



Hispanic Markets NATIONAL CONFERENCE

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Economic Development *without* Redevelopment

Presented by:

Ken K. Hira

Senior Vice President, Kosmont Companies



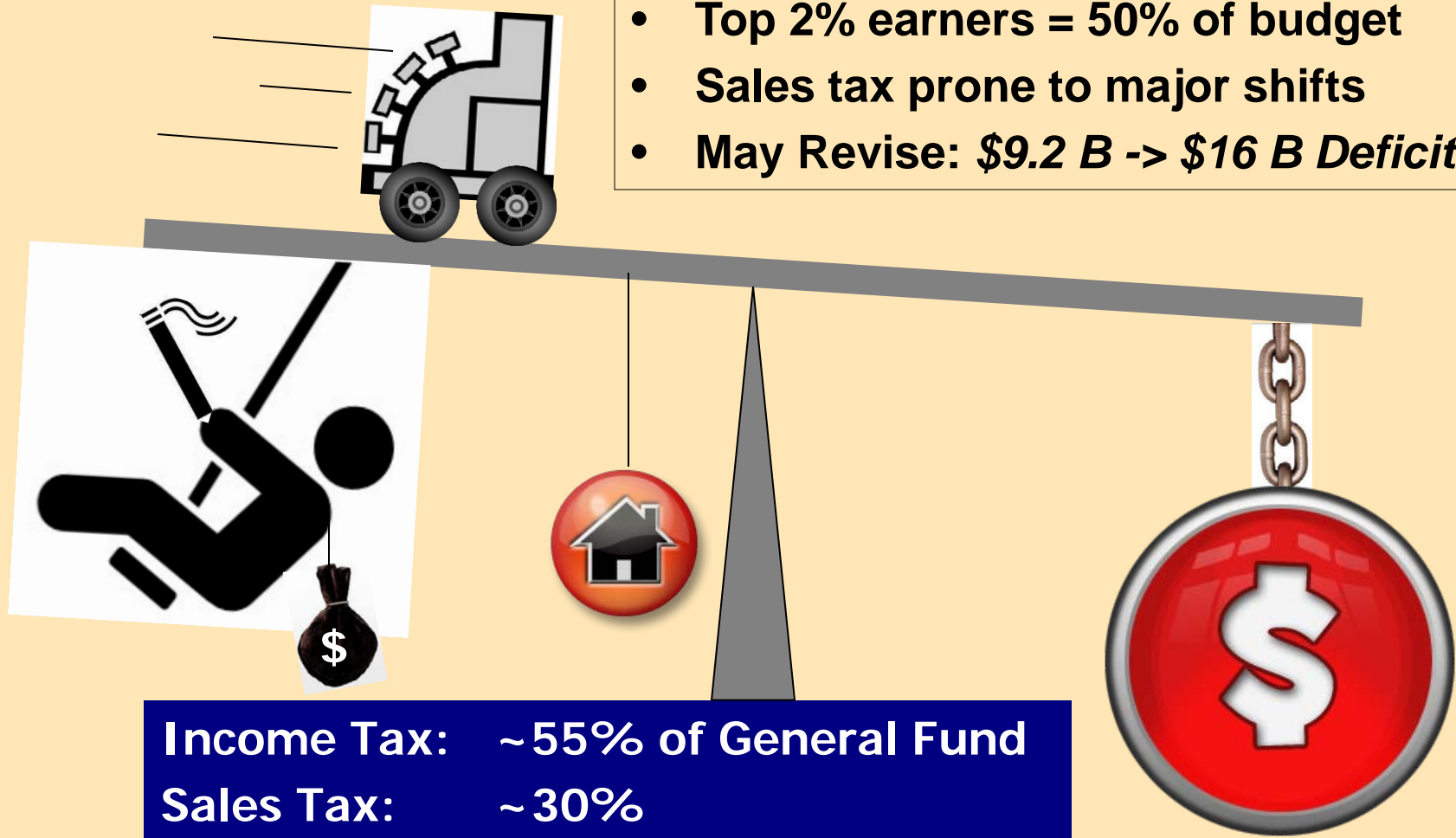
TODAY'S APPOINTMENTS

- California in Critical Condition
- Patient Success Stories – Case Studies
- Prescription for Economic Development

