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LOS ANGELES BUSINESS JOURNAL

ECONOMIC TRENDS 2022

The Los Angeles Business Journal was excited to host the 2022 Economic Trends virtual event on Wednesday afternoon, February 2nd.

The event featured three lively virtual panel discussions featuring leading experts on the hottest topics on the minds of LA area business leaders at the start of this year. The panels offered an insightful look back on the unprecedented challenges and silver linings of the past couple of years while providing a deep dive into the economic trendws we are facing moving forward.

Our outstanding group of panelists and moderators examined the issues as they shared their experiences and predictions for the year to come. The panels this year focused on the hot-button topics of "Real Estate: A Tale of Two Cities," "The Changing Workforce and Labor Shortages," and "Rebalancing the Economy," with expert insights and analysis about the impact current trends are likely to have on the overall economic climate.

Many thanks to our excellent panelists, who took the time to share their insights on the biggest headlines and where the market is going in 2022.

What follows are some selected highlight quotes from the event's experts.

REAL ESTATE: A TALE OF TWO CITIES

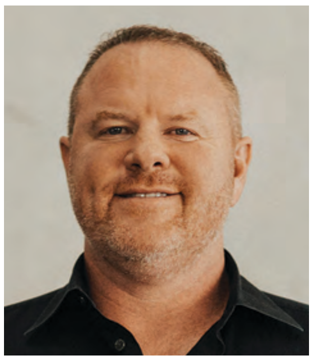
Moderated by Jim Kruse, Chief Executive Office of DPI Retail

Daniel Allen
Group Head of Real Estate & Healthcare for the Western Region
Bank Leumi USA

"In times of uncertainty, I focus on the fundamentals – cash flow, barriers to entry, replacement cost, and above all else... I always find a way to do business with a great sponsor."

Mike Kendall
Executive Managing Director, Investor Services | Western Region
Colliers

"The last 18-24 months have proven how crucial US industrial real estate inventory is to everyday life. Capital in both the private and public sector has taken note, and the demand indicates a positive outlook for the property type both in the near and long term."



Andy Meyers
Chief Executive Officer
Shangri-La Construction

"This moment calls on us to create a new paradigm between the public and private sector. When the government and private industry come together to solve complex problems and deliver services to our communities, we can confront our housing crisis head-on."

Kamran Paydar
First Vice President
CBRE

"The Los Angeles multifamily market saw significant improvement in 2021 after experiencing the worst conditions in 2020 in over a decade. All indicators point to a strong 2022 with rising rents, lower vacancy and continued price appreciation."

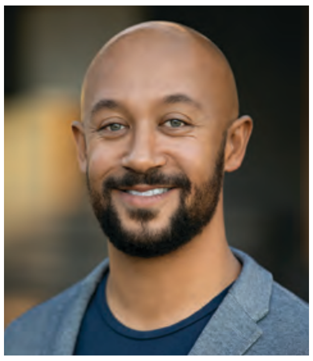
LOS ANGELES BUSINESS JOURNAL
ECONOMIC TRENDS 2022

CHANGING WORKFORCE + LABOR SHORTAGES

Moderated by Peter Strotz, Managing Partner, King & Spalding

Veetahl Eilat-Raichel
Co-Founder & CEO
Sorbet

"The concept of PTO is in dire need of disruption. The way it's currently constructed has proven to be a massive market failure and inefficient for both businesses and employees."

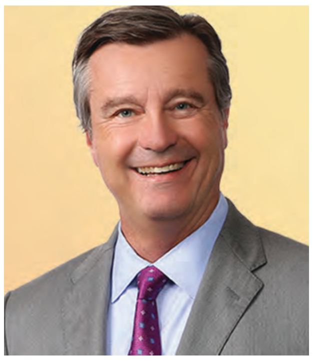


Branden Grimmett, Ed.D.
Associate Provost, Career and Professional Development
Loyola Marymount University

"College students have been juggling in-person and remote learning over the past 23 months. The silver lining is that this is great preparation for our current work reality."

Felicia Lyon
Principal, Human Capital Advisory
KPMG LLP

"The future of work is now. To thrive, organizations must embrace digital technology and analytical capacity, maintain connectivity with a highly distributed workforce, and engage our people in new ways."



