The greatest challenges for the industry and the greatest impacts on business both seem to be coming from the State of California,” said Ralph Combs, manager of regulatory, community, & government affairs for The Termo Company in Long Beach. “Whether it is higher costs . . . or the state’s open hostility towards the oil industry, it is getting harder and harder for us to do business in our home state. Well development restrictions, a proposed severance tax, calls for the state to stop issuing permits – I am not sure where to start explaining how many challenges the industry faces in the near-term.”

“The state wants to transition to a more sustainable energy model, and we agree with this drive. But for some policy makers that means shutting down California’s oil and gas production and just importing what we need.

They seem to forget that our production has the strictest environmental regulations in the world, while the countries we import from do not. The wiser choice would be to produce here what we need and use here.”

Oil extraction and processing has become significantly cleaner in recent years, a trend that is set to continue, according to Gillespie.

CRC has reduced methane emissions by 60% since 2013, has become a net water supplier for the state and has facilitated the planning and establishment of solar energy projects that will generate more than 600 megawatts of electricity. CRC has made available for solar projects the acreage that commercial solar producers require for panel fields.

In addition, CRC is developing a new carbon capture and sequestration operation for its natural gas power generating plant at the Elk Hills Field near Bakersfield. The technology involves extracting the carbon dioxide from the plant’s operations and injecting it into underground oil reserves. The effect is twofold: the in-

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jection helps release crude oil trapped in the soil, making it available for extraction; and the carbon dioxide is trapped underground and not released into the atmosphere where it can contribute to the greenhouse effect.

Long Beach is budgeting based on oil prices remaining close to where they have been throughout 2019, said Bob Dowell, director of the city's Energy Resources department.

"Recently there have been a couple of price spikes we have seen, but we're still going forward with a conservative \$55 per barrel," Dowell said. "That seems to be pretty stable for global prices. There's no reason to believe there are any issues with supply. Even the geopolitical risk seems to be short-lived. We're already back down to the prices we saw before the incidents of a few weeks ago."

Natural gas for Long Beach consumers also is expected to remain abundant, with prices of the fuel lower than it was last year, Dowell said. The Southern California Gas Company, which delivers natural gas to Long Beach, has not experienced any difficulties in recent months with delivery pipelines or storage facilities, difficulties that have caused some availability issues in prior years.

On the local electricity front, the AES Alamitos facility is in the performance-testing phase of its combined cycle gas turbine generation system, with commercial operation of the new generators expected to begin early this year.

Half of the old steam-generating units have been shut down, and the other half on the premises is scheduled to shutter by the end of 2020, although that is dependent on regulatory action in the near future.

State energy officials recommended extending the operational lifespan of several generating stations to help preserve electricity grid reliability, and among those stations are three of the generating units at the Alamitos site. The State Water Resources Control Board is expected to decide whether the units will be shut down or granted a short-term extension of one to three years.

Overall, electricity production has been increasingly driven by renewable energy sources. The U.S. Energy Information Administration said that on the national level, wind and solar power reached record levels of electricity generation last year, and that in April, renewable energy sources accounted for 23 percent of the nation's total electricity generation, compared to 20 percent generated by coal.

The solar power sector absorbed the drop in tax credits at the end of



The production of cleaner energy at the AES Alamitos Energy Center in Southeast Long Beach is drawing nearer. The upgraded facility features two gas turbines, which will utilize compressed air and natural gas to create electricity. The facility includes two heat recovery steam generators (two stacks pictured at left), as well as a state-of-the-art air-cooled condenser (rectangular structure at center). The facility's old smoke stacks, such as those pictured at right, are to be demolished. (Photograph by Brandon Richardson)

the year without a significant loss of activity, in part because solar panels are becoming less expensive and more efficient, said Jarrod Osborne, president of Solar Source.

The Long Beach company designs and installs commercial and residential solar systems, and Osborne says customers were scrambling to get projects started in 2019, before the tax credits dropped from 30 percent to 26 percent for projects started in 2020. Osborne says he anticipates much the same over the next two years, as the federal tax credits are phased out.

