Slowing Single-Family Sales, New Retail Centers Dominate Shifts in Long Beach Real Estate

By SAMANTHA MEHLINGER
Editor

Trends in Long Beach’s residential and commercial real estate markets are in line with those in surrounding areas in Southern California, according to economic and market analysts. While some long-term trends remain in play – extremely low industrial space vacancy, rising rents for multi-family units and high office vacancy rates, for example – the single-family and retail markets appear to be shifting.

“We’re seeing a slowdown in the single-family for-sale market not just in Southern California, but also in the Los Angeles area,” said Robert Kleinhenz, chief economist at the Los Angeles-based research firm, the Economic Roundtable. Kleinhenz said he attributes the drop to a combination of factors, including low inventory, rising interest rates, and a slowdown in new construction.

In addition to the slow down in the single-family market, Kleinhenz said he’s also seeing a boost in retail development. “We have seen a lot of new retail centers open in recent years, which is a positive sign for the economy,” he said.

Financial Institutions Step In To Fill Gap In Financial Education

By ALENA MASCHKE
Staff Writer

When Azul Sanchez was a teenager, she wanted to attend a concert with a friend, but neither of them had enough money for the ticket. Not a problem, her friend told her, there was a cash advance lender right around the corner where they could borrow the money until their paychecks came in the following week. With the meager pay from her part-time job, it took her three months to pay back the loan, Sanchez remembers.

Today, Sanchez works as an assistant vice president and regional branch manager for Orange County’s Credit Union. She offers financial literacy training to students in the Long Beach area, but she hasn’t forgotten her own experience of being stuck in a high-interest debt.

Cannabis Retailers Urge City To Amp Up Enforcement On Illegal Competitors

By ALENA MASCHKE
Staff Writer

Visitors to the cannabis shopping portal weedmaps.com find the website’s map of Long Beach dotted with small, turquoise car symbols, signifying delivery services that offer a wide range of cannabis products. What many shoppers may not know—or choose to ignore—is delivery-only cannabis sales are illegal.

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Municipal Labor Group Signals Possible Strike

By SAMANTHA MEHLINGER
Editor

Around 200 members of a labor bargaining group representing about 700 City of Long Beach employees walked out of an annual luncheon on May 22 when City Manager Pat West got up to speak. According to Wendell Phillips, general counsel for the Association of Long Beach Employees (ALBE), the workers were expressing their discontent about a prolonged contract negotiation; since the organization was officially recognized in 2016 after splitting off from the International Association of Mechanics and Aerospace Workers (IAM), they have yet to secure a contract.

In e-mail correspondence with the Business Journal following the walkout, which occurred during the annual luncheon on May 22, Phillips said the group has no plans to hold a strike vote, but they plan to continue to press City Hall for a new contract.

Millennial Women Could Decide Next Election – If They Show Up

By Editor SAMANTHA MEHLINGER

A month ago, I included “The Handmaid’s Tale” in a list of suggested television shows to help Millennials escape the stresses of the real world. Sure, it was a dramatic choice, but I jokingly pointed out that it’s arguably escapist because our society would never become that extreme. I also suggested “Call The Midwife” as a cathartic post-war tearjerker, not realizing that the overarching plotline of this season, which deals with the dangers of back alley abortions, would come to hold very relevant significance.
With 18 years as a garage attendant at the Port of Long Beach and a prior tenure of 10 years with the Compton Unified School District, Luis Ortiz has a lot of experience in fleet management. While working on cars is something he’s done since a young age, it’s his interactions with people that he enjoys about his position with the port, where he currently works out of the interim administrative building on Airport Plaza Drive. “You get to meet a lot of the people in the building,” Ortiz said. “You get a lot of one-on-one, personal relationships with your customers.” With the upcoming move into the new headquarters at the Long Beach Civic Center, the demand on his department has increased as port employees require transportation from there to the port and other off-site meetings, he said. The move to add more electric vehicles to the fleet has also had an impact on his day-to-day, Ortiz noted. “It’s actually made my job easier. The electric vehicles don’t need as much maintenance,” he said. “It’s a good thing.” Charging stations in the parking lot of the port’s interim offices have inspired more employees to buy electric vehicles of their own, Ortiz added.
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Together we’ll go far
SCORE Offers Long Beach Business Owners Free Mentoring And Workshops

By PIERCE NAHIGYAN
Staff Writer

Business owners and entrepreneurs in the City of Long Beach can now take advantage of free mentoring and workshops provided by SCORE, a nonprofit association funded by the United States Small Business Administration.

Founded in 1964, SCORE was originally an acronym for “Service Corps of Retired Executives.” Dennis Wright, SCORE assistant district director for Los Angeles, Ventura and Santa Barbara counties, said the organization’s volunteers include entrepreneurs and former members of Fortune 500 companies. These volunteers host workshops and are available to meet with clients on a private one-on-one basis. While some workshops charge a small fee to attend, most are offered free of charge, as are the mentoring sessions. “We’re funded by Congress with taxpayer dollars,” Wright explained.

SCORE was first established with 50 chapters, one for each state, but has expanded into more than 300 chapters that are staffed by almost 11,000 unpaid volunteers. Nine chapters are based in Southern California. Its most recent, the Long Beach chapter, was formed in 2009.

Through workshops and mentoring, the volunteers at SCORE offer business owners their years of expertise and experience in a variety of fields. This includes expertise an entrepreneur may not realize they lack, Wright said. He explained it from the perspective of someone trying to open a shoe store. This client may already understand shoes, but what they may not understand is how to select the best location for their store. “So now you need [a mentor] with leasing experience,” he said. “Then they need to apply, perhaps, for additional working capital. Now they need to talk to somebody with banking experience.”

Wright concluded: “Yes, it would be nice to have someone who was successful in the shoe business, but what you’re really looking for is mentors that will sit down to work with you for free as often as is necessary. . . . We have some clients that have been with us for seven, eight, nine years, who have met with eight or nine SCORE volunteers over that time.”

SCORE served 138,394 clients across the U.S. last year, Wright said. Of that number, 61% were women, 36% were minorities and 11% were veterans.

Those clients received 291,535 mentoring sessions, with 86% saying they would recommend SCORE to their family and friends, according to a Fiscal Year 2018 survey from PricewaterhouseCoopers. The same survey stated that in FY 2018, SCORE volunteers in Southern California helped to start over 1,200 new businesses and created more than 6,800 non-owner jobs.

Seyed Jalali, an economic development officer at the City of Long Beach, said the city was excited to host a SCORE chapter. “The city’s partnership with SCORE allows us to broaden our capacity to deliver free technical assistance and mentorship to local entrepreneurs. As part of this partnership, the city is providing meeting space for SCORE at city-owned facilities, including the local libraries,” Jalali said.

SCORE’s next workshop is being held at the Michelle Obama Neighborhood Library at 5870 Atlantic Ave. Wright said the workshop will focus on creating content for social media marketing, including photos, graphics and video. The presenter is Roni Ramos, founder and president of online video production company Harmony 3 Productions. Beginning at 5:15 p.m., the workshop is free to attend.

For more information on SCORE, visit longbeach.score.org.
illegal in the City of Long Beach. But enforcing those rules has proven to be tricky for the city, and some in the legal cannabis industry are asking officials to step up their game or lose out on large amounts of tax revenue.

Adam Hijazi, CEO of two licensed dispensary companies in Long Beach and president of the Long Beach Collective Association, said he estimates the market share of illicit cannabis businesses to be around 85%. “The illicit market, they don’t pay for workers’ comp. They don’t pay for general liability insurance. They don’t pay livable wages and they don’t have lab-testing requirements,” Hijazi said. And most importantly, for the city’s finances at least: they don’t pay taxes.

Without the burden of taxes, the cost of compliant facilities and the various fees required to become a licensed cannabis seller, unlicensed delivery services can offer more competitive prices than their licensed, storefront counterparts. “What they’ve essentially done by overtaxing the industry is they’ve strengthened, in a lot of ways, the black market,” Elliot Lewis, who holds licenses for several dispensaries in Long Beach, told the Business Journal. “They’ve put a protective tariff on the black market.”

Lewis is among several dispensary owners who would like to see the city reinvest more of the tax revenue collected from legal dispensaries into the enforcement of its cannabis ordinance. “If they want a legal cannabis market, they need to take some of the revenue we’re producing and put it back into enforcement,” he said.

Ultimately, a diminished illicit market would not only benefit city coffers, but consumers as well, industry members argued. “You really don’t know what you’re consuming if you’re not getting it from a legal facility,” Hijazi said, comparing cannabis sold by unlicensed retailers with homemade liquor, or moonshine, produced during Prohibition. “If I made moonshine in my bathtub and I never clean my bathtube, and I’m giving you a jug of it – would you really take it?”

