

West Coast Urban District Forum

Walnut Creek, CA

March 2018



Changing Face of Economic Development: Land Use, Sustainability, and Housing

Wednesday, March 14 | 10:30am – 12:00pm

Speakers:

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INSPIRED LEADERS
SHAPING CITIES



#WCUDF18

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mobile
phones

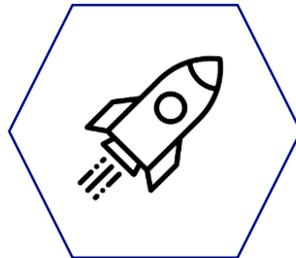


INSPIRED LEADERS
SHAPING CITIES



#WCUDF18

PRESENTATION OUTLINE



- **The Plumbing of the World is Changing**
 - Trends
 - Retail is Not *Just* Retail Anymore
 - The Last Mile: Retail Meets Industrial
- What is the State after?
- Economic Development in a Digital World
 - Destination and Retail Tools
 - Digital Tools
- Off to the *FUTURE* we go!

THE PLUMBING OF THE WORLD IS CHANGING

TECHNOLOGY

- Changing the way we live: shifting retail & tenant mix, interaction, and connectivity (more changes to come-- driverless cars, robots, big data convergence)
- Retail adapting to changing social habits, bricks/clicks omni-channeling, focus is on *trips vs. sales*
- The new store may be an industrial building: “Last Mile Delivery” reflects changes in seller/buyer behavior
- Moving from Consumption to Connectivity to Distribution

GREEN ECONOMY

- California shifting to a reduced carbon footprint “green” economy
- Mandates are aggressive
- State has authorized new “Sustainability and Housing” Districts; incentives for public/private projects
- Spur growth of health, sustainable, environmental oriented business and achieve compliance

ECONOMIC DEVELOPMENT IS CHANGING

- New E.D. strategies based on digital-based lifestyle shifts, demographics, climate action mandates
- Loss of jobs to automation requires commitment to job creation and “continuous” education
- Housing shortage affects all; now a state-wide priority with mixed local support
- Cities need private \$\$ to create jobs & tax revenue...and housing

BUSINESSES PURSUE RELEVANCE AND PROFITS IN A CHANGING WORLD

Consumption

Customers are buying differently

Brick and Mortar vs Online

Demand for convenient and rapid delivery (last mile delivery)

InstaCart, Doordash, UberEATS

Commuting

People's movement patterns changing

Economy of sharing (Uber/Lyft ride-sharing)

Driverless cars coming soon

Expanding Transit (\$100 Billion dollars approved by L.A. voters)

Communication

People are communicating digitally

Social media (Facebook, Instagram, Twitter)

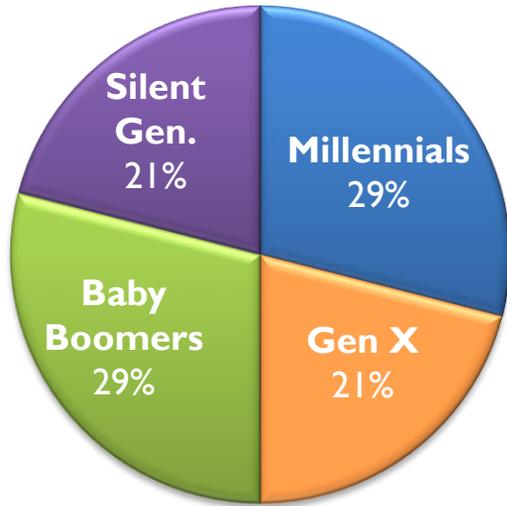
Employee Recruitment (LinkedIn, Zip Recruiter, Indeed)

Digital means local as well (Nextdoor)



**Public & Private Sectors
Must Focus on the 3 C's**

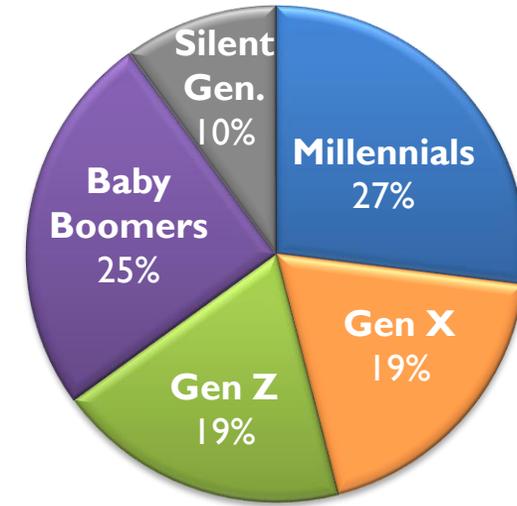
WHO ARE CITIES PURSUING? THE MILLENNIAL CONSUMER



Millennials and Gen X made up **50%** of consumers in 2000

By 2015, Millennials, Gen X, and Gen Z totaled **65%**

Millennials = 75% by 2025;
By 2035 most won't own cars



Who they are

Education



Income



Habitation



Marital Status



Kids



What drives them

Experience



Personalization / Authenticity



Technology



Health



Social Good



HOW DO MILLENNIALS CONSUME?

THEY VALUE *PRICE, PLACE, & TRIPS*

- **Internet is driver** of changes in shopping: “the sale can take place anywhere”
- So...**trip generators** are the new anchors; sustain centers
- And...despite digital growth **Brick & Mortar is in demand**
- Going **from BIG to small** - “Urban” formats
(Nordstrom Local is 3,000 SF vs. average Nordstrom at 177,000 SF)
- **The Amazon Effect...** ongoing evolution and disruption of the retail market...
Amazon is not only online: also in real estate business with both industrial and brick & mortar formats
- **Last mile delivery:** demand boosting (Instacart, Doordash, UberEATS)

Online Sales on Black Friday/Cyber Monday

- Black Friday - **\$3.34 billion** in 2016 to **\$5 billion** in 2017
- Cyber Monday increased to **\$6.6 billion** this year from **\$3.45 billion** in 2016



Exterior (above) and Interior (below) of Nordstrom Local in West Hollywood, CA. Opened October 2017.



Sources: <https://www.cnn.com/2017/10/05/take-a-peek-inside-nordstroms-first-tiny-store-without-inventory.html>; <https://retail-index.emarketer.com/company/data/5374f24e4d4afd2bb444662a/5374f28a4d4afd824cc15ab8/lfy/false/nordstrom-real-estate>; <http://fortune.com/2017/11/26/black-friday-online-2017-sales-record>; <https://www.reuters.com/article/us-usa-holidayshopping/black-friday-thanksgiving-online-sales-climb-to-record-high-idUSKBN1DP0PR>; <https://tech2.org/buyers-ready-for-cyber-%E2%80%8B%E2%80%8Bmonday-deals-local-news/>; <https://www.forbes.com/sites/jeanbaptiste/2017/11/28/report-cyber-monday-hits-new-record-at-6-6-billion-over-1-billion-more-than-2016/#4440c59e3662>

HOW DO MILLENNIALS COMMUTE? FROM HERE TO THERE... *LET'S SHARE*

New commuting forms altering physical landscape

- Ridesharing; benefits of car ownership without paying directly for gas, insurance, maintenance
- Disrupts business model of taxis/rental car/parking companies
- First and Last Mile **Mobility** is key
- San Bernardino County Trans.Auth. (SBCTA) paying riders up to \$24 from Ontario Airport to Metrolink stations - buying their Uber Pool
- When First & Last Mile is solved...parking demand is reduced

Case Study: City of Summit, NJ

- Uber pilot program replaced a \$10 million parking lot
- Instead of paid parking at train station, residents get free Uber rides to and from station
- City estimate: Cost \$167,000 annually, saves **\$5 million** in taxpayer dollars over 20 years
- Less time wasted by commuters looking for parking



Sources: <https://www.moneycrashers.com/sharing-economy/>; <http://www.businessinsider.com/free-uber-rides-for-summit-new-jersey-commuters-2016-10>;

FOR MILLENNIALS: SHARING IS CARING

What is the Shared Economy?

- People borrowing/renting their assets directly to others
- Internet makes it easy for people to share assets with others, for a fee
- Shared economy is changing people's movement patterns

Examples of Shared Economy

- Peer-to-peer lending (Lending Club, Prosper)
- Crowdfunding (Kickstarter, Indiegogo)
- Apt./House Renting (Airbnb, Couchsurfing)
- Ridesharing (Uber, Lyft)
- Co-working (wework, rent sharing)
- Reselling/Trading (eBay, Craigslist)
- Knowledge/Talent Sharing (TaskRabbit, LivePerson, Elance)



Sources: <http://www.investopedia.com/terms/s/sharing-economy.asp>; <https://www.moneycrashers.com/sharing-economy/>

HOW DO MILLENNIALS COMMUNICATE?

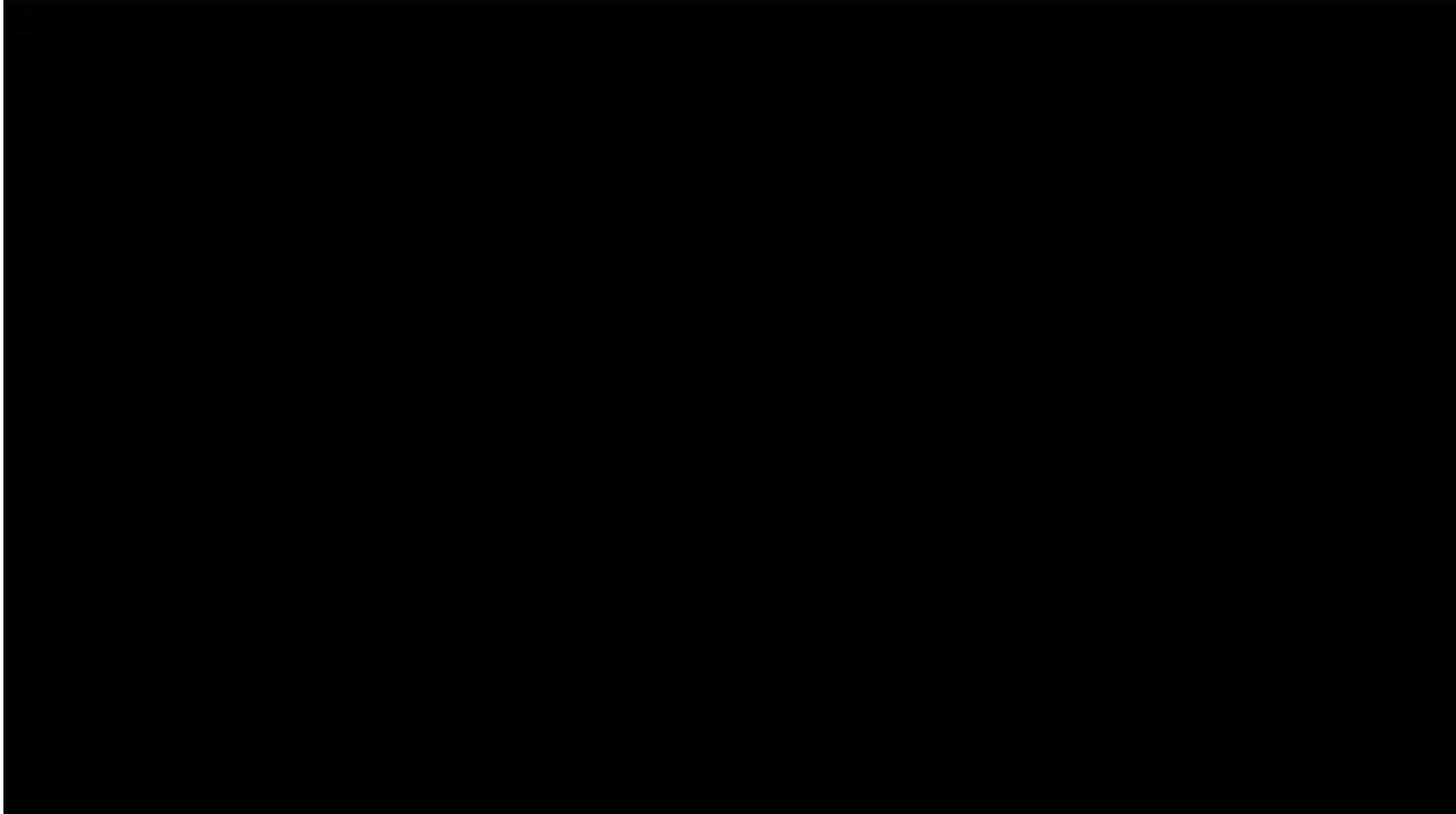
Social Media!

