May 3, 2022
In this Issue: **Real Estate**

LONG BEACH
BUSINESS JOURNAL
An edition of the Long Beach Post

A mask sits tangled in the weeds that have sprouted in front of Community Hospital on Wednesday, April 20, 2022. The hospital was shuttered for the last time in December.

Brandon Richardson / Business Journal

To save Community Hospital, LB leaders took a risky gamble

By Kelly Puente and Brandon Richardson

At Long Beach City Hall, it was code blue for Community Hospital.

For nearly a century, Community had served generations of residents in East Long Beach. With its Spanish Colonial architecture and small-town feel, it seemed like a throwback in an age of mega hospitals and vast health care systems. But behind the scenes, it was facing the modern realities of hospital economics.

Only once in its six years as operator of the city-owned hospital had health care giant MemorialCare turned a profit on the small, 158-bed acute care facility. Over the decades, numerous other Community Hospital leaseholders had failed to make a go of it, too.

In early 2018, MemorialCare informed Long Beach officials it was terminating its lease with the city rather than spend tens of millions of dollars more in seismic repairs mandated by the state.

MemorialCare's decision to bow out would represent a death knell for Community Hospital and its emergency room unless city officials could find a new operator. A determined legion of "save our hospital" stakeholders kept the

Continued on page 14

Community Hospital property must be offered to affordable housing developers, state says

By Brandon Richardson

Long Beach's plan to pay back significant losses to the operator of Community Hospital by transferring ownership of the hospital property is in jeopardy after the state ruled it must be offered on the open market to

Continued on page 19

LONG BEACH
BUSINESS JOURNAL
211 E. Ocean Blvd., Ste. 400
Long Beach, CA 90802

LONG BEACH
BUSINESS JOURNAL
an edition of Long Beach Post

May 3, 2022
Vol. XXXV No. 9

In This Issue:
Real Estate

Local government and hospital officials unveil Community Hospital's emergency department sign on Wednesday, May 12, 2021.
Thomas R. Cordova / Business Journal .... Cover

SUBSCRIBE TODAY!
(562) 912-0161
LBBJ.com/subscribe

Editorial: (562) 655-7678
editor@LBBJ.com

Advertising: (562) 912-0161
info@LBBJ.com

Long Beach Business Journal
211 E. Ocean Blvd., Ste. 400
Long Beach, CA 90802

Editorial Deadline:
Two weeks prior to publication. Email press releases to editor@lbbj.com.

Advertising Deadline:
Wednesday prior to publication.

See editorial calendar at lbbusinessjournal.com/advertise.

LongBeachBusinessJournal
LBBizJourn
LBBusinessJournal

Editor **Hayley Munguia** // *Advertising Director* **Andrea Estrada** // *Visuals Editor* **Brandon Richardson** // *Columnist* **Tim Grobaty** // *Reporters* **Laura Anaya-Morga, Fernando Haro, Cheantay Jensen, Christian May-Suzuki, Crystal Niebla, Anthony Pignataro, Kelly Puente, Brandon Richardson, Jason Ruiz** // *Graphic Designer* **Candice Wong** // *Publisher Emeritus* **George Economides**

The Long Beach Business Journal is a publication of Pacific Community Media. The Business Journal is published every other Tuesday. Reproduction in whole or in part without written permission is strictly prohibited unless otherwise stated. Opinions expressed by perspective writers and guest columnists are not necessarily the views of the Long Beach Business Journal.

Long Beach's vacant lot fee faces court challenge

By Christian May-Suzuki

A fee that Long Beach charges to owners of vacant lots is facing a court challenge.

Frederic Sparrevohn, who owns a vacant lot in the city, filed a lawsuit with the Los Angeles Superior Court last month seeking to invalidate the $780 annual fee. Howard Jarvis Taxpayers Association staff attorney Laura Dougherty is representing Sparrevohn in the suit.

Sparrevohn's argument rests on Proposition 218, also known as the Right to Vote on Taxes Act, which added two new articles to the California Constitution that limited local governments' ability to raise certain taxes without voter approval, particularly those pertaining to property ownership.

Long Beach, for its part, has not yet filed a response to Sparrevohn's April 8 complaint in court. City officials declined to comment on the litigation.

But according to the city's municipal code, the fee is "a mechanism to protect neighborhoods and commercial areas from becoming blighted due to the lack of adequate maintenance and security of vacant lots and to establish minimum standards of accountability on the owners or other responsible parties of vacant lots in order to protect the health, welfare and safety of the community."

Long Beach approved the fee in 2017 as part of the city's Urban Agriculture Incentive Zone program, which is meant to promote agricultural activities in vacant lots by providing tax breaks, including relief from the aforementioned fee.

The program serves a two-fold purpose for the city: to encourage the cleanliness of vacant lots and promote needed agricultural activity in the city.

The lawsuit

Sparrevohn, in his complaint, argued that it's unconstitutional for Long Beach to require the fee of property owners without voter approval.

His lawsuit comes after an unsuccessful March 21 hearing with the city's Board of Examiners, Appeals, and Condemnation.

In that appeal, Sparrevohn explained that he purchased the lot over 20 years ago with the hopes of building a home on the land, but said he was blindsided by fees that made construction too expensive for him.

"The city put so many roadblocks in my way that I gave up," the appeal said. "They said that to get the building permit and pay for other requirements would be over $13,000."

Sparrevohn also outlined the costs he already pays to maintain the lot, including hiring a mowing service every two weeks and paying "close to $50,000 in property taxes over

Continued on page 9

Housing prices, rents continue to rise amid strained inventory

Brandon Richardson / Business Journal
The sale is pending for a home in Long Beach's Lakewood Village neighborhood.

High demand and a low inventory continue to push sale prices and rents up.

By Brandon Richardson

From single-family to apartments, high demand and a low inventory continue to push sale prices and rents up, local real estate experts say, but increasing interest rates should calm the market.

"Interest rates have gone up significantly," Phil Mazzocco, operating principle of First Team Realty in Long Beach said, noting that for-sale properties across the city are still receiving multiple offers, though not as many as in previous months.

Instead of receiving 30 offers for an appropriately priced property, Mazzocco said he is seeing about 10.

"They're still flying off the shelf, but there is a little stall with days on market," Mazzocco added. Rather than seven to 10 days on the market, correctly priced properties are selling in about 15 on average, he said.

Overpriced houses, however, tend to languish on the market, Mazzocco said.

"It could be the kiss of death," Mazzocco said. "Overpricing is a big mistake."

The average interest rate for a 30-year fixed mortgage last year was less than 3%, data from Freddie Mac shows. Rates this year, however, have ballooned to around 5.5% as of April 26, according to Forbes.

Even with the sharp increase, interest rates remain historically low, Mazzocco said. From 1973 through the early 2000s, average rates ranged from 6.5% to as high as 16.63%, according to Freddie Mac.

Interest rates cooling off the market at this point is healthy, Mazzocco said, adding that the recent trajectory is not sustainable.

"Buyers are having to do really irresponsible things to get into houses—removing contingencies and sometimes inspection," Mazzocco said. "Historically, you would never advise your client to do that."

As the market normalizes, buyers' agents will have more leverage and be able to negotiate more responsible deals, Mazzocco said.

Nationwide, median housing prices have spiked since the onset of the pandemic, according to data from the U.S. Census Bureau and the U.S. Department of Housing and Urban Development. In early 2020, the median sales price of a house in the U.S. was $329,000. By the end of 2021, that figure had soared to over $408,000.

According to a report by Inspection Support Network, more than 27.5% of home sales in the Los Angeles Metro area were for more than $1 million—the third most of major metros nationwide.

In March of this year, the median price of a home in Los Angeles County was $875,000, up nearly 13% compared to the same time last year, according to Redfin.

"Personal experience, I'm checking my home value on Zillow and it hasn't stopped going up," Edward Coulson, director of the Center for Real Estate at UC Irvine, said. "The house price surge is still with us but it's flattening out a bit."

The continued velocity in sales and other indicators do not show any signs that the market is a bubble about to pop, Coulson said.

If priced properly, Mazzocco said all house types are selling well—from fixer-uppers to luxury homes. Homes under the $1 million mark, however, are the most sought after, he said.

The buyers are a mix of first-timers and people upgrading into larger homes, Mazzocco said. Despite reports across the nation, he said Long Beach is not seeing properties bought up by corporations as investments.

"We're so insulated from everything," Mazzocco said, noting that Long Beach continues to be a haven for more affordable housing compared to many other LA and Orange county cities.

"Corporations certainly are

Continued on page 6

City receives $10M more in property taxes than anticipated, boosting budget

By Christian May-Suzuki

Property tax revenue in Long Beach was significantly higher last year than officials expected—and it wasn't because of a hot residential real estate market.

The boost—which was almost $10 million more than the city expected—largely came thanks to an unexpected stream of funds from reassessments in the city's former Redevelopment Agency project areas. (Those properties were targeted by the city's Redevelopment Agency, which Gov. Jerry Brown shuttered in 2012, because they were in need of urban renewal.)

The spike in property tax revenue from those reassessments, which was the result of positive sales trends and a series of improvements and projects in areas like North Long Beach and Downtown, was one of the biggest contributors to a surprising $2.2 million surplus in the overall general fund last fiscal year.

It's unclear why the city saw such a large uptick in those reassessments last fiscal year. Revenue Management Officer Geraldine Alejo acknowledged it was an unusually productive year for those one-time payments, but she said there was no indication it was related to the COVID-19 pandemic.

Property tax revenue, though, can be volatile. If a payment is late, for example, that could negatively impact the original fiscal year while boosting the following year's revenue. Assessment decisions that come too late in a fiscal year to be represented in that budget can be another potential source of unexpected revenue for the next year.

Generally, based on the way the city projects the budget, those reassessments result in a net positive. But it's also possible for revenue to fall into the red. A successful appeal to a change in valuation, for example, can and has led to negative revenue.

And it's not just the city that's impacted. Since property taxes are collected at the county level, cities like Long Beach only receive a fraction of the 1% property tax collected from its residents. Over 40% of the collected property tax in Los Angeles County has been allocated to school districts this year, compared to about 15% for city governments.

"On average across the whole general fund, the city of Long Beach gets 21 cents out of every property tax dollar," Long Beach's Financial Management Director Kevin Riper said.

Even so, property taxes are the most significant source of income for the city's general fund, coming in at an average of 22.5% of the fund's total revenue. This year, property taxes brought in almost $150 million to the general fund—about 23.5% of the $636 million in fund revenue.

"Property tax, along with sales tax, are by far the two biggest sources of revenue that go into the general fund," Riper said.

And, of course, the general fund is critical for city operations. Among other spending, it provided over $33 million for Development Services, $5.8 million for Health and Human Services and $3 million for Public Works, according to the adopted budget book for the 2022 fiscal year, which lasts from Oct 1, 2021 to Sept. 30.

Because the revenue is so critical for the city, officials are intentional about making realistic projections to anticipate spending.

"We have a conscious policy of making the forecast at the level that we think is reasonably expected to actually come true," Riper said. "We're not overly optimistic, we're not deliberately optimistic, and we're also not deliberately pessimistic. We make our best professional projection of what property taxes are going to be."

The property tax forecast for the upcoming year is noticeably higher than the one for the 2021 fiscal year, sitting at just over $140 million total. Predictions do not consider potential one-time payments, Alejo said, so the forecast represents confidence in the city's real estate market moving forward.

"What you're seeing in our '22 budget is based on what we're seeing, which is stable sales at increasing prices, continued construction, and continued improvements," Alejo said.

Additionally, assessed valuations are not expected to decrease as they might have during the past few years, which shows officials are looking beyond COVID.

"We did not see any of the things we were bracing ourselves with any of the negative impacts of the pandemic," Alejo said. "Overall, things are looking good." ■

FROM THE EDITOR: HAYLEY MUNGUIA

What Long Beach's plan to build 26,500 new units means for existing housing

Long Beach, along with so many other cities across the state, faces a tough task in addressing its housing needs.

The city has won state approval for its 2021-2029 Housing Element, a document that lays out where new housing can be built. In Long Beach's case, the city had to show how it would make room for 26,502 more housing units over those eight years.

It's an important process, and the state has cracked down on cities for failing to comply, as officials and experts agree that significantly ramping up the housing supply is the only way to address the affordability crisis.

Looking at Long Beach's Housing Element, though, it struck me how nearly all of the zoning changes the city has proposed are to allow for more multifamily housing to meet the need. Of course, it makes sense—there's essentially no land left in the city to build new single-family homes. But the development of more than 20,000 new multifamily units by 2030 would mark a significant shift in the balance of the city's housing stock.

I reached out to some local real estate experts to try to make sense of all this—and what it will mean for the value of Long Beach housing in the long term.

Edward Coulson, the research director for the University of California Irvine's Center for Real Estate, said a heightened supply of multifamily housing specifically could mean even higher values for single-family homes.

"Some people are only going to want single-family property, and to the extent that demand is going to increase over time and supply is not, that's going to put even more pressure on single-family houses," Coulson told me. "It has struck me as being kind of an ironic thing—even as we solve the affordability problem, we're probably making single-family less affordable because we're not doing that kind of development in the places that people want to live."


Brandon Richardson / Business Journal

A small community of tract homes in Signal Hill.

