

Post-Covid Zoning Playbook: Value Capture Meets Quality of Life

Planning Commissioner's Academy
March 2022

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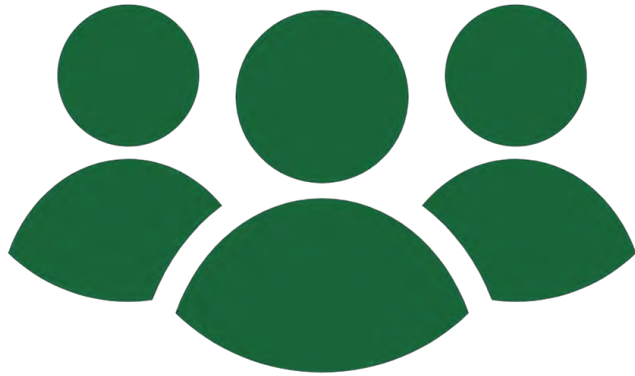
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The Great Reconfiguration

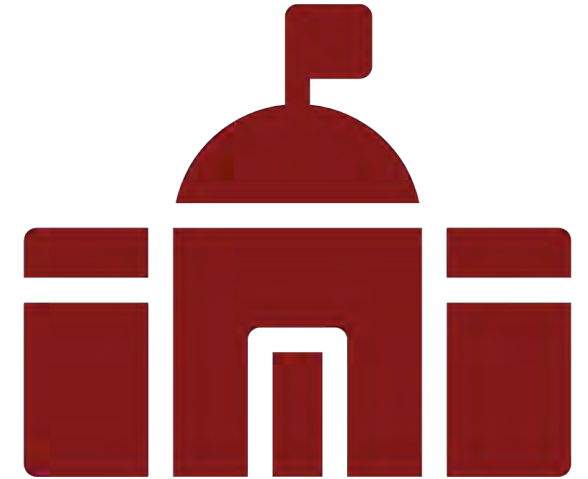
A New Mindset for a Changing Economy



Consumers driven by quality of life, cost of living, amenities, essentials, and experiences



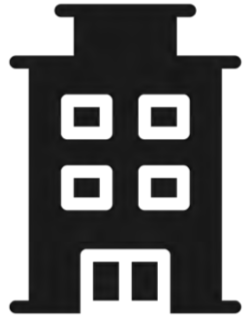
Investors driven by new technology, shifting demand, supply chain anomalies, and new live / work patterns



City Hall driven by resident and employer needs, new state policy / rules, federal / state funds