Lewis drew a similar comparison. “You wouldn’t let guys go around delivering vodka or tobacco or anything else that’s highly regulated,” he said. In contrast, he noted that “what you’re buying at the legal dispensaries has been through some of the most rigorous testing on the planet. Legal cannabis is probably the safest thing that you’ll ingest. It’s safer than your water, it’s safer than your poultry, it’s safer than your fruit and vegetables.”

Meanwhile, even branded products sold by unlicensed delivery services might not be what they appear. Stacy Loucks’ Long Beach-based company, TKO Edibles, produces psychoactive baked goods. She said many legitimate manufacturers don’t take the risk of doing business with unlicensed retailers, and as a result, knock-offs have taken their place. “We have people knocking off our product everywhere in the black market. Same labels, same everything,” Loucks said.

The city is just finishing its second fiscal year of legal recreational cannabis, and all sides agree that city staff has been successful in curbing other types of illicit businesses seeking to participate in the profitable industry. “Long Beach is one of the best cities for preventing [illegal] brick-and-mortar [stores], so they deserve a lot of credit for that,” Lewis noted. “They’ve been very effective shutting down brick-and-mortars, but the delivery services [are] really what they need to focus on. And I think a strong presence early on would do a lot to discourage people from delivering in Long Beach.”

Kolluri said a review of the types of licenses offered by the City of Long Beach might also be in order. Currently, delivery-only providers wouldn’t be able to obtain a retail license in Long Beach. “For them, it’s either: operate illegally or don’t operate at all,” he explained.

Most retailers remain hopeful that with the right strategy and appropriate financial investments, the city will be able to combat what Lewis called a “major illegal delivery epidemic.” But, “until something changes, it’s going to be tough for a little while,” Hijazi said.

Municipal Labor Group

(Continued from Page 1)

curred during a public works department appreciation event, ALBE Administrato r & Benefits Specialist Sheri Steven son alluded to the possibility of a strike. “To be clear, no one wants a strike, but ALBE Members have been waiting too long for Raises, Rights, and Respect they deserve,” she wrote. “That should include modest cost of living increases and a schedule of equity increases to begin to adjust their compensation to the average of the 10 agencies the city chose to use for comparison purposes.”

According to a study conducted by ALBE last year, its members make less than those in similar positions across all 10 government agencies the City of Long Beach uses as a basis of comparison for salary and benefits.

Since it split off from IAM – which ALBE contends was not fighting hard enough for its members – ALBE agreed to abide by IAM’s memorandum of understanding with the City of Long Beach while its own contract was negotiated, according to Stevenson. She said that ALBE met with the city more than 20 times in 2016 and 2017 to try to reach an agreement. The city, however, offered the same terms as those IAM received in its 2016-2019 contract as its last, best and final offer. In other words, as Stevenson put it, the city proposed that ALBE members “adopt essentially the same MOU as the union they had worked so hard to break away from.” These terms were imposed on ALBE, although no contract has been agreed upon.

Negotiations resumed in October 2018, according to Stevenson, but no headway was made. The city and ALBE entered into mediation, but this process ultimately did not result in an agreement.

According to Phillips, the city manager abruptly ended mediation on May 13, and the ALBE members that walked out of the breakfast on May 22 were protesting that decision. Phillips said he hoped the breakfast walk out sent a message to the city manager. “I think we’re headed for probably the most serious labor dispute the city has ever seen. I think these people are just tired of it,” he said.

Alex Basquez, director of human resources for the City of Long Beach, told the Business Journal that, at ALBE’s request, the city is entering a fact-finding process. This involves convening a neutral panel that will hear from both sides in the matter and then issue a report with a recommendation.

Stevenson said the process would begin June 3. Once it is concluded, the report will go before the city council in a public hearing no earlier than July, she said. “The council’s answer will determine if that May breakfast was the only time ALBE members need to walk away from,” she said.

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New Chamber Chair
John Bishop Outlines His Priorities

By SAMANTHA MEHLINGER
Editor

John Bishop, president and CEO of MemorialCare Long Beach Medical Center and Miller Children’s & Women's Hospital Long Beach, is the incoming chair of the Long Beach Area Chamber of Commerce. He is the fourth CEO of these hospitals to serve in this role. The Business Journal sat down with Bishop to discuss his priorities for the chamber and his thoughts on its role in the city, as well as his views on the business climate in Long Beach.

**LBBJ:** What are your priorities as chair of the chamber?

**Bishop:** The focus and emphasis is really on supporting small businesses. I firmly believe that small businesses are the engine of any city’s economy. There has been a good amount of work around supporting small businesses at the chamber, and this will be the third year that our Small Business Council will be having an expo in October where we will bring in small businesses to share with them best practices. This year, in particular, there is going to be an emphasis on what we call “the good life,” which is healthier living. We [MemorialCare] have had very significant success in reducing our employee health insurance costs by having a healthier workforce. And that includes everything from making unhealthy things like French fries more expensive in the cafeteria to having walking challenges. We have gyms at all of our campuses. We have seen a noticeable impact through our good life program.

**LBBJ:** So this is something you’re going to be informing small businesses about?

**Bishop:** Yes. The Small Business Council will sponsor an expo, and it’s going to have a health care focus. If you want to have a healthier employee base, reduce your costs, reduce your sick days, reduce your leaves of absence, these are things that have been proven to work.

**LBBJ:** How can small businesses practice that? Those sorts of benefit programs are more common among larger companies because it can be hard for smaller businesses to have the resources and finances to do that?

**Bishop:** Well some [strategies] are smaller. Employees get their 10-minute break; encourage them to go on a walk. You can do simple things, like have fresh fruit available. You should encourage your employees and let them know that as an employer you are interested in their health. It’s not a grand plan. It’s just a lot of little things. You know, having people take the stairs instead of the elevator.

**LBBJ:** How do you feel about the chamber’s relationship with city hall?

**Bishop:** Obviosuly they work very closely together because the chamber is very influential, whether they support or oppose something that the mayor and the council members are bringing forward. The city council is maybe a little bit less conservative than the chamber – the chamber is purely pro-business. They are sometimes at odds around some of the initiatives that come forward, because the chamber is exclusively focused on business growth. And that can at times be at odds with some of the city council’s initiatives, particularly as it relates to labor unions and other social programs.

**LBBJ:** Do you think that the chamber has fairly good standing with the city and elected officials?

**Bishop:** I think they do. To my knowledge, they work together very collaboratively. John Keisler, the economic development director, came and spoke at our retreat to talk about all the things going on in the city. He attended the annual board meeting. So it’s collaborative, but some times folks have to agree to disagree.

**LBBJ:** What is your impression of the makeup of the Long Beach City Council? Do you think overall they’re business friendly, or not?

**Bishop:** I think the council has a lot of competing priorities, and they can’t afford to be as focused on any single aspect to the overall benefit of Long Beach. So it’s more challenging for them to always see eye to eye with the chamber. I think they have done an awful lot of things that have been extremely impressive, and they were actually the inspiration for my theme this year, which is “the road to success is always under construction.” I have lived in this city for almost 25 years now, and it’s completely different. Downtown has been revitalized. The number of projects that are ongoing – the Queen Mary revitalization, the Aquarium [expansion]. There has been so much that’s happened that it’s really elevating our city. Long Beach is a city that is uncommon in that you have so many generations living here. You have grandparents, parents, kids, grandchildren. That creates a sense of pride in the city that truly is uncommon.

**LBBJ:** So with this theme ‘road to success is under construction,’ were you inspired by the actual construction going on around town?

**Bishop:** Yeah. It matches our philosophy here in health care. You’re either continually improving or you’re moving backwards. We’re very strong advocates of a vision that says you need to get a little bit better every day because if you stop and rest on your laurels, you’re likely going backwards. So it matched up not only our hospital’s vision, the MemorialCare vision, but also the business vision of our city. The focus and emphasis is really on supporting small businesses. I firmly believe that small businesses are the engine of any city’s economy. There has been a good amount of work around supporting small businesses at the chamber, and this will be the third year that our Small Business Council will be having an expo in October where we will bring in small businesses to share with them best practices. This year, in particular, there is going to be an emphasis on what we call “the good life,” which is healthier living. We [MemorialCare] have had very significant success in reducing our employee health insurance costs by having a healthier workforce. And that includes everything from making unhealthy things like French fries more expensive in the cafeteria to having walking challenges. We have gyms at all of our campuses. We have seen a noticeable impact through our good life program.

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but it matched up with what the city council was trying to do.

Bishop: That’s an excellent question. I think any chamber can continually improve, which means finding a way to improve their influence, whether it’s with the elected officials with respect to legislation in Sacramento, or locally to improve on the traction that they get supporting the business community.

LBBJ: Is the chamber much involved with issues and legislation in Sacramento?

Bishop: They are. We generally take positions. There is a government affairs committee that is a delegated committee of the board that assesses issues and legislation, both locally and in Sacramento, that could potentially impact the Long Beach business environment. They take positions and then present them to the board. And then we will discuss whether there is any dissent. But generally speaking, they take issues that are pro-business, and it’s a small business-dominated board.