And it's still an open question whether most existing single-family neighborhoods in Long Beach will, in the long term, maintain the character that has historically made them so desirable.

"Multifamily has a tendency to affect the single-family home values, but that's kind of dependent on whether it's being built in your neighborhood or not," said Rick Payne, a professor in Long Beach City College's real estate program. "If there's new multifamily housing, there's a tendency to create more people in the same area, more traffic, and so it can have somewhat of a sobering effect on single-family pricing."

Efforts at the state level to allow for more development on single-family lots, like Senate Bills 9 and 10 that Gov. Gavin Newsom signed into law last year, will also have impacts of their own. SB 9 allows for the construction of duplexes on single-family lots and for single-family lots to be split in two. SB 10 gave cities new authority to upzone near job centers and transit lines.

And while Long Beach officials, including Mayor Robert Garcia, have expressed a desire to focus new development in areas like Downtown rather than change the character of single-family neighborhoods, plenty of property owners are still going to take advantage of more relaxed rules that allow them to generate more income by converting a house into a duplex or building a backyard granny flat.

Still, Richard Green, the director of the USC Lusk Center for Real Estate, is unconvinced that these types of laws will have a widespread impact in most neighborhoods, at least in the short term.

"I don't think you're going to see much of an immediate impact, because in order to tear down a single-family house and replace it with a duplex, the land underneath the single-family house has to be more valuable than the land and the house together," Green told me. "I would guess that the impact of SB 9 will be very slow."

But given the current trajectory of housing policy, Green said it's likely that more aggressive laws will be passed over the next 20 years that could have a larger impact on single-family neighborhoods.

"But I think that's a good thing," he said, "because we need the new units."

For the time being, though, it seems Long Beach officials are intent on allowing more development in areas that are already dense, rather than spreading out new housing evenly across the city.

An earlier draft of the city's Housing Element, in fact, was rejected by the state because it lacked sufficient new housing in "high resource" areas like East Long Beach.

The document the state ultimately approved still includes very little new housing in East Long Beach relative to the rest of the city. But ultimately, the proposed conversion of certain parcels—like the Marina Shores retail center near Seal Beach—from commercial to multifamily residential use was enough to satisfy state officials.

Based on that process, it appears Long Beach officials would rather reimagine existing commercial areas to include residential uses than build up its low-density neighborhoods.

The strategy would seemingly offer a win on two fronts: Single-family neighborhoods can largely maintain their character, and more construction in high-density areas could help bring down housing prices overall.

If Coulson's analysis is correct, though, single-family homes in particular may become less and less accessible.

Because of that, Coulson told me it's likely the concessions so many people are already making—moving farther inland, say, for more space at a lower cost—are here to stay, no matter how much Long Beach builds.

"We can't satisfy everybody's demand for everybody's housing at affordable levels everywhere," he said. "There will always be a tradeoff between location, prices and the types of housing that people want to live in." ■

City seeks state funds to build tiny homes, convert motel to shelter unhoused people

By Jason Ruiz

Long Beach officials are hopeful that state money can fund the construction of up to 35 tiny homes and another motel conversion to quickly ramp up the amount of non-congregate shelter space—that is, shelter space that offers privacy for the people staying there—available in the city. Non-congregate shelters have proven more successful in convincing people experiencing homelessness to accept assistance, according to officials.

The City Council approved applications late last month for up to $45 million in state funding that can be used for a multitude of purposes like converting non-residential buildings into residential space for those experiencing homelessness and acquiring hotels and motels, or building new homes.

Potential funding from the state is part of the Project Homekey initiative that the city and county have used to purchase multiple motels in the region to provide transitional housing for homeless people. If the city receives the funding it's seeking, it could add between 100 and 120 rooms, according to Paul Duncan, the city's homeless services bureau manager.

The tiny homes are proposed to be added at the Long Beach Multi-Service Center in West Long Beach, which would provide interim housing for adults experiencing chronic homelessness, meaning they've been homeless for more than a year and have some disabling condition, Duncan said in an interview.

Thomas R. Cordova / Business Journal

The Multi-Service Center in Long Beach.

The tiny homes and motel conversions offer small, individual living areas, which differ from the group shelters that can have dozens of people sleeping in the same room. The city has about 400 non-congregate units available between city-owned and leased Homekey sites, county-operated Homekey sites, and units that are able to be paid for through emergency motel vouchers.

"It has changed our ability in the way we're able to engage with people who may not have been interested with what we were offering in the past," Duncan said of the non-congregate shelter space the city already has.

The privacy and security that tiny homes provide can be life-changing, Duncan said, adding that the city is focusing on tiny home models that have their own restrooms attached

Continued on page 10

Housing Prices

Continued from page 3

a bigger force in the market than they used to be," Coulson said. "But there's still not an overwhelming presence."

Multifamily

The multifamily housing market is faring about the same—high demand and limited supply—Stepp Commercial Principal Robert Stepp said. Similar to the single-family market, sale velocity for multifamily properties has slowed somewhat in 2022 due to increased interest rates.

Prices, however, remain strong—both for sales and rental rates, Stepp said. Over the past 12 months, asking rents have increased 6.5%, he said, "strongly rebounding from just 1.5% rent growth in the previous 12-month period."

The January 2020 passage of Assembly Bill 1482, Stepp said, allows for rents to increase 5% plus the consumer price index. Recent inflation has contributed to the higher increase, he said.

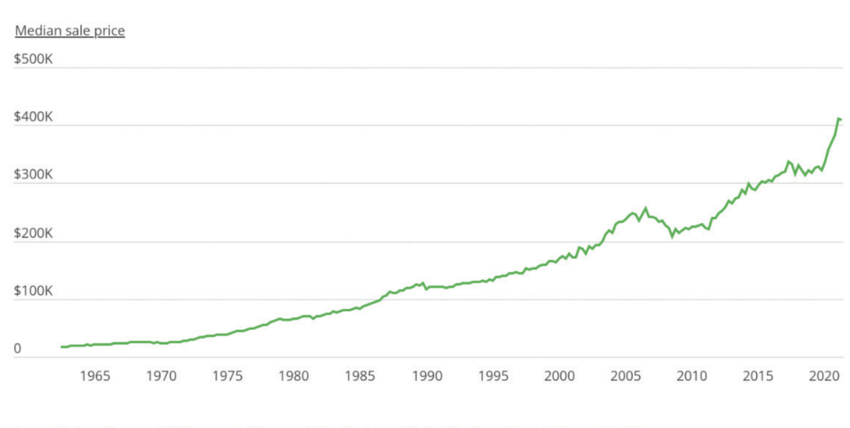
The supply of rental units in Long Beach continues to lag far behind demand and will continue to drive up prices, Stepp said. Many people seeking to purchase have been forced to remain in the rental market due to soaring home prices, he added. As a result, Stepp said the vacancy rate in Long Beach has reached a low of 3%, a decrease of 1.5% over the past 12 months.

And the city's rental landscape is unlikely to change any time soon.

"While Long Beach has maintained a strong construction pipeline since 2016, most new rental inventory is in higher-end, four- and five-star product, where there is less demand," Stepp said.

The vacancy rate for higher-end luxury units hovers around 8.3%, according to Stepp Commercial Senior Investment Associate Travis Traweek. Vacancy in low-income to moderate units, meanwhile, is at around 2.4%,

Median home sale prices have dramatically increased since the COVID-19 pandemic



Courtesy of Inspection Support Network

which demonstrates a lack of affordable units, Traweek said.

Despite the reported population decline across the region, multifamily development remains at a deficit compared to demand due to "high construction costs, NIMBY sentiment and onerous permitting regulations, none of which seem to be going away soon," Traweek added.

"Unless legislators commit to addressing the housing shortage in a meaningful way, California will continue to experience a housing shortage." ■

Brandon Richardson / Business Journal

Cars come around turn 10, which is located in the Elephant Lot, during the inaugural Porsche Carrera Cup over Long Beach Grand Prix race weekend.

What a new development on the 13-acre Elephant Lot would mean for the Grand Prix

By Jason Ruiz

The Acura Grand Prix of Long Beach's race weekend is officially over and crews have been at work to tear down the track's infrastructure.

But what would that process—and the event itself—look like if and when the largest undeveloped oceanfront parcel of land in the city gets built out?

Known as the "Elephant Lot" because of the circus's use of the parcel to put on its annual show in past decades, the 13-acre lot serves as a staging area for race crews during the Grand Prix, among other uses, but is also sort of an anomaly as one of the largest parcels of prime land that has remained undeveloped.

Developing the Elephant Lot, which is currently used primarily for surface-level parking, has been a goal of city officials for some time. But the process was put on hold after the city shopped it to the Los Angeles Angels as a potential site for a stadium 2019. Months later that fell apart—the Angels wound up staying in Anaheim—then the pandemic hit and delayed an 18-month visioning process that the city intended to start in January 2020.

The city's acting Economic Development Director Johnny Vallejo said there's no ongoing effort to solicit a proposal for the site, but the City Council did approve a new contract with race organizers in January that spells out the city's right to seek a developer, and how race organizers will be notified of any potential negotiations.

How development on the lot could coexist with the 47-year-old race was contemplated by the design firm City Fabrick in 2014.

The concept was part of a project called "Highways to Boulevards" that imagined Shoreline Drive—now basically an extension of the 710 Freeway—as more pedestrian-friendly and more connected to the rest of the city.

This was all part of an international initiative by the nonprofit group Congress for the New Urbanism, which sought to replace existing highways that had segregated populations and negatively affected residents in other ways by replacing them with streets, housing and green space.

Successful projects that came out of the initiative include Boston's "Big Dig" and 14 other projects spanning from Madrid to San Francisco.

The concept includes using just half of Shoreline Drive by converting the existing six lanes of traffic to four lanes on the northern half of the street with an expanded Marina Green parkway and 50-foot "flex street" that could serve as space for pedestrians or farmers markets in the current eastbound lanes of Shoreline.

"We're not saying this is the vision, but these are the possibilities," City Fabrick Executive Director Brian Ulaszewski said.

Ulaszewski noted that the Grand Prix track would remain relatively untouched, except for having to work around whatever may be developed at the Elephant Lot, something race organizers will have to deal with regardless of whether the city gives City Fabrick's concept consideration. It lists other urban race tracks like those in Singapore and Monaco as examples of successful races held without the support of a massive surface parking lot.

The lone portion of the track that changed in the concept is the ninth turn in the track, which would happen at a newly created extension of Linden Avenue and connect to Shoreline Drive through a new east-west street and the hairpin turn 11 just south of the Villa Riviera.

"The Grand Prix used to go through the middle of the Pike when it was a parking lot," Ulaszewski said. "So we diagramed it. The track has evolved over time, and there's nothing stopping it from continuing to evolve."

Jim Michaelian, the president and CEO of the Grand Prix Association of Long Beach, declined to answer questions about the past changes to the track and how they affected the race.

The City Fabrick concept was not formally considered by the city, but the multi-pronged report addressed a number of issues created by the

Continued on page 10

Vacant Lot Fee

Continued from page 3

the years."

"I gave up on building for myself and decided it would be nice if I could save it for my kids so that someday they might be able to build there and not have to leave California for a more affordable place to live," the appeal said.

The board, which does not weigh in on the constitutionality of city law, unanimously found that Sparrevohn's property meets the definition of a vacant lot and so he must pay the fee.

Proposition 218

Sparrevohn is not alone in his questioning of this fee, as many landowners have reached out to the HJTA with similar complaints, according to Dougherty.

She said that she has received more and more emails from concerned landowners recently as more cities are imposing vacant lot fees.

"We've been receiving inquiries from our members for several years about these fees," Dougherty said in a phone interview. "We frequently receive something like Mr. Sparrevohn sent us: a notice of the fee and the simple question, 'Is this legal?'"

And there's a reason the association is considered an expert. The foundation for Sparrevohn's challenge—Proposition 218—was sponsored by the HJTA when it was passed in Nov. 1996.

Under the law, new taxes and fees that are charged "as an incident of property ownership" require a ballot measure to pass with two-thirds of the vote.

"Without having gone through that process," Dougherty said, "the fees are just plain invalid."

Under Proposition 218, local governments are also not allowed to increase these fees unless they are shown to directly correlate to the costs the city incurs.

In Sparrevohn's case, the complaint argues the $780 fee is not directly correlated to any costs that Long Beach pays.

Long Beach, city documents show, maintains the fee is used to cover the "monitoring costs" of the vacant lots. But Sparrevohn's lawsuit argues that this management is limited to simple drive-by monitoring by police, which does not justify the $780 annual fee, according to the complaint.

"The Fee is a charge for purely observational police service," the complaint said, "which no other property owners pay because observational police service is a traditional general public benefit."

Beyond Long Beach

This case is not the first time the HJTA has challenged laws to try and enforce Proposition 218.

Statewide, cities have implemented new tax increases in recent years for a variety of purposes—from supporting homeless initiatives to funding child care and educational programs—and the HJTA has challenged many of them on the basis that they violate the proposition.

Outcomes in those cases have, at times, come down to the details.

In San Francisco, for example, the HJTA failed in its efforts to overturn two separate 2018 tax increases. The measures were approved with a simple majority of votes, rather than the two-thirds that Proposition 218 requires. But a judge ruled that because the hikes were proposed through a citizen-led ballot measure, rather than from lawmakers, the supermajority was not required.