- Millennials are communicating and sharing experiences digitally on a regular basis
- Social media monthly usage statistics
 - Facebook - 2.06 billion
 - Instagram - 800 million
 - Twitter - 328 million
 - Snapchat - 300 million
 - Pinterest - 150 million
- Employee Recruitment (LinkedIn, Zip Recruiter, Indeed)
 - LinkedIn - 500 million registered members, 200 million monthly visitors
- Means cities can conduct community outreach online
 - Next-door - social network for neighborhoods
 - digiConversation™ - project outreach platform for cities



#@THE GYM: A GYM FOR MILLENNIALS

You can't work-out on the internet...



But you can be on the internet or at work while you work out

IS YOUR CITY MILLENNIAL READY? 4 KEY QUESTIONS

PLAY/SHOP



Are you creating places, not spaces?

- *Blended use*
- *Culture/Entertainment*
- *Experience & Destination*

WORK



Are you inducing creating workplaces?

- *Creative office*
- *Shared workspaces*
- *Sustainability: Zero Net Energy (by 2030 for commercial bldgs)*

LIVE



Are you attracting Millennial housing?

- *From Urban to updated Suburban settings*
- *Want communities/projects with urban amenities*
- *Authentic places with genuine experiences*

CONNECTIVITY/ MOBILITY



Are your projects enabling/supporting mobility?

- *Internet/Digital backbone investment*
- *Transit first/last mile mobility and connectivity*
- *Design with drones and dropoffs in mind, less parking*

HOW SHOULD CITIES ATTRACT THIS GENERATION?

Image and Identity - Who wants what?

- Appearance plays role in attracting residents, visitors, businesses, investors
- Safety & basic services (recreation, trash, utilities) are always a priority
- Creative economy wants to *drive less, share more, and go to a “real” place*
- Millennials want to speak digitally while “hanging” in a destination/place public spaces, events, creative work spaces - “wework”)

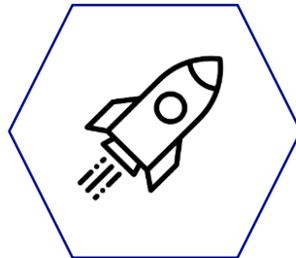


Kosmont's Top 10 “Things-to-Consider” Project Check List

1. Place vs. Space
2. Big Box Shrinkage (retail is no longer the primary zoning target)
3. Suburbs/Downtowns need authenticity, placemaking, amenities
4. Connectivity, not transportation; “apps” vs. cars; less cars, less trips/parking
5. First mile & Last mile (How do you get to transit; how do purchases get to you)
6. “Shared economy” - ride sharing, not driving; project outreach via social media
7. Sustainability; land use is not just about density, ZNE, healthy buildings
8. Carbon footprint reduction is state priority *and everyone’s mandate*
9. Businesses want smart buildings and creative spaces to attract workers
10. Investors/Lenders assigning premiums to zero net energy, creative, sustainable and connected communities



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REvolution

1. *Big Box Shrinkage*

- Size matters, but bigger is not necessarily better; most stores smaller by 25% to 75%
- **#smallboxretail**

2. *Food and Place are New Anchor Tenants*

- For the first time in history, U.S. restaurant sales have surpassed grocery sales
- **#YouCan'tEatorDrinkOvertheInternet**

3. *Mixed Use is about the Right Blend*

- Today's "value" metric is more about time and trip generation than sales per square foot
- **#CommunityRetail** instead of lifestyle retail

4. *Millennials Defining Consumer Demographics*

- More spending power than any other generation (\$600B)
- 80M strong, mobile devices are their medium for communication, research, shopping, etc.
- **#ExperientialRetailing**

5. *E-Tail*

- Union of retail consumption & electronic commerce
- Retailers with robust omni-channels backed by physical stores, generate the most overall sales
- **#Omnichanneling**

... *Distribution Revolution*

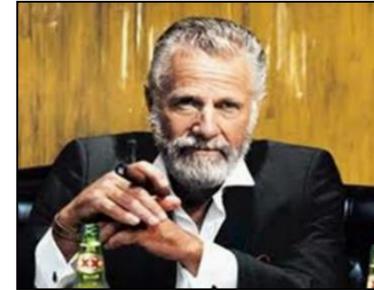
- Distribution of goods is as important as consumption; demand for quasi-retail industrial real estate is at all time high
- **#Redustrial**

OUR PAST FEATURED GUESTS

- 2013... *“Big Box Shrinkage”*



- 2014... *“I don’t always go out to eat, but when I do... I like to go where they know my name”*



- 2015... *“Back to the Mixture”*



- 2016... *“Experiential Retailing”*



- 2017... *“E-Tail”*



2018 FEATURED GUEST...THE LAST-MILE HERO



BRICK & MORTAR RETAIL = BLENDED USE

NOW

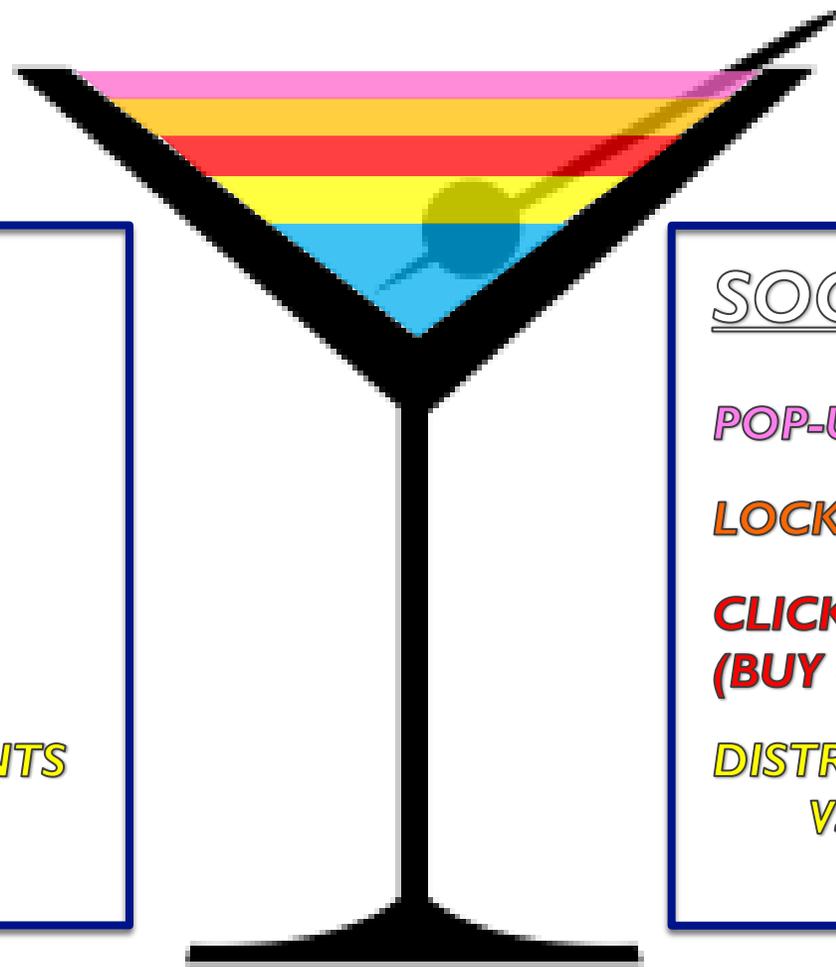
RESIDENTIAL

COMMUNITY RETAIL

*EXPERIENTIAL / CULTURE /
ENTERTAINMENT / FITNESS*

FOOD / GROCERY / RESTAURANTS

MEDICAL / OFFICE / CIVIC



SOON

POP-UPS

LOCKERS

*CLICK-AND-COLLECT / BOPUS
(BUY ONLINE, PICK UP IN STORE)*

*DISTRIBUTION (REDUSTRIAL)
VS. DESTINATION*

Destination is Retail

FITNESS



Orangetheory Fitness; Brea, CA

THEATRE / ENTERTAINMENT



Century Theatres; Mountain View, CA

RESTAURANT / BREWERY



Stone Brewing; Escondido, CA

POP UP / MARKET HALLS



SteelCraft; Long Beach, CA

EXPERIENCE AND PLACE IS BECOMING ABOUT FOOD

“WHAT’S FOR DINNER, HONEY?”



NEW WAVE OF AUTOMATION



MARKET HALLS



GROCERANTS



80% of Americans
unsure what
they're having for
dinner by 4pm?

BUT, GROCERY IS GOING ONLINE

USE EXPANDING, BUT DISSATISFACTION UP

- Food Marketing Institute projects online grocery to reach 20% of total US grocery spend by 2025, up from barely 5% today
- \$100B in annual online grocery revenue in 2025, equal to 3,900 physical grocery stores' volume
- 23% of US shoppers are buying some food online (basics)
- Satisfaction lacking: 27% of online grocery shoppers report dissatisfaction, up from 17% in 2016



STICKS & BRICKS GROCERY: DISRUPTION ONLY BEGINNING

Online Grocery: The Holy Grail of Fulfillment

- Walmart and Target doubling down on grocery offerings.
 - Walmart expands online offerings
 - Target purchases Shipt
- Amazon makes the leap with Whole Foods and Amazon Go!
- Impactful German Invasion - ALDI & LIDL focus on value, aggressive growth plan
- Pure grocers are challenged: Krogers, Safeways, SuperValus, etc.?
 - Partnerships with Instacart, Roadie, Strip, Uber
 - Consolidation likely; national retailers rolling up regional players
- Meal kit services, impact on grocery and survival of the fittest: Tums Time
 - Albertson's buys Plated, a meal kit delivery service



→ **The customer wins! Question: Prefer online to in-store shopping?**

IT'S NOT JUST RETAIL.. FITNESS/HEALTH IS **HOT!**



Medical & Fitness tenants are less picky about space positioning and are among the active tenants in shopping centers



HEALTH, FITNESS, & FASHION CONVERGING

More consumers are looking for ways to live healthier/active lifestyles and retailers are adapting accordingly: #FitnessandFashion

- **CVS:** Getting into medical business - bought Aetna in 2017; Bought Target's pharmacy/clinic business in 2015
- **Other:** Walgreens considering plans to buy Humana - Retailers linking up with Health Insurance Providers
- **REI:** Opportunities for physical adventure trips abroad through REI Adventures
- **Wearables:** Majority of Americans now own fitness trackers and smartwatches - up to 57% in 2017 from 26% of households in 2015



CVS pharmacy™ → aetna™

Walgreens → Humana®



WHAT'S NEXT? RETAIL GOES VIRTUAL



A model wears the Tommy Hilfiger VR headset in its New York store



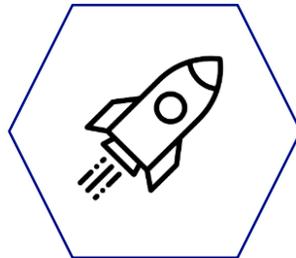
Facecake's Swivel program let's you try on clothes virtually



Volvo used Google Cardboard to provide a virtual test drive

- Virtual reality is no mere passing fad - **will impact** shopper experience
- Brands and technology companies have invested significant resources.
- [HBO](#) fans have virtually scaled the icy Wall from “Game of Thrones.”
- [Marriott](#) has whisked people away for virtual tours of Hawaii and London.
- [Lexus](#) and [Volvo](#) have given its customers virtual test drives of its cars.