Peter Strotz
Managing Partner
King & Spalding

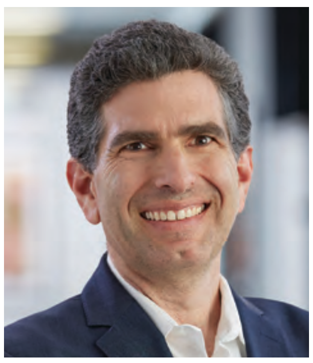
"Perks and bonuses are always nice, but to attract top talent, businesses must offer paths to career development and the ability to achieve accomplishments as part of a great team."

REBALANCING THE ECONOMY

Moderated by Josh Schimmels, Publisher & CEO of the Los Angeles Business Journal

Leo Feler, PhD
Senior Economist, UCLA Anderson Forecast
UCLA Anderson School of Management

"In 2021, the economy was still bouncing back from the depths of the pandemic. 2022 now presents more complex challenges – snarled supply chains, high inflation, slowing growth, and worker shortages. As the COVID threat wanes, we'll get more clarity on what the post-pandemic economy will be like."



David Lam, CISSP, CPP
Partner & CISO
Miller Kaplan

"I like to think of information security managers in the same way I do my CPA–someone who understands the nuance and makes it easier to do the right thing."

Luan Tran
Partner
King & Spalding

"Companies should take the recent supply chain disruptions as an opportunity to review their supplier agreements to see how those agreements may offer more advantageous terms."

To view highlights from the webinar, visit labusinessjournal.com/EconomicTrends

Los Angeles Business Journal
ECONOMIC TRENDS 2022

A Closer Look at the Economic Forecast for 2022

By MIKE KENDALL

The Greater Los Angeles industrial market has undoubtedly experienced a remarkable shift over the last year. Powerful fundamentals, including occupancy gains and construction activity, reached astronomical highs, and many of the Southwest regional markets posted historically low vacancy rates. As a result, Los Angeles remains one of seven markets demonstrating robust absorption levels, amongst other significant players such as the New York City metro area, Columbus, and Philadelphia.

Regionally, we see a recurring theme of scarcity. Our tight markets suggest a strategic race for developers and landlords as we maneuver the limited land available for development. Coupled with this trend are significant rent rates, sitting at more than $1.24 NNN per square foot. We are situated, once again, in a dominant market displaying year-over-year asking rent increases exceeding 44%.

Further demonstrating the region's activity are record levels of the industrial product under construction across the U.S. A substantial 477.2 million square feet of industrial space was under development at the end of 2021's Q4, and the top 25 markets account for 76 percent of all industrial action. Greater Los Angeles, Dallas-Fort Worth, Atlanta, Indianapolis, and Chicago reported more than 20 million square feet under development. At the same time, construction activity in Orange County remains vigorous, registering an increase of 3.2 million square feet and thus closing out Q4 of 2021 with 1.5 million square feet of leasing and sales pursuits.

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Other notes of impact here are vacancy rates. Our market posted the lowest vacancy at 0.93 percent and is one of few with velocities lower than 1 percent. The industrial market in Los Angeles is positioned as the largest in the U.S., characterized by some of the highest asking rents and lowest vacancy rates of any market in the nation.

The opportunity this region offers investors is imperative in the discussion of development. In conjunction with heavy hitters like New York, Boston, and San Francisco, projections lean heavily on Los Angeles remaining a leading investment destination for 2022.

Investors are highly encouraged by the liquidity in the market today, with debt and equity widely available. Investors are also moving out along the risk spectrum in the same breadth, with value-add plays becoming more commonplace.

With extreme shifts in the investor sphere, consumer rates are a significant consideration. Consumer prices increased 0.5 percent in December 2021, pushing the rise in cost-of-living last year to a nearly 40-year high of 7 percent, indicating high U.S. inflation is likely to persist well into 2022. A separate measure of consumer inflation that strips out volatile food and energy prices rose 0.6 percent last month, bolstering the increase over the past 12 months to 5.5 percent from 4.9 percent — a 31-year high.