The HJTA, though, won a 2002 case that challenged an extra fee imposed on customers in the city of Roseville north of Sacramento for water, sewer, and garbage services. That fee was found to be in violation because it was not proportionate to the cost to provide the service—an argument shared in Sparrevohn's suit in Long Beach.

Looking forward

Despite the mixed results from previous complaints seeking to enforce Proposition 218, Dougherty said she is optimistic that Sparrevohn's claim will be successful.

"Well, I'm very optimistic about this case. This is definitely a property-related fee," Dougherty said. "It could be well-intentioned, but it's a pretty blatant violation of Prop. 218."

However, the path to that potential success is uncertain. After a judicial conference on Aug. 8, in which lawyers from both sides will meet with the judge and each other to determine how to proceed, Dougherty said the case's future depends on the city's response, and the outlook is still unclear so soon after filing.

"It's hard to say how long it will take," Dougherty said. "I think it could easily take a couple of years, maybe longer, depending on how congested the Courts of Appeals is."

Whether or not the challenge is successful, Dougherty said the HJTA hopes that taking this step helps send the message that fees and increases that are beneficial to the community can be successful—but only with the approval of those affected, as required under the law.

"Just make sure you're doing it the right way and get the consent of the property owners," Dougherty said.

"There could be a lot of great ideas for property-related services," she added. "Just make sure you do your polling and that it's good enough to get approval of the property owners." ■

Brandon Richardson / Business Journal

A vacant lot at 361 Ultimo Ave. in Long Beach is at the center of a legal battle between its owner and city officials, who are charging an annual fee to owners of vacant lots.

Tiny Homes

Continued from page 6

because that has been a primary concern expressed by people they contact about accepting services.

"It's tough being out there," Duncan said of living on the streets. "To have a door that locks and a place where you can get some good sleep is a big deal."

Last year, the largest tiny home village in the country opened in Highland Park, where there are 117 housing units spread over a 6.8-acre site. The site, which provides 224 non-congregate beds, was built in 90 days with a reported cost of $55,000 per unit.

Long Beach has not yet determined the cost per unit to build tiny homes at the Multi-Service Center, but given its relatively flat land and existing utilities, the costs per unit could be similar to the Highland Park Center, Duncan said.

A city memo estimated that the construction and operation of the tiny homes could require a grant of $8.7 million while the acquisition and operation of a motel could cost around $27.5 million. The city could need up to an additional $9.5 million next year to operate the existing motel conversion it already has, according to the memo.

How long homeless individuals will live in the "interim" housing depends on the person, Duncan said, noting that some people have stayed at some of the city's non-congregate sites for over a year.

If they're engaging with staff and trying to transition into a permanent situation, Duncan said there is no real deadline on when they need to leave because the real goal is to help keep them from falling back into chronic homelessness.

An earlier request from Councilmember Al Austin to look at acquiring space in other parts of the city for tiny-home villages has not progressed. Deputy City Manager Linda Tatum said during the April 19 City Council meeting that the city is looking but has not identified another site outside of the Multi-Service Center.

It's also not clear which motel the city could try to buy for conversion if it wins the grant money. The City Council has been meeting in closed sessions for months to discuss the possible acquisition of one of six motels.

The list includes a few in Downtown like the Vagabond Inn and the Travelodge that is located next to the popular restaurant The Breakfast Bar. It also includes a Motel 6 near the Pacific Coast Campus of Long Beach City College and the Colonial Inn located next to Long Beach Poly High School.

The city has operated a 102-unit Homekey site at the former Best Western in the Washington neighborhood where people began living in March 2021. Los Angeles County has run a 43-room interim housing operation out of a former Motel 6 near Cal State Long Beach since February 2021.

There's no firm expectation for when the grant award could be announced, Duncan said, but if Long Beach gets the state money, it could come as soon as this month, which would set off a relatively short window to build the tiny homes.

Tatum said that grant winners would be held to a tight timeline to actually spend the money and the city had chosen the modular housing approach because the city could purchase pre-approved designs that could be put up without local approval, which is typical of other construction projects.

The homes could be built in as little as 60 to 90 days, Tatum said. ■

Grand Prix

Continued from page 8

terminus of the 710, like how the offramp splits Cesar Chavez Park in two and renders portions of the park unusable, and the Shoemaker Bridge, which the city is now looking to replace.

Both are elements of the city's plan to connect Cesar Chavez and Drake Parks, which the city has been planning for over 20 years. That project is estimated to cost $10 million, and the city is advocating for state funding to help complete it.

The concept addressed other mobility elements like adding bike lanes and crosswalks and narrowing existing lanes to calm the speed of traffic in the area. The added park space along the Marina Green could offset the continued growth of residential units in the Downtown area that has outpaced the amount of pedestrian-friendly spaces created during the same time.

While the concept was not fully implemented by Long Beach, parts of it have been, and other efforts to combine Downtown's biggest parks are in the works.

Ulaszewski said City Fabrick is willing to be part of the conversation if and when the Elephant Lot is developed to help shape the community's vision of the future of Downtown Long Beach's shoreline.

The takeaway from the 2014 concept is that the Grand Prix doesn't always have to be in its current configuration, Ulaszewski said. It's adapted to added development in the past and could continue to host races in the city with future development in and around its Downtown footprint. ■

COLUMNIST: TIM GROBATY

Too late for you: Cape Cod home on Naples' Gold Coast sells for $5.2 million

I don't often write about houses that have just been sold, but today I'm sort of drooling over this home that was on the market for the first time since it was built in 1978. And, anyway, it's not likely too many readers are going to feel left out by the fact that I didn't mention this house before it was sold late last month for $5.2 million by listing Realtor Keith Muirhead.

The home at 6014 Lido Lane is a stunning Cape Cod-style three-story home, and when I told Muirhead that it's one of the best-looking homes in Naples, he said, "I've heard that about 10 times this week. Everyone loves it."

The house is like its 36 neighboring homes along the so-called Gold Coast, or, as it's even more extravagantly termed, Corso di Oro of Naples. Most of the homes were built in the late 1970s and into the 1980s (though one was built as recently as 2008) after the last remaining 3.5 acres of land in Naples was opened up for development.

Initially, early developers wanted to build duplexes and a luxury hotel along the stretch of land that arches along the Alamitos Bay waterfront from The Toledo to Appian Way on a new street that would be called Lido Lane.

Not surprisingly, Neapolitan NIMBYs reacted as if a crack house was being considered and argued that multi-family residences would overcrowd the lots, bring congestion to Naples' narrow streets and curtail access to the bay. When the Long Beach Planning Department rejected that plan, J.C. Abbott, then president of the Naples Improvement Association, praised the department for restoring "the unique character of Naples."

And so the Corso di Oro was carved up into 37 large lots with private boat docks that sold quickly, starting at about $150,000 each, and the new residents erected what were, for the most part, massive three-story homes—some could be generously described as monstrous—along the prestigious Lido Lane.

The home at 6014 Lido Lane is exceptionally attractive and tasteful. At "just" 2,953 square feet, it's one of the more diminutive residences on the Gold Coast, where the homes are routinely sprawling, such as the Vatican Palace-sized neighbor at 6020 Lido Lane, which contains 7,294 square feet of bouncing around space. That mansion has been used in an array of TV films, including "Dexter," "CSI: Miami," "Major Crimes," "Jane the Virgin," "Veronica Mars," and "The Grand Hotel," the latter as the eponymous hostelry set on the beach in Florida.

But as staggering as that place is to look at, you don't come away with the feeling that you'd like to live there, whereas, at the home at 6014, you figure, sure, you could live there happily as long as the window washers showed up every two weeks.

The house appears to have the maximum number of windows allowable, the better to admire the spectacular views that every home on the golden stretch of coast enjoys. And if you prefer your vistas unimpeded by glass, there are balconies on the second and third floors.

With so much glass, the house can't help but be sunny and light inside, and, though the previous owners went with a rather formal interior decor, it could be argued (and I'd agree with that argument) that it would benefit from a look and feel that mirrors its casual seaside locale and further distances itself from the largely overwrought and opulent architecture of many of its neighbors. It should stand out rather than try to fit in.

Courtesy of Keith Muirhead

This Cape Cod home on Lido Lane has sold for $5.2 million.

Its location is ideal, fronting on Naples' Overlook Park (formerly, and sometimes still, called Naples Plaza), which brackets views from the house with its towering palms and gives the impression of a sweeping greensward of the property, albeit one that locals and visitors often walk across or picnic on, particularly at sunsets.

The property includes a private 40-foot U-shaped dock which Muirhead says can accommodate two large boats along with whatever other aqua-toys you might have.

It's equipped, of course, with a spacious gourmet kitchen with the expected high-end appliances.

In addition to its four bedrooms and four baths, it has a very inviting sunroom at the front, that you'll never leave happily. A second-floor office has access to a view balcony, as does the primary bedroom, which also includes a dressing area, a bathroom with a walk-in shower and a walk-in closet and a fireplace.

The third level has a couple more bedrooms as well as a family room where you can rest after climbing a couple of floors worth of stairs, and you can always switch to TV viewing if you get tired of the view. The family room also has sliding doors opening up to yet another view balcony.

Is the property worth the $5.2 million it sold for? It depends on how much money you have. If you've got an extra $10 million laying around, it's a pretty sweet deal for its expert construction and views of the open bay and the Peninsula and the boats and the sunsets that just never seem to stop. But even if you can afford it, you're too late; it's already been sold. Sorry about not telling you sooner. ■

Courtesy Keith Muirhead

The home on Lido Lane overlooks Overlook Park, or Naples Plaza.

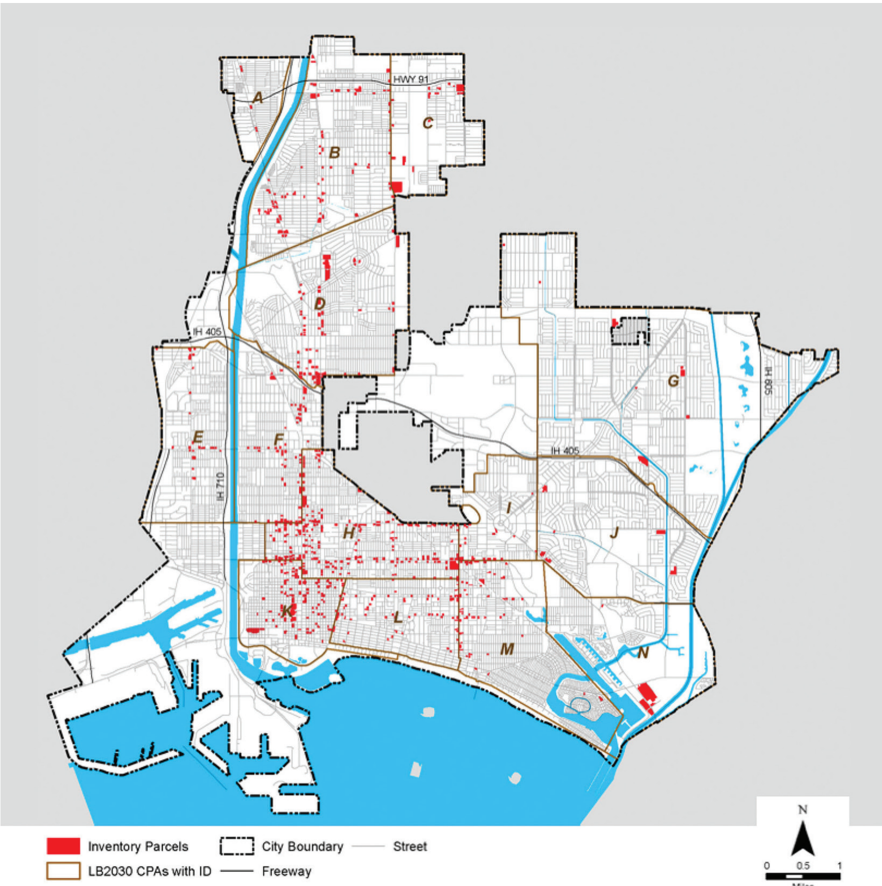
Courtesy Keith Muirhead

Just one of the balcony views of the Cape Cod-style home.

Courtesy Keith Muirhead

You'll never want to leave this sunroom at 6014 Lido Lane.

State approves Long Beach housing plan, but city has more work ahead to meet its goals



Courtesy of the city of Long Beach

A map showing all the parcels identified in Long Beach's Housing Element where future housing development could go.

By Jason Ruiz

California officials have approved Long Beach's plan for building new housing, but the city will still have to make room for another 10,000 units on a sped-up deadline thanks to a recently passed state law—or potentially be frozen out of state and federal funding sources.

Local officials concede they are unlikely to meet an Oct. 15 deadline for the additional units, but they are hopeful the state and federal governments will look favorably upon their efforts to achieve their overall housing goal of zoning for 26,500 units set by the Southern California Association of Governments, or SCAG.

"It's our understanding that our work in good faith and making progress as expeditiously as possible will be looked well upon," said Alison Spindler-Ruiz, the city's acting planning bureau manager who worked closely on the city's plan, called the Housing Element.