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HOW CAN STORE FRONTS STAY IN BUSINESS?

3 Key Factors

Customer Service



Customer service is an imperative.

Experience



Virtual reality headset at the Toms store on Abbot Kinney Boulevard in Venice.

Authenticity



References to a rich, historic past can provide a genuinely authentic experience to consumers.

WHAT DOES CATCHING UP TO AMAZON MEAN?

SPEED. SELECTION. CUSTOMER CONVENIENCE. AND COST.

**LAST
MILE**

- **Point to Point Delivery**
 - Uber
 - Instacart
 - Growth industry (Deliv, Shipt, PostMates etc.)
- **In-Store Pick-up**
 - Drive the online customer to the store
 - Leverage competitive superiority vs. Amazon
 - Drive changes to store layout
- **Retailer Self Perform**
- **Price – Speed tradeoffs**
 - Amazon Prime as benchmark
 - Unique value proposition of retailer
 - Role of Incentives
- **Challenge of the heavy-bulky**
- **Returns**

The element of the supply chain that most makes or breaks customer loyalty.



THE STORE WONT BE JUST A STORE, ANYMORE:WALMART INNOVATIONS LEVERAGING COMPETITIVE ADVANTAGES TO COMPETE WITH AMAZON



Sources: Company filings; Retail Info Systems; Chain Store Age



Build the most compelling complement to physical store network

- Q2 2017 online revenues reported up 60%
- 67 million SKUs online; up 30% from Q1 2017
- Online grocery in 900 locations
- Easy re-order
- Click and collect discounts
- In-store technology – The 100 Towers
- Scan and Go
- Curb-side services
- Uber and other pilot partners
- Store associate private delivery
- Latch-key delivery

RETAIL MEETS INDUSTRIAL



- Today, retail is as much about distribution of goods as it is destination to consume goods
- Consumers have multiple ways to shop for and receive goods and services:
 - Buy and pick up in store
 - Buy in store receive at home
 - Buy online and pick up in store
 - Buy online and receive at home
- Omnichanneling and changing demographics create significant changes in demand for distribution real estate
 - Building formats change, so do hours of operation
- Retail meets Industrial = REDUSTRIAL

FULFILLMENT CENTERS WILL DELIVER GOODS **FASTER** THAN EVER

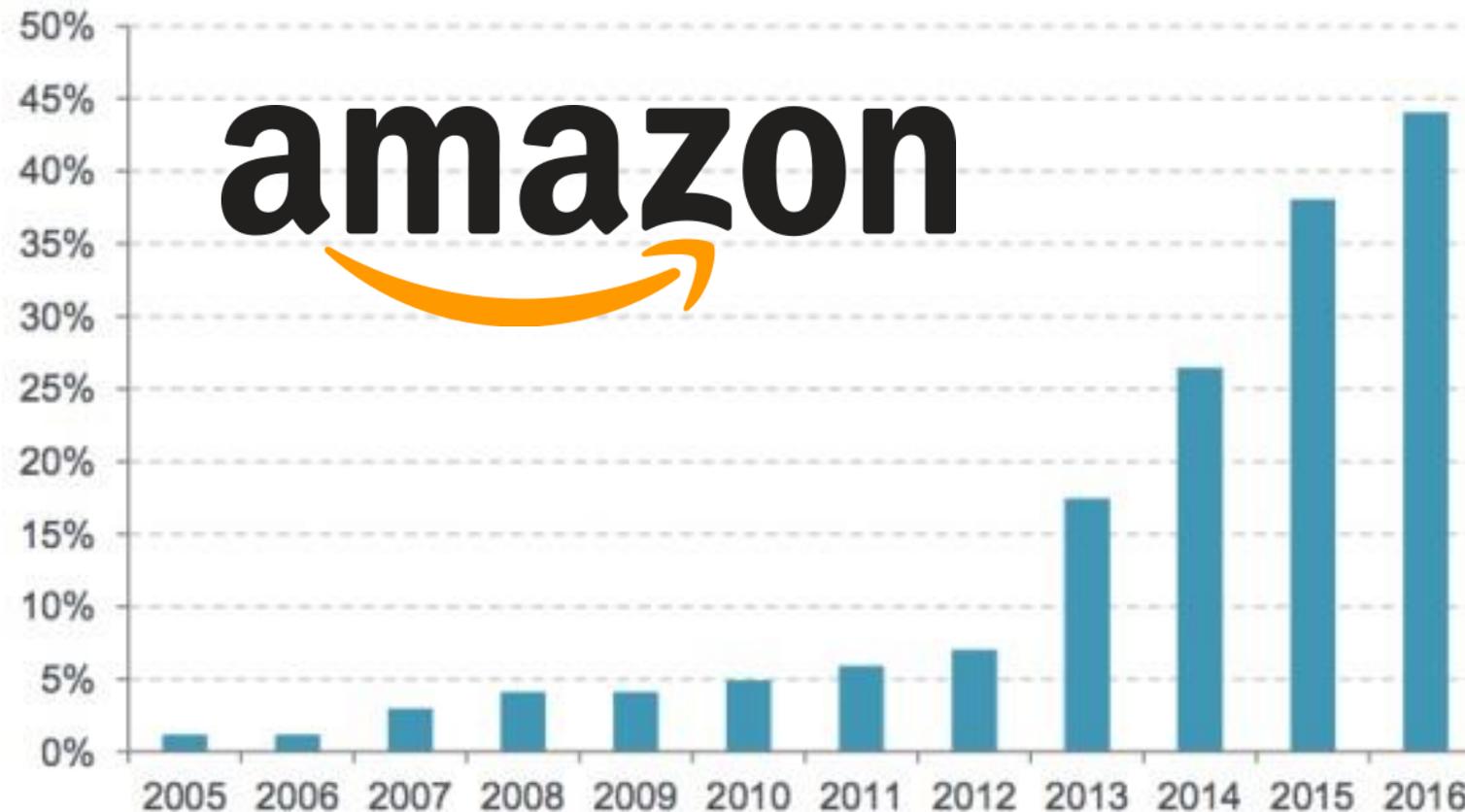
Proximity carries the day, functionality is key:

- **Facilitating expansion** of fulfillment capacity to bring optimal inventory as close to customer base as feasible
- **Material Handling** solution that meets demand and scales
- **Proximity to UPS, FedEx, DHL, USPS** infrastructure
- **Optimize** leverage of distribution network
- **Culture and brand** is protected and celebrated
- **Can the rest of the best catch up to Amazon?**