Due to strong customer demand and ongoing labor and supply shortages, price pressures will likely ease in 2022. Economists estimate the rate of inflation will exceed 3 percent by year-end.

Mike Kendall is executive managing director, investment services, western region for Colliers.

The Big Quit: Why Employee Wellness Should Be Prioritized Now More Than Ever

By VEETAHL EILAT-RAICHEL

As the world braces for the two-year anniversary of the March 2020 lockdown, it is hard not to notice the vast changes that have occurred across every industry and sector. There is no question that over the past two years, the dynamics around how we work has changed dramatically. The drastic transition from the daily office commute to shuffling from bed to a computer in a makeshift office (or even just a kitchen counter) has had effects that will be seen for years on employers and employees alike.

With this transition, many employees initially looked at WFH environments with the positive outlook, lower stress and a better work-life balance would come as a result. But many quickly realized 'working from home' also came with its own complications and was further confirmed by a wave of stories around the "Great Resignation." Workers today often feel unable to separate their job responsibilities from their day to day lives, with some employers seemingly expecting them to be available 24/7. It's a mentality shift that has led employees to voluntarily resign to find new opportunities that offer better mental health support, and an understanding that work-life balance is the key to ensuring an employee does not feel the dreaded "burnout."

PEOPLE ARE QUITTING IN DROVES

Last November, an astonishing 4.5 million workers quit or changed their jobs. This cultural shift in the workforce has called for employers to think twice about previous workloads. It has also caused them to reshape how they view employee benefit plans in order to lure top talent and prevent valued employees from taking part in the mass exodus.

However, before an employer can adjust benefit plans, it is important they identify what is leading to The Great Resignation trend, which is the root problem of employee burnout. Employee burnout can leave workers across all levels and positions isolated and overwhelmed, and calls for the workforce to take action, as "symptoms" can be spotted and used to resolve any issues with how an employer may present current benefit plans. Businesses should rethink things like paid time off policies (PTO), and encourage employees to take advantage of employee assistance programs. This will help HR teams identify potential issues, and ensure their employees are not in distress so they can tackle burnout concerns more effectively.

HOW ORGANIZATIONS CAN RESHAPE BENEFIT PLANS MOVING FORWARD

Recently, many companies are re-evaluating PTO policies, including the seemingly enticing perk of Unlimited PTO. At surface level, Unlimited PTO may seem like the better option between the two, as the word 'unlimited' seems to imply that employees can take off as much time as they need. But, there are huge misconceptions behind Unlimited PTO, not to mention the fact that it can be a drain on company balance sheets.

An unlimited amount of PTO is surely not the solution to this problem. A recent study shows that on average, professionals with unlimited time off take less time off than employees with a set number of vacation days, due to the lack of guidelines and formalized structure. When an employee understands their limits, they will do their best to work within them. We have found that employees that have Unlimited PTO often lose one full week of time compared to those with limits to their benefit plans.

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A CHANGING WORKFORCE AND LABOR SHORTAGES

Hopefully more companies can begin to recognize that employees today are looking for something different, and they can start by implementing more creative and effective benefit programs to prevent burnout. We have seen the early stages of this, with companies like Nike giving head office workers a week off to distress back in August, and Coinbase giving their employees "recharge" weeks.

These companies are mandating breaks to encourage a better environment for employee mental health and wellbeing, since it is clear that workers these days are consumed by their jobs. Although neither of these solutions are perfect, they are definitely a step in the right direction. Paid time off is not a 'one-size-fits-all' solution and companies need a culture shift, not a bandaid.

Beyond offerings like time off, there are also new HR-tech innovations and fintech solutions (like Sorbet) that are helping improve burnout and drive home the idea that PTO is broken and in need of a cultural change, both for employees and employers.

Veetahl Eilat-Raichel is CEO and co-founder of Sorbet of Tel Aviv, Israel. For more information visit getsorbet.com.