At stake is potentially millions in state and federal grants that would help the city build housing for those at or below 60% of the area median income, people experiencing homelessness or other housing needs. Those funds will become available in May.

But a major deadline looms, thanks to Assembly Bill 1398, which became law in September. The bill was intended to prevent cities from passing non-compliant housing plans to avoid penalties, with the hope of speeding up housing production. But it has put jurisdictions like Long Beach in an impossible situation of quickly rezoning large swaths of parcels, a process that requires public noticing, votes by local legislative bodies and months of gathering community input.

The law is so new that it's unclear what enforcement will look like after Oct. 15. State housing officials said earlier this year that cities working toward compliance in good faith would factor into any kind of penalties, and those who are not "would be at the head of the line for enforcement."

There is the possibility that a new bill could be introduced to clean up some of the unintended consequences brought on by AB 1398, but in the meantime, the city said it's pleased to have gained compliance. Spindler-Ruiz noted that Long Beach was one of the first of the 191 cities that make up the SCAG to achieve compliance with the state.

The city must meet the Oct. 15 deadline because it submitted a revised Housing Element right up against a February deadline, and the plan did not get approved in time. It will now have one year, instead of three years, to implement its new zoning plan.

The city, however, has just begun an ambitious rezoning effort in Central Long Beach, which it expects will take at least a year to complete. Known as the Zone In: City Core plan, the project area includes many of the parcels the city identified in the Housing Element as sites for potential future development. Those parcels will be rezoned over the next year and will make a significant dent in the city's inventory of parcels that needs to be rezoned.

Spindler-Ruiz said the city had considered trying to zone the parcels within the area faster to try and meet the October deadline, but ultimately decided it was more appropriate to allow the community to give input on those parcels as part of the full year-long process.

After that process is complete, the city will move on to other areas like the Santa Fe Corridor, which has a temporary development ban until it can be appropriately rezoned. ■

Risky Gamble

Continued from cover

pressure on at City Hall to make that happen.

"We were devastated when we found out it was closing," says Jackie McKay, a nurse who had worked at Community since 1985 and lives down the street. "We were hoping the city would do everything they could to save it."

And the city responded, with crushing consequences.

Under pressure to get a deal done, the Long Beach City Council approved a highly unusual lease agreement that shifted the financial risk to the city and resulted in a worst-case scenario.

In December, the new leaseholder closed Community after just 11 months, leaving Long Beach on the hook to repay millions of dollars for the operator's losses, meaning the city will likely have to sell the multimillion-dollar hospital property that it's owned since the early 1900s.

It was precisely the outcome city staff had warned would probably occur before the council voted on the lease.

Even before the lease was inked, there were concerns about the new operator's ability to keep the hospital afloat.

The company picked by the City Council to operate Community was splintering, ultimately leaving only one of four original partners, Long Beach businessman John Molina, to manage the hospital's affairs. It was a job for which he was admittedly unprepared.

Molina—whose Pacific6 Enterprises owns the Long Beach Post, Long Beach Business Journal and Downtown real estate interests—insists the demise of Community Hospital had nothing to do with management issues or his favorable lease terms.

He says the pandemic drove costs sky-high for seismic repairs, staffing and equipment. Even with the city covering millions of dollars of his losses, Molina says, he'll still be out potentially millions more from his efforts to save the hospital and its emergency services. He says he lost $30 million, an amount the city is now attempting to verify before potentially parting with its 8.7-acre property.

"Had COVID not hit and the costs not gone up so much, then it would have been a completely different ballgame," says Molina, who has proposed turning the hospital into a mental health campus that would not require expensive seismic repairs—a plan that is now in jeopardy as well.

Third District Councilwoman Suzie Price, who pushed to keep Community open, concedes that the lease did not necessarily favor the city but says the council was determined to be responsive to constituent concerns.

"Now, in hindsight, I'm sure people are going to say, 'Well, it was too big of a risk and we shouldn't have taken it,'" Price says. But at the time, the residents "absolutely did not want to walk away from the idea of acute care services in East Long Beach, for reasons that are extremely reasonable and understandable."

Here, based on city and state records, as well as interviews with numerous key players in and out of Long Beach government, is an inside look at the high-risk gambles and financial pressures that led to Community Hospital's final days.

> *"We were all working under the assumption that this was going to work."*
>
> *- Daryl Supernaw, Councilman*

Troubles from the start

Long Beach leaders were well aware of the challenges confronting Community long before their unprecedented lease deal with the new operator—Molina Wu Network, or MWN.

When MemorialCare, Long Beach's largest health care provider, assumed operations of Community in 2011, the hospital had been struggling for years and was on the verge of being shuttered.

"We knew it was failing for a number of reasons and [we were] approached to see if there was a way we could keep it open," says John Bishop, who was chief financial officer for Long Beach Memorial when it took over Community. "And we were hopeful."

But Community Hospital continued operating at a loss nearly every year, according to financial documents submitted annually by MemorialCare to the state. From 2012 to 2017, the facility reported a net loss of nearly $27.2 million, only turning a profit in 2015 of $212,737.

Bishop, now CEO of MemorialCare's Long Beach campus, says small hospitals frequently operate at a loss but are subsidized by their larger parent companies. Community's losses, he says, were covered by MemorialCare's four other hospitals and dozens of urgent care centers.

He says MemorialCare had hoped to keep Community open, but the equation shifted when the health care provider got the results of a $1 million seismic survey it commissioned, revealing the exact location and severity of an active fault under the property.

When it comes to acute care hospitals such as Community, California earthquake regulations are the most demanding to ensure safe operations after an earthquake—an enormously costly undertaking for facilities with seismic problems.

To avoid the costs, Bishop says, MemorialCare proposed closing the acute care hospital and opening a mental health facility, which would not require the seismic fixes. But the City Council in closed session rejected the idea, directing staff to seek offers from other potential hospital operators.

Enter John Molina, whose late father founded Long Beach-based Molina Healthcare, one of the country's largest providers for Medicaid patients and others with government-subsidized health care.

In 2018, Molina, a former chief financial officer of Molina Healthcare, embarked on an ambitious agenda of acquisition and development in Long Beach. Among other investments, his newly created Pacific6 purchased the historic but deteriorating Breakers Hotel on Ocean Boulevard to convert it into a hip boutique hotel, a vision that remains unrealized.

That same year, he also bought the Post, he says, to improve news coverage of his hometown. (Molina purchased the Business Journal in 2020.)

In all, the city received interest from five companies to operate Community Hospital. All but MWN and Palisades Health Solutions withdrew from the competition, citing the high cost of seismic compliance, according to city officials. To review the remaining two proposals and offer a recommendation, the city hired Los Angeles-based COPE Health Solutions.

At the time of the assessment, MWN consisted of four individuals, including John Molina and his physician brother, J. Mario Molina, who was overseeing a medical group called Golden Shore Medical and was Molina Healthcare's former CEO. Also on board were doctors Jonathan Wu of Health Source MSO and Kenneth Sim of Apollo Medical Holding, an affiliate of Network Medical Management.

COPE concluded that MWN's diverse experience, far-reaching connections and strong ties to Long Beach made it the best candidate to keep Community Hospital operating into the future.

But before the lease was signed, the roster of talent COPE had praised was reduced by one important player, Mario Molina.

"I was never all that interested in the project to begin with," Mario Molina now says. He says he mostly wanted to team his brother with Sim and Wu, the latter of whom operates multiple Southern California hospitals. "I thought it would be a good thing."

Just months after the lease was signed, Sim and Wu would also leave to focus on other business ventures, John Molina says, including the acquisition of hospitals in Northern California and Riverside by one of the doctors. "Their attention was elsewhere," he says.

Sim and Wu did not respond to interview requests from the Business Journal.

Although John Molina had experience in the health care industry, he says he never claimed to know how to run a hospital.

"We were never supposed to be the operator," Molina says. "It was the other two parties that were supposed to be the operators. We were just supposed to be the city's liaison."

City officials acknowledge they had reservations about the new management arrangement, which differed markedly from the one COPE endorsed.

Mayor Robert Garcia, in an interview, said Molina offered assurances he could handle the job. "John and the team felt very confident regardless of the change," the mayor says.

Despite warnings, a risky vote

When the City Council met on the night of Oct. 15, 2019, to vote on the proposed MWN lease, the refrain from the dais and the audience was that a matter no less important than life and death was on the agenda.

By then, Community Hospital and its emergency services had been closed for 16 months. Any further delay, they said, could jeopardize the wellbeing of area patients who would have to be transported to more distant—and potentially more crowded—emergency rooms.

Eighth District Councilman Al Austin, for one, said the reopening of Community Hospital "shouldn't be about money, it's about human lives."

Added Councilwoman Price: "Minutes matter."

But such concerns, while heartfelt, were apparently misguided.

In recent interviews, Long Beach fire officials said that in the months after the MemorialCare closure, the department was able to "absorb" the impact with just seconds being added to citywide transport and response times.

In 2017, the last year MemorialCare operated Community Hospital, the average transport time was 7.3 minutes, according to fire officials. In 2019, the first full year of the closure, transport times rose to 7.8 minutes. Ambulance response times increased from 5.5 minutes to 5.6 minutes.

As for concerns that other emergency rooms would become more crowded with an influx of new patients, the numbers again told a different story. Representatives of the city's four other hospitals with emergency departments—Memorial, St. Mary, Lakewood Regional and Los Alamitos—told the Business Journal they experienced only a small uptick in patients after the MemorialCare closure and that the impact was minimal.

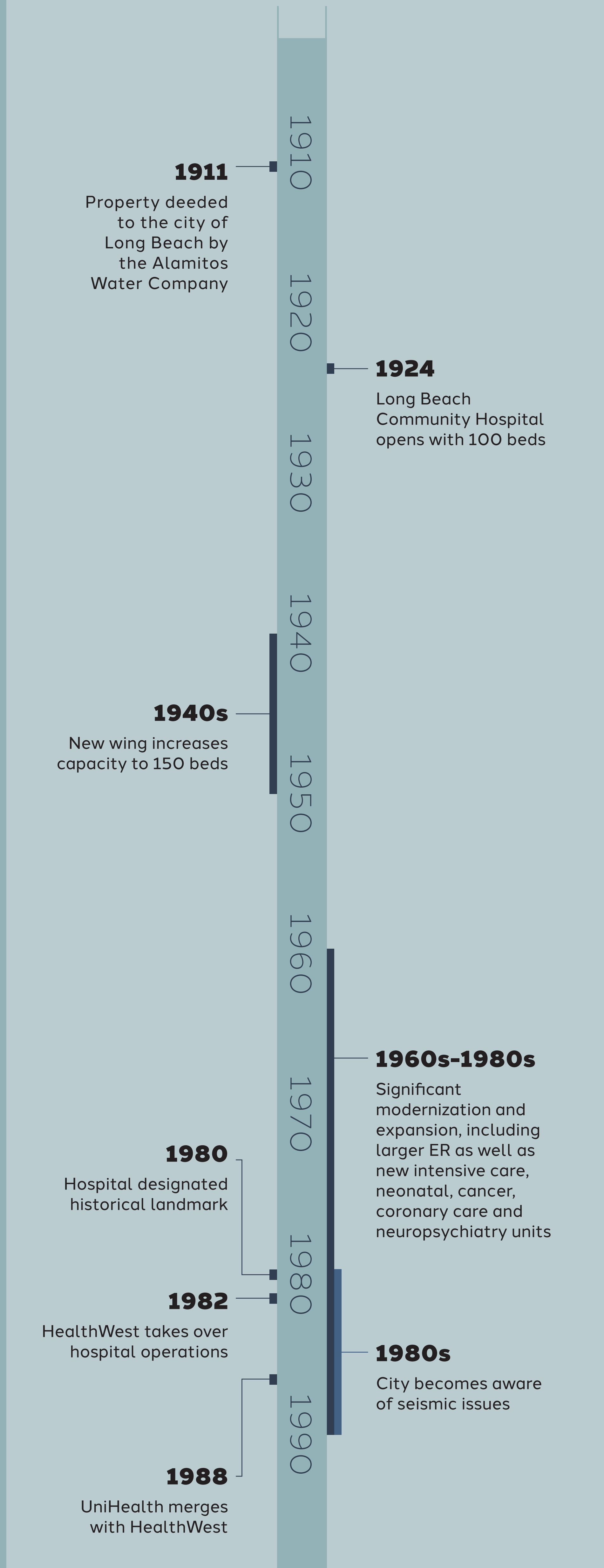
Continued on page 16

Brandon Richardson / Business Journal

Molina Wu Network co-founder John Molina speaks to a crowd of city officials, community leaders and health professionals during an event celebrating the reopening of Community Hospital Long Beach on Thursday, May 27, 2021.

Candice Wong / Business Journal

A map showing the locations of all Long Beach-area hospitals as well as fault lines running through the city.



Risky Gamble

Continued from page 15

In fact, many emergency patients in Community Hospital's service area were already being transported elsewhere. In recent years, Community's emergency department had not been equipped to treat patients with numerous urgent needs, including acute heart attacks, strokes and severe traumas.

On the night of the City Council's lease vote, only one naysayer rose to speak against the proposed arrangement with Molina's MWN, longtime City Hall critic Corliss Lee. She expressed concerns that the deal could ultimately backfire, leaving East Long Beach with a closed hospital and the city with a pile of debt.