LBBJ: How is the chamber doing with membership? Is that something that needs to be worked on or grown?

Bishop: Well, you always like more members. There are always a few that leave every year, whether it’s for financial reasons or maybe they don’t see the value. But there are always new ones that come in. To me, what’s really encouraging and speaks to the quality of the chamber is that you have so many long-term members who are members at a higher level – it’s called the chairman’s circle – because they are seeing the value that they are getting from the chamber.

LBBJ: What is your impression of the current business climate in the city of Long Beach?

Bishop: I think it’s a thriving business environment. It continues to improve. It can be challenging though for small businesses, because as the economy improves and the prospects of business improve, rents go up. It can be challenging if you have a business model based upon rent at a certain level and suddenly the rents in the area go up. It either causes you to grow or change your business model, or there is going to be a new business that’s going to come in.

LBBJ: What would you say are some of the main challenges the business community is facing in Long Beach?

Bishop: Many small businesses have relatively low margins, and so as the minimum wage increases [and] health care costs increase, it becomes more challenging just to maintain an adequate margin and to stay in business.

LBBJ: What is your view of the Chamber PAC? Should the Chamber have an affiliated PAC and make endorsements?

Bishop: The chamber is very selective in who they endorse. It is not intended to be a political chamber, but it’s one that judiciously supports candidates based upon their pro-business platforms. . . . I think it’s a benefit to have a PAC to consider when they should lend their endorsement. And the best decision may be not to endorse anyone.

LBBJ: Are you involved with the PAC at all?

Bishop: I am not.

LBBJ: How would you describe the chamber’s role in Long Beach?

Bishop: It’s a very important part of the business environment because it is exclusively pro-business in Long Beach, and it has demonstrated its value over the years by its membership and its long-term members. Many of the events, like the State of the County, grow every year. And it just continues to have an increasing influence on the business community every year.

LBBJ: Are there any areas you’d like to see the chamber become more active?

Bishop: I think the chamber is headed in the right direction. In talking with [President/CEO] Randy Gordon and his successor, Jeremy Harris, they realize that they need to continue to grow and expand their influence, and they are committed to doing that.

LBBJ: Are you going to be the last chair under Randy?

Bishop: I am Randy’s last chair, which is quite an honor.

LBBJ: You going to throw some parties?

Bishop: [We’ll] send him on his Kobe Bryant farewell tour. [laughs]

LBBJ: What are the Long Beach business community’s greatest needs?

Bishop: There are many different areas of Long Beach that have different needs, and certain areas are ahead of others. So I think trying to ensure that business growth isn’t targeted to any one area of Long Beach, but to Long Beach as a whole.

LBBJ: What have you gotten out of your chamber membership?

Bishop: I have gotten exposure to many very impressive entrepreneurs who help me appreciate their perspective on the economy, on the challenges that they are facing. And it has been a very rewarding relationship from that perspective.

LBBJ: Is there anything you would like to add or emphasize?

Bishop: I would just like to add that I am very proud to be Randy’s last chair, and also very excited about Jeremy Harris coming in. He is very experienced, and had the experience to study under Randy’s tutelage for six years now. I think the chamber’s impact is going to continue to increase.
City Council To Consider New Economic Inclusion Strategies

By SAMANTHA MEHLINGER
Editor

At the June 11 Long Beach City Council meeting, 9th District Councilmember Rex Richardson plans to present recommendations for new economic inclusion strategies that would address housing and homeownership, small business, city procurement processes, workforce and youth development, diverse entrepreneurship and economic resiliency. At the same meeting, he intends to propose creating economic incentive zones to promote growth in areas of the city experiencing economic inequity.

The recommendations are outlined in the Everyone In Economic Inclusion Implementation Plan, which Richardson will ask his fellow councilmembers to adopt and subsequently direct the city manager to work on implementing. The plan was developed through a series of community and stakeholder workshops as part of the Everyone In economic inclusion initiative spearheaded by Richardson, the Long Beach Economic Development Department and the nonprofit Los Angeles Local Initiatives Support Collaboration.

There are four major recommendations included in the plan, including creating a procurement strategy for city contracts that focuses on local businesses and inclusivity. Richardson told the Business Journal that the city council’s method of ensuring that city procurement is inclusive – whether that be of LGBTQ individuals, minorities, veterans or other groups – has been to “sprinkle a preference on top of our policies.” He would like that to change. “I think we’ve got to take a step back from sprinkling it on top and talk about baking it in,” he said.

As an example, Richardson cited the experience of a local business owner who had to prove her heritage in order to certify her business as African American-owned. He noted that contract procurement processes are often different depending on the agency a business owner is trying to do business with. In Long Beach, for example, the city government, Long Beach Unified School District, Long Beach Transit and local college and university all have their own contract procurement policies, he said, explaining that they could also require different methods for businesses to certify as minority-owned. “Imagine if you had to go through five or six different processes just to prove that you’re a black person,” he said. “There should be some process, where you can simply certify once, and that counts for all the agencies that are doing business here. That’s a simple thing.”

Another component of the inclusion plan is to create a municipal small business council that would connect local small business owners to services and resources. “What if simply by having a business license in the city you are automatically eligible to participate for free in a municipal small business council that has regular meetings, has a staff person, has the opportunity to branch off and have a minority business council or an African American Business Council?” Richardson queried.

Richardson suggested that the cost to hire someone to run the council’s programs could be paid for by adding a small fee, perhaps $3, to the business license cost in Long Beach. Aside from that, the council’s services would be free, unlike those of other business agencies in the city, such as the Long Beach Area Chamber of Commerce or the various business improvement districts, he explained.

Also included in the plan is a recommendation to establish a community development corporation, a nonprofit agency that would focus on economic development at the community level. A priority for this corporation would be creating a U.S. Department of Housing and Urban Development (HUD)-certified counseling center for homebuyers.

Long Beach has for generations been “a tale of two cities,” as Richardson put it, with diverse communities clustered along major freeways. These areas experience more pollution and tend to have fewer resources and services such as banks and medical offices, he continued. In these areas, many residents struggle to afford to buy homes or keep their existing homes, and creating a HUD center would help those residents by advising them on how to keep their homes or stay within their communities, he explained.

The Long Beach Community Action
Nonprofit Aims To Address Succession Gap Among Long Beach Businesses

By PIERCE NAHIGYAN
Staff Writer

Privately-held companies in Long Beach that are 20-years-old and older represent more than 2,500 of the city’s businesses and employ almost 47,000 individuals, according to data released by the nonprofit Project Equity. That’s an estimated 36% of the jobs in the city’s private sector, according to Evan Richardson, the organization’s director of strategic partnerships and business engagement.

“It’s been the same story for many generations now that we have a tale of two cities in Long Beach,” Richardson said.

“One of the brilliant things that the guys at the Long Beach Economic Development Department have figured out is – as valuable as incubators and other resources that apply to startups are – the real crown jewels of a city’s business ecosystem are its long-time business residents,” Edwards said. “The city wanted to make an investment in ensuring that its business ecosystem is sustainable.”

To achieve this goal, Project Equity offers businesses three succession options: employee stock ownership plans (ESOPs), worker-owned cooperatives and employee ownership trusts. ESOPs offer tax advantages for companies of about 20 employees and $2 million in revenue by transferring a company’s shares into a trust for the employees. These shares are free to employees and gifted as a retirement benefit.

Worker-owned cooperatives establish a board of directors that is primarily comprised of employees, who then have equal votes on strategic decisions. Employees pay an equity buy-in. By contrast, an employee ownership trust does not require employees to pay for their ownership benefits and provides them with a share of the company’s annual profits. These shares are not circulated, but stay within the trust.

Edwards’ organization operates on three basic tenets, he said: providing a fair market value exit for current business owners, job stability and economic resiliency for employees, and the preservation of economic resources for communities like Long Beach. “A part of our commitment to the city is to keep these businesses rooted in the community,” Edwards said. Historically, worker co-ops were viewed as “sort of communist,” Edwards said, but Project Equity’s mission is to serve all of the stakeholders involved, from the retiring business owner to the employees and their customers. “[Owners] don’t want to see their folks lose their jobs,” he said. “By the same token, if they want to sell their business, they can’t be sure the new owner is going to take care of them. So this gives business owners an opportunity to exit, see a return on investment, and make sure that their long-time employees stay in place.”

Project Equity partners with the City of Long Beach, the Local Initiatives Support Corporation (LISC) and Citi Community Development to identify and meet with businesses that are interested in transitioning into a worker-owned cooperative. Citi has committed $300,000 to the effort, Edwards said.

“It’s a significant investment because they see the value in this work, both from the perspective of preserving local economies but also through the lens of creating greater equity for workers,” he went on.