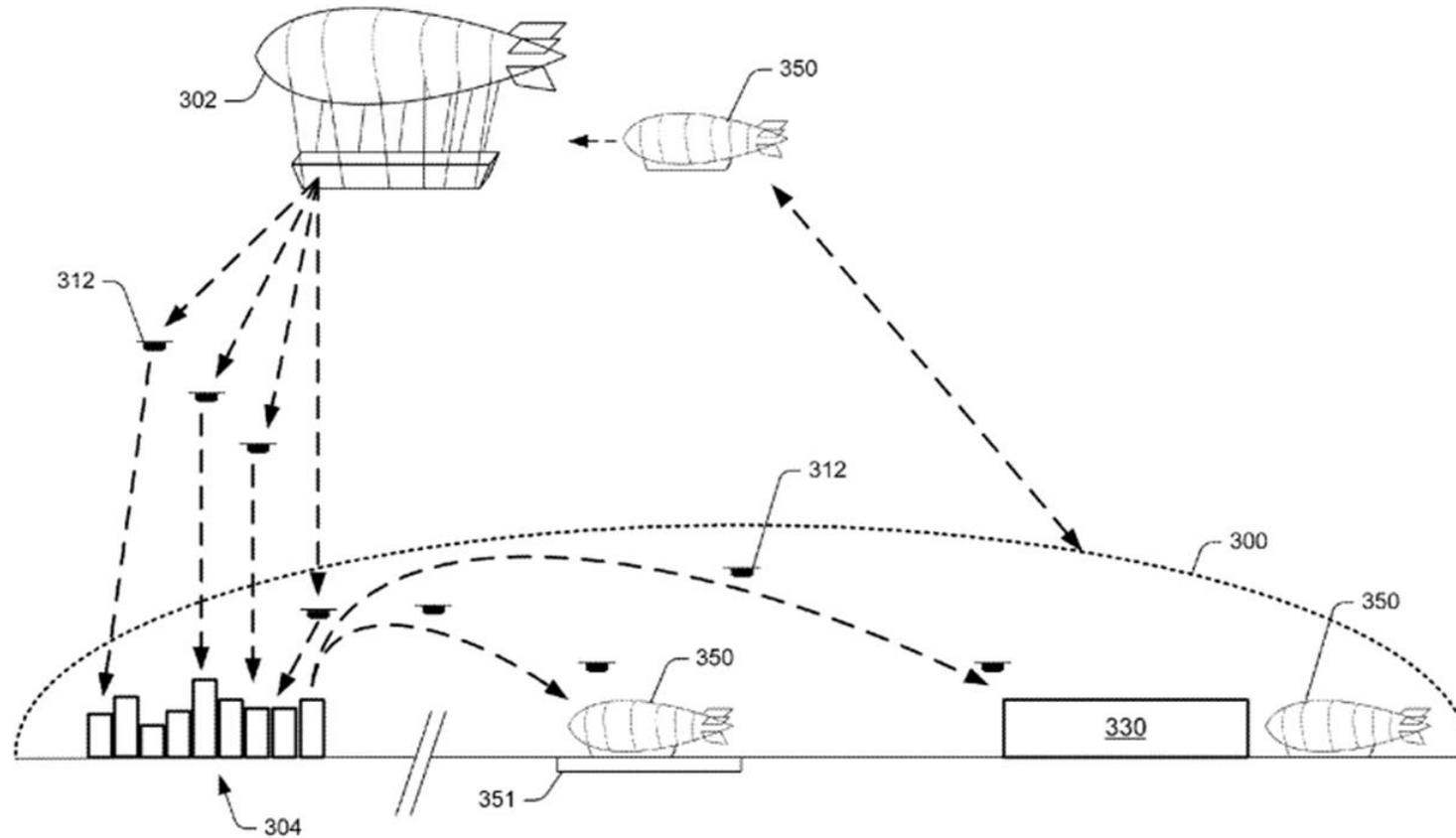


AMAZON: NOT EVERYWHERE YET, BUT GIVE THEM TIME

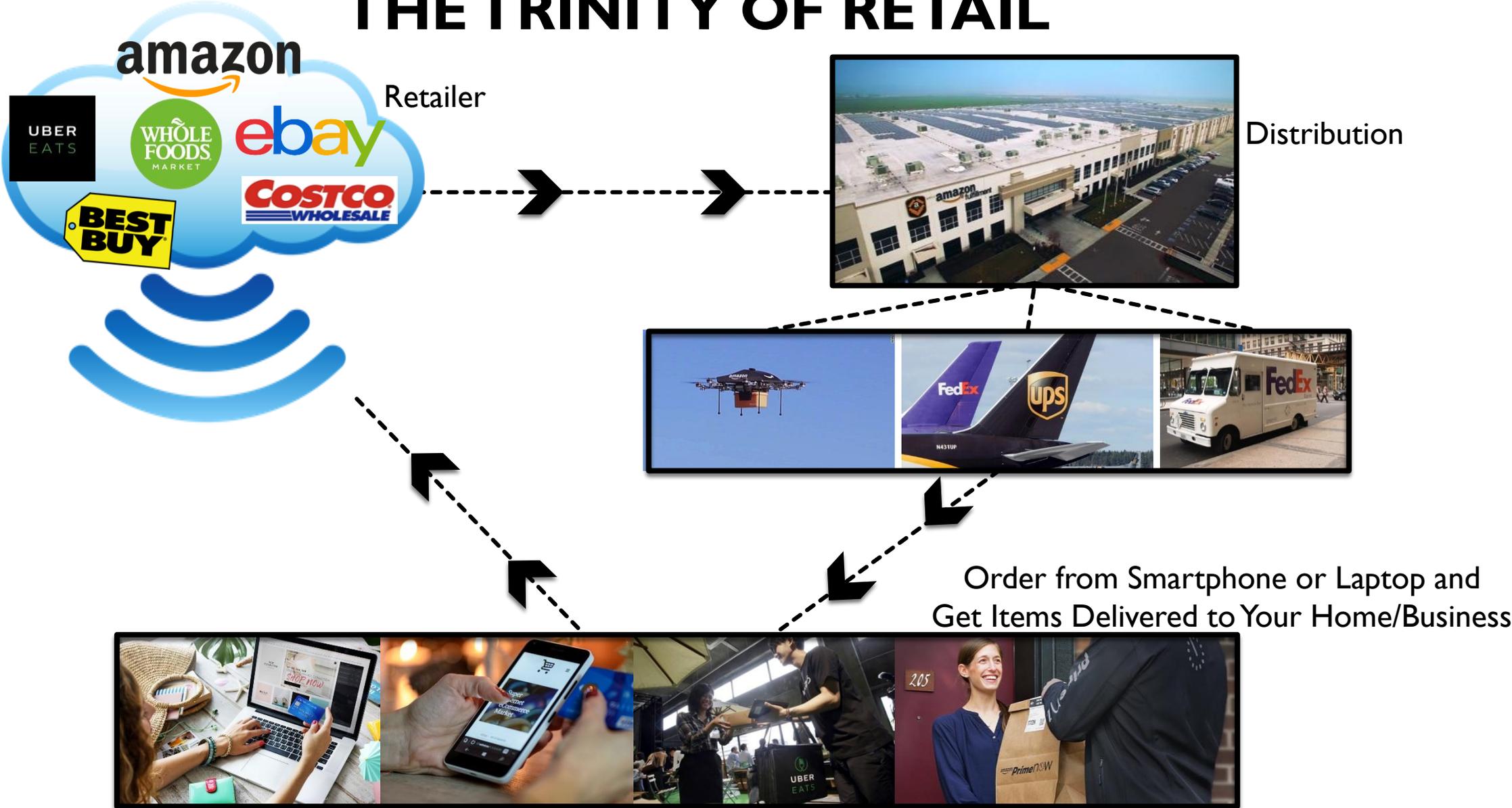
Amazon's Footprint Increasingly Closing in on Population
% of Population within 20 Miles of an Amazon Fulfillment Network Node



AMAZON WILL FIND THE RIGHT DELIVERY SYSTEM



THE TRINITY OF RETAIL



PRESENTATION OUTLINE



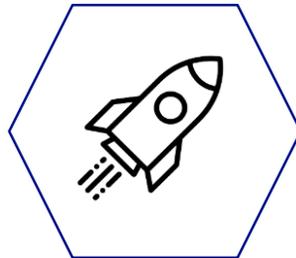
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- **What is the State after?**



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NEW STATE MANDATES TO TACKLE ISSUES

State Mandates / Targets

Mandates on Private & Public Sectors



Carbon Footprint Reduction hits every industry, government, cars, and buildings

Zero Net Energy for residential and commercial buildings

Clean Air Mandates targets Zero-Emissions Vehicles

Mandates on housing affordability and affordable housing production

Sustainability Element required in updated General Plans

WHAT IS SUSTAINABILITY?

The Economist Livability Index:

stability, health care, culture and environment,
education, infrastructure



What does a sustainable city look like?

- Healthy (and happy!) population
- Attractive investments
- Stable and diverse tax base
- Quality updated infrastructure
- Ability to provide services
- Fiscally responsible governance
- Meets Climate Action goals

A City that can sustain itself for many generations

Millennial generation attracted to **sustainable communities**

THE NEW E.D. PARADIGM - BUILDING A SUSTAINABLE COMMUNITY

State Priority: Economic Development helps cities meet climate action targets

- Attract businesses and new development that fulfill your City's Climate Action Plan strategies - clean tech, telecommuting, blended use
- Neighborhood Oriented Development (NOD); urban and suburban clusters near transit
- Require business to invest in sustainability (higher density, fewer trips, Title 24, electric vehicles)

City Priority: Economic Development attracts private investment for jobs and taxes

- Zoning policies may focus on placemaking, housing, and blended use
- Address retail changes AND sustainability at the same time
- Retail being replaced by "Creating a Place"
- Retail meets industrial = *REDUSTRIAL*

Human Priority: Housing is where jobs sleep at night

- New legislation provides tools, streamlining, and funding for affordable/workforce housing
- Tax Increment and other districts can accelerate compliance



**KEY to Economic Development is to address
jobs, climate action, and the changing face of retail, taxes and housing**

HOUSING SHORTAGE LIMITS ECONOMIC GROWTH

Two Challenges - Housing Affordability and Affordable Housing:

- Unaffordable Housing: as housing prices escalate, affordability gap increases
- Threat to job creation, companies challenged to attract workers that can't afford homes
- Population growing, owners not selling: not enough units to meet demand
- Local regs, high construction costs affect developers' ability to build housing
- Affordable housing hurt: Housing Tax Credits priced lower due to impact of tax cuts
- People leaving to other states (625,000 moved out of CA between 2007 and 2014)
- **Less than 54% of homes are occupied by the owner (49th in nation)**
- **Poverty rate rising (1 in 5 Californians live in poverty)**



State views housing as an economic mandate

Sources: <https://www2.kqed.org/news/2017/09/13/1-in-5-californians-live-in-poverty/>; <http://www.dailynews.com/2016/03/03/how-housing-prices-are-driving-low-middle-income-families-out-of-california/>; <https://la.curbed.com/2016/3/4/11159938/california-housing-shortage-homeownership>; <http://www.latimes.com/politics/la-pol-sac-housing-shortage-law-questions-20170705-htm1story.html>

CA LEGISLATURE HAS NOW CREATED 5 SUSTAINABILITY & HOUSING DISTRICTS

<u>Date</u>	<u>Legislation</u>
9/29/2014	SB 628 signed by Governor, authorizing EIFDs
9/22/2015	AB 313 signed by Governor, revising EIFD legislation AB 2 signed by Governor, introducing CRiAs
9/23/2016	AB 2492 signed by Governor, amending CRiA
9/29/2017	SB 540 signed by Governor, introducing Workforce Housing Opportunity Zones (WHOZ)
10/7/2017	AB 1568 signed by Governor, introducing NIFTI as part of EIFDs
10/13/2017	AB 1598 signed by Governor, introducing Affordable Housing Authorities (AHAs)

SUSTAINABILITY & HOUSING DISTRICTS:

WHAT ARE THEY?

Governor Brown taketh RDAs... and giveth Sustainability Districts

- **Enhanced Infrastructure Financing Districts (EIFDs)**
 - Infrastructure and public/private transactions
- **Community Revitalization and Investment Authorities (CRIAs)**
 - Similar to EIFDs w/eligibility standards & focus on affordable housing
- **New (2018) approved Housing Districts include:**
 - Affordable Housing Authorities (AHAs)
 - Workforce Housing Opportunity Zones (WHOZs)
 - Housing Sustainability Districts (HSDs)
- **All Districts eligible for state funding for climate action/transportation**
- **EIFDs, CRIAs, AHAs use tax increment financing (TIF Districts)**
- **City of La Verne is LA County's first EIFD (Oct. 2017) for TOD/Blended Use**



SUSTAINABILITY & HOUSING DISTRICTS: WHAT CAN THEY FUND?