"That is not a good deal," she said.

Lee based her conclusion on a lease analysis prepared by the city's Economic Development Department. In a report to the council, it said the proposed lease contained "significant risks" for the city but represented the best terms that could be negotiated to incentivize MWN to keep Community Hospital open.

The most significant incentive: MWN could terminate the 45-year lease at any time and Long Beach would have to reimburse the company for its operational losses, even if the hospital never saw a patient. Under the lease, the city would cover those losses by selling the publicly owned Community Hospital property or essentially giving it to MWN. The company, for its part, would shoulder any losses above the property's appraised market value, which, in 2018, was $17 million.

Before the vote, the city's economic team warned the council that this scenario was not just possible but "likely to occur" because "the overall terms of the lease make it financially beneficial for Tenant [MWN] to terminate the lease at some point, regardless of whether or not the Hospital is viable."

"What this says," critic Lee warned the council, "is that at any time Mr. Molina can back out of this deal and that we need to reimburse him for all of his investments when it's potentially tens of millions of dollars. That should be enough to stop everyone in their tracks."

It wasn't. The council voted 7-0 to approve the lease. (One councilman was absent and one seat was vacant at the time.)

Looking back, Councilman Daryl Supernaw, whose Fourth District then included the hospital, says the economic team and other city officials failed to keep the council fully informed of the risks during the lease negotiations.

"There were so many conversations—closed sessions and whatnot," Supernaw said in an interview. "Would not someone say, 'He [Molina] is going to walk away from this anyway?' Wouldn't you think that statement would come up a few times? But that was not the case. We were all working under the assumption that this was going to work."

Supernaw says that, by the time the lease was presented for a vote, it was a matter of take or leave it—"this is what we have, this is what it's going to take to get it done."

But, he adds, "I don't know of a real estate deal in history that doesn't have an element of risk. This is a risk that we wanted to take and our constituents were asking for."

Supernaw says he was so committed to getting the hospital reopened that he used $250,000 from his office funds at city staff's request to pay for critical elevator repairs—taxpayer money that, in the end, would be lost to the effort.

High ambitions, a pandemic wallop

John Molina was confident he could deliver where MemorialCare had failed.

He believed that being smaller, and focused solely on Community, would help him revive the hospital within a year of taking control.

"We didn't go into this completely blind," he says. "We knew there were big costs. The fact that we had a smaller footprint we thought would be advantageous."

But his optimism for the hospital's future quickly got an infusion of reality as expenses began to mount.

Among other things, he says he learned that the nearly 100-year-old building was suffering from years of deferred maintenance and structural problems, some of which would have to be fixed before the state would authorize its reopening.

Then the pandemic arrived, only compounding the costs as it swept across Los Angeles County and the nation.

Molina says state officials asked him in March 2020 whether he could reopen under an emergency status to handle non-COVID patients, thus easing the burden on hospitals that were overwhelmed with pandemic admissions.

Molina says he made a "mad dash" to hire 150 nurses and medical staffers, stock pantries and buy personal protective equipment and other supplies, some of which were marked up by more than 500% because of shortages and high demand.

Then, just weeks later, the state told the hospital to stand down, that its services were not needed. The about-face, Molina says, cost roughly $2 million without the admission of a single patient.

Representatives for the California Department of Public Health were not available for comment.

In January 2021, after state approvals, the hospital finally reopened to take transfer patients from hospitals confronting COVID surges. Community's emergency department would be authorized to open five months later.

But the hospital was now facing a nationwide nursing shortage. Closed for nearly three years, many of its former staff members had retired or moved on to other jobs, leaving Community at the mercy of the market.

Cardiologist Mike Vasilomanolakis, who came back to Community to serve as vice chief of staff, says the hospital was forced to hire nurses from registries, with some charging hundreds of dollars an hour. The nursing costs "were unbelievable," he says. "It was just destroying the hospital" budget.

Vasilomanolakis says he "poured his heart and soul" into saving the hospital, where he had worked for 39 years.

"We were all anxious to get Community Hospital reopened and it's easy to critique the city and say, 'How could you write an agreement where you're going to reimburse somebody for their losses?'" he says. "But their heart was in the right place. Everybody was trying to do everything they could to bring the hospital back."

Still, one crucial piece of that mission was missing—the patients.

Continued on page 18

The Community Hospital story hit close to home;
here's why we felt compelled to confront it

Our mission at the Long Beach Post and Long Beach Business Journal is to give the news impartially, "without fear or favor"—words famously written by the publisher of the New York Times in 1896. Holding those with power to account is one of our core duties.

To that end, today we are publishing a report looking at what led to the ultimate closure of Community Hospital, a public asset owned by the city, and the unprecedented lease agreement that will require Long Beach to reimburse potentially tens of millions of dollars in losses to its operator.

This was a difficult story to report, not only because the subject matter is complicated, but because the operator at the center of this story, John Molina, is also the principal owner of the Post and Business Journal.

Pacific Community Media, or PCM, which oversees our two publications, is a subsidiary of Molina's company Pacific6. (You can read a more detailed timeline of our ownership at lbpost.com/about.) The three-member board of directors for PCM consists of John Molina, Brandon Dowling (communications director for Pacific6) and David Sommers, the former publisher of the Post and Business Journal who recently stepped away from that role to become chief operating officer for Pacific6.

Molina, Dowling and Sommers have no involvement in our day-to-day editorial operation and no mechanism to directly influence our coverage. Still, pursuing this story—and not knowing what our reporting would uncover—put us in the position of potentially publishing unflattering information about the people who ultimately control our parent company.

It was an awkward situation but one we felt compelled to confront. One of the values laid out in the mission statement of the Post and Business Journal is integrity, telling the truth "even when it's hard" and "even when it affects our bottom line."

If we were going to keep that promise to our readers and the hundreds of community members who donate in support of our mission, we could not shy away from an important topic just because it hit close to home.

We needed to approach and evaluate this story like any other. To do that, reporters Kelly Puente and Brandon Richardson, along with the editors at the Post and Business Journal, treated Molina, Dowling and Sommers strictly as public figures worthy of news coverage, not as owners or directors of our board. What that means in practice:

- The reporters went through normal channels to arrange interviews with the owners and directors, i.e., there was no expectation of special access;
- Interactions and interviews with sources were preceded by a discussion of on-and-off-the-record protocols, as is standard practice in reporting;
- Interview questions were chosen without regard for any potential impact to the relationship between our parent company and our publications;
- It was made clear that the owners and directors would not receive an advance copy of the report and would not be allowed to make editorial changes.

To guard against conflicts, we are steadfast in adhering to the long-established code of ethics of our profession, which includes independence, transparency, and above all, to boldly seek truth and report it.

Melissa Evans
Executive Editor

Brandon Richardson / Business Journal

Mayor Robert Garcia speaks during an event celebrating the reopening of Community Hospital Long Beach on Thursday, May 27, 2021.

Thomas R. Cordova / Business Journal

A Community Hospital supporter holds up his sign during a hearing on a new operator for the facility during the City Council meeting in Long Beach on June 19, 2018.

1990 2000 2010 2020

1998
Catholic Healthcare West buys UniHealth

2000
Catholic Healthcare West announces closure after millions in operating losses

2001
Grassroots group keeps hospital open on a smaller scale

2011
MemorialCare Health System takes over hospital operations

2017
A MemorialCare seismic study identifies exact scope and location of active fault line under property; health provider determines hospital is not viable under state regulations

Nov. 14
MemorialCare proposes converting hospital into a mental health campus

2018

Feb. 6
City Council decides in closed session to decline MemorialCare proposal

Feb. 16
City staff formally decline MemorialCare's proposal

July
MemorialCare closes hospital; city works to find new operator

2019

May
State officials approve seismic compliance extension through January 2025

December
City signs lease with Molina Wu Network to reopen Community

2021

Jan. 5
Community reopens for transfer patients amid COVID-19 pandemic

Jan. 26
Behavioral health ward reopens

May 12
Emergency department reopens to walk-in patients with 20 beds

May 24
Ambulance service returns

May 27
City officials, community leaders and health professionals celebrate the reopening of Community Hospital

Nov. 4
MWN announces impending closure of ER; unveils plan to convert facility into a mental health campus

Nov. 17
ER stops accepting ambulance deliveries

Nov. 24
ER fully closes

2022

January
Acute care license lapses

February
City Council amends lease, ending acute care requirement; begins negotiations to possibly sell the property to MWN to satisfy lease obligation

March 1
State informs city the property must be offered to affordable housing developers, citing 2019 law

April 26
City says staff is negotiating with state for housing law exemption

Candice Wong / Business Journal

Risky Gamble

Continued from page 17

Only a trickle showed up, despite the outcry among former employees and others in the community that the hospital's services were essential. On some days, city officials say, the hospital was seeing just two patients.

Molina says he was shocked by the numbers because of the apparently strong public support and a feasibility study that showed high demand for the hospital's services.

"The fact of the matter is, when Memorial closed the emergency room, they were seeing about 75 patients a day," Molina says. "We needed to hit 50. We never got over 35."

Officials say it's hard to know why patients failed to materialize at Community but speculated that the pandemic was keeping many people away from emergency rooms out of fear they'd become infected or have to endure grueling waits.

But the patient count also remained low because the hospital itself was turning people away or sending them elsewhere because of staffing shortages and a lack of equipment, Vasilomanolakis says.

The hospital did not, for example, have a basic imaging device known as a C-arm, used for X-rays of bone fractures. Vasilomanolakis says it was ordered but got held up in the pandemic's massive supply-chain backlog. The device arrived, he says, after the hospital had closed.

Vasilomanolakis says the hospital also did not have a fully implemented electronic records system. The medical staff had to hand-write its notations, which slowed down Community's operations and "made everyone's job more difficult," the cardiologist says.

But ultimately, like MemorialCare before him, Molina says it was the seismic repairs, which the state required to be completed by 2025, that sunk his efforts.

Molina says soaring construction costs during the pandemic pushed the initial retrofit estimate of around $50 million to $79 million. "With all those costs," he says, "there was just no way to make it work."

And with that, a warning by the economic team before the City Council's vote had come to pass. "Any unexpected high cost of the retrofit," it said in its lease analysis, "could lead to a new operator's failure to keep the hospital open."

'A massive disappointment'

In November, Molina gave a 90-day state-required notice that MWN was closing Community. But the California Department of Public Health was concerned about understaffing and ordered it to shut down in less than 30 days.

Longtime community supporters say they were heartbroken.

Kathy Berry, Community's former public relations director, says the staff spent countless hours trying to save the hospital and were left jobless when Molina's MWN pulled it from life-support.

"I am very frustrated that they closed it as quickly as they did," says Berry, who was born at the hospital in 1942. "It's a massive disappointment not only to the community but also to the people who came back to work there because they loved Community Hospital and wanted to see it open. And all of a sudden, they're done."

When MWN announced the closure, the company proposed rebranding the facility as the Long Beach Community Wellness Campus, which would offer an array of outpatient and inpatient services, including behavioral and mental health, urgent care and other medical and social programs.

But that plan has now run into trouble—for both Molina and Long Beach. On March 1, the state informed the city that the Community Hospital property is subject to a 2019 state law that seeks to encourage construction of affordable housing.

If the ruling stands, the city can't simply transfer ownership of the land to MWN as reimbursement for the company's losses. Instead, it must be declared "surplus" land and offered for sale to affordable housing developers, which would likely take months. The law has affected other high-profile projects, including the city of Anaheim's plan to sell the land surrounding Angel Stadium to the team's owner.

The city said it is still negotiating with the state. In a statement last week, MWN said it hasn't decided whether it will still pursue the mental wellness campus project because of the "possible regulatory hurdles," despite community needs for such services.

> *"It opened and then it closed. But it did open, and that was the goal the council wanted."*
>
> *- Tom Modica, City Manager*

In the meantime, Long Beach has enlisted Hardesty Health Solutions to audit MWN's financial records—thousands of transactions—to verify Molina's contention that the company lost $30 million. Independent appraisals are also underway to determine the value of the land, a months-long process. Under the lease, Molina would only be entitled to an amount equivalent to its market value, even if MWN's losses are greater.

Wherever the appraisals land, it's unclear how Long Beach would reimburse MWN if, as the state contends, transferring the property directly is off the table.

Although details of all this are complicated and uncertain, this much seems increasingly clear: the historic property will eventually be lost to the city of Long Beach.

City Manager Tom Modica says the City Council was driven by a higher calling to save the hospital, even if that meant possibly losing money or the property itself.