James Alva, senior vice president and market manager for Citi Community Development’s Southern California and Texas operations, said his division focuses on ways to expand economic opportunity for lower-income and underserved households. For this population – and most of America – building wealth was traditionally achieved through homeownership, which has become increasingly expensive. “Particularly for communities of color,” Alva pointed out.

The second-best way that households can build wealth is through small business ownership, and employee ownership is an innovative approach to achieving that quintessential American dream, Alvin said.

When Project Equity was looking to expand into the Southern California area, it was Alva, a former Long Beach resident, who suggested it focus on Long Beach. After meeting with city staff to discuss the possibility of bringing Project Equity to the table, Alva said he was impressed with the economic development department and its efforts to promote economic inclusion.

“It’s really important that we preserve these businesses and these jobs, and Long Beach is one of those core communities that has long-standing industries,” Edwards explained.

Project Equity helps retiring business owners transfer ownership of their companies to their employees, and plans to begin local outreach this month. The organization is attempting to get ahead of the “silver tsunami,” a popular term used to describe the wave of retirements among the Baby Boomer generation that is anticipated to sweep across the United States over the next two decades. For businesses without succession plans, these retirements could have a major impact on local economies.

According to Edwards, owners tend to establish or acquire their businesses in their late twenties or early thirties. This is why Project Equity’s research focused on businesses that were formed 20 years ago or more, as their owners are more likely to be considering retirement. For potential retirees who do not plan to leave their businesses to a relative or successor, Project Equity offers what is essentially a “buyout” on behalf of the employees.

For the next two years, Project Equity is partnering with the City of Long Beach, the Local Initiatives Support Corporation (LISC) and Citi Community Development to identify and meet with businesses that are interested in transitioning into a worker-owned cooperative. Citi has committed $300,000 to the effort, Edwards said.

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“One of the brilliant things that the guys at the Long Beach Economic Development Department have figured out is – as valuable as incubators and other resources that apply to startups are – the real crown jewels of a city’s business ecosystem are its long-time business residents,” Edwards said. “The city wanted to make an investment in ensuring that its business ecosystem is sustainable.”

To achieve this goal, Project Equity offers businesses three succession options: employee stock ownership plans (ESOPs), worker-owned cooperatives and employee ownership trusts. ESOPs offer tax advantages for companies of about 20 employees and $2 million in revenue by transferring a company’s shares into a trust for the employees. These shares are free to employees and gifted as a retirement benefit.

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When It Comes To Preparing Community College Students For Future Employment, Nothing Beats Providing Them With Real Life Work Experience

Guest Perspective By SUNNY ZIA

When it comes to learning, nothing beats experience. That is why the Long Beach Community College District (LBCCD) recently reached out to our local business community to create The Center for Community and Industry Partnerships, an innovative new program created to connect its community college students with local business and community members through a one-stop shop type effort, to assist them with important internships, mentorships, and job opportunities.

In its short existence, the program, which was the joint brainchild of the Long Beach Community College District and the Port of Long Beach, is already proving to be tremendously successful, receiving widespread support and participation.

More than six months ago, the Port of Long Beach, motivated to strengthen its education partnership with the Long Beach Unified School District, Long Beach Community College District, and California State University, Long Beach, became the Long Beach College Promise’s first formal industry partner.

Hoping to better train and prepare the port industry’s next generation of leaders, the Port of Long Beach took their effort even one step further, deciding to strengthen their support by hiring and supporting the College District’s students.

What resulted from a joint brainstorm between the two organizations’ board presidents was the creation of The Center for Community and Industry Partnerships, a groundbreaking initiative that further expands the bond between the two organizations to other agencies and businesses who would like to participate.

The Center for Community and Industry Partnerships provides a number of important benefits for community college students and its local business community partners through:

- INTERNSHIPS – The Center facilitates invaluable internship opportunities for our LBCCD students. This real life work experience helps students explore various career options, allows them to gain important job related experience, and helps to better prepare them for employment after their education. At the same time, the program provides employers the opportunity to groom a future workforce in a way that best meets their business needs.

- MENTORSHIPS – Matching students with local business and community leaders allows them the opportunity to learn and be mentored by folks well experienced in both work and real life. It also allows the students the opportunity to gain important contacts who can be invaluable later during job searches and work challenges.

- CAREER OPPORTUNITIES – Partners are provided the opportunity to post job openings with the Center, allowing them access to well-educated community college students who have majored in everything from Logistics, Cybersecurity, and Engineering, to Advanced Manufacturing, Transportation Technology, and more.

- ACCESS AND EXPOSURE – Members of the Center for Community and Industry Partnerships gain access to a great network of business, agency and industry partners. Members will also receive mass regional and national media exposure for their part in stimulating the local economy, and taking part in investing in the future of the greater Long Beach community.

With participation from a variety of different industries like healthcare, local government, high tech, and non-profit management, The Center for Community and Industry Partnerships already has more than 50 committed local business and community partners.

We are optimistic that The Center for Community and Industry Partnerships will not only have a tangible impact on students’ economic prosperity, but that of our local business community as well and invite any organization who would like to take advantage of this great opportunity to contact the Center and join. For more information contact Marcia Parker at mparker@lbcc.edu.

Sunny Zia is President of the Long Beach Community College District Board of Trustees. President Zia has been serving on the LBCCD Board of Trustees since 2014.
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“One thing that is perhaps having an effect on home sales in California in a more pronounced way than other places is the new income tax limitations of state and local tax deductions,” Kleinhenz said, referring to changes made by the new federal tax law that went into effect last year. “It used to be you could deduct the full amount of your state and local taxes. But now it has been limited to $10,000.”

The retail market in Long Beach is also undergoing changes. Two new shopping centers – the Long Beach Exchange and 2nd & PCH, which is opening in the fall – are providing new options to locals and visitors. “The interesting question, in my mind, is what will happen with 2nd & PCH coming online later this year,” Kleinhenz said. “Geographically, the shopping center is about as well-positioned as you can get, because it’s on the east side where you have a lot of households with more purchasing power. . . . To enter the marketplace now or over the next several months, you can’t really do any better than this because you’re at the peak of economic activity right now. Having said that, when times get leaner, the question is how are people going to choose to spend their retail dollar?”

Existing brick and mortar retailers continue to be challenged by online retailers, Kleinhenz observed. Petra Durnin, CBRE’s director of research for its Pacific Southwest region, offered perspective on how retailers ought to adapt. “For larger retailers, an online presence goes hand in hand with a brick-and-mortar presence and retailers must adapt to the omnichannel environment to survive. Smaller retailers with niche offerings can still find an audience but may need to get creative in how they sell goods,” she said.

When it comes to the office market in Long Beach, not much has changed in recent months. According to Durnin, the vacancy rate of office space in Long Beach was 18.9% at the end of the first quarter of 2019. The suburban office market, however, had a vacancy rate of just 10%. Kleinhenz noted that the vacancy rate in the South Bay as a whole was 18.2%. He attributed this rate to an ongoing trend in the office market for several years now – workers need less space for the computers and papers, if they have papers at all, he noted.

The vacancy rate for industrial space in Long Beach, and the South Bay as a whole, remains low even as exports through the San Pedro Bay ports have declined due to the trade war with China. Imports are holding steady, however, Kleinhenz noted. “As long as our economy is doing well, people and businesses are going to want goods, whether they are manufactured here or abroad. So that should support inbound container activity,” he said.

When it comes to the local multi-family market, the headline stories in Long Beach continue to be rising rental rates and the ongoing development of more than 6,000 new units. Rental rates in Los Angeles County increased by about 6% from 2017 to the end of 2018, but wages did not increase by the same percentage, Kleinhenz noted.

“Even with the flood of new rental units, L.A. still has a large housing deficit and the perpetual tight vacancy will put further upward pressure on rental rates,” Durnin predicted. Kleinhenz, however, believed that rental rates in Long Beach could soften a bit due to the number of new units coming online. “The increase in the number of units almost assuredly has to have some sort of softening effect on rents,” he said, adding that most of them are located downtown. “We’re really offering one flavor right now with the new rental units that we’re bringing online,” Kleinhenz said. “And we sure know that Long Beach is full of varied kinds of households. So it’s not clear at all that the housing needs for would-be renters, especially new arrivals, are going to match up with what’s being offered right now.”

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(Continued from Page 1)
2369 PACIFIC AVENUE, LONG BEACH, CA
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2601 N. BELLFLOWER BLVD., LONG BEACH, CA 90815
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Single-Family Real Estate: Still A Sellers’ Market In Long Beach

By PIERCE NAHIGYAN
Staff Writer

In the Long Beach single-family real estate market, sellers still hold the advantage. Realtors who spoke to the Business Journal said the market is showing signs of evening out, but demand for homes continues to exceed supply.

