

Value Capture: Zoning and Entitlements as "Currency" Generators for Cities



California Planning Commissioner Academy
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Chairman & CEO
Kosmont Companies

Kosmont Companies

KOSMONT SERVICES OVERVIEW

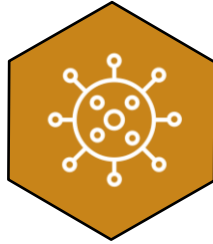


TODAY'S SPEAKER



Larry J. Kosmont, CRE® is Chairman & CEO of Kosmont Companies, which he founded in 1986. Kosmont Companies is an industry leader in public/private real estate transactions and economic development. In 1990, he founded Kosmont Realty, a real estate brokerage firm to transact property and ground leases for public private deals. In 2015, in compliance with licensing regulations, he launched Kosmont Transactions Services, Inc. (KTS) as an SEC/MSRB registered Municipal Financial Advisory firm. KTS sources financing for public agencies, public/private projects, P3 initiatives, and infrastructure funding. He is a co-principal of California Golden Fund, a USCIS approved EB-5 Regional Center.

Outline



**THE COVID-19
ECONOMY**



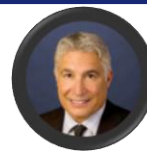
**LAND USE
REVOLUTION**



**ZONING,
ENTITLEMENT, &
VALUE CAPTURE
TOOLKIT**



**LOOK TO THE
FUTURE**



HEADLINES!

A RETURN TO NORMALCY?

Vaccine rollout picks up speed, path to normality and herd immunity becomes clearer; **new normal by Q4 2021?**

Pandemic leads to major shifts in how we work, live, and play – **which changes will remain after 2021?**

FEDERAL HELP ON THE WAY

Use Recovery Act funds to invest in Economic Development Initiatives.



RETAIL CENTERS REIMAGINING

Store closures and e-commerce driving changes at malls/retail centers. Outdoors & open space key amenities. Curbside pick-up here to stay.

Retail downsizing replaced by new blended use: fulfillment, office, parks, and residential. #RetailReimagination

SUBURBS SEE BOOM...

Inland Empire and other suburban areas see increase in home sales activity; boosted demand for suburban demand and “secondary cities.”

...URBAN REBOUND SOON?

Urban areas saw outflow and softened market during early pandemic; as businesses, amenities, and activities reopen, expect to see urban market recovery (*fueled by Gen Z*)



Public Sector Innovation

Finding and Using New “Currency” for Economic Development

Cities spent decades building local economies on brick-and-mortar retail and sales tax revenue. *Leadership Team needs to consider new sources of “**currency**” to reposition their communities for a sustainable & resilient future.*



**Zoning
Currency**



**Economic
Development
Currency**
EIFDs &
Tax Districts



**Entitlements
Currency**



**Financing
Currency**



Land Use Revolution *Everything's Changing*

Land Use
Revolution

| | |
|-----------------------------|---|
| Hotel ★★★★☆ | Resetting: Local leisure rebounding; convention / business delayed; Conversions to other uses; Project financing challenging |
| Retail ★★★☆☆ | Reimagining: Online accelerates; Essentials & Experience drive trips; Regional centers shifting from retail to blended uses |
| Office ★★★★☆ | Reconfiguring: Downsizing / rearranging space requirements; Suburban markets resilient; Work-from-home & local co-working story unfolding |
| Residential ★★★★☆ | Renaissance: Demand strong; SF moving to more s.f. / suburban; MF and SF redesigning for workspace & amenities; MF favors medium density |
| Industrial ★★★★★ | Redistribution: Demand for industrial / cold storage driven by online sales / last-mile delivery; warehouse & logistics; Onshore manufacturing |