Everything is Changing



Hotel
Resetting

Retail
Reimagining

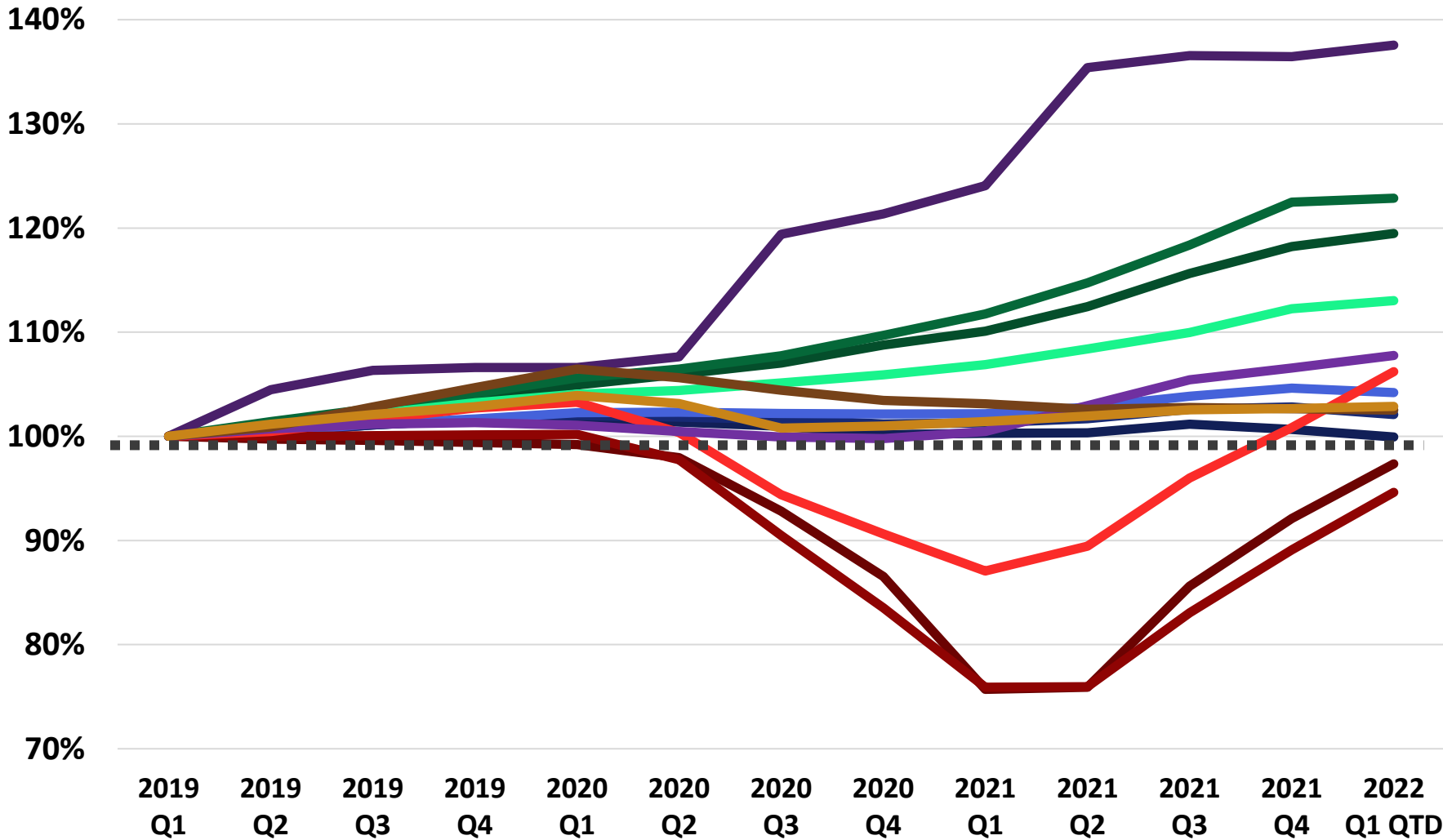
Office
Reconfiguring

Residential
Renaissance

Industrial
Redistribution



The Post-COVID Winners & Losers



LA County Rent / Value / ADR Change: 2019 Q1 to 2022 Q1	
Residential: Single-family Sale Price	138%
Industrial: Logistics	123%
Industrial: Specialized	119%
Industrial: Flex	113%
Multifamily	108%
Hotel: Midscale / Economy	106%
Retail: Strip	105%
Retail: Neighborhood	104%
Office: 3 Star	103%
Office: 4-5 Star	103%
Retail: Power Center	102%
Retail: Mall	100%
Hotel: Luxury / Upscale	97%
Hotel: Upscale & Upper-Mid	95%



Kosmont's Three Principles for Economic Development



1: Housing is Not a Loss Leader, it's a Growth Driver

Housing Creation as Economic Development

- New housing generates significant new tax revenues and supports local jobs
- Housing is not necessarily a net negative fiscal impact, especially at current property values

2: Retail is Not Just Retail Anymore

Retail Reimagination as Economic Development

- US over-built on retail; ~25% of U.S. malls may close over next 3-5 years, COVID accelerates pre-covid
- e-commerce trends. City rezoning to residential can improve residual land values

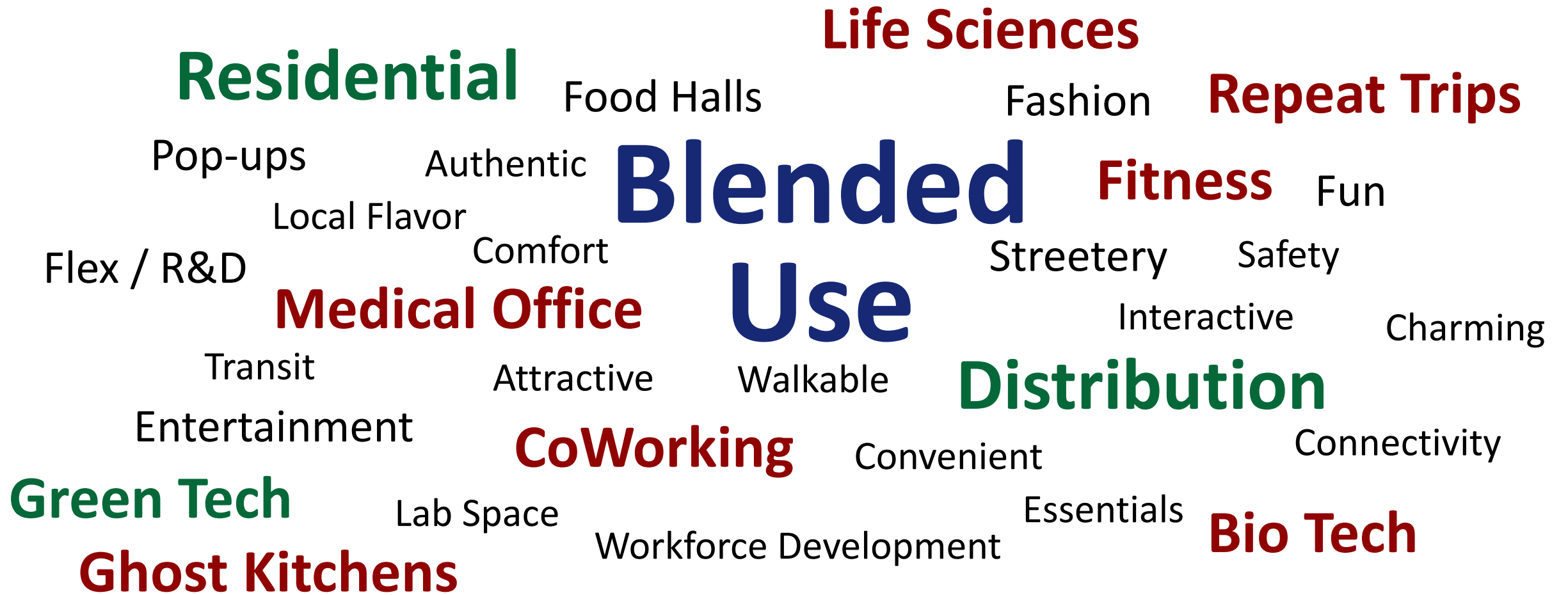
3: Industrial / Distribution is Critical for Your Economy