 Whereas a balanced real estate market, in which buyers have more room to negotiate, holds at least six months of stock, the most recent data for single-family detached homes in Long Beach places inventory at about 2.8 months, according to Phil Jones, president and CEO of Coldwell Banker Coastal Alliance. Comparatively, during April 2018, inventory was at 2.1 months, he noted.

When compared to the start of 2018, the increase in supply is even more significant; at the time, the inventory of homes for sale in Long Beach was just 1.7 months, according to Beatrix Whipple, CEO of Long Beach real estate agency The Whipple Group. During that time, sellers could list their homes at more “aspirational” prices and probably find a buyer, she added.

Pending sales for single-family homes have decreased 10.5% compared to April of last year, with closed sales down 8.6%, Jones said. “Slower rate of sale and a few more listings coming on the market leads to the inventory growing,” he explained. The slowdown is a “cause” eviction, no tenant relocation

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"The Millennials, they’re starting to come in. . . . They are not concerned about getting married so much, but they want their retirement set first. So, knowing that purchasing a home would get them to retirement quicker, they seem to be getting that message and they’re jumping in.”

West and North Long Beach are generally more affordable areas to look for a house or condo, Jones said. The 90803 zip code, which encompasses Belmont Shore and Naples Island, has some of the most expensive homes. Yet all real estate agents that spoke to the Business Journal noted that Long Beach is probably the least expensive beach city in Southern California.

“Especially if the house is in Belmont Shore where they’re going for over $1 million . . . those same houses in Orange County would have gone for $3-4 million,” Tosses said. “I often tell people, if you want better-priced beach living, this is probably your spot.”

Maruja Tosses is a real estate agent Keller Williams Coastal Properties. She told the Business Journal that single-family homes in the $550,000 range are currently available in North Long Beach and across from the Long Beach Exchange. (Photograph by Brandon Richardson.)

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Beatrice Whipple, realtor and CEO of The Whipple Group, said Long Beach is still a seller’s market for owners who list their homes appropriately. “If a property isn’t priced correctly, it will suffer price reductions and longer days on market,” she explained. (Photograph by Brandon Richardson.)
New Tenant Policy, Additional Units Could Ease Apartment Rental Rates

By PIERCE NAHIGYAN
Staff Writer

Low vacancy rates and limited inventory have made Long Beach a “landlord’s market” in recent years, according to George Bustamante, vice president at Coldwell Banker Commercial BLAIR WESTMAC (CBC-BW). Rents have risen by about 5% annually over the last few years, he said, but that may soon change. The AMLI Residential building at 245 W. Broadway brought 222 Class A residential units online, and another 1,200 units from other developments are slated to open within the next year. Bustamante and his fellow CB-CBW Vice President Steve Warshauer said the increase in inventory could lessen the pressure on B and C Class units down the line.

“There are people in B and C [Class] properties that would like an A [Class unit], but until recently there was none of that available in Long Beach,” Warshauer said. Most of this new development has been focused in Downtown Long Beach, where parking and amenities are more available, he added. Already, the AMLI building is about 30% leased up, according to his firm’s data.

“The need and the demand for housing in the downtown area seems to be pretty good, because people who rent, they want the amenities close by,” Bustamante said. “They want to be able to walk to a restaurant, they want to be able to walk to a grocery store, they want . . . public transportation.”

Despite the yearly rent increases, Bustamante noted that current Long Beach rents are still “a bargain” compared to neighboring Orange County and Los Angeles. The median market rent for the City of Long Beach is $1,515, according to Robert Stopp, president and founder of multi-family brokerage firm Stepp Commercial. The average rent across all classes and sizes of apartment units is about $1,800 a month, Bustamante said. That’s significantly more affordable than the average rent in Huntington Beach ($2,235 per month) or the greater Los Angeles-Long Beach-Anaheim metropolitan area ($2,360/mo.), he said.

“We’re getting people and businesses moving here because the sale prices and the rent prices are very, very competitive,” Warshauer said.

Long Beach offers a diversity of multi-family housing options and prices, Bustamante continued. Of the new product coming online, he said studios average about $2,000 per month for 500 square feet, or $4 per square foot. Older product in West Long Beach is $2 per square foot and below, by comparison. “And you’ve got everything in between,” he said.

The average vacancy rate for all multi-family inventory in Long Beach is hovering between 3.9% and 4.5%, Stepp said. Vacancy rates are lowest in East Long Beach, he went on.

“The most affordable rental locations in Long Beach are the north and west submarkets due to the older, un-revamped inventory,” he explained.

Bustamante and Warshauer estimated that the recent approval of a tenant relocation assistance ordinance by the Long Beach City Council would adversely impact the real estate market. The ordinance, passed on May 21, requires landlords to assist tenants with relocation costs up to $4,500 if their rent is raised more than 10%. Warshauer said that, following the council’s decision, CBCBW clients withdrew about $4-5 million in investment offers for Long Beach multi-family properties. Investors are afraid that policy changes like these could lead to rent control, which could further hamper new investment, he explained.

Steve Bogoyevac, senior managing director for Marcus & Millichap, said he had heard similar concerns. “I’m curious to see how it’s going to play out. In other cities that have rent control, landlords stop investing in their buildings because they’re capped on what they can rent them for . . . and it makes it harder for them to maintain their properties,” he said.

However, Stepp said it was too early to know how tenant protection policies will affect the market in the long term. “There are still many unanswered questions and undermined specifics,” he told the Business Journal. “While some sellers have decided they would like to move away from the Long Beach market . . . many owners are trying to determine what the new tenant protections policies really mean for their investments.”
Commercial Real Estate Is Business As Usual Across All Markets

By BRANDON RICHARDSON
Senior Writer

All sectors of commercial real estate remain stable in terms of average asking rents and vacancy rates, with only minor changes occurring from the fourth quarter of 2018 through the first quarter of this year, according to local real estate firms. The Long Beach office market continues to struggle more than the retail and industrial markets, which are both experiencing added inventory with several new development projects.

New Retail Centers Cause Slight Vacancy Increase

The Long Beach retail real estate market is in constant flux, with businesses shuttering and new ones opening in their places. The Long Beach Exchange retail center at Douglas Park, where businesses began opening their doors one year ago, and 2nd & PCH in Southeast Long Beach are the newest additions to the retail market and have attracted many local, chain and high-end tenants. Retailers along 2nd Street in Belmont Shore, where there is a mix of local small businesses and chain stores, have voiced concerns about the new luxury center opening down the road. However, Centennial Advisers Vice President Catherine Morris agreed, stating that shops and restaurants must become destinations by creating an atmosphere that is shareable on social media. Morris used the example of an ice cream shop or bar that has one particular dessert or drink that is photo-worthy, attracting guests seeking to share the experience with their Instagram followers.

Online shopping and the experiential evolution of retail continue to claim casualties within the soft goods industries. Major retailers have shuttered some or all their brick-and-mortar locations, including Charlotte Russe, Payless ShoeSource and Gap, which are all set to close hundreds of stores in 2019. Even Starbucks announced the closure of 150 locations within saturated markets in 2019, according to moneywise.com.

“People want higher quality,” Morris said. “I think we’re entering into a more quality-driven era versus quantity.”

Leasing and sales activity by service companies, such as small branches of insurance or investment management companies, has increased in the retail market, according to Shea. He explained this is because finding a small space in a retail center is easier than finding one in an office building, despite retail space being more expensive in most cases.

Lower Demand For Office Continues, Potentially More Conversions To Come

Despite increased office vacancies, rental rates remain strong in Downtown Long Beach and have increased in the suburban market, according to a Cushman & Wakefield report. Average asking rent in the suburban market increased by nine cents to $2.38 per square foot in the first quarter compared to the previous quarter, while rents in the downtown market decreased two cents to $2.43 per square foot.

The downtown vacancy rate increased from 18.8% overall in the fourth quarter of 2018 to 19.9% during the first quarter of this year. Vacancy in the suburban market increased from 8.1% during the fourth quarter last year to 9.3%.

While the suburban market is seemingly stronger than the downtown market in terms of vacancy and rent growth, it is important to note that two large buildings are being vacated within the next 18 months: the Port of Long Beach interim offices and the Epson America headquarters. The port offices at 4801 Airport Plaza Dr. are being vacated within the next several months when the port transitions to its new building at the Long Beach Civic Center. The administrative offices currently encompass all eight stories of the 176,375-square-foot building. Epson currently occupies a five-story building totaling about...
136,000 square feet at the Kilroy Air-
port Center, but recently announced it
will vacate the building in summer 2020
when it moves to Los Alamitos.

A third, but uncertain, loss in Long
Beach’s suburban office market looms,
according to CBRE Senior Vice Presi-
dent David Smith. He explained that Mo-
lina Healthcare is likely to vacate “a fair
amount of space” at 1500 Hughes Way.
“It’s up in the air right now. They are
currently occupying about 170,000
square feet,” Smith said. “It’s to be deter-
mined how much they will actually va-
cate, but I would say at least half. Maybe
all of it.”