The New Vocabulary of Innovation

Resuscitate | Elevate | Reimagine with Blending Uses

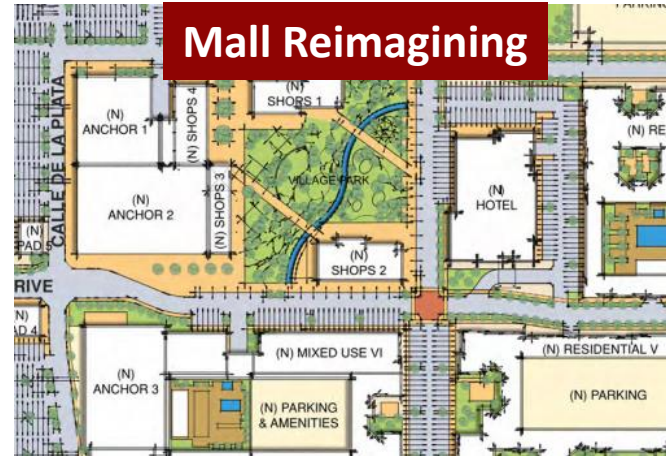
Land Use
Revolution



Surban



Six-Foot-Office



Mall Reimagining



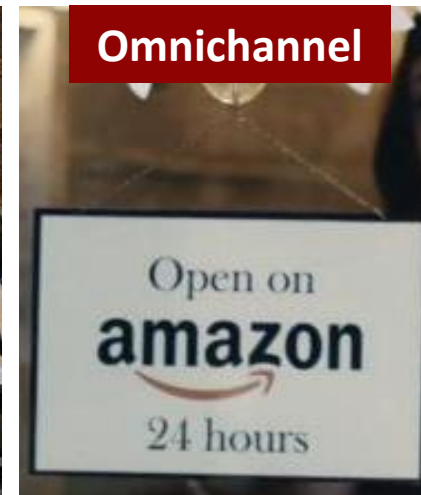
BOPIS & Pickup



Frictionless Retail



Driverless Delivery



Omnichannel

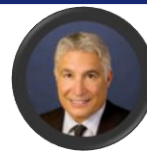
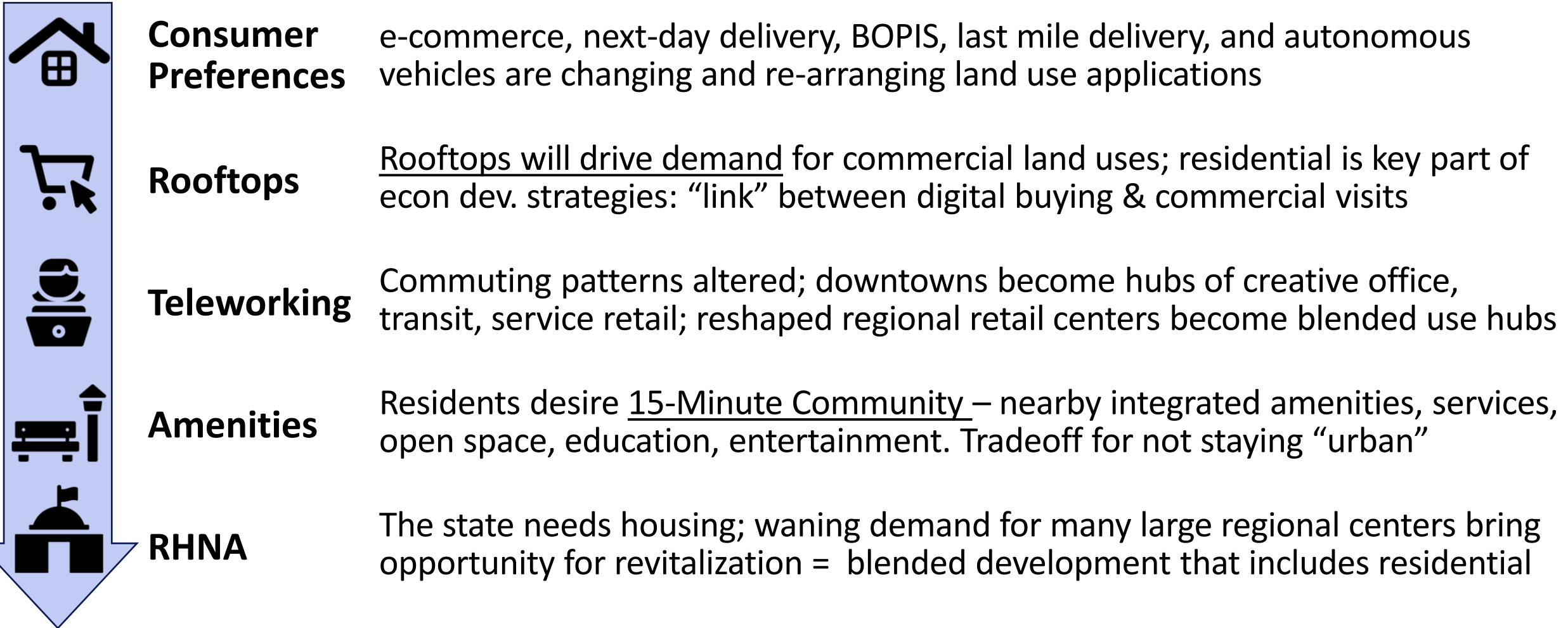