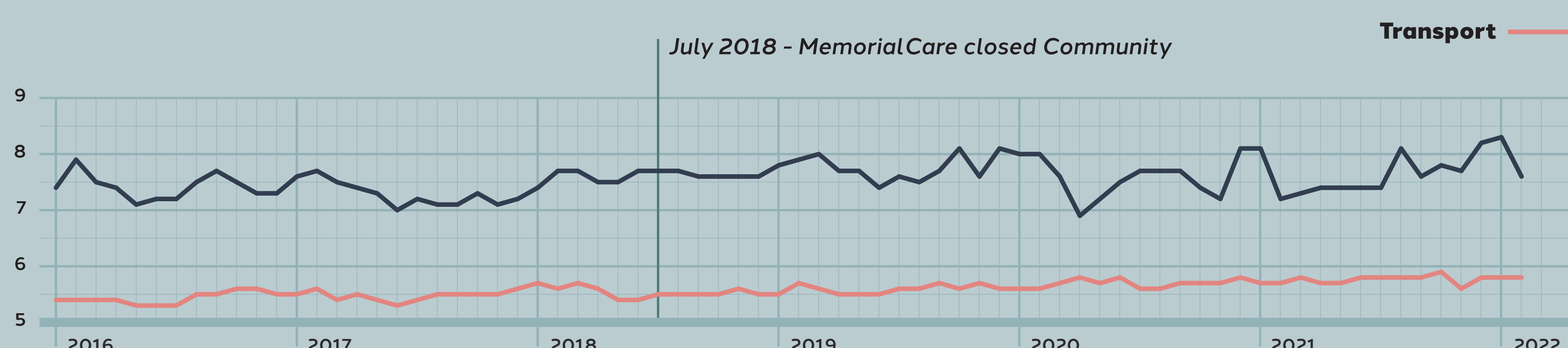
"The City Council absolutely wanted a hospital. This was clear from the get-go," says Modica, who calls the reopening effort "successful."

"It opened and then it closed," he says. "But it did open, and that was the goal the council wanted." ■

Thomas R. Cordova / Business Journal

Dr. J. Mario Molina talks at a City Council hearing about a new operator for Community Hospital on June 18, 2018.

Average Ambulance Response and Transport Times in Minutes



Candice Wong / Business Journal

Source: Long Beach Fire Department

Hospital Property

Continued from page cover

affordable housing developers.

The Business Journal obtained a letter the State Department of Housing and Community Development sent to city staff on March 1 that says the agency determined the city cannot transfer ownership of the 8.7-acre property it's owned for over a century to the hospital's operator due to a 2019 law meant to encourage construction of affordable housing.

The current lessee of the facility, Molina Wu Network, has proposed a plan to acquire the land and turn it into a mental health and wellness campus—and the City Council changed the deed restriction to allow for this—but it is now unclear whether that can happen.

In a statement last week, Deputy City Attorney Rich Anthony said city staff is in negotiations with the state over its finding and believes the MWN proposal would qualify for an exemption under the Surplus Land Act.

"However, if no exemption applies, the city would comply with the Act and would build that process into the timeline for the next steps of land disposal," Anthony added.

MWN said in a terse April 26 statement that the company was unaware of the state's finding.

"MWN was never informed of this letter, never provided a copy, nor did we learn of the letter's specifics until we were first provided a copy by a member of the press on April 25 when asked for comment," the statement said.

The company said in a later statement that it hasn't decided whether it will still pursue the mental wellness campus project in light of the news.

The 2019 lease agreement requires Long Beach to reimburse MWN for its losses—which the company claims total more than $30 million—up to the value of the property. City officials had previously said the city could meet that requirement by essentially giving the facility to MWN, but a determination that the property qualifies as "surplus land" and must be made available to affordable housing developers would throw a significant wrench into that plan.

The lease agreement was initially approved as a way to facilitate the reopening of the hospital, which had shuttered in June 2018. MWN reopened the medical center for transfer patients in January 2021, and the emergency department opened in May of that year. But MWN closed the hospital for good in December, which the company blamed in part on the mounting cost of seismic repairs, a low patient census and the high cost of nurses during the pandemic.

Neither Councilman Daryl Supernaw, whose district used to include Community Hospital, nor Councilwoman Suzie Price, whose district now includes the property, said they were aware of the March 1 letter or the state's finding prior to inquiries by the Business Journal.

Supernaw said city staff had previously acknowledged the possibility that Long Beach would have to declare the land as surplus under the 2019 law, but he said that was routine for every city-owned property. City staff never gave an in-depth explanation to the City Council on the law's potential implications for Community Hospital specifically, and didn't elaborate when he brought it up recently, the councilman said.

Brandon Richardson / Business Journal

A runner passes the shuttered emergency department at Community Hospital on Wednesday, March 31, 2021.

Anthony said in his statement that the council is aware of the discussions with the state, "but such discussions are currently at the staff level."

The property was appraised at $17 million in 2018, and MWN and the city have been seeking their own up-to-date appraisals of the land in recent months. A decision on the transfer of the property had been expected soon.

It is unclear how the two sides will reconcile this newest development, which has thrown a number of other deals across the state into flux. The city of Anaheim was recently found in violation of the law over its plans to sell Angel Stadium to the team's owner—a process that took years to resolve.

If the state's finding stands, the city must declare the Community Hospital property as surplus during a public meeting and then send a notice of availability to affordable housing developers registered with the state. Developers have 60 days to respond.

Once bids have been made, the city is obligated to engage in "good faith negotiations" with developers for 90 days and submit documentation to the state prior to any agreement terms. The state then has 30 days to review the proposal to determine if it violates the law.

The two allowable developments outlined by the state law include:

1. A housing development, which could have ground floor commercial uses that restricts 100% of residential units for people or families of low or moderate income, with 75% allocated for lower-income households.

2. A mixed-use development with 300 or more units, including 25% for lower-income households.

Both options allow for either rental or for-sale units. Prices, however, are required to remain affordable, as defined by the state, for 55 years for rentals and 45 years for ownership housing.

Under the city's Land Use Element, the Community Hospital property is zoned for up to six stories of moderate-density apartments or condominiums. The surrounding area is already home to various multi-story apartment and condo buildings.

The Surplus Land Act worked its way through the state Legislature throughout 2019 and was signed into law by Gov. Gavin Newsom on Oct. 9 of that year.

The current lease between the city and MWN for the operation of Community Hospital was being negotiated at the same time the state law was being approved. The 45-year lease agreement was officially signed in December 2019.

Staff writer Kelly Puente contributed to this report.

Editor's note: John Molina is the owner of MWN, and he is also the primary investor in the parent company that owns the Long Beach Business Journal. ■

Brandon Richardson / Business Journal

Dozens gathered for the ribbon-cutting ceremony and grand reopening of Community Hospital Long Beach on Thursday, May 27, 2021.

Long Beach unemployment drops to 5%

By Brandon Richardson

Unemployment in Long Beach dropped half a percentage point to 5% in March, according to data published by the California Employment Development Department, marking the eighth consecutive month the rate has decreased.

The unemployment rate was 10.7% in July of last year and has steadily decreased each month.

"We have seen the employment nearly restored to pre-pandemic levels," Nick Schultz, executive director of the city's Pacific Gateway Workforce Investment Network, said in an email to the Business Journal.

Long Beach unemployment was 4.8% in February 2020 before it ballooned amid the pandemic.

The city's labor force decreased slightly, from 235,400 in February to 234,800 in March. The number of employed Long Beach residents, meanwhile, increased from 222,400 to 223,100 in the same period. The number of unemployed residents decreased by 1,300.

Long Beach's gains, however, still see the city trailing behind over 68% of Los Angeles County's other 123 cities and recognized census areas, data shows. Only 35 cities and areas have a higher unemployment rate than Long Beach.

Five cities—Covina, El Segundo, Hawthorne, Los Angeles and Montebello—have the same rate as Long Beach, state data shows.

Countywide unemployment also dropped half a percentage point in March, now 4.9%, state data shows. The county's labor force decreased by 9,200 from February to March to just over 5 million. The number of employed residents increased by 15,100 to 4.8 million. The number of unemployed rose by 700 to 247,700.

Long Beach unemployment data broken out by ZIP code is not available, according to Schultz. That is expected to change in the coming months, however, when the organization will begin compiling that data. Once the process begins, the findings will be reported quarterly, Schultz added.

> *"We have seen the employment nearly restored to pre-pandemic levels."*
>
> *- Nick Schultz, Pacific Gateway Workforce Investment Networt Executive Director*

Educational and health services sectors led growth countywide, adding 6,600 jobs—4,800 in health care and social assistance, and 1,800 in educational services—from February to March, according to state data. Leisure and hospitality, one of the leading sectors of the state, added 5,800 jobs last month.

Year-over-year, the leisure and hospitality sector has increased countywide by 106,800, or 28%. The sector is leading the state's post-pandemic economic recovery, accounting for 36% of the total nonfarm job growth over the last year.

The county's professional and business services sector saw a decrease of 2,800 jobs from February to March, which is its greatest month-over-month shrinkage, the state report reads. Trade, transportation and utilities reported the loss of 1,200 positions month-over-month.

The statewide unemployment rate decreased from 4.8% in February to 4.2% last month, according to the EDD.

"The strong job gains relative to the nation will continue, since California has more ground to recover compared to the rest of the country," Taner Osman, research manager at Beacon Economics and the Center for Economic Forecasting, said in a statement, adding that rising interest rates and inflation are not expected to slow employment growth. ■

Crystal Niebla / Business Journal

Long Beach Mayor Robert Garcia cuts the ribbon at the opening ceremony for Long Beach Airport's new ticketing lobby.

Long Beach Airport's state-of-the-art ticketing lobby opens to the public May 4

By Christian May-Suzuki and Brandon Richardson

Long Beach Airport is ready to show off its $26 million new ticketing lobby.

City and airport officials gathered last week for the ribbon-cutting of the new facility, which opens for public use on May 4. The lobby, which is part of the $110 million Phase II Terminal Area Improvement program, features state-of-the-art amenities built to accommodate the modern traveler.

The project, though, hasn't been without its hurdles. Delays and rising costs had significant impacts on the construction process.

"We have successfully navigated the challenges brought by the pandemic through the partnership as so many," Long Beach Airport Director Cynthia Guidry said at the April 27 ceremony.

The new 16,700-square-foot building offers new ticketing kiosks that are touchless outside of an initial input. It's one example of how facilities continue to adapt to life in the wake of the pandemic.

"These improvements will enhance the features that make Long Beach Airport unparalleled as the transportation hub of choice of Southern California," Long Beach Councilmember Daryl Supernaw said at the ceremony.

Unlike traditional terminals—which use designated spaces for particular airlines—the lobby accommodates airlines based on current demands for their services.

A new checked bag inspection system will also be opening alongside the facility as a way to further expedite the check-in process for departing travelers. The almost-6,500-foot facility will be connected directly to the ticketing lobby and feature new explosive detection systems to maximize safety.

"Our ticketing lobby and our state-of-the-art baggage inspection system are great additions to what is already, in my opinion, the best and easiest place to fly in and out in the entire state of California," Long Beach Mayor Robert Garcia said. "Today really marks the beginning of the second phase of improvements to our airport."

The celebration came shortly after airport officials announced that the number of passengers traveling through Long Beach Airport continued to rebound in March, spurred by spring vacationers.

A total of 270,210 people passed through the airport in March, an increase of over 135% compared to the same month last year, according to airport data.

"Commercial passenger" numbers, Guidry said in an email, "surpassed the previous month and doubled the number of March 2020."

March 2020, of course, is when air travel came to a halt at the onset of the coronavirus pandemic.

"We're pleased to see spring travelers enjoying our easygoing, convenient travel experience and making LGB their airport of choice," Guidry added.

Passenger volumes, however, continue to trail behind pre-pandemic levels by about 6.7%. In March 2019, 289,791 people traveled through the small municipal airport. That figure itself also signifies a 19% decrease compared to March 2018, airport data shows.

Long Beach's recovery is faring better than national air travel overall, according to data from the U.S. Transportation Security Administration. Last month, 63.6 million people traveled through U.S. airports, a 65% increase from last year and a 105% increase from 2020.

U.S. travel, however, continues to trail behind March 2019 figures by 12.4%, data shows.