Despite the loss of major tenants,
Smith noted that full-building vacancies
could open up opportunities for prop-
erty owners to renovate the properties into
more creative and inviting spaces, which
are not widely available in the suburban
market. He described creative office as
having more open floor plans, amenities
for employees to enjoy, outdoor spaces
and common areas for employees to col-
laborate in a relaxing environment.

Regardless of what happens with the
buildings, Smith noted that having spac-
es vacate on a staggered timeline will make
it easier to backfill them than if all
properties were to hit the market at
the same time. Brian Russell, vice presi-
dent of Kinney’s Brokerage House, said
it is unlikely that the vacated buildings
would be taken over by a single tenant.
He agreed with Smith, noting that the
buildings will likely be renovated for
smaller users. Russell added that it will,
optimistically speaking, take a year for the
suburban market to recover once these
buildings are vacated.

Of all commercial real estate sec-
tors, Russell said office space is the one
still lagging behind in terms of vacan-
cy. “The Chase Bank building is being
sold for . . . residential development,” he
noted. “Switching it to residential shows
you the lack of demand for office.”

Located at 401 E. Ocean Blvd., the
Chase building is currently listed for
sale on loopnet.com for $32 million. The
134,773-square-foot building is listed as
a redevelopment opportunity, perhaps
for residential or hospitality use. Russell
added that a conversion of the building
to residential would add it to a length-
ening list of converted downtown office
space over the years, including the for-
mer Verizon Building, the Edison build-
ing and the former Security Pacific Na-
tional Bank building.

As entire buildings are removed
from the office market, others – mostly
downtown’s Class B and C properties –
are being converted into creative spac-
es to remain competitive, according to
Coldwell Banker Commercial BLAIR
WESTMAC President Becky Blair. Va-
cant retail spaces are also being convert-
ed, she noted.

“Larger retail businesses that are try-
ing to compete with Amazon . . . are
having big vacancies,” Blair said. “As an
example, there’s a building . . . in Los Angeles,
that’s recently been transformed to creative office. It
shows some of the different uses that are
happening.”

In March 2017, Long Beach-based
Retail Design Collaborative opened its
new office inside a former Nordstrom
Rack location. The architecture firm
moved out of a Class A office building
into the 34,300-square-foot space, which
now provides its employees with a cre-
ative work environment.

Companies in the market for smaller
office space, around 5,000 square feet or
less, are still looking to buy, Blair said.
She explained that current sales prices
are selling about half of their inventory
potentially have a negative impact on the
industrial market, should imports decline
and less warehouse space be needed.

Tight supply and high demand contin-
ue to put upward pressure on average in-
dustrial rents, which increased from $1
per square foot in the fourth quarter of
2018 to $1.02 per square foot in the first
quarter of this year, according to Lee &
Associates’ reports. However, while av-
gerage rents continue to increase, the av-
average sales price continues to decrease,
falling for the second quarter in a row
from $186.06 per square foot in quarter
2018 to $179.92 during the first
quarter of this year. Average sales price
reached a peak during the third quarter
of 2018 at $259.88 per square foot.

“Our biggest challenge is the prod-
uct shortage. The lack of product in the
marketplace is having an effect on deal
volume,” Lee & Associates Principal
Brandon Carrillo said. “[Some] startup
companies, as well as companies look-
ing to expand into this market, are hav-
ning a real difficult time justifying the
lease rates.”

Municipal government policies are
impacting the ability of truck and trailer
operators to find space in Long
Beach and surrounding areas, Carrillo
explained. Unless a site already has a
permit for trucking or trailer use, com-
panies have to go through the process
of obtaining a conditional use permit,
which takes time and money.

Total sales transactions decreased
from $176.83 million during the fourth
quarter of last year to $153.96 million
during the first quarter of this year.
Carrillo explained that new environ-
mental laws coming into effect is mak-
ing sales more difficult. Costly require-
ments for additional environmental
reviews may cause total transactions to
decline further. ■
California Legislators Offer Spate Of Proposals To Deal With Housing Crisis

By PIERCE NAHIGYAN
Staff Writer

To address California’s ongoing housing crisis, Gov. Gavin Newsom has called for the construction of 3.5 million new housing units by 2025. That would equal an average of 500,000 new units every year—more than six times the number of homes California actually builds each year, according to the state’s department of housing and community development. Yet the governor has taken this goal seriously, proposing a $1.75 billion economic package to deal with the housing crisis and even directing his attorney general to sue the City of Huntington Beach for failing to meet its housing allocation goals.

But what of the legislature? Have California’s assembly and senate risen to the governor’s challenge? Senate Bill (SB) 50, the most sweeping housing reform yet attempted, was postponed last month by the Senate Appropriations Committee until 2020. SB 50 would have changed zoning laws to allow the construction of taller buildings and multi-family housing in areas currently dominated by single-family homes.

The bill was opposed by Long Beach Councilmembers Al Austin and Stacy Muñgo, who claimed that the bill would negate local laws in favor of a “one-size-fits-all” state solution that would reduce density in single-family neighborhoods. They asked their colleagues to oppose the bill, and the council ultimately made a formal vote to that end.

Several more proposals that aim to address facets of the housing crisis remain active in the legislature. SB 330 was proposed by Senator Nancy Skinner (Senate District 9) and has the support of the Pacific West Association of Realtors. The bill would make it easier for new developments to obtain permits, eliminate a host of fees on low income units, and prohibit restrictions on certain types of housing construction as well as the demolition of rent-controlled units.

Skinner told the Business Journal that the bill was inspired by her firsthand observation of what happens when a city suddenly loses many units, such as during the Oakland firestorm of 1991, while she was on the Berkeley City Council. To replace the destroyed units, the cities streamlined their permitting process in order to build more quickly, she said. “We are in a housing crisis up and down the state. All of our local governments have zoned for more housing than has yet been built, so I thought, okay, let’s just let local governments do what they’re doing, but do it faster and more efficiently,” she said.

Laura Foote, executive director of pro-development advocacy group YIM-BY Action, said she was a “passionate supporter” of SB 330 for its attempt to streamline and simplify housing production in areas that need it. “Really, it’s just a grab bag of ‘don’t make the problem worse.’”

Assembly Bill 1763, proposed by Assemblymember David Chiu (Assembly District 17), would eliminate density limits for affordable housing units located near specified transit corridors and enable the construction of taller buildings. The bill also offers subsidies to developers building housing developments that are 100% dedicated to lower-income households. “It’s a great bill,” Foote said. “You need a certain amount of density to make a subsidized project worthwhile. And making sure that you can actually build to that density, and especially near transit, is really important. It would be great if we could apply that same kind of philosophy to all kinds of housing, but if we can agree about subsidized affordable, that’s a good step forward.”

Three housing bills proposed by Assemblymember Phil Ting (Assembly District 19) were approved by the assembly last week. AB 68 and AB 69 focused on accessory dwelling units (ADUs), also known as “granny flats,” by streamlining their permitting process and expediting their construction respectively. “Accessory dwelling units are probably some of the fastest, cheapest ways that we can build moderate income housing,” Ting said. “It fits right into neighborhoods, so it doesn’t stick out. It’s actually density that most people are fine with because it just adds a slight amount of density to any neighborhood.”

Ting said he doesn’t anticipate much opposition to the bills in the senate. “Given all the issues we’re facing regarding housing, this is really one of the most popular methods.”

A co-author of SB 50, Ting said it was unfortunate that the bill has been put on hold. “But the pause on SB 50 made this legislation even more important,” he said of AB 68 and 69. “There’s almost no legislation talking about streamlining and production of housing. We’re doing tax credits, we’re doing subsidies, and we’re doing some tenant work, but there’s actually very little that’s helping on the production side.”

Ting also proposed AB 1486, which prioritizes affordable housing projects on public land near key transit sites, schools and employment centers. To become law, Ting’s three bills would need the governor’s signature by mid-September.

AB 1484, proposed by Assemblymember Tim Grayson (Assembly District 14), would require local governments to clearly state all fees associated with housing developments on their websites. The California Association of Realtors is a co-sponsor of this legislation, stating that it promotes clarity on all development fees.

Foote summed up her opinion on AB 1484 succinctly: “Anybody who opposes this bill is against transparency,” she said. Foote went further, calling the arguments against the bill “laughable.” It should not be difficult for governments to list all their fees online, she said. “Right now, when someone wants to propose a housing project . . . it is unknowable at the beginning of that process what the total amount of fees are going to be. So you get this problem of permitted buildings that don’t get built.”

The official stance of the Pacific West Association of Realtors is that California should build its way out of the housing shortage, CEO Phil Hawkins said. This also has the added benefit of creating more construction jobs and economic activity for the state. By contrast, proposals that aim to regulate housing are likely to have unintended consequences and create more government bureaucracy, he said.