Industrial Structures



Aff./Workforce Housing/Blended Use



Transit Priority/RTP/SCS Projects



Wastewater/Groundwater



Light / High Speed Rail



Civic Infrastructure



Parks & Open Space

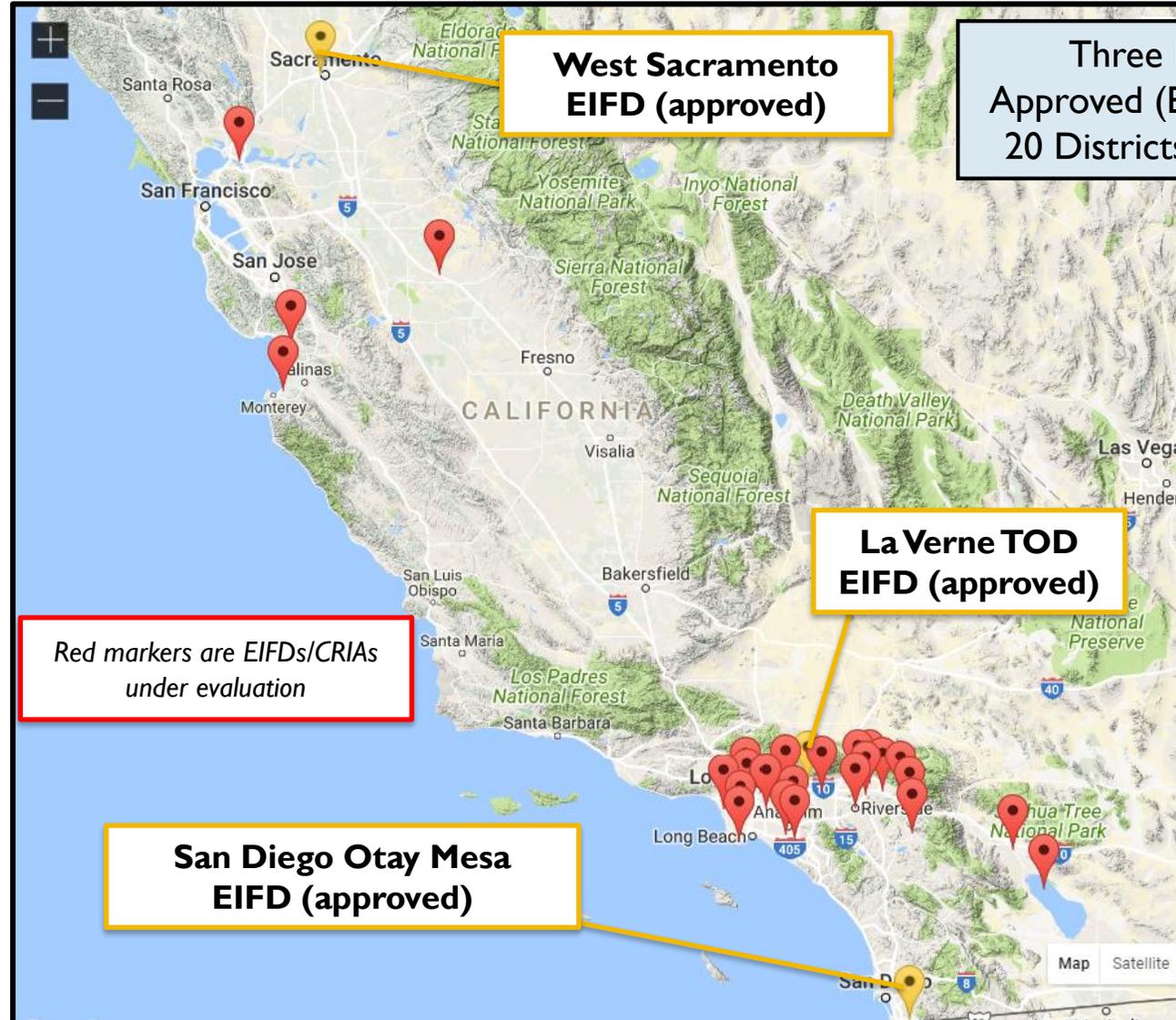


Childcare Facilities



Brownfield Remediation

SUSTAINABILITY DISTRICT FORMATION IN PROGRESS



PRESENTATION OUTLINE



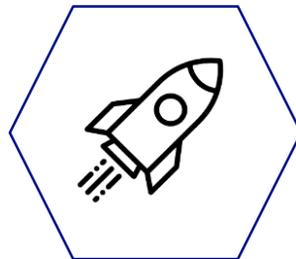
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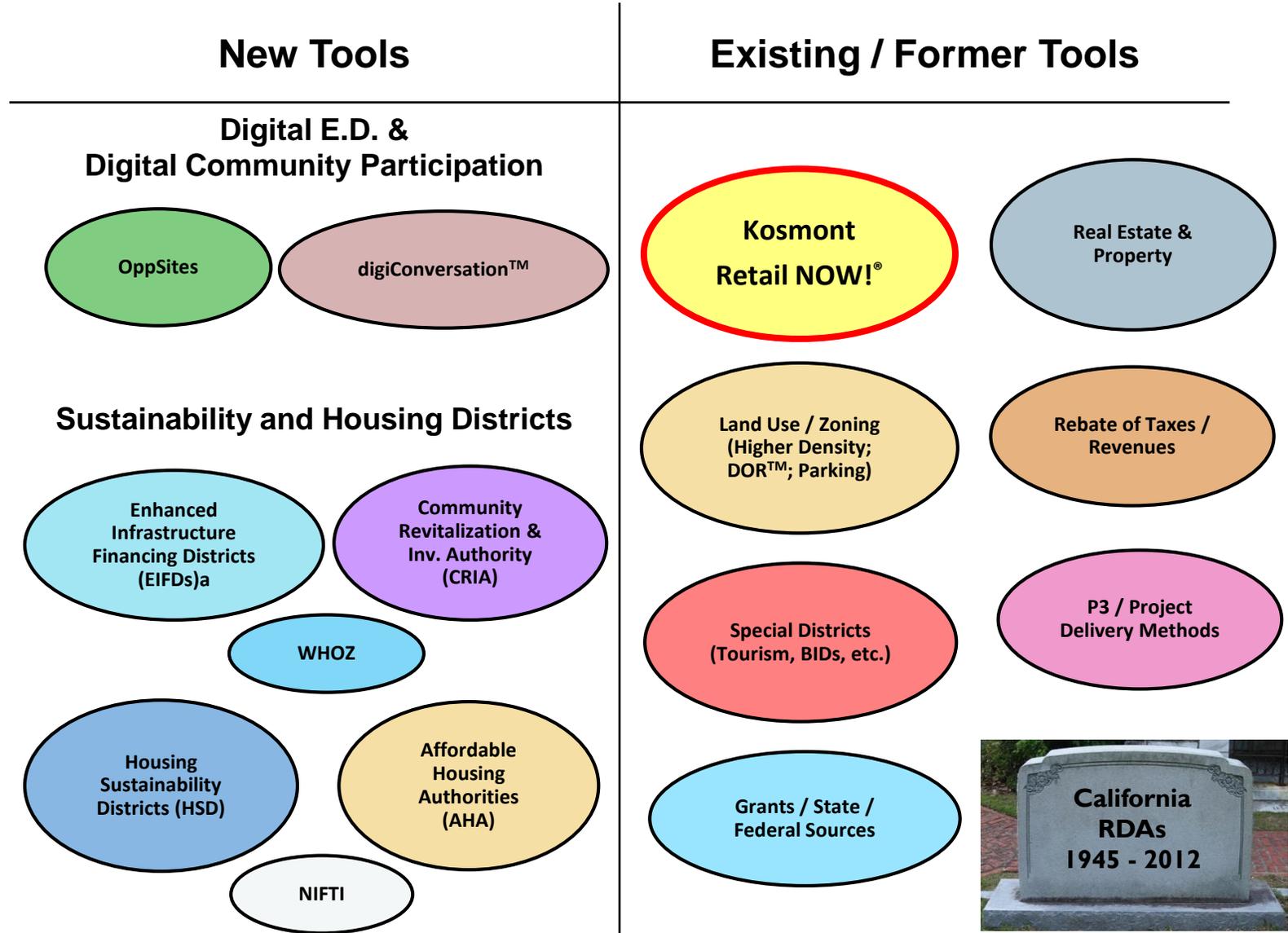


- **Economic Development in a Digital World**
 - **Destination and Retail Tools**
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Utilize Economic Development Tools For Public/Private Projects



Kosmont Retail NOW!®

A tool kit and platform for both public and private sectors to attract retail in light of omnichanneling.

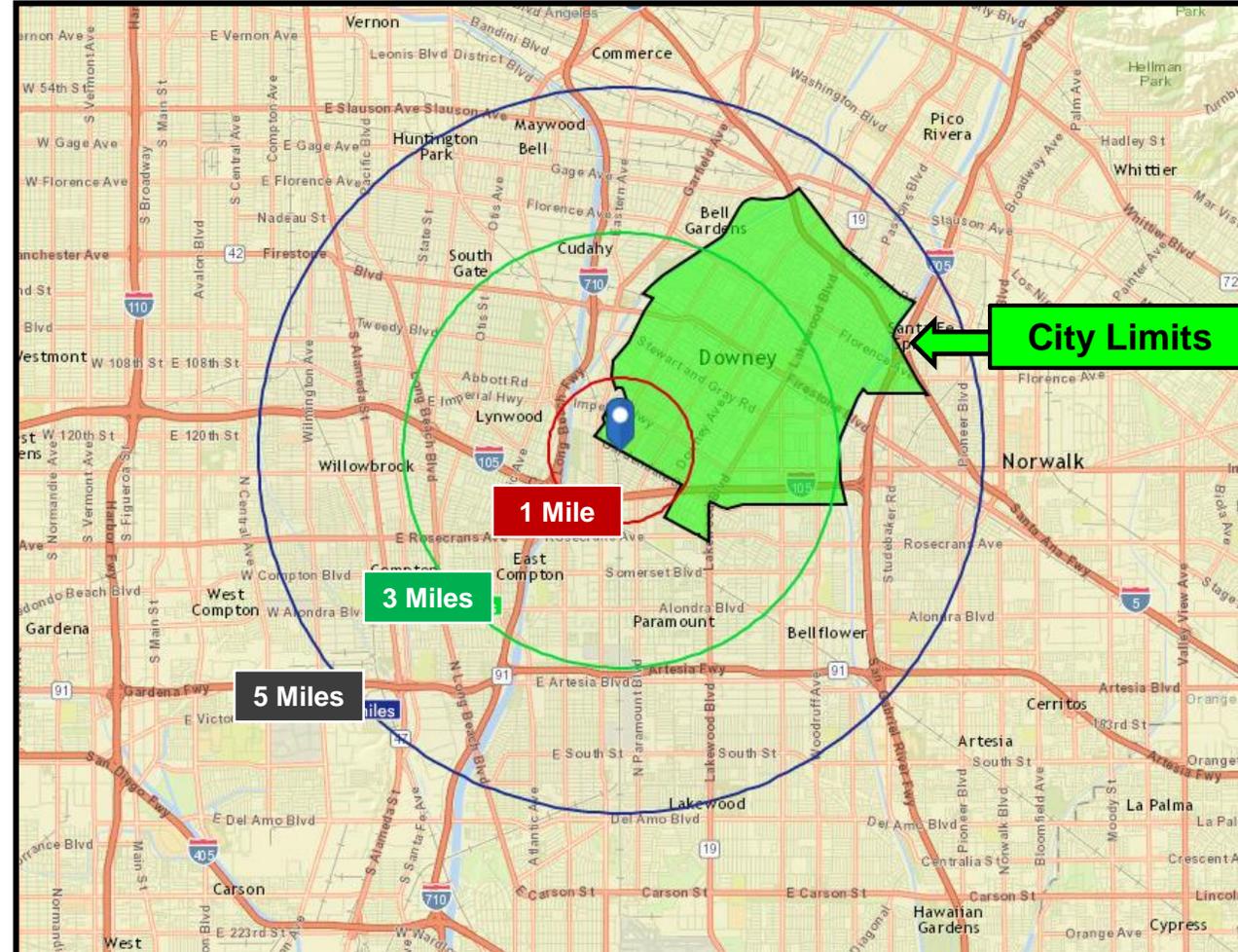
It is a comprehensive and proactive retail attraction platform that identifies existing conditions, sets a path, targets tenants, & produces results.



P3 Retail Attraction Tool

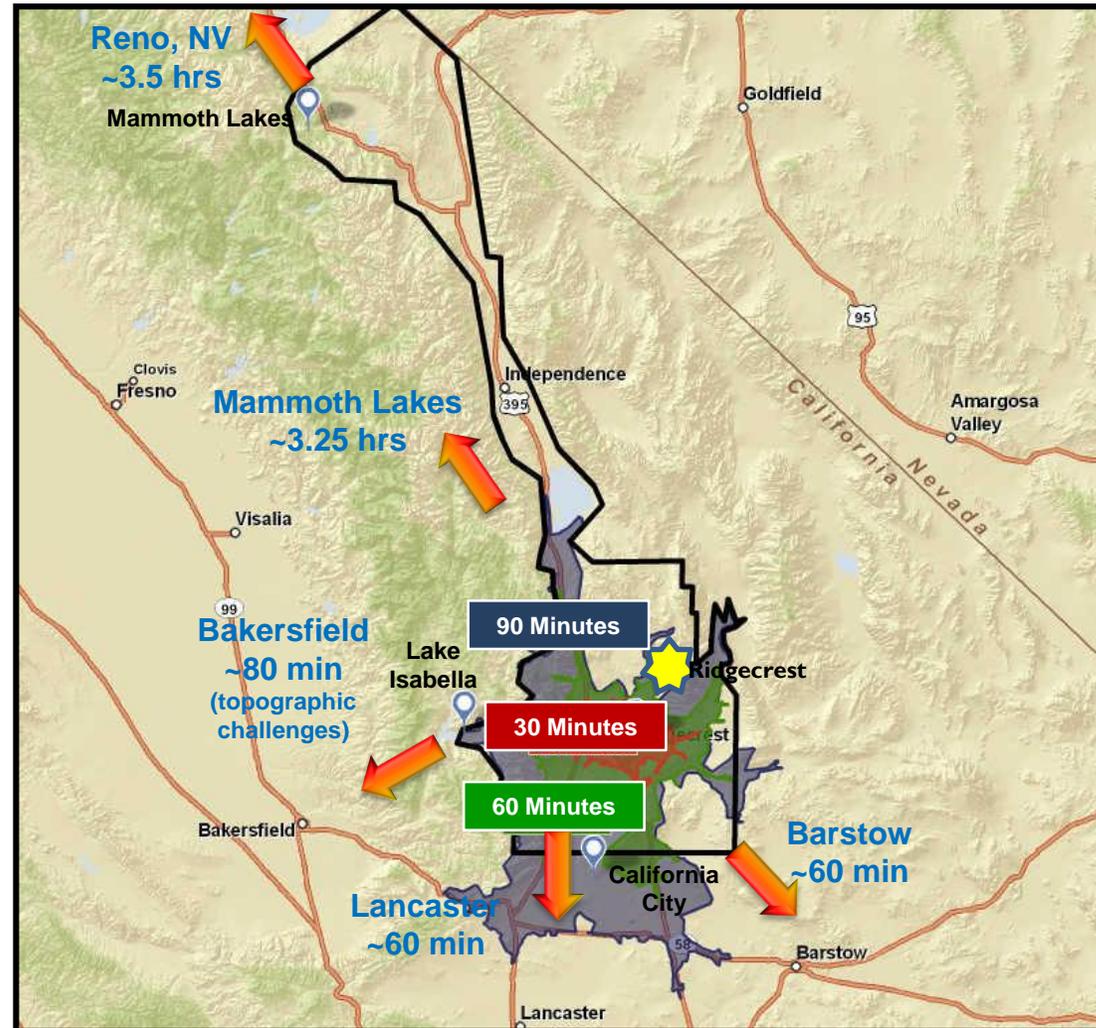
ANALYZE ...