Industrial & Fulfillment as Economic Development

- Modern industrial is not your father's industrial – not smokestacks
- Booming demand for distribution, e-commerce, and data centers, blending for fulfillment/delivery, job creators



Community Reimagination Post-COVID



Kosmont's Approach to Planning and Economic Development in a post-Covid Digital World

Capture Value		Create Currency	
1	<u>Zoning & Land Use Tools:</u> Development Opportunity Reserve (D.O.R.) [®]	4	<u>Tax Revenue Replacement:</u> Sales Tax Assessment Revenue (STAR*) [®]
2	<u>Special Districts:</u> EIFD, CRIA, CFD	5	<u>Government Financing</u>
3	<u>Real Estate & Leasing Strategies</u>	6	<u>Other Public Money (OPM)</u>



Capture Value

1
**Zoning Tools:
Development
Opportunity
Reserve
(D.O.R.)®**

Capture Value from Zoning for RHNA implementation: link new density to community benefits

2
**Special
Districts:
EIFD, CRIA, CFD**

Capture Value from Tax Increment and other district tools to fund catalytic projects

3
**Real Estate &
Lease
Strategies**

Capture Value by better utilizing city-owned properties



1

Capture Value: Use New Zoning Value for Community Benefits

Zoning and entitlements create value.

Don't just give that value away – capture that value as currency to support your community.

Old Playbook:

Rezone Areas for New Density and Expect New Development

Rezoning gives the value of the new density to current property owners: inflated land values, limited possibility of development

New Playbook:

Bank Density with Development Opportunity Reserve

DOR allows cities to create a “bank” of new density in zoning / specific plans – allowing them to give the density to projects that deliver **community benefits & public amenities; can be very effective for parcels not zoned or rezoned for residential**



Development Opportunity Reserve D.O.R.® Process

Create Value, Keep It, Use It

Set-up D.O.R.

Step 1

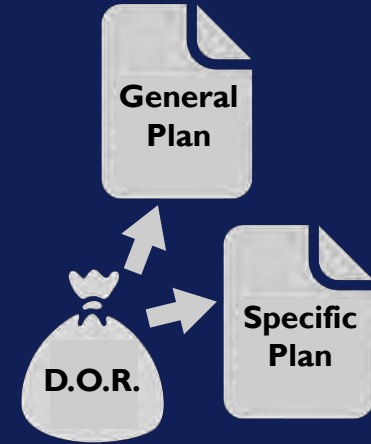
Conduct market / economic density analysis to understand development potential and RHNA.

Identify sites and areas within community as areas targeted for new development.



Step 2

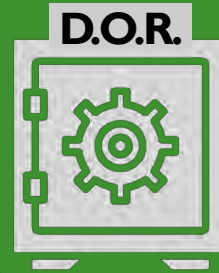
Use planning process to create a reserve bank of density to use in target areas and create an amenity list of desired community benefits and augment RHNA efforts while minimizing subsidies



Implement D.O.R.

Step 3

Development Projects apply for density from the DOR in exchange for amenities and community benefits delivered



Step 4

City & Developer sign a Development Agreement, assigning DOR density to project with contractual commitment to deliver amenities or infrastructure



Buellton Avenue of Flags

- **Goal:** Induce housing development in downtown area
- **Benefits & Amenities:** public restrooms, off-site improvements, public parking, parking district, public art, parks, green buildings, other
- **Incentives:** Increase density up to 40 units / acre, increase heights, reduce on-site parking, reduced setbacks, reduced traffic and application fees



El Monte Downtown Main St.