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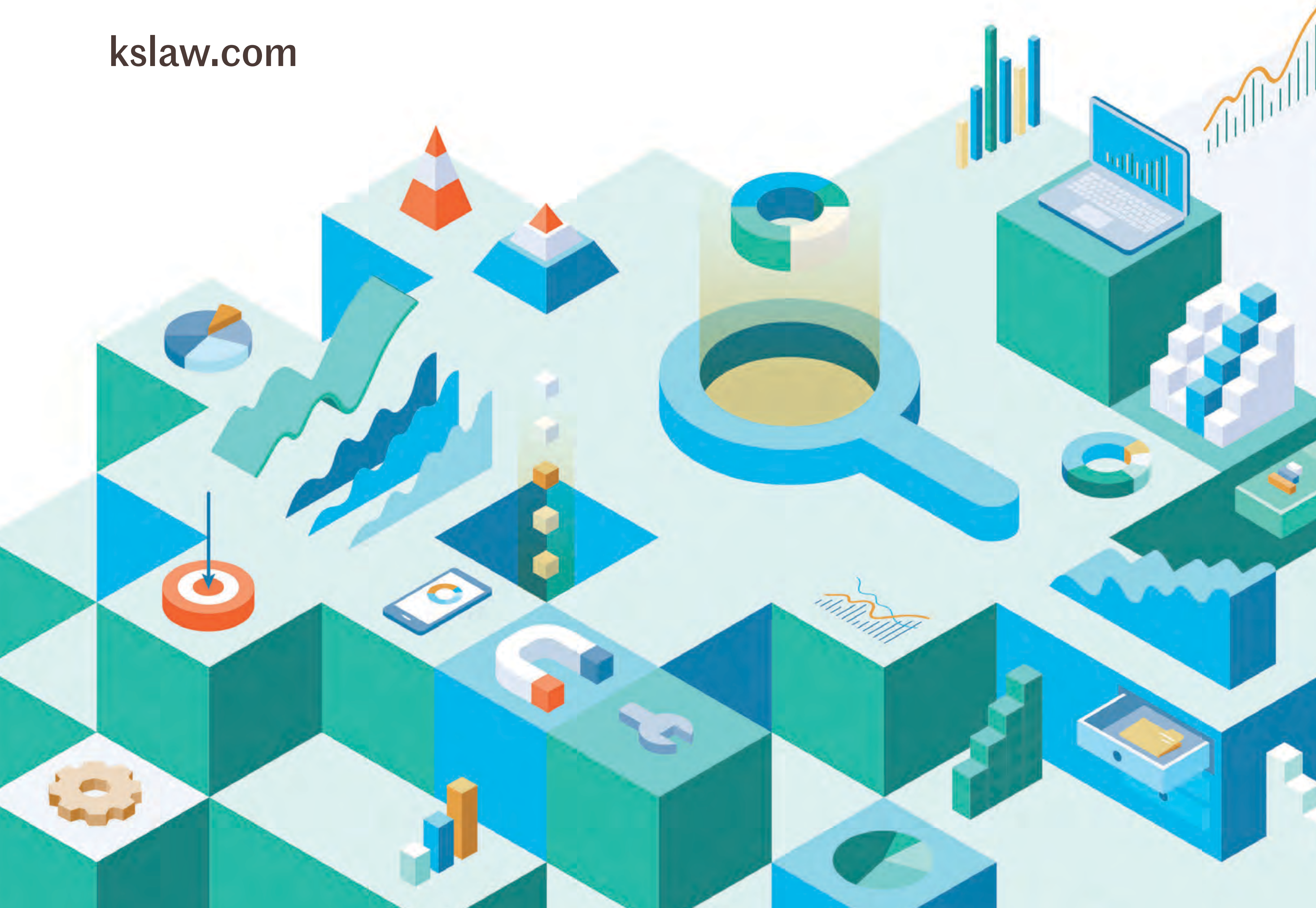

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The Time is Now for California Companies to Focus on Diversity

By LAURA BUSHNELL, ANNE VOIGTS and RAMON MIYAR

In 2022, companies will continue to grapple with implementing diversity initiatives at their organizations. Recent California legislation will shape the direction these initiatives are likely to take.

In late 2020, California enacted Assembly Bill 979, a law that requires all publicly held corporations that are either incorporated or have headquarters in California to add directors from underrepresented communities to their boards. AB 979 is a continuation of California's ongoing efforts to require public companies to take affirmative steps to ensure diversity on their boards, tracking the framework from 2018's Senate Bill 826, which added gender diversity requirements. Since the enactment of AB 979 and SB 826, other states, stock exchanges and major asset management companies have begun considering the adoption of similar requirements and policies.