Trade Area Map Based on Radii



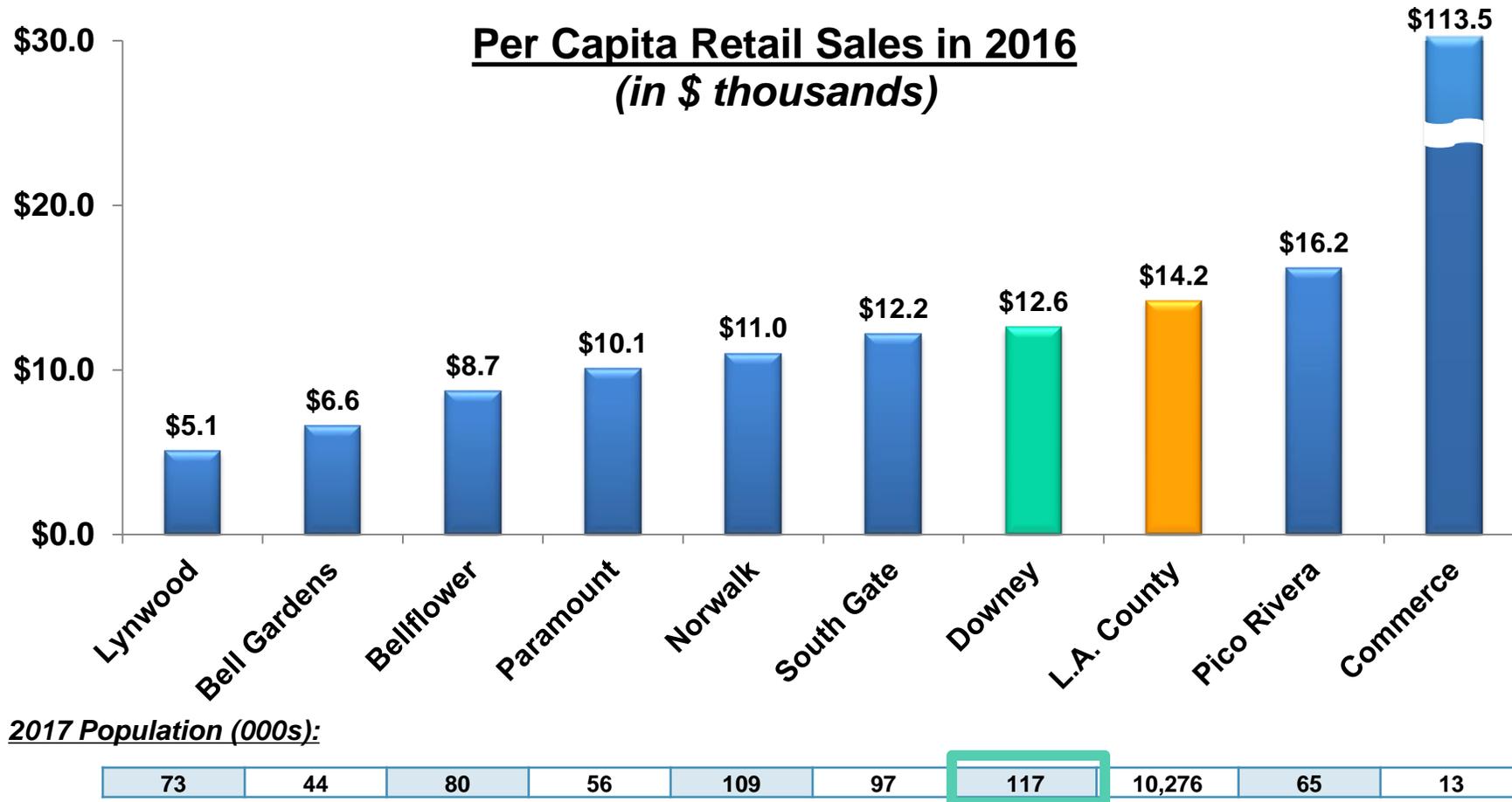
ANALYZE ...

Customized Trade Area Map with Drive Times



STRATEGIZE ...

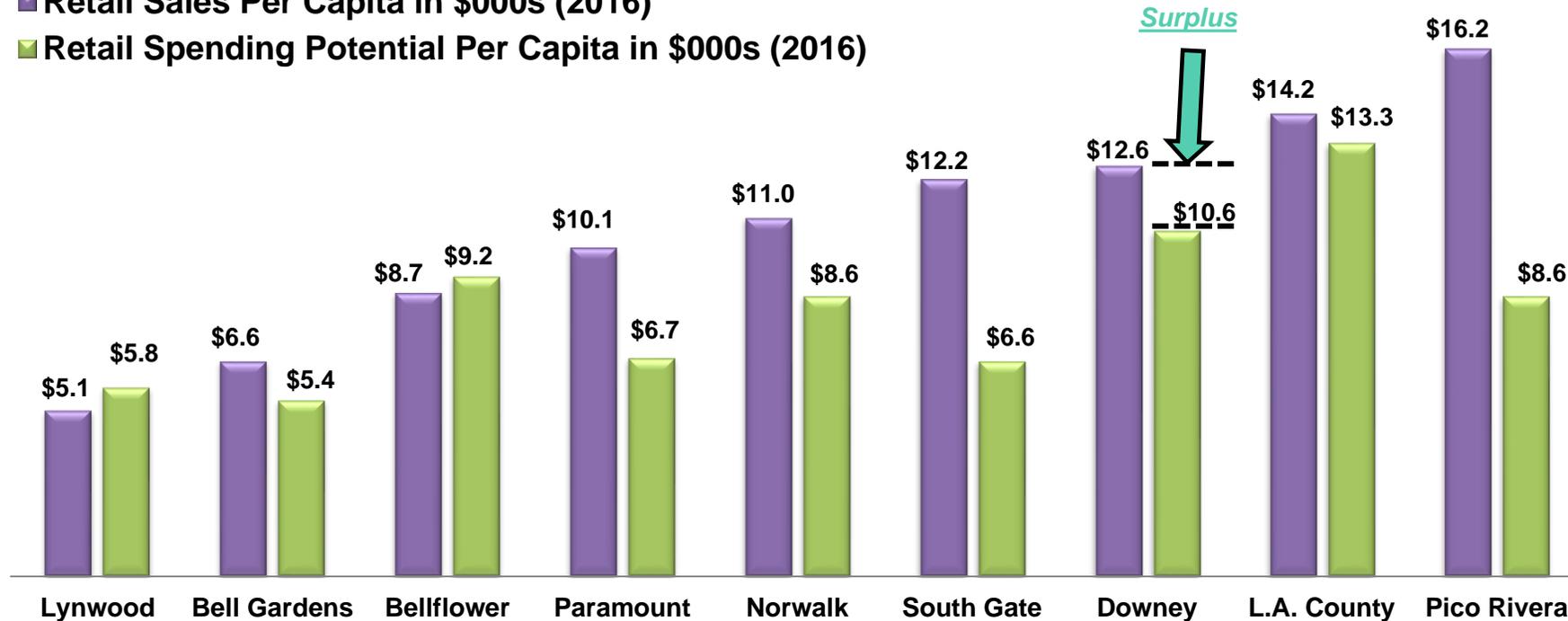
Per Capita Retail Sales for Comparable Cities and Regions



STRATEGIZE ...

“Cash Registers vs. Wallets” ... Surplus / Leakage

- Retail Sales Per Capita in \$000s (2016)
- Retail Spending Potential Per Capita in \$000s (2016)



Per Capita Sales Surplus/Leakage, Total Surplus/Leakage, and Percent Surplus/Leakage:

(\$0.7K)	\$1.2K	(\$0.5K)	\$3.4K	\$2.4K	\$5.6K	\$2.0K	\$0.9K	\$7.6K
(\$50M)	\$54M	(\$47M)	\$192M	\$258M	\$548M	\$231M	\$8,848M	\$494M
(12%)	23%	(6%)	51%	27%	86%	19%	7%	88%

IMPLEMENT ...

“GROUND GAME” OPPORTUNITY SITE MARKETING

Retail Development Opportunity
NEC of Twentynine Palms Hwy. and Smoketree Ave.

City of Twentynine Palms

REGIONAL MAP
Marine Corps Air Ground Combat Center Twentynine Palms

DEMOGRAPHICS (ESRI)

2016	City (within zone)	City (entire zone)	3 Miles	5 Miles
Population	16,763	25,458	14,800	17,186
Households	6,496	8,156	5,713	6,631
Avg. HH Inc.	\$54,742	\$54,789	\$53,298	\$53,975

FEATURES

- ~1.2 acres zoned Downtown Retail Mixed-Use "DRMU" suited for retail/commercial
- Fronts main arterial Twentynine Palms Hwy./CA-62 near strong intersection
- Close proximity to Joshua Tree National Park with ~2 million annual visitors (2015) and growing
- Traffic Counts (2015): ~2,400 ADT (Adobe Rd. & CA-62)

CONTACT US
For a trade-area tour of the Site, please contact:
Ken K. Hira
Executive Vice President
Kosmont Companies
(949) 226-0288
khira@kosmont.com

Frank J. Luckino, MPA
City Manager
City of Twentynine Palms
(760) 401-0520
fluckino@29palms.org

Retail Development Opportunity
NEC of Twentynine Palms Hwy. and Smoketree Ave.

Parcel Boundaries

Future Public Facility - Project Phoenix

~1.2 acres owned by Charles A. Donaldson and the Donaldson Family Trust

PROJECT PHOENIX BUILDING CONCEPT

ACREAGE	APN
0.32	0618-237-11
0.19	0618-237-07
0.17	0618-237-06
0.11	0618-237-01
0.11	0618-237-02
0.11	0618-237-03
0.20	0618-237-04

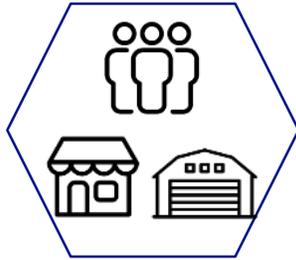
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DISCLAIMER: Do not rely on any measurements or placements of city improvements depicted on this map or any other information. This information does not have been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified the data or its source or guarantee, warranty or representation, whatsoever, in its use and therefore, you are responsible for independently verifying its accuracy and its reliability. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the property. The value of the information to you depends on law and other factors, which should be evaluated by your tax, financial and legal advisors. You and your advisors should conduct a complete independent investigation of the property to determine the suitability of the property for your needs. Development is subject to City approval.

PRESENTATION OUTLINE



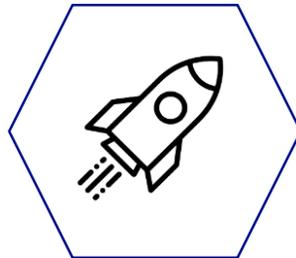
- The Plumbing of the World is Changing
 - Trends
 - Retail is Not *Just* Retail Anymore
 - The Last Mile: Retail Meets Industrial



- What is the State after?



- **Economic Development in a Digital World**
 - Destination and Retail Tools
 - **Digital Tools**



- Off to the *FUTURE* we go!

THE NEW AGE OF ECONOMIC DEVELOPMENT

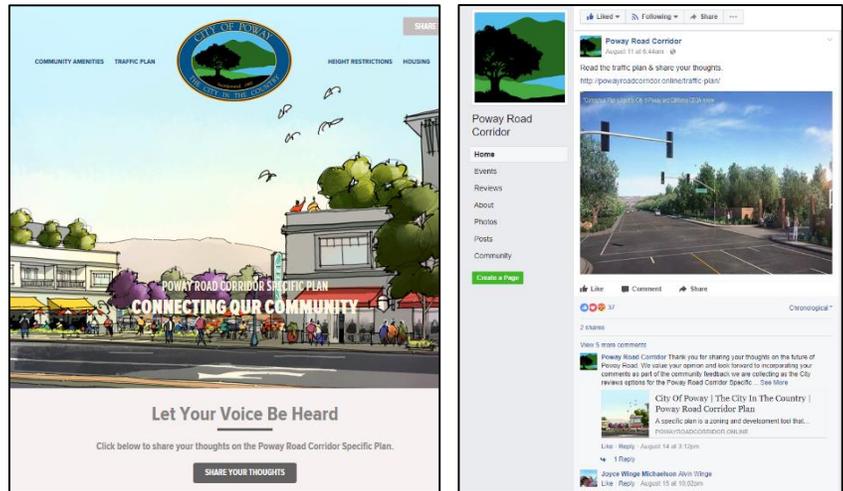
KOSMONT'S PATHWAY TO ECONOMIC DEVELOPMENT IN A DIGITAL AGE

Step 1: Select **DESTINATION**
Find Developer, Secure Project



Arsenal Yards in Watertown, MA is an example of an experience and dining-based retail destination (opening 2019).