- **Goal:** Increase downtown density along with community benefits and public improvements
- **Benefits & Amenities:** streets, bicycle facilities, parking, open space, beautification, transit, arts / cultural spaces, lot consolidation; developer can either install improvements or make payment into public improvement fund; value based on a portion of residual land value (~75%)
- **Incentives:** Increase density, heights, FAR, dwelling units per acre



Implementation Steps

1. Conduct market housing / economic study to match RHNA needs
2. Discuss new density and public amenities with community
3. Create DOR mechanism as new Zoning / Specific Plan provision



2 Capture Value: Special Districts for Infrastructure Investments

Affordable Housing



Transit Projects



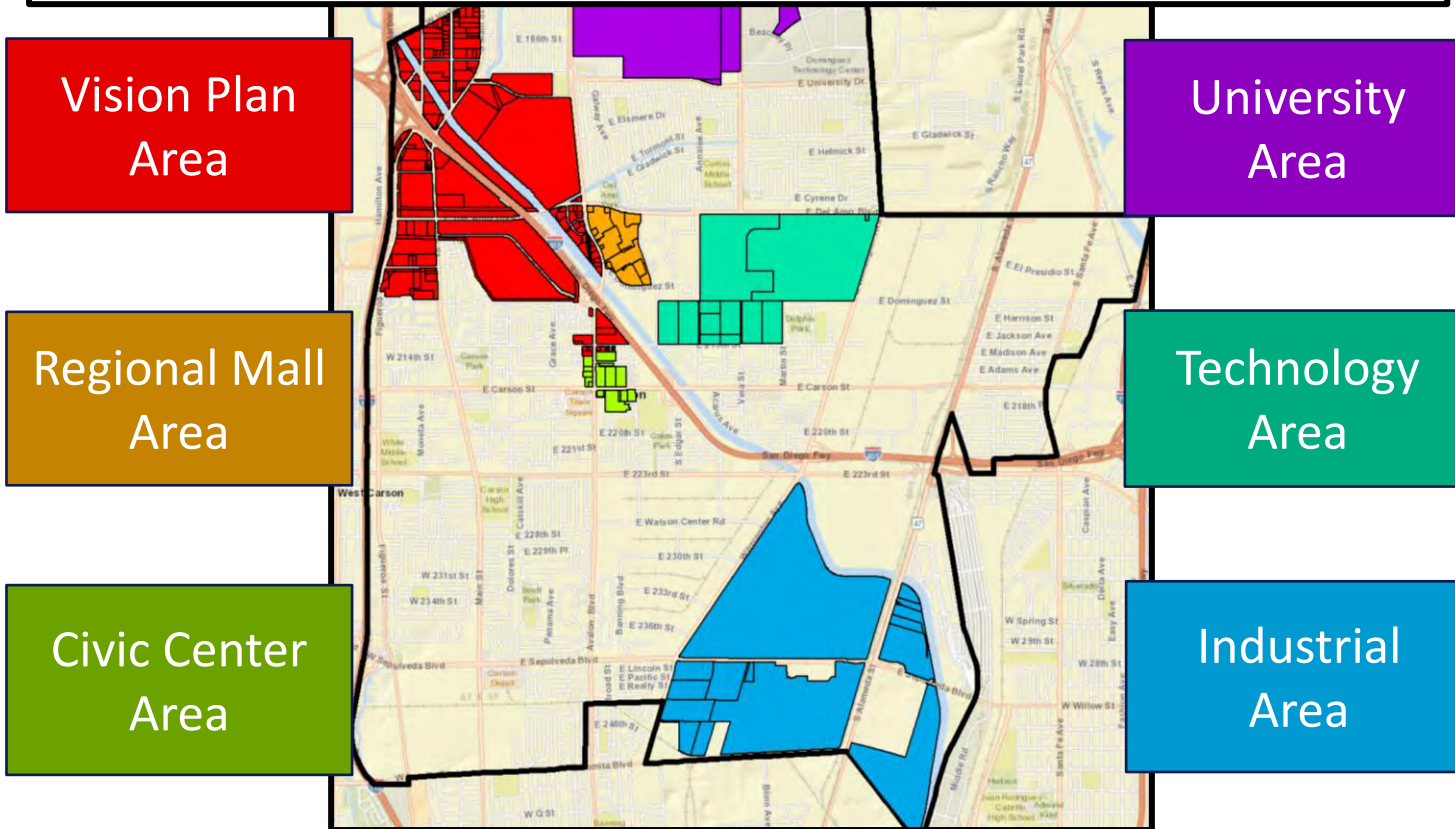
Civic Infrastructure



Broadband



EIFDs and CRIAs:
State approved tax increment financing (TIF) districts
Cities can use these districts to motivate private investment, fund infrastructure, and attract grant funds.