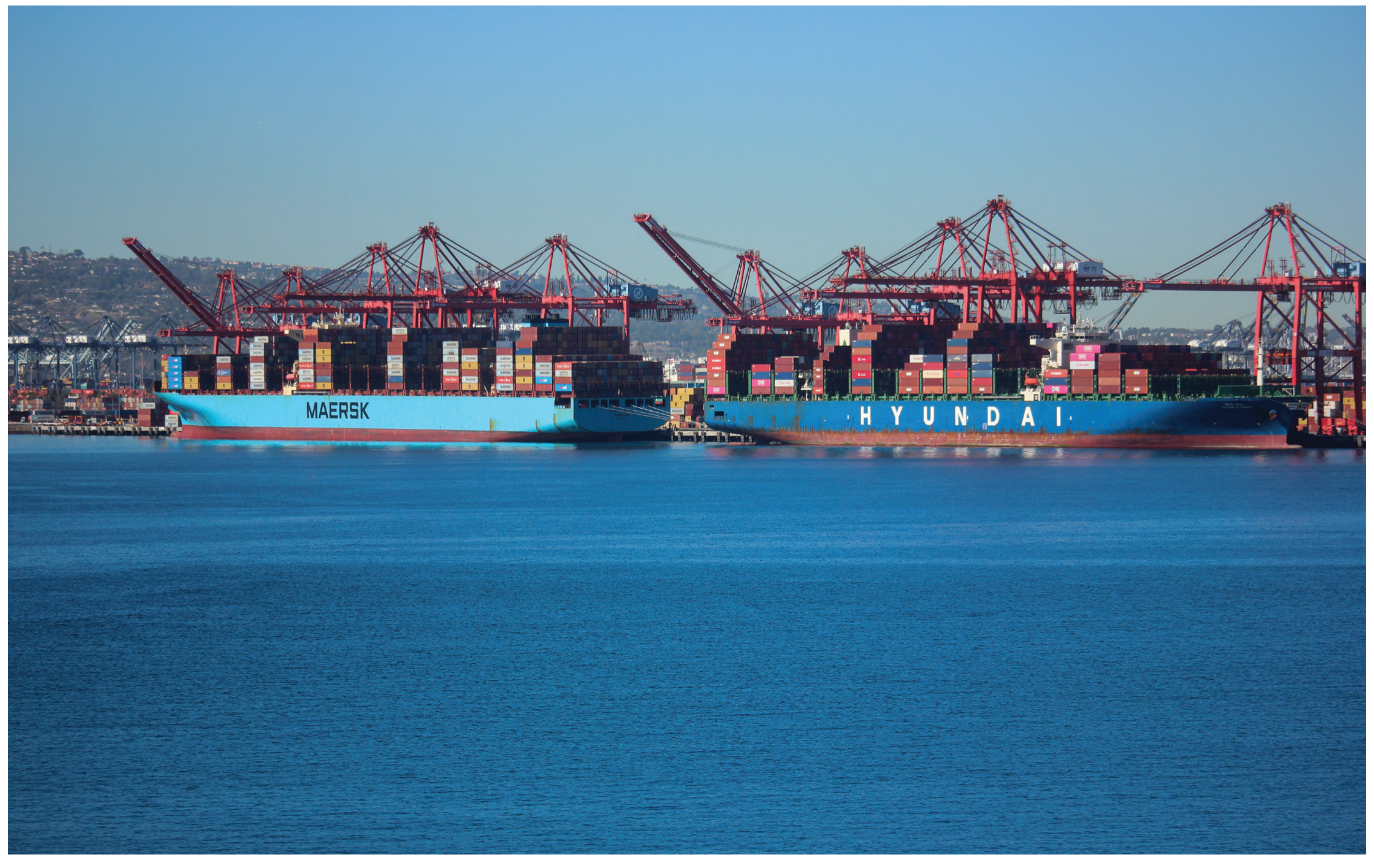
Back in Long Beach, a total of 1,301 tons of cargo were handled at the airport, up nearly 26% from the same month last year but down 5.2% from 2020. Total air cargo tonnage remains nearly 28% below pre-pandemic levels, which is not surprising considering FedEx's recent surrender of its daily flight slot after more than 30 years of operating at the facility. ■

Crystal Niebla / Business Journal

Kiosk machines inside the new ticketing lobby at Long Beach Airport.

Crystal Niebla / Business Journal

Luggage moves on a conveyor belt at Long Beach Airport.



Brandon Richardson / Business Journal

Two container ships at berth on Terminal Island at the Port of Long Beach.

San Pedro Bay ports both record best 1st quarters ever

By Christian May-Suzuki

The San Pedro Bay ports keep breaking records.

The Port of Long Beach and Port of Los Angeles both recorded their best first quarters ever this year, the agencies announced last month, capped off by the most productive March for each.

In March, the Port of Los Angeles processed 958,674 20-foot-equivalent units—the standard measure for shipping cargo—which marked its third consecutive monthly cargo record and third-best month ever, behind the 1,012,048 TEUs recorded last May and 980,729 TEUs in October 2020. Overall, the first quarter of 2022 was 3.5% higher for the port than last year's record.

And in Long Beach, the first three months of this year marked the port's best quarter ever. Dockworkers moved a total of 2,460,659 TEUs, up 3.6% from last year's first quarter and 54,649 more TEUs than the previous record in 2020.

In March, the Port of Long Beach moved 863,156 TEUs, up 2.7% from the previous record for March, which was set last year.

"Our dockworkers should be commended for a successful March by going above and beyond to keep goods moving," Long Beach Harbor Commission President Steven Neal said in a statement. "Our partnerships with labor and industry continue to make us a leader in trans-Pacific trade."

Imports were a major part of the increase in Long Beach, where workers moved 1,206,949 TEUs in the first quarter, a 5.3% jump from the same time period last year. It also barely eclipsed the 1,191,157 TEUs imported through the port in 2020's fourth quarter.

"Imports are on the rise as we continue to clear the line of ships waiting to enter our Port and move containers off the docks," Port of Long Beach Executive Director Mario Cordero said in a statement. "Collaborating with our industry stakeholders has led to notable improvements across the supply chain."

Exports, meanwhile, were down 5.4% from 2021's first quarter at 355,180 TEUs.

In Los Angeles, imports were up just under 0.5% from last year's first quarter at 1,346,477 TEUs, while exports were down by about 10.5%, to 307,407 TEUs. Exports have now declined year-over-year in 37 of the last 41 months at Los Angeles' port.

The updated cargo data was released as a long-awaited project at the Port of Long Beach took one step closer to becoming a reality.

The U.S. Maritime Administration issued its final environmental impact statement for the port's proposed Pier B On-Dock Support Facility last month, allowing the port to claim federal funding for the project.

While the Maritime Administration awarded $52.3 million to the port for the project late last year, the funds could not be disbursed until the agency formally approved the project with its environmental impact statement.

"This allows us to receive those

Continued on page 26

Long Beach keeps mask mandate in place on public transit

By Brandon Richardson

Despite the recent decision by a federal judge in Florida, Long Beach officials announced last month that masks will still be required inside transit hubs, including Long Beach Airport, as well as on buses and other public transit, aligning with a county order.

The Long Beach Health Department released its updated health order last week.

The announcement will not impact Long Beach Transit operations, as the agency never lifted its masking requirement for passengers aboard its buses and other vehicles, according to spokeswoman Arantxa Chavarria.

Long Beach Airport, on the other hand, lifted its indoor mask requirement following the April 18 federal ruling, according to spokeswoman Marlene Arrona. Masking signage was removed the following day, she said.

The city's April 22 announcement, meanwhile, came the day after Los Angeles County officials announced a similar order, which includes the Los Angeles County Metropolitan Transportation Authority and Los Angeles International Airport.

Rideshare services, including Uber and Lyft, also dropped their mask requirements but continued to recommend passengers wear face coverings.

The updated county order requires masks on trains, buses, taxis and rideshares as well as inside airport and bus terminals, train and subway stations, seaports and other indoor port terminals. The county also continues to require masks in health care settings, long-term and adult/senior care facilities, jails and prisons, shelters and cooling centers, and when it is the policy of a business or venue.

The county order applies to everyone ages 2 and older, regardless of vaccination status.

On April 20, the U.S. Department of Justice filed an appeal of the Florida ruling by Trump-appointed U.S. District Judge Kathryn Kimball Mizelle. The ruling lifted the federal mask mandate inside airports, transit hubs and on public transit systems.

Local health agencies, however, are still permitted to implement their own safety measures.

The Centers for Disease Control and Prevention, for its part, issued an April 20 statement saying it believes masking in indoor transportation settings "remains necessary for the public health."

"CDC will continue to monitor public health conditions to determine whether such an order remains necessary," according to the statement. "CDC believes this is a lawful order, well within CDC's legal authority to protect public health."

Kimball Mizelle's ruling also lifted the requirement for passengers to wear masks aboard commercial airplanes, a decision that will remain in place unless the Justice Department's appeal sees the ruling overturned. ■

Courtesy of Rocket Lab

One of Rocket Lab's Electron spacecraft prepares for launch.

Rock Lab plans for 1st launch from U.S. soil

By Brandon Richardson

HawkEye 360, a Virginia-based radio frequency geospatial analytics provider, selected Rocket Lab to launch 15 satellites into low Earth orbit across three missions beginning later this year, the Long Beach rocket manufacturer and launch service provider announced last month.

The first of the three missions will be a rideshare carrying three HawkEye satellites among others. It is slated to be Rocket Lab's inaugural Electron rocket launch from the firm's Launch Complex 2 on Wallops Island, Virginia—the company's first launch on U.S. soil.

Rocket Lab's Launch Complex 1 is located in New Zealand.

The rideshare mission will launch no earlier than December, the company announced. The remaining two missions—carrying six satellites each—are scheduled to blast off between the first launch and the end of 2024.

"Rocket Lab provides the flexibility we need to fill out our constellation and reach our desired orbits," HawkEye 360 COO Rob Rainhart said in a statement. "We're excited to be joining the inaugural launch from Virginia, as a Virginia-based company launching our satellites from our home state."

Launch Complex 2 is located at Virginia Space's Mid-Atlantic Regional Spaceport within NASA's Wallops Flight Facility. Rocket Lab has a dedicated pad for its Electron rocket launches.

The firm's New Zealand launch site includes two pads.

"Operating multiple Electron pads across both hemispheres opens up incredible flexibility for our customers and delivers assured access to space, something we know is becoming increasingly critical as launch availability wanes worldwide," Rocket Lab founder and CEO Peter Beck said in a statement.

Planetary Systems Corporation, a Maryland-based space hardware company acquired by Rocket Lab in December 2021, will supply HawkEye 360 with spacecraft separation systems.

The three missions will grow HawkEye's constellation of radio frequency monitoring satellites, allowing the firm to better provide precise mapping of radio frequency emissions around the world. HawkEye combines this data with its analytical tools and algorithms to provide commercial and government customers with "insights that have helped detect illegal fishing poachers in national parks, GPS radio frequency interference along international borders and emergency beacons in crisis situations."

The HawkEye contract is the latest in a string of multi-launch agreements for the Long Beach space company, including a five-mission deal with satellite operator and global connectivity provider Kinéis to be launched beginning next year, as well as a three-launch deal with the Earth-imaging company Synspective, the first of which successfully delivered a satellite into orbit in February. ■

Long Beach's organic recycling program will expand to all commercial refuse accounts in 2023

The city is preparing to meet a 2024 compliance deadline for a new state law.

By Jason Ruiz

Long Beach is working to expand its organic recycling program to all commercial accounts as it prepares to meet a 2024 compliance deadline for a new state law that requires cities to divert organic material away from landfills to reduce methane emissions.

The City Council approved the purchase of eight new trash trucks last month to expand the commercial side of the program beyond the original 115 businesses that took part in its pilot program that launched in June.

The eight trucks the city is looking to purchase to service those commercial accounts are expected to cost $3.5 million.

Expanding the program will affect thousands of accounts. But because of the time it will take to deliver those trucks to the city, business owners shouldn't expect a change to their trash service until early next year.

"Once the trucks are ordered it takes nearly a year for them to be built and delivered and ready for service," said Diko Melkonian, the city's deputy director of Public Works. "In the meantime, we're going through and identifying what businesses will be required to take part based on the volume of trash they generate."

Once the expanded program is operational, businesses will be issued a new green bin to collect organic materials like food scraps, landscaping debris and paper

Continued on page 25

Long Beach is determining how to spend HUD funds over the next 5 years—and changes could be coming

By Christian May-Suzuki

Changes may be coming to the way Long Beach spends its annual allotment of funds from the U.S. Department of Housing and Urban Development.

Long Beach is in the midst of updating its Consolidated Plan, a five-year document the city compiles as part of the application process for HUD funds, which city officials anticipate will total over $8 million this year. Final numbers have not yet been released by HUD.

The city spends the money on a wide range of programs to help support economically disadvantaged communities, including grants for small businesses, housing projects and repairs to public spaces.

But during a City Council study session late last month, Councilmember Rex Richardson criticized certain aspects of the city's past use of the funds—and city officials have indicated that the draft document for 2023-2027, set to be released this month, could reflect some of that feedback.

Specifically, Richardson pointed to business grants, which have historically been capped at $2,000. Richardson said those grants could be more effective if they weren't so thinly spread.

"When I started, grants were $2,000 then, and I think they are still $2,000 now," Richardson said during the session. "I just don't see much of an impact."

City staff didn't dive into specifics on those grants during the meeting, but documents show that 119 startups and businesses were awarded a maximum of $2,000 under the 2012-2017 Consolidated Plan.

Richardson argued that the grants should be much larger—anywhere from $10,000 to $25,000.

Another flaw in Consolidated Plan spending, in Richardson's eyes, has been the lack of support for the city's Business Improvement Districts. While Long Beach does work with BIDs as part of the plan's conceptualization, he said that more BIDs should not only be consulted, but also considered for direct financial support.

"Some of these BIDs, they could use the money," Richardson said.

While city staff did not directly respond to the councilmember's comments at the time, a statement from the Development Services Department's Housing and Neighborhood Services Bureau following the meeting said the bureau received "good feedback in particular from the council."

"When finalizing the draft Consolidated Plan, staff will be taking into consideration the comments and suggestions from all the community meetings, the council study session and the 4/20 public hearing held by the Long Beach Community Investment Co.," the bureau's statement said.

While the city has wide discretion over how to spend the HUD funds, the money still must meet the needs of three specific HUD programs: the Community Development Block Grant Program, the HOME Program and the Emergency Shelter Grants Program.

Most of the funds Long Beach receives from HUD must go toward the CDBG Program. City officials expect to receive $5.4 million for the program each year.