Re-dustrial











The New Language of Land Use

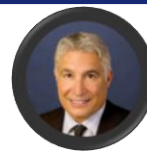
Viable land uses & fiscal models shifting due to buying patterns in digital post-COVID world



Land Use Currency in a Post-COVID World

Zoning, Entitlement,
Value Capture Tools

| | | | |
|--|---|---|---|
|  Zoning as Currency <i>Development Opportunity Reserve (D.O.R.)®: Community benefits for new density</i> |  Entitlements as Currency <i>Community benefits and equivalent tax revenues from PPPs and DA negotiation</i> |  Tax Increment as Currency <i>EIFDs / CFDs: Fund infrastructure with value capture and district financing</i> |  Low Interest Rates as Currency <i>Leverage low rates to reduce debt costs with POBs, refunding, and P3</i> |
|  |  |  |  |



Reimagining Retail: Zoning & Value Capture Toolkit

Zoning, Entitlement,
Value Capture Tools

Key Pieces to Solve the Retail Reimagination Puzzle

Development Opportunity Reserve (D.O.R)
Add Density tied to Community Benefits

Lock in Developer Contributions
via DA or Sales Tax Assessment Revenue (STAR.)

Tax Increment Districts
"Value Capture": tax revenue for infrastructure

Reciprocal Easement Agreements
Pass SB696 to vacate REAs & accelerate projects

How do we turn a struggling mall...

Closing Large Anchors

Struggling Enclosed Retail

Oversized Parking Lots

...to a vibrant blended-use destination?

Office

Cinema

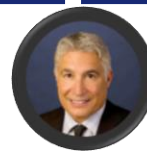
Shops

Residential

Park

**Small
Anchors**

Hotel



"Value-Capture" Districts to Complement Zoning

Zoning, Entitlement,
Value Capture Tools

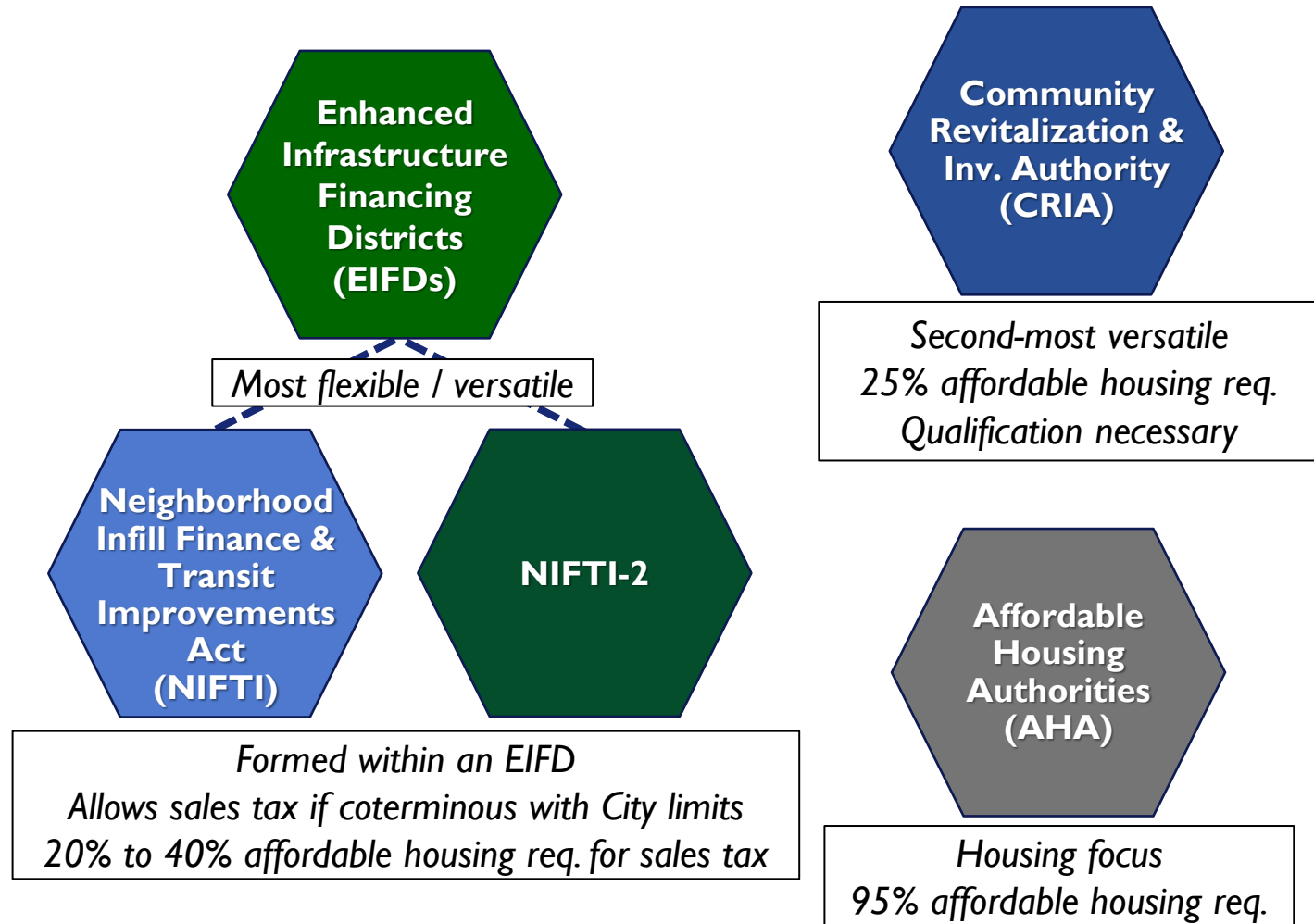
TIF is Tool to Induce Private Investment