In Hawkins’ estimation, the best proposals are those that pave the way for more construction. “For instance, more streamlined and accelerated land-use approvals for homebuilding, greater flexibility in the construction of accessory dwelling units, zoning that supports mixed-use and infill projects, and enhanced voluntary incentive programs for the development of low to moderate-income units are all housing approaches that can contribute to addressing home supply and affordability,” he said.
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The days in which lenders see a large portion of their business volume coming from homeowners refinancing their mortgages may be coming to an end as the economy and housing market are in the process of changing.

Even though mortgage rates have dropped a little since last November, mortgage industry leaders at the recent Mortgage Brokers Association (MBA) National Secondary Conference in New York City pointed out that during the last decade rates stayed between 3.5-4.5%, during which time the bulk of those owners who could benefit from getting a new mortgage went through the process.

“It is structurally a different mortgage market than we’ve seen in the past,” MBA Chief Economist Mike Fratantoni said at the conference. “That long period of refi activity concentrated the entire market into a narrow band. There was a much wider spread in rates in the ‘70s, ‘80s, ‘90s and ‘00s, providing a greater opportunity for refinancing activity. We’re close to a floor in refis. We will get these little boomerlets when rates drop.”

He noted that the more stable rate environment we are currently in will help first-time buyers, as will the fact that the housing market is not what it was even less than a year ago. Home prices are starting to stall or even come down a bit.

According to the MBA, the volume of refinanced mortgages came out to $97 billion in the first quarter of this year and will grow to $146 billion in the current quarter. Moving forward, however, the third quarter is probably going to drop to $100 billion and the fourth quarter of this year will drop down to $95 billion.

With the concentration in the mortgage industry toward purchase originations, the shortage of homes available on the market is a concern in the industry, and has been for a while.

“My biggest worry about the housing market,” said Laurie Goodman, co-director of the Housing Finance Policy Center at the Urban Institute, who also spoke at the conference, “is the lack of supply both now and in the future.”

She revealed that there are 1.28 million new units being created annually. But homes becoming obsolescent reduces that to just $55,000 on a net basis. New household formation is running at a 1.2 million annual pace. The average home in this country was constructed in 1977, meaning more houses are aging and becoming obsolete.

Over regulation and land use issues are the largest obstacles to building more homes, added Goodman, who noted that these factors are driving up the land cost at a faster rate than the cost of the actual construction. “Building codes are more stringent than they can be, which adds to the cost,” she said.

This trend is impacting the lower tier of the market, where there is only 24.5% of the supply, said Goodman. At the highest price levels is where 44.8% of the inventory lies, meaning move-up buyers have a lot more to choose from that those at the entry level.

Another factor that has had an impact on the market since the beginning of the recession is the trend for older homeowners to not move as much as they have in the past. The experts at this conference noted that this aging in place trend has constricted the supply of homes, especially larger ones that would accommodate families. Many older owners who used to sell and downsize have found that financially their best options are to stay in place – especially in a home that could be paid off and is in an area that they are familiar with.

Most of those at the conference believed that new construction is going to be the key for the mortgage market and will present the most opportunities for industry growth, since the refi segment may have exhausted itself during this cycle that has run its course over the past decade.

Terry Ross, the broker-owner of TR Properties, will answer any questions about today’s real estate market. E-mail questions to Realty Views at terryross1@cs.com or call 949-457-4922.
Building A Better Long Beach: 2nd & PCH
Bringing New Food, Shops And Services

By PIERCE NAHIGYAN
Staff Writer

The 215,000 square-foot development at the southwest corner of East 2nd Street and Pacific Coast Highway (PCH), the aptly named “2nd & PCH,” is scheduled to open in October 2019. Owned and developed by CenterCal Properties, the shopping center replaces the SeaPort Marina Hotel and is slated to feature a host of amenities, including fire pits, wi-fi stations and bicycle lanes.

In addition to generating sales tax revenue for the city, the center has the potential to become a major gathering place for city residents, 3rd District Councilmember Suzie Price told the Business Journal. “Beyond having a major aesthetic improvement to the southeast entrance to Long Beach, this new shopping center will provide a place for residents and visitors to the area to enjoy the waterfront,” she said. “I have been waiting a long time to have a place to go to with my family for an evening out where there are lots of great dining options and shops to visit. I know many of my friends and neighbors feel the same way.”

CenterCal President Jean Paul Wardy said he and his firm are looking forward to the center’s opening. “The community has been wonderful, the city has been a great partner for us, and we’re really excited about how the project is resonating with tenants,” he said.

On May 20, CenterCal released a list of 20 confirmed tenants for the development, including the shops Urban Outfitters, Free People and Linne’s Boutique; service businesses Chase Bank, HSBC Bank and AT&T Mobility; fitness and beauty tenants Barry’s Bootcamp, Hawt Yoga, Motion Stretch Studio, Sephora, Holly and Hudson Nail Lounge and The Solution; and eateries The Bungalow, Hungry Angelina, Shake Shack, Tocaya Organica, Mixt Greens, Ola Mexican Kitchen and Caffé Luxxe. Whole Foods Market & Café is relocating from its current PCH address at Marina Shores shopping center into a 45,000-square-foot space in the center.

CenterCal has developed several shopping centers across the western United States, but Wardy feels 2nd & PCH is special because of its idyllic location facing the marina and the family-oriented feel of the surrounding neighborhood. Wardy said his firm’s goal was to honor those elements by creating a destination that appealed to multiple types of consumers – from mothers with their children to someone just stopping by to grab a coffee or groceries.

“We spend a lot of time thinking about lighting and seating areas and landscaping, and the things that really support a trip to our project,” Wardy said. “How does the parking function? What’s the walkway from one part to another? The finished development is set to contain approximately 1,100 parking spaces, with close to 80 on the street.

Price said the communication between her office and CenterCal has been open and communicative throughout the development process. “We talked often, and they were very open to my suggestions on retailers and businesses they should try to recruit to the city,” she said. (Image courtesy of CenterCal LLC.)
**Financial Institutions Step In**

(Continued from Page 1)

est loan. “Having that experience has helped me be empathetic and understanding, and know how to talk to different groups of people about how I’ve been there, I know, and I was able to succeed and give them the information that helped me,” Sanchez explained.

A person’s level of financial literacy is likely to have a significant effect on their chances of success and quality of life, “It affects every aspect of your life,” David Koch, a senior wealth advisor with Long Beach-based wealth management firm Halbert Hargrove, told the Business Journal. “So being able to navigate the system should be part of every American’s education.”

Still, many Americans lack financial literacy and are unaware of the impact this knowledge gap could have on their future, Koch noted. “The whole country has a pretty large subset of people who aren’t familiar with credit terms or banking structure or how your credit score, for example, can impact you in many different ways,” he said.

Personal finances have not been part of the public education curriculum. “Learning those skills is dependent upon other resources in the community,” Koch, who volunteers with a local financial literacy program, said. “I think most people learn it from their families. So, if their family’s not familiar with those skill sets, then it’s often not passed down to the next generation.”

In 2017, the California Senate passed Senate Bill 583, asking the Instructional Quality Commission, an advisory body to the state board of education, to develop and publish a curriculum on financial literacy for instructors to use on a voluntary basis. In the meantime, financial institutions, nonprofits and volunteer organizations are stepping in to fill the gap.

Parents are increasingly aware of the importance financial literacy has for their children’s success. “I’m seeing a trend even just with the conversation, the subject matter becoming prevalent in schools because it’s being demanded by parents of students. They want them to be educated on this,” Crystal Bout-jette, director of integrated marketing and communications with the financial literacy nonprofit Junior Achievement, told the Business Journal. “Parents are asking for this to happen. They don’t understand why these life skills aren’t a requirement in the classroom.”

Today, Millennials and succeeding generations are especially in need of financial education, as student loans have become more prevalent. “We’re going to see a generation of students that we’ve never seen before because the cost of attending college is just so high,” Kat Delgado Kirkwood, senior vice president of programs at Junior Achievement, noted. “That’s a unique situation that [prior] generations have never seen before and haven’t had to deal with.”

The American financial system has grown increasingly complex since the 1990s, when general-purpose credit scores first became widely adopted. “When you don’t have a good credit score, you can’t purchase a home, you can’t purchase a car; it cripples you, where you can’t be financially sound individual,” Kirkwood said. “Early exposure and de-mystifying credit score points is really the way you break the barriers and the way you inform students.”

With the naissance of cryptocurrencies like Bitcoin, another piece has been added to an already crowded and complicated mosaic of investment opportunities. The level of technical know-how required to trade and invest in cryptocurrencies, their novelty status and volatile trade-in values offer a fertile breeding ground for fraud. “When I was growing up, there was no bitcoin or cryptocurrency,” Sanchez recounted.

