EXECUTIVE COMMITTEE
MEETING MINUTES

Thursday, November 7, 2019
8:00 AM
Studio One Eleven
245 E. 3rd Street, Long Beach, CA 90802

Voting Present: Tony Shooshani, Silvano Merlo, Alan Pullman, Allison Kripp, Debra Johnson, Debra Fixen, Ryan Altoon, Loara Cadavona, John Keisler

DLBA Staff: Kraig Kojian, Broc Coward, Austin Metoyer, Cherisse Evans, Mo Mills, Mariah Hoffman, Christine Haddeman, Lauren Mayne

Guests: Adam Fowler, Hoyu Chang, Jewelle Kennedy, Sam Pierzina, Jeremy Schott, Danny Brezenoff, Diana Tang, Diana Coronado, Peter Vanek, Christine Bos, Jeremy Harris, Pat Welch, Johanna Cunningham, Mohammad Hassanpour

1. CALL TO ORDER and INTRODUCTIONS – Silvano Merlo, Chair

Meeting Presentation – Meeting called to order at 8:17 AM.

2. SECRETARY REPORT:

ACTION: Approve Minutes from October 3, 2019 Executive Committee Meeting.

MOTION: 1st: Johnson. 2nd: Altoon.

VOTE: None opposed, no abstentions. Motion carries.

3. FINANCIAL REPORT: Year-To-Date Financials through September 30, 2019

- The 2018-19 financial books have been closed and the annual audit will be conducted in November, with a presentation from the Windes audit team being given at the December Board meeting for approval.

4. CHAIRPERSON’S REPORT - Merlo

A. Governance Committee Report- Alan Pullman, Chair

i. Finance Committee Vacancy

ACTION: Approve Jill Harris, Downtown resident to serve on the Finance Committee for one year, effective immediately and expiring September 30, 2020.

MOTION: 1st: Altoon. 2nd: Kripp.

VOTE: None opposed, no abstentions. Motion carries.

B. Annual Board & Staff Assessment – Merlo and Kraig Kojian

- Merlo wants to focus on Board Development in the coming year. Below are three options for Board assessment services, all of which Merlo and/or Kojian are familiar with. The committee has been asked to review the proposals so that a decision can be made the next Executive Committee meeting.

- Pullman asked if the organization has ever undergone a similar assessment, Kojian answered that there have been staff-based Board assessments in the past but have not worked with consultants at this level. He also mentioned that part of the Strategic Plan calls for accountability of the Board in order to meet the objectives of the organization. The best approach would be to work with one of the three groups while continuing to work through the Executive Committee to achieve the goals of the organizations.

- Keisler asked about the value of this type of professional development for our stakeholders. Merlo feels it will continue to bring awareness of the organization and what it does as well as assists with on-going Board and committee recruitment, providing guidelines on best to achieve this.

   i. Leadership Circle Profile
   ii. Fuller Management
   iii. Third Sector Company
      ➢ Sample Assessment
5. **PRESIDENT AND CEO REPORT – Kraig Kojian**

   **A. Inclusionary Housing Policy Update**

   - Kojian gave some background information regarding the City’s inclusionary housing policies. Over a year ago, City Council approved 28 initiatives related to housing. Keyser Marston Associates (KMA) was hired by the City to conduct a study and presented their findings in a report to Planning Commission in August. DLBA reviewed this information and six weeks ago, the Executive Committee had agreed to commission Beacon Economics to conduct a peer review of the KMA report.

   - Austin Metoyer, DLBA Economic Development & Policy Manager added that the Beacon study will review the metrics used to produce KMA’s results/assumptions. A final report will be available mid-November after gaining feedback from the Executive Committee and today’s meeting attendees.

   - Kojian thanked the City for delaying their process, waiting for the information that this Beacon Economics study will provide. The DLBA will present the final Beacon report including its recommendations to the Planning Commission by November 22.

   i. **Beacon Economics Draft Peer Review –** Adam Fowler, Director of Research, Beacon Economics

   - Fowler explained that this presentation is a very abbreviated version of their full report, focusing specifically on a rental residential prototype in submarket #1 (Moderate-Low to Very Low income).

   - All models in Beacon’s report are based on the market rate, creating affordable rentals scenarios.

   - Areas that KMA report differs from Beacon’s:
     - KMA used market affordability gap approach for their report
     - KMA Building to Area Ratio is larger (80% as opposed to reality of 70-75%)
     - Submarket #1 parcel size is in reality is smaller than the metric KMA uses for their analysis
     - KMA’s property acquisition costs are not sourced and are too low
     - Unclear if KMA included demolition costs or required off-site improvements in their pro forma. As a result, KMA’s calculated cost/SF is skewed low
     - KMA’s parking square footage and price per space is infeasibly small/low. Beacon review concludes that a costly 3rd subterranean parking level needed for prototype property used
     - Beacon points out that many permitting fees are proportional to property size, not an assumed flat rate as used in the KMA pro forma analysis
     - KMA study includes a market rate/unit discrepancy (skewed CoStar data), inflated rent data skews developer ROI.
     - Beacon’s pro forma calculates ROI is closer to 3.0% depending on project, as compared to KMA ROI of roughly 5%.