Water / Sewer / Storm / Flood



Parks / Open Space



Small Business / Nonprofit



Brownfield Remediation



Funding Infrastructure with Enhanced Infrastructure Financing Districts Case Study: Placentia & Orange County EIFD Partnership



Tax Increment Financing Districts
Leverage assessed value growth to fund infrastructure improvements

- No new taxes
- No public vote required
- Attract EDA, SCAG & other funds for startup

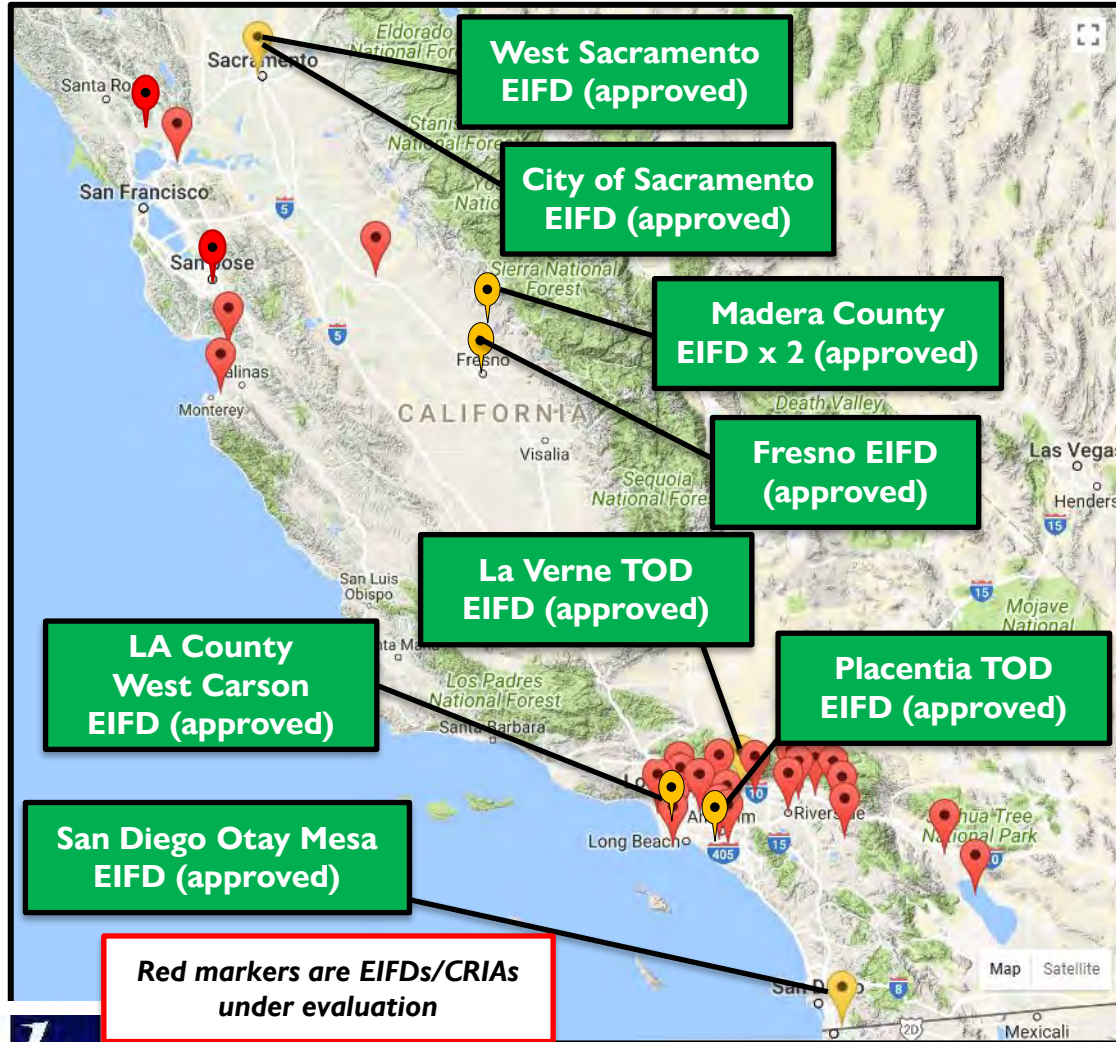
Placentia / Orange County EIFD Partnership

- Upgraded zoning, aligned with OZs and TOD
- Will fund streets, sewer, parking, transit connectivity
- >\$460M expected in new AV from residential, retail, restaurant development
- Net Fiscal Benefit: \$22M to City, \$15M to County