State created tax increment financing (TIF) district tools to accomplish:

- Sustainability
- Resiliency
- Mobility
- Housing
- Public infrastructure
- Public amenities

Cities can use these districts to fund infrastructure, attract grant funds, motivate private investment.

CREATES PUBLIC / PRIVATE ROI



Use EIFDs for Targeted Infrastructure Investment

Zoning, Entitlement,
Value Capture Tools

Affordable Housing



**Vision Plan
Area**



**University
Area**



Wastewater / Groundwater



Transit Projects



**Regional Mall
Area**



**Industrial
Area**



Parks / Open Space



Civic Infrastructure



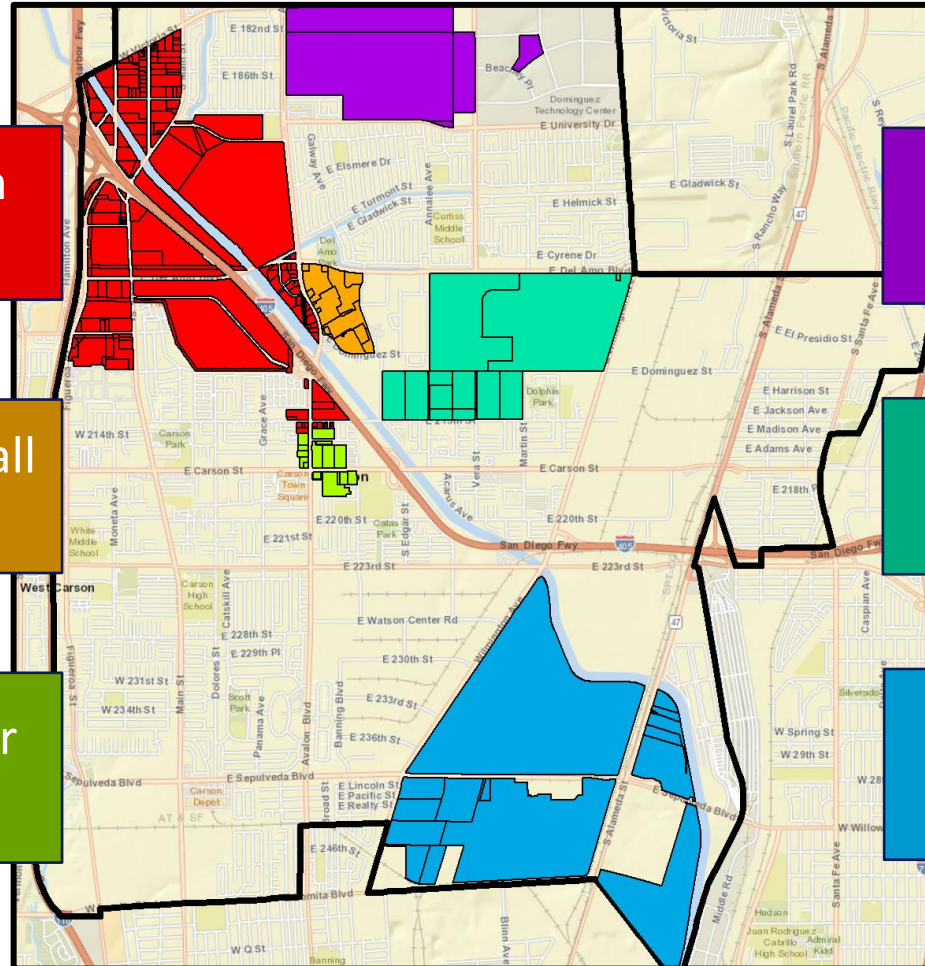
**Civic Center
Area**



**Industrial
Area**

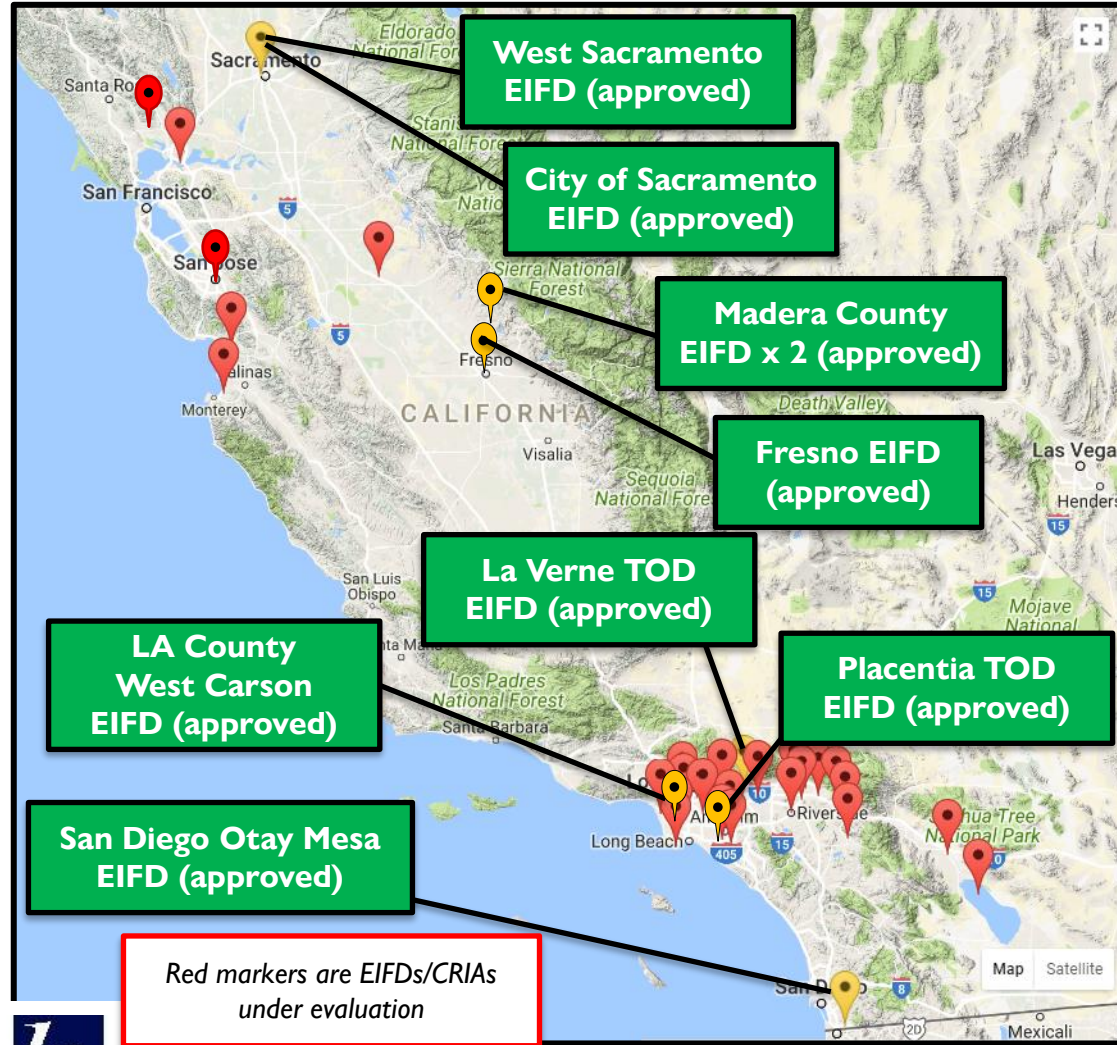


Brownfield Remediation



EIFD Progress Statewide

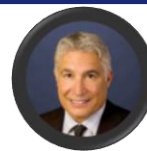
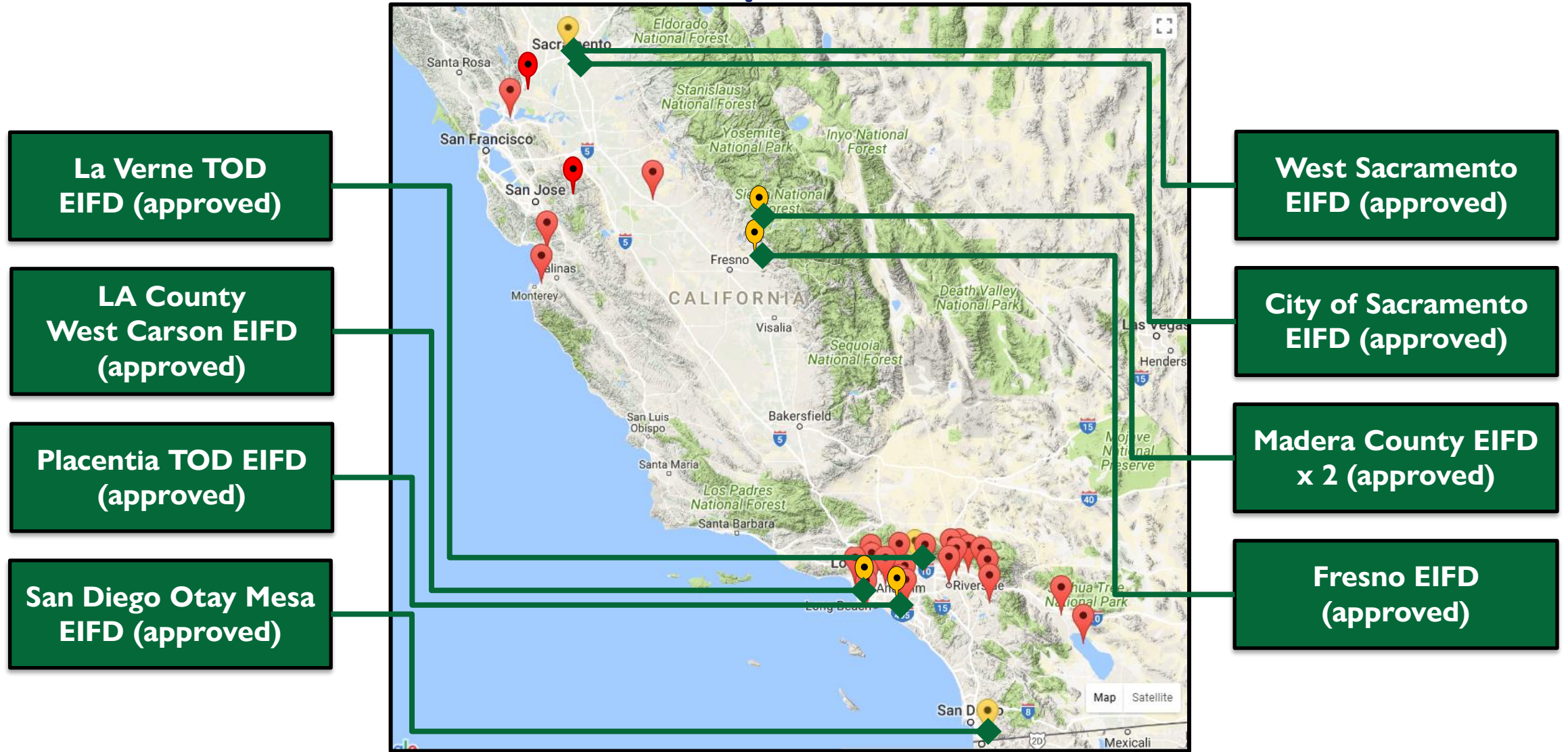
Partial List