Step 2: **DIGITAL OUTREACH**
Gain Support for Projects Online



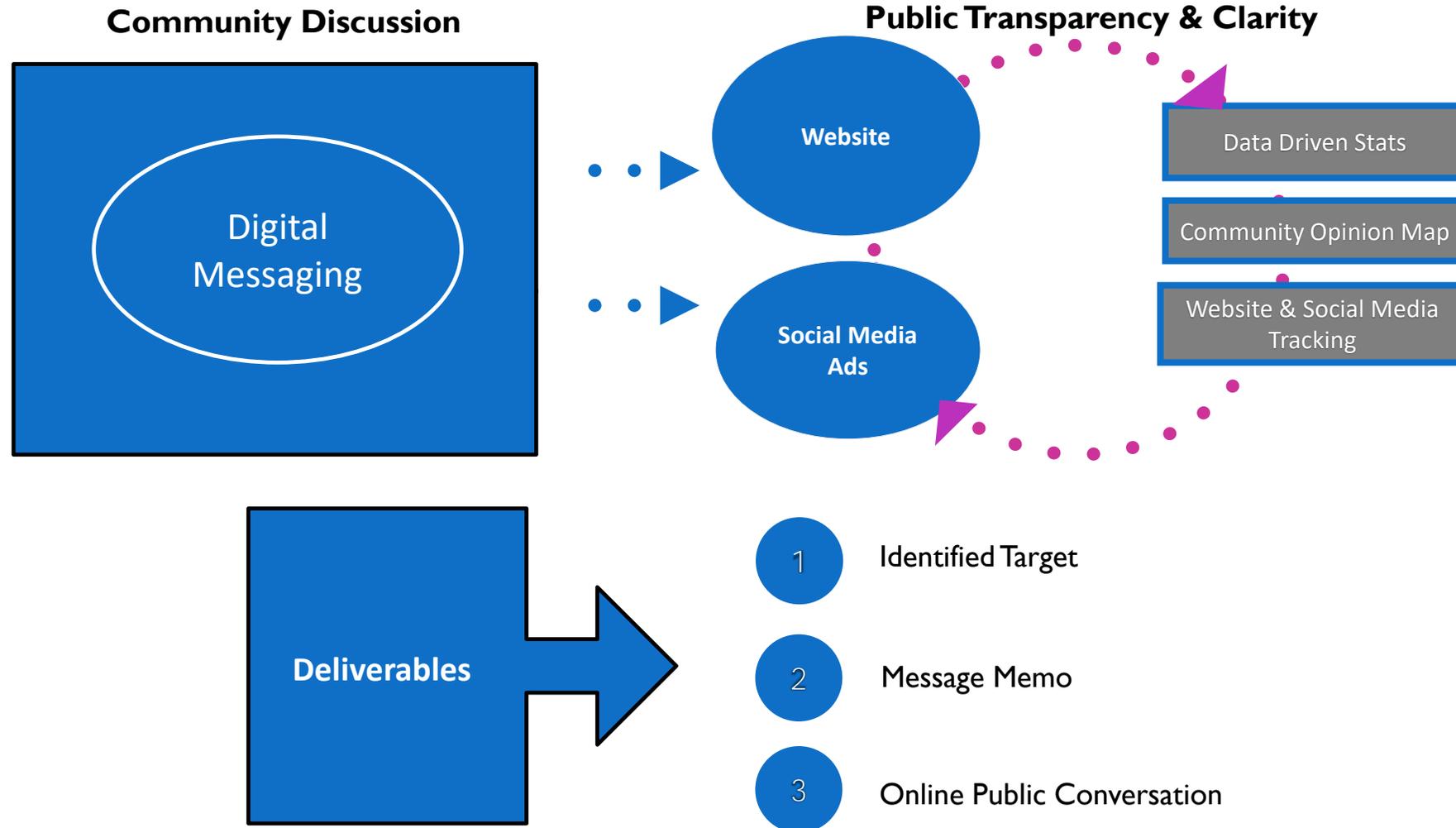
A website and Facebook ads/posts were ways of promoting and obtaining community opinions on the plan for the Poway Road Corridor.

Step 3: **DEVELOP** the Project:
Use Sustainability & Housing Districts
{Target is Taxes, Jobs, Sustainability, Placemaking}



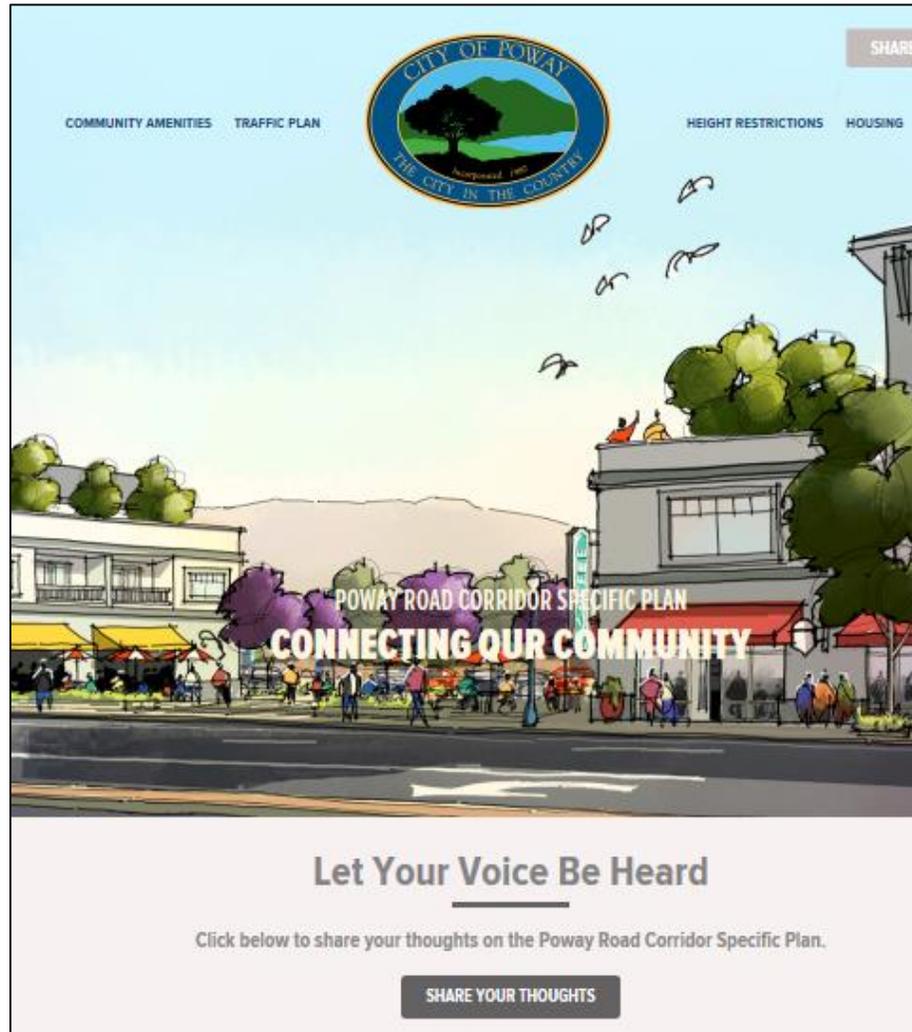
The City of La Verne created an EIFD to induce private development around future Gold Line station.

Implement ... digiConversation™: Maximize Clarity - Minimize Controversy - Gauge Results



Source: <https://oppsites.com>

Case Study: Poway Road Corridor Social Media and Developer Selection for Blended Use Catalyst Project



IMPLEMENT ...

OppSites: Digital Economy Tool “Air Game”

OppSites

Connecting the people that make cities happen.

OppSites connects thousands of city leaders, real estate professionals, and economic development professionals so you can turn ideas and opportunities into real estate projects that improve our communities. The conversation on OppSites increases transparency, breaks down the siloes, and puts everyone in a single, global conversation about what is possible in every city.



Matchmaker
State your goals to get connected.
We automatically connect real estate professionals with city and economic development leaders who have aligned interests. Get connected to make projects happen.



Marketplace
Discover opportunities and connect with local leaders in hundreds of cities.
Search the map of development opportunities, Follow any city to receive notifications about new opportunities, and Connect with local leaders in hundreds of cities.



Messenger
Real-time conversations and updates you need to know.
Messages are your real-time conversations, and Notifications keep you informed about new opportunities and connect you with other users.

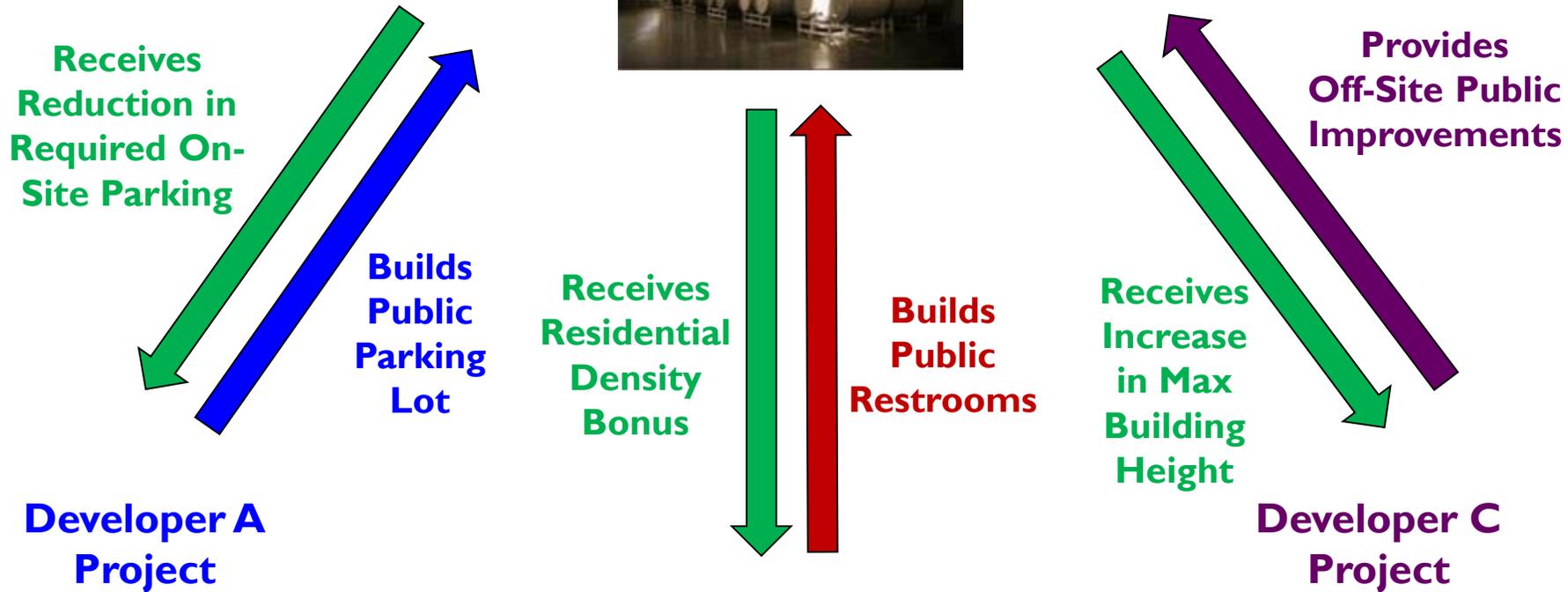
Join the Conversation
Create a free account on OppSites.com

OppSites.com | 363 17th Street Suite 301, Oakland, CA 94612 | hello@oppsites.com

DEVELOPMENT OPPORTUNITY RESERVE (D.O.R.)™

D.O.R.™ is an economic development tool a City can control and utilize to incentivize private investment by allocating density (not to passive property owners) in return for targeted community benefits

Buellton D.O.R.™ Case Study via adopted Ave of Flags Specific Plan October 2017



Case Study:

Avenue of Flags - Buellton, CA

Overview

- Kosmont was retained by the City of Buellton to prepare a Market & Economic Analysis and Economic Development Implementation Plan (“Plan”)
- Kosmont collaborated with the Buellton Visitors Bureau/Chamber of Commerce to identify opportunity sites, prepare marketing collateral, solicit retailer interest, and conduct developer outreach at ICSC conferences from 2013 to 2015
- In January 2017, the City approved to finalize the Plan document
- Kosmont was retained to assist the City with Plan implementation and utilizing an Economic Development tool called Development Opportunity Reserve (DOR™) to induce private investment downtown.