CDBG funds can be used for a variety of community improvement projects, but they must be invested in geographic areas in which at least 51% of the population is low income. Under HUD guidelines, households that bring in up to 80% of the area median income—meaning up to $66,750 for a family of one or $95,300 for a family of four—are considered low income. Most of the eligible areas are located in North, Central and West Long Beach.

The HOME Program, meanwhile, is estimated to bring about $2.3 million to the city this year. HOME funds must be spent on creating and maintaining affordable housing.

And another $500,000 is expected to come in from the Emergency Shelter Grants Program, which is reserved for use "to rehabilitate and operate emergency shelters and transitional shelters, provide essential social services, and prevent homelessness," according to the HUD Exchange website.

The draft Consolidated Plan will be published May 14 and will available for public review and comment for 30 days. There will be a final public hearing with the Long Beach Community Investment Company on June 15, and the City Council is slated to accept the plan in July. ■

Punk rock coffee shop Rad Coffee opens in Bixby Knolls

By Cheantay Jensen

Even if you've never tried Rad Coffee's bone-shakingly intense drinks, there's a good chance you've gotten a glimpse of the company's eye-catching skull logo or seen the viral video that introduced millions of people to its extravagant caffeinated concoctions, often topped with colored whipped cream and bits of cereal like Lucky Charms and Cookie Crunch.

The punk-rock-themed and horror-inspired coffee shop has been around since 2015 and an online sensation since 2016. And last month, the husband-and-wife duo behind it brought the chain to Bixby Knolls, taking over the Atlantic Avenue storefront that used to house Derricks on Atlantic.

The new location—the third in addition to Upland and Covina—was

Continued on page 26

City faces high costs, years of work to shut down oil wells

Thomas R. Cordova / Business Journal

The island Grissom is one of four oil islands off the Long Beach coast.

By Jason Ruiz

Abandoning the city's oil production will be an expensive and long process that could include years of decommissioning wells—and then continued work to ensure Long Beach's surface elevations are not affected after it halts oil production, something that's expected to happen in 2035.

Long Beach has a projected $133 million in costs to seal up wells that currently sit idle or still produce oil. Abandoning the wells could take between three and five years, and that could be followed by as many as 15 years of continuing to inject water into the ground under the city to ensure it remains stable.

The city plans to end oil production in 2035 and has about $59 million set aside for its share of abandonment costs, a fund that could grow this year with the sustained high price of crude oil.

There are over $1.2 billion in estimated costs to abandon the wells in the Wilmington Oil Field, but those costs are split by multiple parties like the state and individual mineral rights owners. The state is responsible for $967 million while individual owners could be on the hook for about $10,000 each when well abandonment starts.

"I'm afraid this is going to hit some people out of the blue," said Marianne Buchannan, who urged the city to reach out to mineral rights owners who may not know they have a looming oil abandonment cost ahead of them.

Kevin Tougas, the city's oil operations bureau manager, told the City's Council's Climate Action and Environmental Committee last month that Long Beach's oil islands that sit off the coast are not part of that projected cost. Those islands will serve as injection support sites until they're no longer needed and would then be repurposed, Tougas said.

Injecting water into the ground as oil is extracted is an ongoing practice to prevent subsidence, which is the city's surface sinking due to displacement.

Tougas said there are some risks to the city's plan to phase out oil production in 2035 including the fluctuating cost of oil, inflation and potential changes to legislation that could make abandoning wells more expensive.

"Right now, the price [of a barrel of oil] is over $100," Tougas said. "But an oil price collapse could risk our abandonment reserve because we still need to provide city services."

Oil is still a big part of the city's budget and is projected to provide $45 million to the city's General Fund and Tidelands Fund, which helps to pay for public safety services in the coastal area and is expected to be the largest source of funding for the rebuild of the Belmont Pool replacement project.

The historically high oil prices seen over the past few months have allowed the city to put away more money toward its abandonment costs, and Tougas said that the total could be as high as $8.75 million by the end of the year. It's also allowing proactive abandonment of wells.

The update on the city's efforts to abandon oil wells was given to the committee on April 22. The committee's chair, Councilmember Cindy Allen, said she thought the city needed to go further in its efforts to phase out oil production.

Allen recommended that the full council hear an item later this year that would spell out options for the city to possibly stop oil production sooner as well as advocate for the state to fully fund its nearly $1 billion share of abandonment costs.

The request also asked that the city work with labor organizations to ensure that the roughly 1,000 workers that are currently employed through oil production in the city can get help in transitioning to equally good jobs once operations in the city end.

While the city's goal of ending production by 2035 is 10 years sooner than a statewide goal of doing the same by 2045, it has been mocked by environmental groups, who've said the city is merely waiting until it's not economically feasible to continue extracting oil from the ground.

Long Beach-operated wells currently produce about 22,000 barrels of oil per day. In 2035, that total is expected to drop to about 10,000 barrels per day.

Earlier this year, the Sustainable City Commission drafted a letter to the City Council urging it to stop issuing new oil drilling permits and to speed up its move to a net-zero emissions economy.

The memo was voted on weeks before Russia's invasion of Ukraine, which spiked global oil prices and has led to renewed interest in drilling new wells in Long Beach. Under the city's plan, it will have to continue to produce oil to afford to phase out oil production. ■

Organic Recycling

Continued from page 23

products that will be transported to new facilities to be processed separately from other trash. Some of it can potentially be converted into renewable fuel sources.

The cost of the cart and the cost of transporting it to a new facility to be processed will be factored into future bills, which the city has said are going to increase.

It's all part of an effort to align with Senate Bill 1383, a new law that requires organic materials to be diverted from landfills, which state regulators say could reduce the amount of decomposition-created methane that's entering the atmosphere and warming the planet.

The state estimates that landfills account for 20% of the state's methane emissions, which is 84 times more potent than carbon dioxide. Long Beach adopted an intent to comply with the law that could spare it from fines for during 2022 and 2023 as long as the program is fully operational by 2024.

Melkonian said the rollout of the full program could come in multiple stages. Apartment buildings with more than four units, which technically are commercial accounts, could be one of the last elements of the program.

SB 1383 requires the city to monitor accounts for compliance and to issue fines—which could prove difficult when trying to determine which unit of a building is not separating their waste correctly.

The full implementation of the program for the city's residential accounts likely won't happen until closer to the January 2024 deadline, when the city could begin receiving fines for noncompliance.

Melkonian said the city is still analyzing how the city will transport the new waste, what facility it will use for processing and how many trucks will be required to service all the city's accounts.

"It's going to be more than eight, I can tell you that," he said. "But that's exactly what we're studying right now."

The city is also still looking for a site that can handle processing all the residential accounts. While the state law requires cities to comply with the new organic recycling program, Southern California in particular lacks the existing infrastructure to process organic waste separately from other trash. Many facilities in the region can only handle food scraps or yard waste, not both.

Melkonian said the city has found a site in Los Angeles County, but the site can't provide service to every city in the region, so it's still undetermined where Long Beach will send its organic waste in the future. ■

Thomas R. Cordova / Business Journal

Rad Coffee, which has its own parking, opened last week on the 3502 block of Atlantic Avenue.

Rad Coffee

Continued from page 24

a no-brainer for Rad Coffee and its unique style that clicks so well with the city, said co-owner Jade Valore.

"Long Beach has so much culture and art to it," she said.

The shop features a similar ambiance to Rad's other locations: lots of horror movie posters, concert flyer memorabilia and skateboard decks on the wall. Jade Valore said this location feels more retro thanks to the checkered flooring and neon-green walls. It also features a gaming area dubbed the "horrorcade," a collection of horror-themed pinball machines that is a popular feature in the Covina store.

And then there's the coffee. Bright, sweet, and powerfully caffeinated. "The Great White," for instance, is a four-shot espresso concoction with cold brew concentrate, white mocha, and organic almond and caramel sauces. Patrons can also opt to pour that drink over ice and top it with "Bones Brew," which adds another two shots of espresso and more cold brew concentrate with vanilla and cream.

For the purists out there, Rad Coffee offers staples such as straight espressos, Americanos, cappuccinos and lattes. It also has pour-overs and drip coffees, the beans for which are all roasted at the couple's facility in Upland. Rusty Valore, Jade's husband, helms that department.

The pair had the idea for Rad Coffee in 2014 after Jade learned she was pregnant with the couple's first daughter. At the time, Rusty was working two jobs, one of them at Starbucks where the couple first met and fell in love in their early 20s, while Jade, now 31, was a full-time student studying film.

The couple wanted a way to spend more time together, raise their daughter and do what they loved, Jade said. "So, I thought of a concept. We could start a coffee truck."

That plan was too expensive, so they opted for a pop-up that would stand out against the landscape of corporatized coffee shops like Starbucks and Coffee Bean that dominated Upland at the time.

Drawing from their own personalities, they came up with the name "Rad," an adjective that was ubiquitous in Rusty's beloved skate culture.

"He used to say the word all the time, and now when I tell people that he gives me the side-eye like, 'Oh, here she goes again,'" Jade explained. "Now he literally never says it. I ruined it for him."

But where Jade believes she struck marketing gold was with her idea to create an eye-catching skull logo. A horror fanatic who dreamed of directing movies herself, the morbid theme fit perfectly for Jade, but it was unheard of in the world of coffee.

"Nobody had a skeleton logo. Nobody did. That was a really big deal for us," Jade said. "In 2015 when we developed all this, our daughter was literally two weeks old. I have to blame the hormones for all the creativity that was going through my veins."

With a vision in place and a $6,000 espresso machine Jade's grandfather gifted them, the pair set about trying to get their name out. They would pass out free cold brew at skateboarding events and Jade would spend hours on social media. Today, their following on Instagram clocks in at 117,000 followers.

Eventually, they landed a permanent pop-up location at a juice bar in Upland that would later become their first brick-and-mortar.

"The landlord gave us the spot," Jade said. "We had enough money put together to decorate inside. We still have that same espresso machine, and we already had a customer base, which was really cool. Then we opened the actual shop in September 2015."

But it's Rad Coffee's creative take on blended drinks that, arguably, propelled the independent coffee shop to the heights of its popularity. In 2016, Rad Coffee caught the attention of Business Insider for its uniquely topped and colorful blended drinks.

The video Business Insider published was short, only 51 seconds, but it catapulted the business into the spotlight.

"It got over 20 million views and the rest was history," Jade recalled. "I mean, we had lines down the street. That was a pivotal point in Rad Coffee."

In 2018 the couple started up their roastery in Upland, a necessary move due to high demand, and just last year they opened their downtown Covina location. They also were finally able to achieve their initial idea of a coffee truck, which travels to various cities around Southern California—including Lakewood and Whittier, where the couple was able to test the demand in the Long Beach area before committing to the Bixby Knolls shop.

Last year Jade made the 2021 Forbes 30 under 30 list for Rad Coffee. The company, Jade said, made almost $5 million in 2020.

"I always wanted people to know that we did not come from money. Nobody gave us a ticket. We worked our butts off," Jade said. "It's really important (to us) for people to know that there are two young people out there making a difference in the coffee world."

Rad Coffee opened at 3502 Atlantic Ave. on April 27 under limited hours from 8 a.m. to 8 p.m., until May 8 when hours of operation will be from 6 a.m. to midnight every day. ■

San Pedro Bay Ports

Continued from page 22

federal funds," Port of Long Beach Managing Director of Engineering Sean Gamette said by phone, "so it's a big green light."

Now, the port will move forward with designing and searching for potential contractors for the construction of the facility and subsequent railway expansions. Construction, which will happen over several phases, is expected to begin next year. The first phase is scheduled to wrap up in 2025, and the final phase is set to finish in 2032, according to Gamette.

Plans for the Pier B On-Dock Support Facility, though, have been in the works for years. The Port of Long Beach released its own environmental impact report for the project in 2016, which the Board of Harbor Commissioners approved in 2018.

The cost of the project has grown in that time, from $870 million in 2018 to $1.5 billion as of February. Gamette said most of the increases have occurred since the pandemic hit. Construction costs, for example, are $250 million higher, while real estate costs have doubled, he said.

The goal of the project is to make the movement of cargo both more efficient and more sustainable by reducing truck traffic and the emissions that come with it.

On the efficiency front, the Pier B On-Dock Support Facility will be able to accommodate the larger trains of today's era. Gamette said that operators hope to run trains that are over 3.75 miles long—a far cry from the trains considered to be the norm 20 years ago, when "a mile long on-dock train was something to talk about," Gamette said—and the port needs a facility to support this.

As for sustainability, port officials have said that one double stacked train can replace 2,000 truck trips. The significant improvement in air quality that comes with less road traffic is one of the reasons the Port of Long Beach is prioritizing rail so heavily.

"If we were to coin one specific reason" for the project, Gamette said, "it would be to be more efficient with respect to cargo movement, and [being] environmentally friendly at the same time."

The project's first phase, scheduled for completion in 2025, includes major railway expansions and the creation of a locomotive facility that will serve to double the overall railway capacity at the port.

Other major aspects of the project include demolishing and relocating a crucial stormwater facility that will be displaced as part of the railway expansions and widening the existing rail bridge over the Dominguez Channel. ■


Our Goal Is
Zero Emissions
Cleaner trucks and cleaner yard equipment mean cleaner air. We're investing millions in green infrastructure as we work to become the world's first zero-emissions port by 2035.
Port of
LONG BEACH
THE GREEN PORT