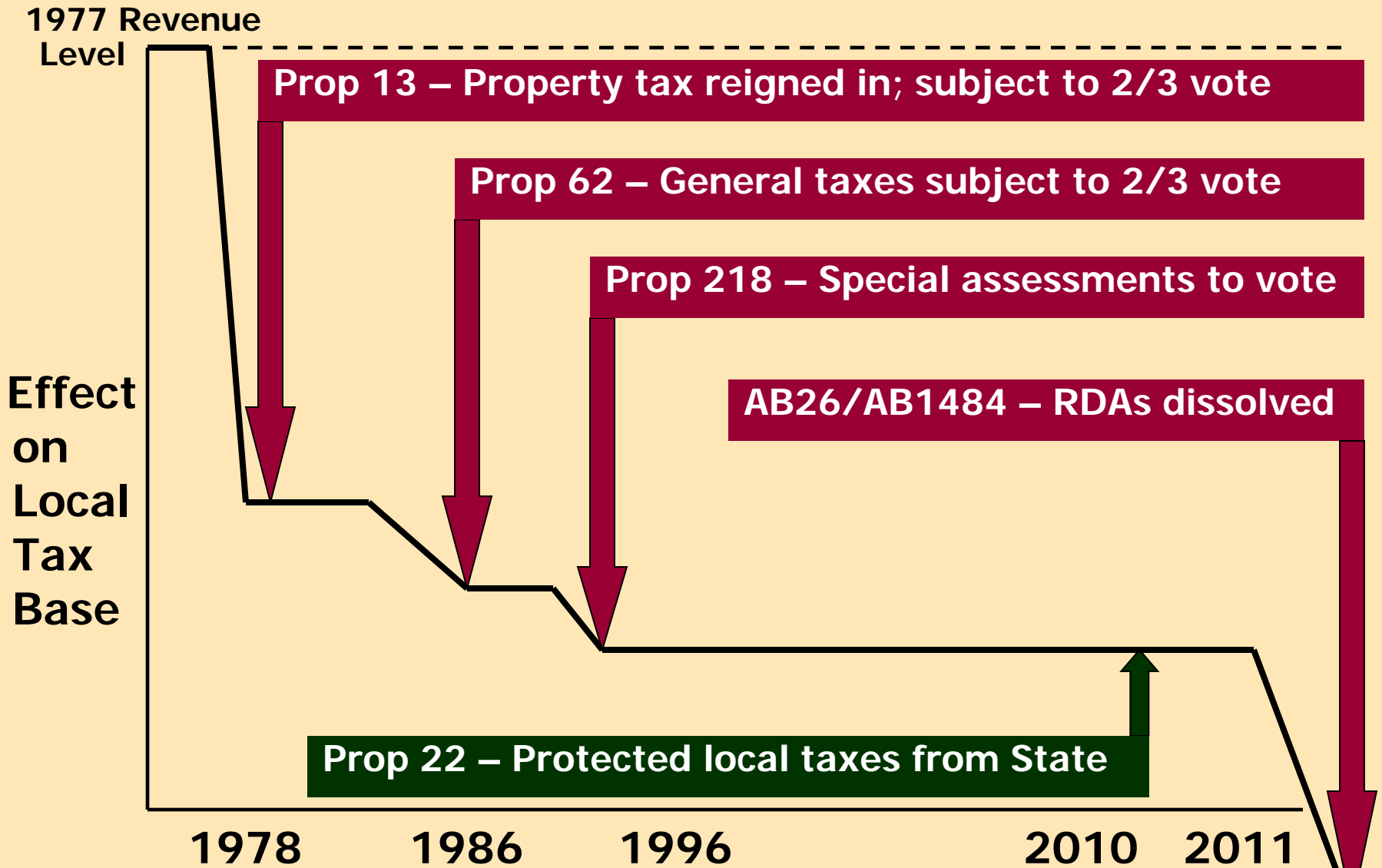


California's Unbalanced Budget

- Top 2% earners = 50% of budget
- Sales tax prone to major shifts
- May Revise: *\$9.2 B -> \$16 B Deficit!*



33 Years of Tax Diets



Economic Life After Redevelopment

A variety of tools remain after Redevelopment:

- **Site-Specific Tax Revenue (“SSTR”) Pledge or Rebates**
- **Ground Lease**
- **Lease-Leaseback of City Assets**
- **Tax-Exempt Revenue & Utility Bonds**
- **Parking Authorities**
- **EB-5: Immigrant Investor Program (Green Cards for Jobs)**
- **Other Special Districts (CFDs, BIDs)**
- **Competitive Federal & State Grants (EDA/CDBG)**
- **Infrastructure Financing Districts (IFDs)**

Case Study: Macerich / City of Victorville Mall of Victor Valley

Tools Employed:

- Site-Specific Tax Revenue (SSTR)
- Development Agreement

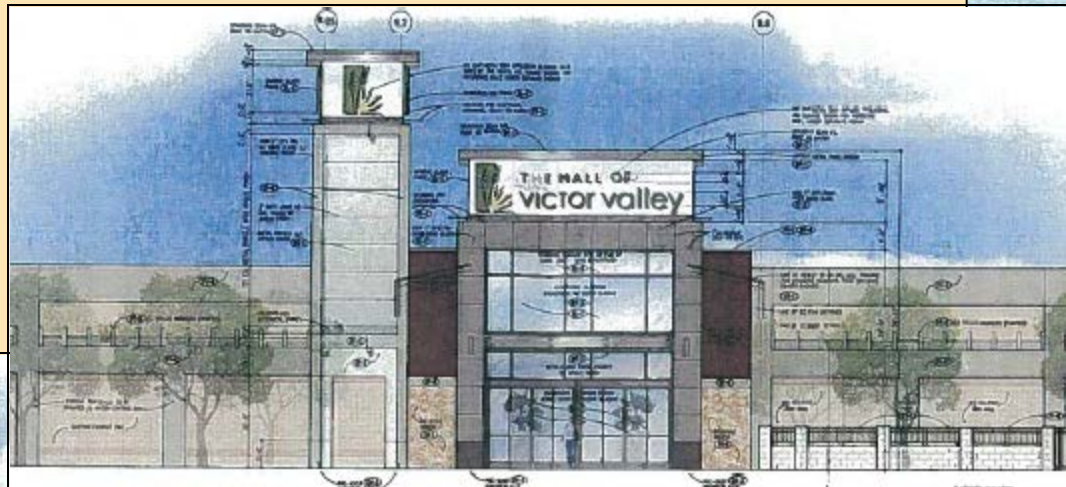
“Non-Redevelopment Deal”