EIFD Progress Statewide

Partial List



Jurisdiction	Purpose
Azusa	Housing and transit-supportive infrastructure
Brentwood	Housing and transit-supportive infrastructure
Buena Park	Mall reimagination, housing-supportive infrastructure
Carson + L.A. County	Remediation, housing infrastructure, recreation
El Cajon	Housing and transit-supportive infrastructure
El Segundo + L.A. County	Various infrastructure, regional connectivity
Fairfield	Housing and transit-supportive infrastructure
Fresno	Housing and transit-supportive infrastructure
Fresno County	Industrial Supportive Infrastructure
Humboldt County	Mixed-use & energy supportive infrastructure
Indian Wells	Housing and tourism-supportive infrastructure
Imperial County	Housing and greenfield infrastructure
La Verne + L.A. County	Housing and transit-supportive infrastructure
Long Beach (Multiple Districts)	Housing and transit-supportive infrastructure
Los Angeles (Downtown, San Pedro)	Housing and transit-supportive infrastructure
Los Angeles County West Carson	Housing / bio-science / tech infrastructure
Los Angeles County – Uninc. East L.A.	Housing-supportive infrastructure, public amenities
Madera County (Two Districts)	Greenfield infrastructure (water / sewer)
Mount Shasta + Siskoyou County	Rural Brownfield site mixed-use infrastructure
Napa	Housing and transit-supportive infrastructure
Ontario	Housing and transit-supportive infrastructure
Palmdale + L.A. County	Housing and transit-supportive infrastructure
Pittsburg	Housing and transit-supportive infrastructure
Placentia + Orange County	Housing and transit-supportive infrastructure
Rancho Cucamonga	Housing and transit-supportive infrastructure
Redondo Beach + L.A. County	Parks / open space, recreation infrastructure
Riverside	Housing and transit-supportive infrastructure
Sacramento County	Industrial / commercial supportive infrastructure
San Jose	Housing and transit-supportive infrastructure
Sanger	Commercial / mixed-use supportive infrastructure
Santa Ana	Housing and transit-supportive infrastructure
South Gate	Housing and transit-supportive infrastructure

Fully Formed	In Formation Process	Under Evaluation
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3 Capture Value: Real Estate & Leasing Strategies

Cities can use a variety of strategies to better utilize the value of their properties:

- Performance-based leases / ground leases
- Monetizing assets (such as parking garages)
- Selling property to private sector – includes lease-back strategies, continued operation of existing use, redevelopment into new uses



SELLER BEWARE –

Cities must follow Surplus Land Act (SLA) requirements / procedures



Create Currency \$\$\$

4
Sales Tax Replacement
Sales Tax Assessment Revenue (STAR*)[®]

Create Currency via tax revenue replacement through DA negotiation and partnerships

5
Government Financing

Create Currency by using lower interest rates and high investment earning

6
Other Public Money (OPM)

Create Currency by using ARPA, Infrastructure Funding, and State / Federal Grants



4

Create Currency: Replacing Tax Revenues via DAs & P3s

Replace Revenue with Sales Tax Assessment Revenue (STAR*)[®]

Project would result in
loss of sales tax revenue
from non-sales tax uses

Analyze expected sales tax
loss from retail zoned
properties

Create equivalent General Fund
revenue stream via
development agreement
[*Tax equivalency as currency*]

STAR* Case Study: Jurupa Valley – Agua Mansa Commerce Park Site

- ~280-acre site (*originally planned for retail*)
- Proposed 3.6 million SF industrial development project
- STAR analysis estimated annual sales tax in-lieu payment of ~\$362,500



5

Create Currency: Reduce Debt Costs & Pursue Investment Opportunities

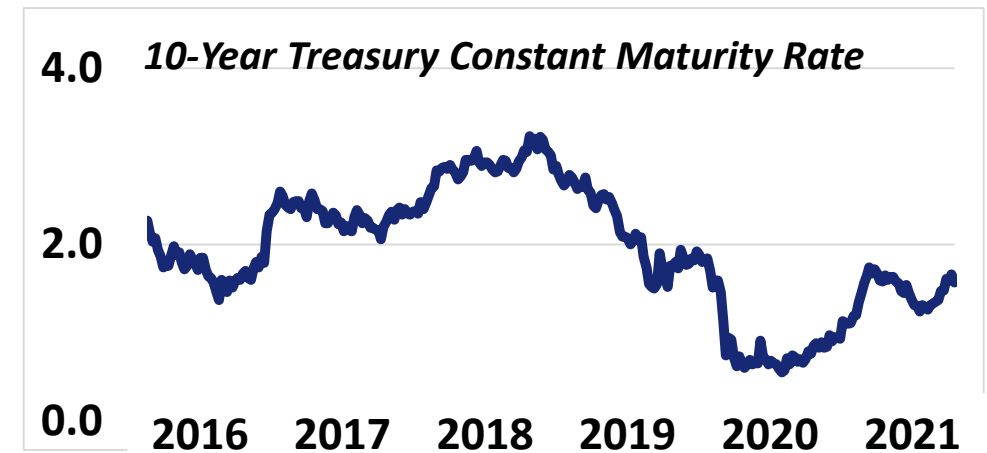
Current low interest rate environment is an opportunity to generate savings and create general fund resources for community reinvestment.