Rendering of the
Buellton Avenue of Flags

PRESENTATION OUTLINE



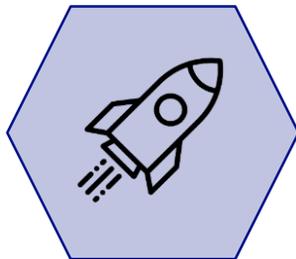
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- **Off to the *FUTURE* we go!**

TRENDS TO WATCH

I. TECHNOLOGY CHANGING THE WAY WE LIVE

- Consumers shifting to a **digital and shared economy with Millennials leading the way**
- **Digital interaction** exploding; the future is now (driverless cars, robots, big data)
- Retail adapting: It's about **Price, Place, and Trips**; omnichanneling, experiences, augmented reality coming
- **Mobility and Delivery** are new drivers of consumer behavior (first mile/last mile)

2. “GREEN” ECONOMY IS A MANDATE

- California policy driven by **climate action, housing and infrastructure**
- **Sustainability Targets**: Zero Net Energy by 2020 for residential, 2030 for commercial
- Green public/private projects **eligible for incentives through creation of special districts**

3. ECONOMIC DEVELOPMENT THROUGH SUSTAINABILITY AND HOUSING

- Cities to pursue **blended uses, digital and physical infrastructure, and housing** as a state mandate
- **Sustainability** vs. density; **mobility** vs. transportation
- Zoning, land use, and parking policies **will be impacted by technology, omnichanneling, and last mile**

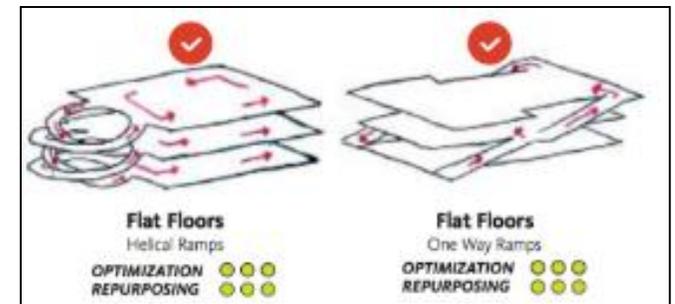
WHATS OLD IS OVER...WHAT'S NEW IS CHANGING!

AUTONOMOUS VEHICLES WILL CHANGE LAND USE

PARKING STRUCTURES AND STANDARDS WILL SHIFT

Ridesharing and Autonomous Vehicles are the Future

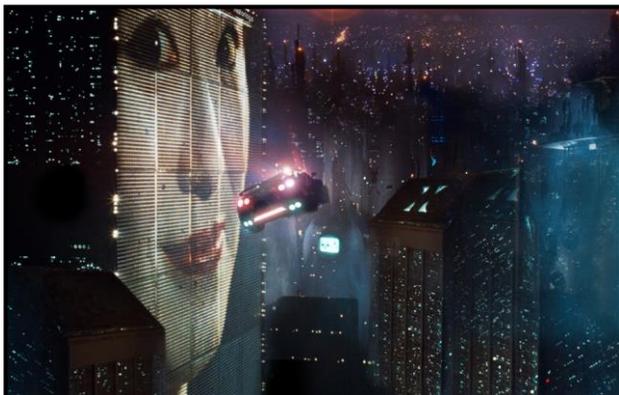
- Will change parking demand and reduce parking standards
 - Private car ownership will drop 80% by 2030 in the U.S.
 - Estimated 10 million self-driving cars on road within the next 10 years
 - Cars to read infrastructure
- Wasted space: 500 million parking spaces in the U.S. (25-30% of land area)
- Institutional investors working with architects on new structure designs and retrofit strategies for parking in existing buildings



Sources: Gensler; <https://www.moneycrashers.com/sharing-economy/>; <http://www.businessinsider.com/free-uber-rides-for-summit-new-jersey-commuters-2016-10>; http://www.progressive-economy.org/trade_facts/traffic-accidents-kill-1-24-million-people-a-year-worldwide-wars-and-murders-0-44-million/; <http://www.businessinsider.com/no-one-will-own-a-car-in-the-future-2017-5>; <https://www.scientificamerican.com/article/driverless-cars-may-slow-pollution/>

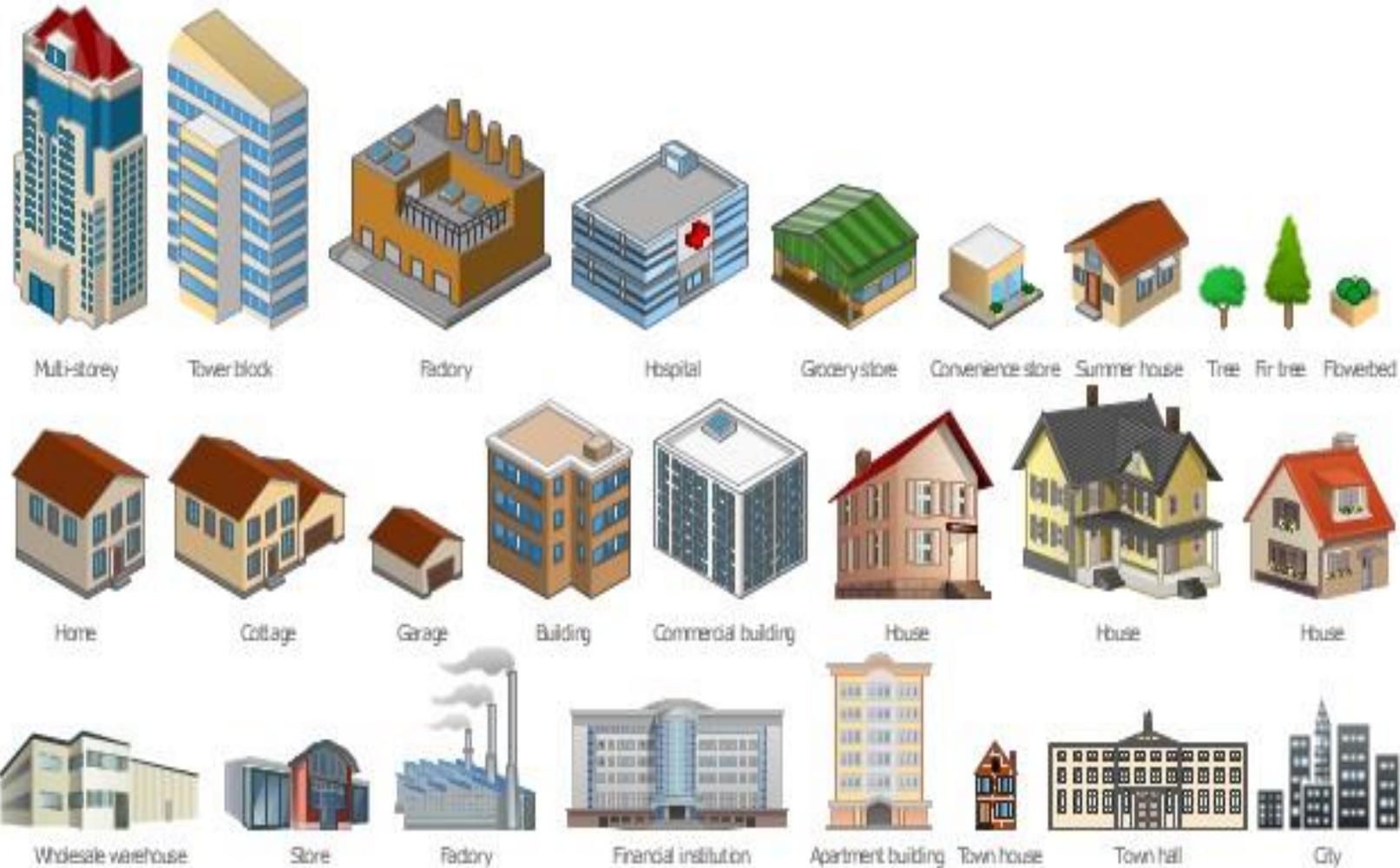
TECHNOLOGY AND AUTOMATION WILL CHANGE LAND USE PRIORITIES

- Technology/Robotics has potential to replace ~50% of all jobs
- **Estimated that 33% of all jobs could be replaced by 2030 (73 M in US)**
- Jobs at risk are physical ones in predictable environments (machine operation, fast food, data processing, paralegal/accounting)
 - **Could impact middle class working communities**
 - **Job Training and Quality jobs will be important to cities**



“Robots are like any other machine, either a benefit or a hazard. If they’re a benefit, it’s not my problem.”
–Rick Deckard (Blade Runner)

BECAUSE LAND USE IS CHANGING. THE ECONOMIC DEVELOPMENT TARGET IS MOVING.



CITIES STILL NEED PRIVATE SECTOR \$\$\$

Ground-up & rehab real estate projects plus business expansion generate taxes & jobs

1. **Hotel: (TOT & Jobs)**
2. **Retail and POS Industrial: (Sales Tax & Jobs)**
3. **New Construction & Renovation (Property Tax, Hotel, Office, Retail, Residential, & Industrial)**
4. **User's & Operations (Utility User Tax)**
5. **Business License Fees/Gross Receipts Tax (New & Relocated Businesses)**

Technology and consumer preferences changing business models



WHAT *WILL OR SHOULD* CITIES SUPPORT?

- Retail changing quickly - cities used to subsidize, but no longer the best bet
- Food uses dominating expansion - less sales tax, more traffic, drive-thrus, online growing
- Infill distribution centers respond to consumer demand, but can be at odds with adjacent land uses and “neighborhoods”
- Amazon changing delivery pattern – trying to achieve “2-hour delivery in every US city”
- Significant demand for residential at higher densities (housing millennials is key)
- Hotels on expansion path (boutique, select service, extended stay)

TODAY...*ECONOMIC DEVELOPMENT IS A RISKY AND NECESSARY ENDEAVOR*

KOSMONT'S VISION: ECONOMIC DEVELOPMENT PRESCRIPTION

1. **Millennials** are the economic force - need to attract and retain them
2. **Sharing** is a part of life - office, car, bike (shared economy)
3. **Work & Play** environments are here to stay
4. Investment in **connectivity is everything** - digitally & mobility
5. Embrace **mobility**... it supports connectivity
6. Retail store models are changing. It's not **JUST** Retail anymore
7. **Retail taxes are at risk** – POS model must be changed
8. Industrial is key - **Redustrial** a priority for private sector
9. **Rethink parking**
10. Focus E.D. strategies on **digital lifestyle shifts, demographics, and climate action mandates**



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SHAPING CITIES



#WCUDF18