AB 979 REQUIREMENTS

This bill requires the following by the close of the 2022 calendar year:

- If there are nine or more directors, there must be at least three directors from underrepresented communities.
- If there are more than four but fewer than nine directors, there must be at least two directors from underrepresented communities.
- If there are four or fewer directors, there must be at least one director from an underrepresented community.

Covered publicly held corporations must timely file, on an annual basis, a Publicly Traded Corporate Disclosure Form, which requires a covered corporation to identify the total number of (a) directors, (b) female directors, and (c) directors from underrepresented communities on the corporation's current board. AB 979 defines a "director from an underrepresented community" as a director who self-identifies as "Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaska Native, or who self-identifies as gay, lesbian, bisexual or transgender." Like SB 826, AB 979 empowers the California Secretary of State to adopt further regulations to implement these requirements and to impose fines—potentially into the hundreds of thousands of dollars—for noncompliance.

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OTHER DEVELOPMENTS

Following California's lead, several states have either enacted or are considering measures to promote diversity on corporate boards. For example, the Washington state Women on Corporate Boards Act requires that at least 25 percent of a public company's board members self-identify as women. In 2019, Illinois enacted a law that requires publicly listed companies with principal executive officers located in Illinois to disclose information in state tax filings about the racial, ethnic, and gender diversity of their boards of directors, as well as their policies and practices for promoting diversity. Similar board diversity proposals are under consideration in Massachusetts and New York.

On Aug. 6, 2021, the Securities and Exchange Commission approved new listing rules submitted by the Nasdaq stock market to advance board diversity. The new Nasdaq Diversity Rules require certain publicly listed companies to annually disclose statistical information about their board members' voluntarily self-identified racial makeup, gender, and LGBTQ+ status either in a public filing or on the company's website.

The world's largest asset managers are throwing their considerable influence behind a push for diversity as well. BlackRock, Vanguard, State Street Global Advisors, and Goldman Sachs Asset Management have all recently increased their expectations for board diversity. Although California's AB 979 and SB 827 do not explicitly create private enforcement mechanisms, the plaintiffs' securities bar has begun testing the viability of shareholder derivative lawsuits as a tool for holding companies accountable for their pledges to promote diversity in the ranks of their senior leadership. In 2020, a wave of shareholder derivative lawsuits was filed against the boards of prominent public companies, including Oracle, Facebook, The Gap, Inc., Qualcomm, and Monster Beverage Company. To date, these cases have not gained significant traction and have mostly been dismissed at the pleading stage.

KEY TAKEAWAYS

All public companies, but particularly California public companies, should evaluate whether they would fail to meet forthcoming legal or stakeholder diversity requirements. In addition to complying with the minimum requirements of AB 979, to minimize the risk of a diversity-related derivative lawsuit, public companies should evaluate the degree to which their current board composition comports with their stated policies concerning diversity within the senior ranks of their leadership.

Laura Bushnell and Anne Voigts are partners and Ramon Miyar is a senior associate in King & Spalding's California offices.

Los Angeles Area Chamber of Commerce Launches CEO Council

More than one hundred regional CEOs and senior level executives have joined or committed to join the CEO Council to seek balance in California's public policies, economy and business climate

With the California economy at a significant post-pandemic crossroads, the Los Angeles Area Chamber of Commerce recently announced the formation of "The CEO Council," an advisory group of top business leaders dedicated to bringing balance back to the state's public policies, encourage the economy and promote a robust business climate. To help address economic recovery The CEO Council will focus on two crucial areas, ensuring affordable housing for middle-income families and building a workforce that is prepared for the good-paying jobs of the future.

More than one hundred regional CEOs and senior level executives representing the diversity of industries in the Los Angeles region have currently joined the advisory council and are committed to promoting and engaging in Balance California, a new initiative launched by the L.A. Area Chamber to unify business leadership and advance discussions and policies which ensure our region remains globally competitive. Additional partners of the Balance California initiative include the Inland Empire Economic Partnership and the Orange County Business Council. All are focused on ensuring California's diverse communities benefit from their work leading to increased employment opportunities and social mobility.