   - “Policy levers at disposal”, need more incentives to offset the low ROI:
     - Phasal approach to housing policy
     - Impact review/market condition analysis every 3 years to adjust policy
     - Utilizing transit density bonuses
     - Increased Floor Area Ratio
     - Reduced parking requirements closer to transit
     - Revised open space regulations (setbacks, yard area, etc.)
Questions/Comments:

- Altoon: KMA did not provide any data related to off-site improvements and Beacon used very conservative numbers.
  - Fowler explained that Beacon used data that can be easily found and unrefuted.
- Altoon: The examples that KMA used are not reasonable, you cannot achieve the yield (number of units, amount of parking) that is used in the KMA analysis.
- Altoon: How are the in-lieu fees ($20,000) being derived? His current project is at $30,000-40,000. He mentioned that it is not enough to use city’s fee schedule. Recently, fees have gone up $10,000 per unit.
  - Fowler explained that they purposefully used conservative “placeholder” numbers (utilizing publicly available data), avoiding “unfamiliar” numbers in their first draft. They will put the KMA and Beacon results side-by-side and include current information gathered from local developers.
- Altoon: 30% devaluation of an asset is the highest the law allows and notes that the KMA report is using this number, not factoring in outside costs involved in development, making its example unusable. This is a generalist approach, not looking at our specific market such as land parcel size.
- Pullman: KMA inputs 5.4% return on investment. Beacon shows a 3.0% return. These seem like drastic land cost reductions. What is a reasonable return on investment?
  - Fowler answered that there are a series of variables that go into that type of decision. It is more of a financial institution question and depends on the risk one is willing to take.
- Fixen: Pointed out that from a real estate broker perspective, one can purchase a rental property already on the market for a better return than the examples being given. Seems like an unreasonable risk for a developer to take.
- Altoon added that a developer typically borrows 60-65% of the money needed for a project. With the remaining 30-35% equity, developers will raise approximately 90-95% of that money, leaving them to put up their own capital (5-10%) of the 30% equity. Lenders don’t want to take the risk. Is there a model for equity? Globally the standard is 20%
- Cadavona: Her take away from the presentation was that the decreased value of land is not feasible on any of the models used. Metoyer added that KMA used city owned land for their examples.
- Altoon: Suggested that Beacon apply Long Beach-based market information in their models to see how it effects the outcome.
- Kripp: Expressed interest in a “flexible menu of policy options” seems a good solution.
- Shooshani: Suggests Beacon provide a third example utilizing information gathered from local contractors and developers as neither a 5.4% nor 3% return are not acceptable.
- More comments/questions occurred during the open Public Comment.

**ACTION:** Consider findings and recommendations presented in the Beacon’s study and peer review of KMA Report and approve with revisions or table and request for additional study.

**MOTION:** A motion was made to table the action. A special meeting will be called before November 22 to allow time for Beacon Economics to incorporate into its study and report, the feedback received from the Executive Committee and meeting attendees.

1st: Altoon. 2nd: Shooshani.

**VOTE:** None opposed, Keisler abstained. Motion carries.

B. Downtown Circulator Feasibility Study- Mariah Hoffman, DLBA Placemaking Manager *(Presentation slides 12-15 presented)*
Hoffman explained that the objective of this feasibility study was to gain an understanding of the circulator options that would meet the needs of residents, business owners and visitors. The study includes a peer review, market assessment, community feedback and circulator recommendations.

The project team includes: DLBA, Long Beach Transit and Nelson/Nygaard.

Johnson added Nelson/Nygaard is a national transit planning consultancy, operating in the US for over two decades. Free service such as Passport is not sustainable over a long period of time due to the operational cost involved.

This study will help to determine if a free service is feasible and based on the needs of the constituents, also assess the following: Route(s), vehicle to be used, geographical boundaries and operational costs involved.

C. Update Strategic Plan, Review Committee Dashboards and Annual Goals

6. OLD BUSINESS
7. NEW BUSINESS
   • Kripp announced that the Winter Shelter opening December 1, 2019 and the 24-hour shelter is on track to open June 2020.

8. PUBLIC COMMENTS
   Related to the Inclusionary Housing Policy:
   • Cunningham is concerned that actual development costs are not reflected in the models being used. She added that City Council does not have time/capacity to question the methodology of data they are supplied with and the Beacon report needs to show a pragmatic scenario, walking through the steps and costs.
   • Shooshani added that it would be ideal to compare the KMA report and the Beacon peer review to numbers being used in current local projects.
   • Cadavona asked that Beacon look at what land cost would need to be reduced to in order for these formulas to work.

9. ADJOURNMENT
   Meeting adjourned at 10:02 AM.

NEXT SCHEDULED EXECUTIVE COMMITTEE MEETING:
December 5, 2019
8:00 AM
Downtown Long Beach Alliance Conference Room
100 West Broadway, Suite 120
Long Beach, CA 9080

Mission: Cultivate, preserve and promote a healthy, safe and prosperous Downtown