- **Revenue Bonds** to fund vital projects
- **Lease – Leaseback (P3) Structures** can cut costs and deliver public projects (no vote needed)
- **Pension Obligation Bonds** and other refinancing structures can generate savings (no vote needed)

Reducing debt payments can create capacity to pursue programs to reset local economy.

Invest City and New Federal Funds to generate enhanced revenues from cash resources:

- **Improved cash-flow management** is the other side of finance coin
- **Opportunities** to enhance short-term returns for cities and improve cashflow



6 Create Currency: Using Other "Public" Money

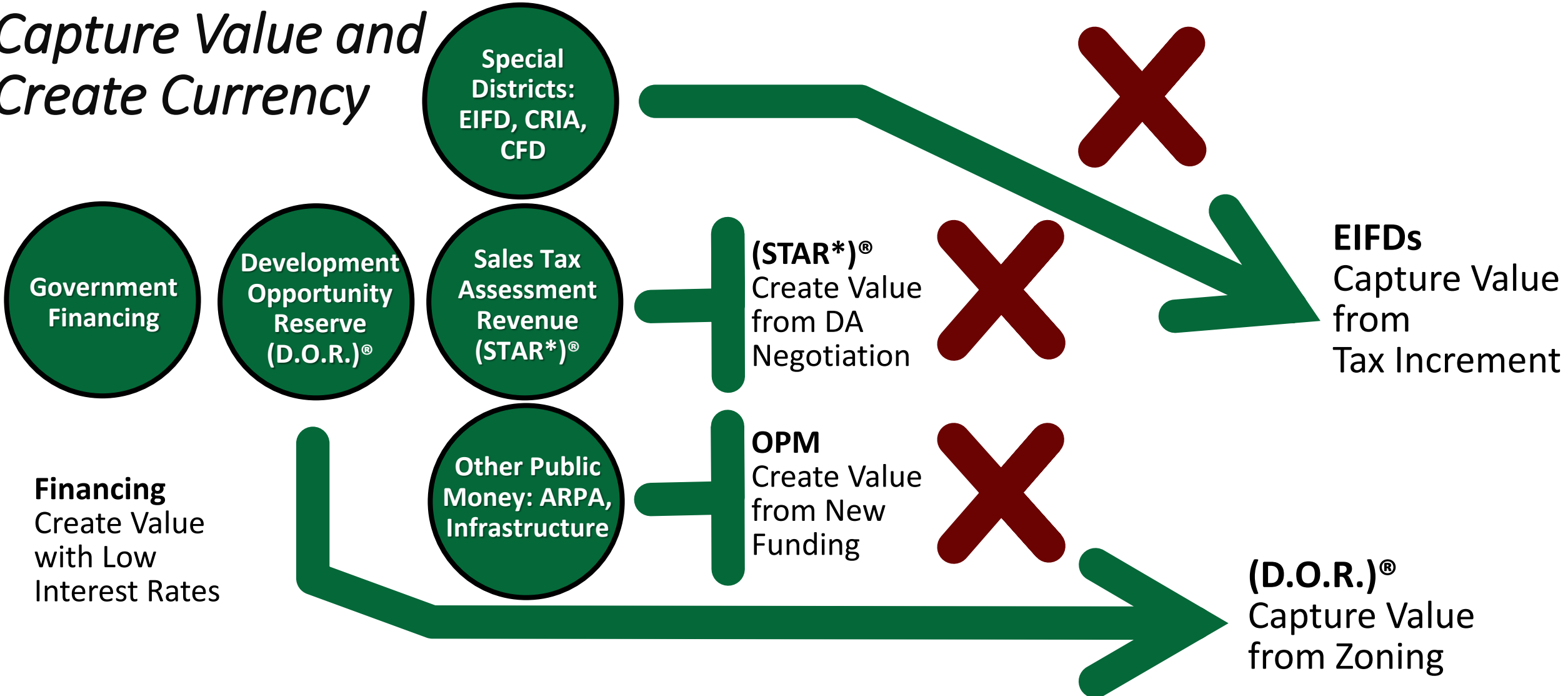
\$8.2 Billion in ARPA Funds, \$45.5 Billion in Federal Infrastructure Funds, Millions More in State Programs