| Jurisdiction | | Purpose |
|--|----------------------|---|
| Azusa - Metro Grant | | Housing and transit-supportive infrastructure |
| Brentwood | | Housing and transit-supportive infrastructure |
| Carson + L.A. County | | Remediation, housing-based infrastructure, recreation |
| El Cajon | | Housing and transit-supportive infrastructure |
| El Segundo + L.A. County | | Various infrastructure, regional connectivity |
| Fresno | | Housing and transit-supportive infrastructure |
| I-5 Corridor - (Multiple Cities / Counties) - SCAG | | Housing and transit-supportive infrastructure |
| Indian Wells | | Housing and tourism-supportive infrastructure |
| Imperial County - SCAG | | Housing and greenfield infrastructure |
| La Verne + L.A. County | | Housing and transit-supportive infrastructure |
| Long Beach | | Housing and transit-supportive infrastructure |
| Los Angeles (Downtown) - Metro Grant | | Housing and transit-supportive infrastructure |
| Los Angeles (San Pedro) - SCAG | | Housing and transit-supportive infrastructure |
| Los Angeles (Vermont Corridor) - Metro / SCAG | | Housing and transit-supportive infrastructure |
| Los Angeles County - Uninc. West Carson - SCAG | | Housing / bio-science / tech supportive infrastructure |
| Los Angeles County - Uninc. East L.A. - SCAG | | Housing -supportive infrastructure, community amenities |
| Madera County | | Greenfield infrastructure (water / sewer) |
| Napa | | Flood control, affordable housing, remediation |
| Ontario | | Housing and transit-supportive infrastructure |
| Pittsburg | | Housing and transit-supportive infrastructure |
| Placentia + Orange County | | Housing and transit-supportive infrastructure |
| Redondo Beach + L.A. County | | Parks / open space, recreation infrastructure |
| Riverside | | Housing and transit-supportive infrastructure |
| Riverside County - Uninc. Salton Sea - SCAG | | Water and housing-infrastructure |
| Sacramento County | | Industrial / commercial supportive infrastructure |
| San Jose | | Housing and transit-supportive infrastructure |
| Santa Ana - SCAG | | Housing and transit-supportive infrastructure |
| Santa Fe Springs | | Housing and transit-supportive infrastructure |
| South Gate | | Housing and transit-supportive infrastructure |
| West Santa Ana Branch Transit Corridor (Multiple Jurisdictions) - Metro / SCAG | | Housing and transit-supportive infrastructure |
| Fully Formed | In Formation Process | Under Evaluation |

Kosmont's TIF District Snapshot

Zoning, Entitlement,
Value Capture Tools



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



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

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

Decisions Today...for a Resilient Economy

Look to the
Future

Private and Public sectors moving in new directions:

Private Sector

Value Redefined

- New mix of projects
- Residential strength
- Service-oriented retail
- Infill industrial
- Workspace changes
- New site conversions
- New site needs

Public Sector

Econ. Dev. Redefined

- New private sector requests
- Reset zoning / land use
- Reduced parking
- Flexibility needed
- More pick-up, fulfillment
- Update site infrastructure
- Value capture

Rules of private investment have changed – Rules of zoning / land use need to change too.

Economic Development = Installing a resilient value capture plan for your community.



Key COVID Recovery Strategies

Look to the
Future



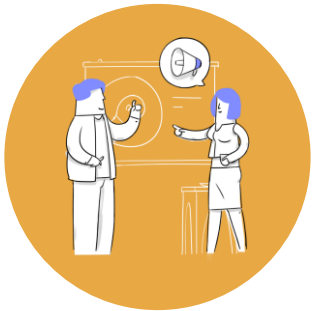
Unstick Stuck Deals

Be flexible, understand changes to the market, keep the conversations going, and keep projects moving



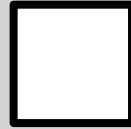
Focus on Projects

Identify actionable projects and key sites vital to your community.
Set up zoning currency and value capture tools.

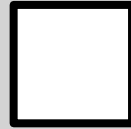


Pursue Opportunity

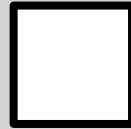
Seek out cooperative investors / developers & facilitate projects accretive to your community.



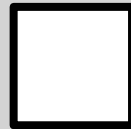
Identify best opportunities to pursue



Ongoing community / stakeholder outreach



Set up zoning currency tools, value capture districts, use COVID Recovery \$\$ strategically



Work with owners / developers on specific project implementation





kosmont companies

Economic Development, Finance and Real Estate Advisory since 1986

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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.