“The type of fraud that we’re experiencing now is completely different from the type of fraud that happened back in the day.” As financial transactions become more digitized and cash becomes less prevalent, balancing a checkbook can become more challenging as well. “It’s so much easier to spend money when you’re using plastic than when you have cash in hand,” Sanchez noted.

All in all, Sanchez said, younger generations’ struggles aren’t inherently worse, but different from their predecessors’ – and financial literacy education should respond to that. “Financial literacy is more than a program or a class, it has to be tailored,” Sanchez said. “Sometimes I feel like people think of financial literacy as a workshop or a one-time class, but it’s more of a mentorship and guidance.”

A 2014 graduate of the City of Long Beach’s Neighborhood Leadership Program, Sanchez leads financial literacy initiatives at several Long Beach high schools. Using the Bite of Reality program, Sanchez helps guide students through a simulated financial reality, in which they are given a fictional occupation, salary, spouse and family, student loan debt, credit card debt, and medical insurance payments. Students are then asked to budget for housing, transportation, food, clothing, household necessities, day care and other needs.

The program has been promoted by credit unions across the country, and Sanchez said familiarizing students with credit unions is an important part of her mission. “A lot of people don’t even know what a credit union is. Credit unions are not-for-profit financial institutions,” Sanchez said. “When a member opens an account with a credit union, they’re not a customer, they’re a member.”

For-profit financial institutions also offer programs to promote good financial habits and inform potential clients about the various financial products available to them. Wells Fargo is currently piloting a new program tailored to the Latino community that will promote strategies for financial health on social media with the help of Latina influencers. The bank also offers a Spanish-language online resource for financial literacy, El Futuro En Tus Manos – the future in your hands.

“For-profit financial institutions also offer programs to promote good financial habits and inform potential clients about the various financial products available to them. Wells Fargo is currently piloting a new program tailored to the Latino community that will promote strategies for financial health on social media with the help of Latina influencers. The bank also offers a Spanish-language online resource for financial literacy, El Futuro En Tus Manos – the future in your hands.”

In Long Beach, David Koch is spearheading a formal collaboration between Halbert Hargrove and Operation Hope, a local provider of financial education. Koch, who has personally participated as a volunteer in the organization’s Banking for Our Future program, said connecting educators with those in need of financial education is one of the biggest challenges. “You might have a group that wants to learn and a group that’s willing to teach, but if they can’t find each other, nothing’s going to happen,” he said. Making that connection benefits everyone, including local businesses, Koch noted. “I think if you have a higher level of financial literacy, you have a higher level of business acumen in the community,” he said.

Isela Panizo, branch manager at Orange County’s Credit Union in Yorba Linda, explains the app-based Bite of Reality financial literacy program to students. The complimentary program is designed to teach teenagers real-world skills they may not receive in traditional school settings. (Photograph Courtesy of Orange County’s Credit Union.)
Financial Service Providers Ahead Of The Curve On Data Privacy

By ALENA MASCHKE  Staff Writer

The data consumers share with their financial institutions is some of the most sensitive information around. Monthly income, shopping habits, social security numbers and much more are stored on the servers and in the file cabinets of banks, wealth management companies and accountants. Because of the sensitive nature of this information, financial institutions already face a high level of scrutiny and regulation when it comes to their handling of clients’ personal data.

The 1999 Gramm-Leach-Bliley Act (GLBA), also known as the Financial Modernization Act, requires financial institutions to explain how they share their clients’ data, give them the option of opting out of any sharing agreements and devise safeguards to protect personal information. In addition to this federal law, a new California statute, the California Consumer Privacy Act of 2018, is now causing companies across the country – including local and national financial institutions – to review the way they collect, handle and communicate the use of client data.

The new state law goes into effect on January 1, 2020.

“Right now, the way that the statute reads, it covers all personal information collected about California residents,” Dominique Shelton Leipzig, a partner at the Los Angeles-based law firm Perkins Coie LLP, told the Business Journal. This includes California residents who aren’t customers of the financial institution, but have merely browsed their website or otherwise interacted with their services and shared personally identifiable information.

Online, “cookies” stored on person’s computer by a website they visit are an example of a unique identifier that would qualify as personal information under the new law.

“The GLBA covers customer relationships,” Leipzig explained. “So if you have ever casually visit a website that you have assigned a persistent identifier to their device, so that you can tell whether they visit or not, but they never become a customer – that’s still personal information. And while it wouldn’t be covered under GLBA, it would be covered under the CCPA.”

Those unique identifiers, with the help of third-party services like Google Analytics, are often used by digital marketing teams toadvertise specific products to consumers likely to purchase or sign up for them.

Cookies and other non-client identifiers are only one new subset of information that hasn’t previously been covered by laws governing financial institutions’ handling of personal data.

“Employee data, unless that employee is a customer of the bank or the financial institution, that’s another bucket of data that’s not incorporated,” Leipzig noted.

W. Henry Walker, president of Farmers & Merchants Bank (F&M), said financial institutions are already much more aware of the sensitive nature of their clients’ and employees’ personal data than many other companies, giving them a leg up in the preparation for new data privacy regulations.

“Unlike many other businesses, banks and other financial services have been required since 2001 under federal law to provide disclosures, implement policies and practices, and train staff to address consumer privacy protection issues,” Walker explained.

“Even on the employee side, we keep our information confidential. So, the confidentiality of what we do as a financial institution has always been at the highest level and we will continue to do that.”

Companies handling the personal information of international consumers have been affected by a groundswell of data protection laws in previous years. Following the implementation of the European Union’s General Data Protection Regulation in 2018, companies like Facebook and Google have been the subject of investigations and hefty fines for their handling of consumers’ personal data, and many others have changed their protocols to comply.

“There’s a lot of other companies out there, large national and international companies, that have a whole lot of data on people. How we purchase, what we buy, what we like, when we turn our lights off at night,” Walker said. “There’s a lot of data out there that, candidly, should be confidential. And it’s beyond just the financial services side. That, I think, is concerning.”

Still, Walker said, F&M hasn’t seen increased interest in data protection in light of the new regulations among their client base. “I think there’s always a small percentage that have a high sense of urgency around these topics, but the vast majority presume institutions are handling their data correctly,” Walker said. “There’s an expectation that we will keep their data private.”

Michael Miller, president and chief executive officer of International City Bank, echoed that assessment. Miller said that in some cases, it’s even necessary to communicate to clients why certain measures are taken to protect their data and what could happen if their data wasn’t properly protected.

“We also try to help our customers understand these threats and explain how they can keep their data safe by ensuring that they are sending confidential or sensitive information through our encrypted messaging system, and recognizing these security exploits and potential risks in their own business practices,” Miller said. “When customers question why we take security measures that may seem time-consuming or extraneous, we explain that it’s to protect their data and their business.”

Farmers & Merchants Bank President W. Henry Walker, pictured in the vault of the bank’s main building in Downtown Long Beach, said financial service providers have long been held to a higher standard than other companies when it comes to the handling of consumers’ personal information. (Photograph by Brandon Richardson.)
in the coming weeks.

Given the current news cycle, I feel I owe an apology to anyone who actually took me up on these suggestions. Clearly, I spoke too soon.

At its core, “The Handmaid’s Tale” is a warning for what happens when extremists are allowed to rule with dogma rather than democracy. The result, at least in the case of Margaret Atwood’s dystopian universe, is that women are forced to bear pregnancies in order to help select affluent couples, rendered sterile by a recent nuclear war, have children.

We don’t live in a country governed by dogma (let’s assume I don’t have to say, “yet” yet). We aren’t separated in a caste system and forced to wear uniforms denoting our class, as the characters do in “The Handmaid’s Tale.” But soon, if legislators in more than a dozen states have their way, women across the United States may be forced to bear unwanted pregnancies – included those caused by rapists. That’s kind of a major aspect of the TV show so yeah, escapist? Not so much.

I am not going to bring my personal opinion into this, so try and bear with me. My point in delineating all of this is the following: as the 2020 election approaches, the topic at the forefront of national political debate is one centered on women. If the politicians representing us are going to be the ones telling us what we must do with our bodies, shouldn’t we make sure we have a say in that?

In Alabama, every single one of the legislators who voted for the state’s near-total abortion ban was a man. Most of them were Baby Boomers. Is that who Millennial women want to decide their futures?

In essence, here are the facts, fellow Millennial women: our elected representatives are mostly male and significantly older than us. Is that how we want it, especially at a time when our bodies are at the center of political debate? I’d also ask as the election season is nigh: Are women happy with the status quo? I dare to surmise that the massive women’s marches held the past three years in a row would suggest otherwise. No matter where you stand, you should vote. If you want agency over your future, that’s the simplest solution. And it would be an effective one. About 35% of the female electorate turned out to vote in the 2018 midterms, and fewer than half of the Millennial generation showed up.

Could you imagine how different the results might be if those percentages significantly increased? We could decide the next election. So, why don’t we?
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