Federal Programs		State Programs		
American Rescue Plan Act (ARPA)	Congressional Infrastructure Bills (INVEST Act, IJ Act)	Affordable Housing and Sustainability Communities Program (AHSC)	Infill Infrastructure Grants (IIG)	Multifamily Housing Program (MHP)
ARPA direct relief to cities is not just for COVID relief:	In process, likely to include:	CA Program:	CA Program:	CA Program:
Funds for water, sewer, and broadband, upgrading facilities and distribution systems, climate change upgrades, lead pipe replacement and more	Funds for roads, bridges, railroads, broadband, water, cyber security, climate resiliency, transit, brownfield cleanup, electric vehicles, affordable housing	\$1 - \$30 million awards for affordable housing, housing infrastructure, transportation, related amenities, program costs	\$1 - \$7.5 million grants for infill projects / areas, gap funding for infrastructure for residential / mixed-use) with some affordability requirements	Funding for rental housing; includes land lease payments, construction / rehab, offsite infrastructure improvements



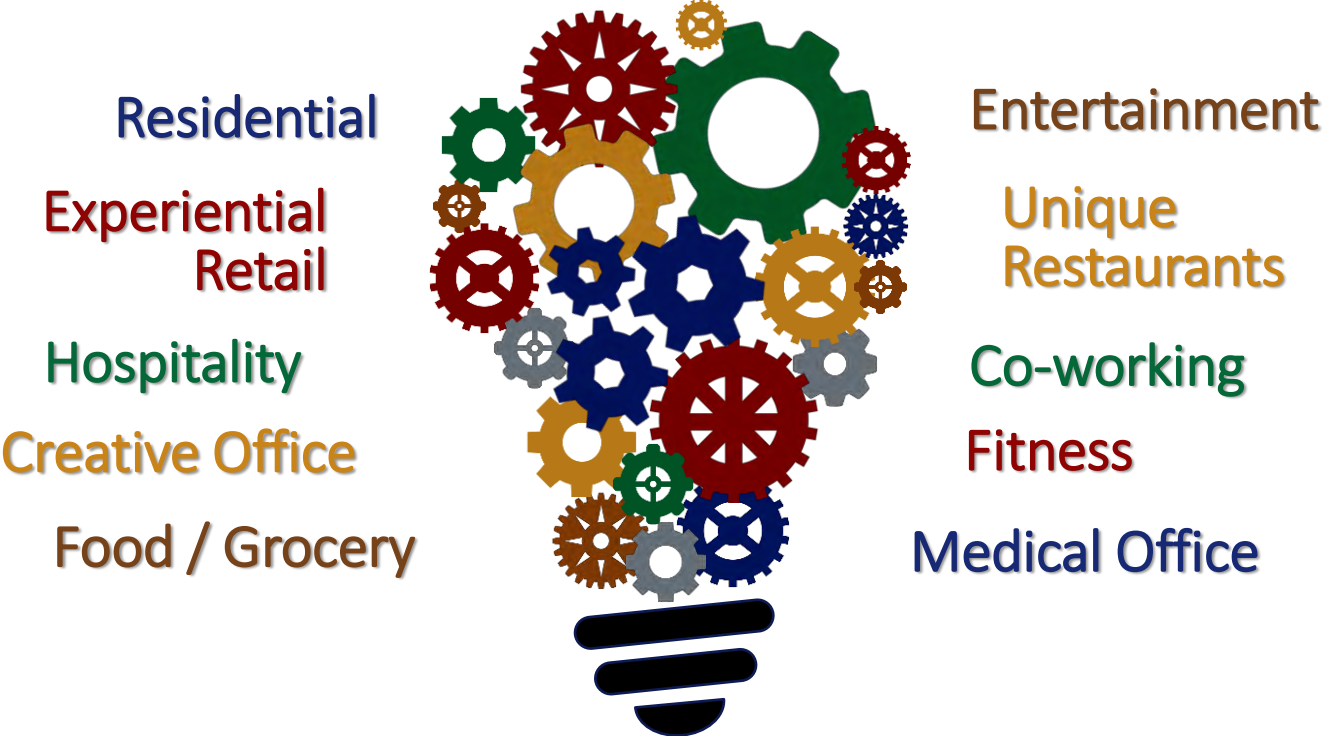
Planning & Economic Development Playbook

Capture Value and Create Currency



City Zoning Will Shift to “Blended Use”

Land Uses are Integrating and Blending Together



Vibrant destinations and places *that generate trips*—not just space & square footage.
Essentials, Experience, and Entertainment





kosmont companies

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We are founded on the pursuit of four pillars of strength ...

Innovation, Integration, Intelligence, and Integrity

We are on the cutting edge of products and services.

We achieve financial success for our public and private sector clients.

We are committed to community prosperity and quality of life.

Our professional standards are of the highest excellence.

Larry J. Kosmont, CRE

Chairman & CEO

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