"There have been a lot of commercial projects, residential projects, and now there's pressure to finish those projects," Osborne said. "We're probably going to be in a similar cycle next year, as we chew through the jobs in the pipeline, then start on new jobs as the deadline approaches."

Osborne said panel prices have dropped as manufacturers ramp up production, increasing their economies of scale. And the output of a standard-size panel has increased by 28 to 30 percent in the last five years. That has been important in attracting residential clients, since single-family homes typically do not have the large, flat roof area of commercial buildings.

"Often, we're fighting for every square inch of space in residential installations," Osborne said. ■

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(Continued from Page 1)

has announced that mortgage credit availability jumped in November for the first time in months. The government's Mortgage Credit Availability Index increased by 2.1% in November over October in 2019. This index, which measures the availability of Federal Housing Administration, Department of Veterans Affairs and U.S. Department of Agriculture mortgage products, led all components with a 2.9% increase – its first since February last year. The conventional index that measures activity in both conforming and jumbo loan categories was also up in November, with conforming loans up 0.2% and jumbo loans up by 2.2% over October.

But the good news on the consumer level is that the Federal Housing Finance Agency (FHFA) is raising the conforming loan limits for Fannie Mae and Freddie Mac to \$510,400 – up from the 2019 limit of \$484,350. This is the fourth straight year the FHFA has increased the limit following a decade (2006-2016) of keeping them the same.

Back in 2008, the Housing and Economic Recovery Act (HERA) established a baseline loan limit for conforming loans at \$417,000 and mandated that, after a period of price declines, the baseline loan limit cannot rise again until home prices return to pre-decline levels.

In housing data compiled by FHFA, home prices increased by 5.38% on a national basis from the third quarter of 2018 to the third quarter of 2019, so the national loan limit is raised by the same percentage. For high-

cost areas, such as Los Angeles and Orange Counties, the new ceiling on conforming loans is going up to \$765,600 – the maximum anywhere in the United States. This is calculated for areas (counties) in which 115% of the local median home value exceeds the baseline conforming loan limit (\$510,400), making the maximum loan limit higher than the baseline loan limit. HERA established the maximum loan limit in high cost areas as a multiple of the area median home value, while setting a "ceiling" on that limit of 150% of the baseline loan limit. Riverside and San Bernardino will have the baseline limits of \$510,400, while San Diego will move up to \$701,500.

There is also good news for older borrowers who want to take advantage of the FHA Home Equity Conversion Mortgage (HECM) program, commonly known as a reverse mortgage, which allows borrowers aged 62 and over to pay off a conventional loan and/or pull equity from their home without a monthly payment. The loans are made by private mortgage lenders and backed by the federal government, which guarantees that borrowers will never owe more than the house is worth. The loan is in place as long as the borrower lives, so long as they make property tax and insurance payments, keep the home in good repair and retain it as their primary residence. The loan balance increases monthly as the principle and interest payments are added to the loan instead of being paid every month.

In 2020, the reverse mortgage program

will increase its loan limits to \$765,600 from the previous year's limit of \$726,525. This is the fourth straight year that the limits for this type of mortgage have been raised. Since 2018 the ceiling has been raised by \$100,000. But unlike Fannie and Freddie's loan limits and FHA's typical mortgage limit with payments, there is no geographic variation for the Reverse Mortgage loan limit. It is \$765,600 for all parts of the U.S., including the high cost areas and Alaska, Hawaii, Guam and the U.S. Virgin Islands, where traditional mortgage limits far exceed the rest of the country.

It is also noted by the FHA that the

HECM's higher loan limits may help borrowers with larger existing mortgages to qualify for the reverse mortgage program who would not have been able to in the past. Now, with a higher loan amount, there may just be enough money in reverse mortgages to make it work.

It appears that with these changes in the lending market things are aligned for continued growth in the New Year.

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](mailto:terryross1@cs.com) or call (949) 457-4922. ■

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An aerial photograph of the Long Beach port area, showing the city of Long Beach, California, and the surrounding ocean. The port is a large body of water with several piers and docks. Numerous cargo ships and container vessels are visible, along with several large gantry cranes used for loading and unloading cargo. The city of Long Beach is visible in the background, with its dense urban landscape and the Santa Monica Mountains in the distance under a clear blue sky.

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