Victorville – Mall of Victor Valley

The Outcome

- Attraction of major retail tenant (Macy's)
- Relocation of JC Penney into larger space
- Exterior Mall improvements
- Net increase of 47,000 retail SF (531,000 total SF)



Case Study: City of South Gate “azalea” Retail Center



Tools Employed:

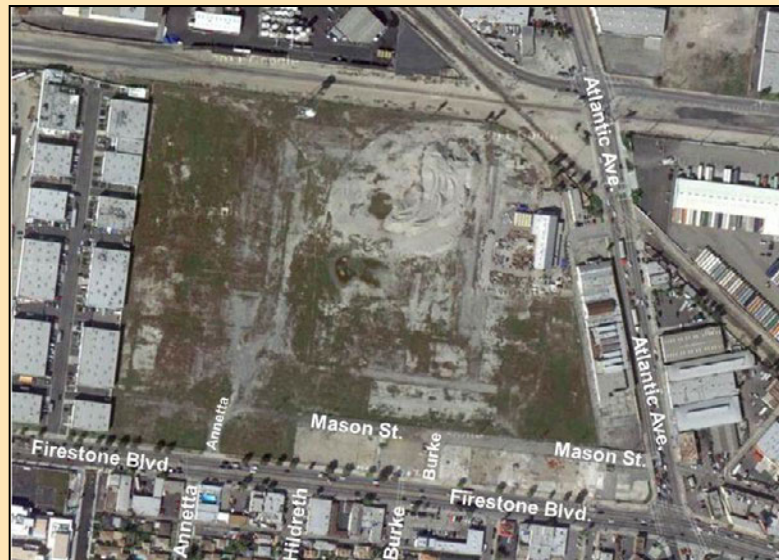
- Utility Bonds for related off-site improvements
- Site-Specific Tax Revenue (SSTR)
- EDA Grant

“Non-Redevelopment Deal”

City of South Gate – “azalea” Retail Center

The Challenge

- Formerly a pipe mfg plant, the 32-ac. site lay fallow & blighted for years.
- City purchased the land in 2006 to revitalize community with a quality regional retail & entertainment center.
- South Gate has highest density in LA County, yet residents are forced to drive great distances for basic retail soft and durable goods and quality restaurants.



City of South Gate – “azalea” Retail Center

The Process

- Kosmont worked closely with the City of South Gate and Primestor (developer) to fulfill the City’s objectives while minimizing financial project gap assistance.
- Negotiated an Infrastructure Financing Agreement to fund public off-site improvements, thereby reducing developer risk
- In the midst of deteriorating credit market, sold AA- rated Utility Bonds with sufficient new money (\$8.4M) to pay the public improvements & implementing the city’s econ development priorities

City of South Gate – “azalea” Retail Center



The Outcome

- 372,000 sf “azalea” retail project by Primestor to open in June, 2014 with major national credit retailers and modern architecture
- Project will generate \$2.6m per year in sales (2% sales tax rate)
- Public amenities- City Hall Annex, outdoor public plazas and event areas
- City of South Gate to recapture sales tax leakage & create ~600 jobs

Other Patient Success Stories

City of Redondo Beach - *Waterfront Revitalization*

- City's Waterfront struggles to compete with other South Bay cities.
- Kosmont structured Lease-Leaseback Financing for "Int'l Boardwalk" and "Pier Plaza" to be paid back from future property cash flow.
- Option Agreement for Acquisition of Redondo Beach Marina
- RFQ issued for 15+ Acres of Waterside Development

Starwood Hotels - *W Hotel, Hollywood, California*

- Project required \$15 - 20 million in additional funding to complete
- Kosmont worked closely with development team to provide EB-5 financing
- Funded to the build-out of the restaurant and bar facilities, meeting the job creation requirements of the EB-5 program

Prescription for Economic Development



1. **Cities need economic development & real estate to generate jobs and taxes.**
2. **The Private Sector needs to partner with the public sector to get deals done and projects built.**
3. **Primary financing tools available in the wake of redevelopment:**
 - **Lease-Leaseback of Public Sector Assets**
 - **Site Specific Tax Revenue (SSTR) Pledges**
 - **EB-5 Immigrant Investor Program**
4. **Until the State budget is fixed, local governments will need a healthy dose of the private sector to get communities back in good health.**



By **Ken K. Hira**, Senior Vice President, Kosmont Companies

Research and Production by **Matt Goulet**, VP, Kosmont Companies

This presentation is available online

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