"The need for a strong rebound and equitable recovery of California's economy is critical to the future of our region, an issue so important it brought together more than one hundred CEOs to engage and contribute," said Raul A. Anaya, board chair of the L.A. Area Chamber and president of Bank of America in Greater Los Angeles. "With the lack of affordable housing for middle-income families and challenges in hiring a prepared workforce, it is important to mobilize business leaders and do something different and create opportunities for all Californians."

For many years, California's business environment has been recognized nationally as one of the most challenging for businesses. Permanent closures have resulted from a combination of the pandemic and hiring and supply chain disruptions. Additionally, an unfriendly business environment has led to hundreds of businesses moving to other states with more welcoming business environments, good schools, lower or no state taxes, streamlined regulatory and permitting processes, and housing that is more affordable for middle-income families.

All are hampering California's competitiveness in the national and global marketplace and there is little balance when it comes to legislative debate and discussion regarding the needs of business. Business wants to be part of the solution to our region's most pressing challenges. By unifying business leadership, the greater Los Angeles region can drive the change that is needed.

"Balance California is a long-term commitment to unify business leadership and collaborate with government and community stakeholders to begin to effectively address the challenges of the region," said Maria S. Salinas, president & CEO, Los Angeles Area Chamber of Commerce. "More than one hundred business leaders have coalesced together with a unified voice to say we must take advantage of the opportunity to work together to ensure the region remains competitive and attractive to job growth so that families and communities can thrive. The time for change is now."

The CEO Council will serve in an advisory capacity to the Los Angeles Area Chamber of Commerce to ensure there is a collective voice that provides meaningful results for the community at large. By unifying business leadership, the greater Los Angeles region can drive the change that is needed.

Information for this article was provided by the L.A. Area Chamber. Learn more at lachamber.com.


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The last 18-24 months have proven how crucial U.S. industrial real estate inventory is to everyday life. Capital in both the private and public sector has taken note, and the demand indicates a positive outlook for the property type both in the near and long term.
Mike Kendall
Executive Managing Director,
Industrial Capital Markets | Western Region
Featured Panelist, LABJ Economic Trends 2022
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Information Security: Lessons in Continual Improvement

By DAVID LAM

I was first drawn to information security because it reminded me of the Mad Magazine Spy Versus Spy series. I liked the idea of being the White Hat spy protecting our organization from being attacked by the insidious Black Hat. I am continually intrigued at how the Black Hat is constantly evolving. However, this relentless evolution that keeps me interested also, sometimes, keeps me up at night. While some basic protections and information security hygiene stay the same throughout the evolution, we information security professionals find it critical to keep pace with those Black Hats by using continual improvement to stay up to date on the latest changes in the information security ecosystem.

Continual improvement is a concept with which we're all likely familiar—for instance, when we make our New Year's resolutions; it's a process for striving to get better at what we do, learn from our mistakes and from changes in the environment around us. To that end, each year my team and I update our Information Security Policies and Standards to reflect what we have learned in the past year and, more importantly, what the information security community has learned.

LESSON #1: THE PLAYBOOK

One of our greatest lessons from the past year has been the importance of breaking down, into manageable steps, the Information Security Management Program (which is the collective strategy and implementation of securing information). We have found that this "operational playbook" works much like the materials we receive from our CPAs in order to prepare our taxes each year or how a financial audit report helps us know how to improve our financial practices; these guides and reports detail what is needed to achieve success and how to get there.

Your playbook should guide your organization to achieving what we believe are the four objectives of any information security program:

1. **Be a Hard Target:** make it difficult for an attacker to get into your system.
2. **Be a Resilient Target:** be able to recover if you are attacked or have an incident.
3. **Be Legally Defendable:** show that you have implemented protections which are reasonable given the information you store.
4. **Be Fiscally Sound:** ensure your investments are cost-effective and have a positive cost/benefit ratio.

LESSON #2: DISCONNECT

In our annual revision of our client's information security programs, we found worrisome trends with our new clients—a disconnect between what executives believe and reality. Some examples include:

1. Belief: Executive management believes that information security is being taken care of.

Reality: After the first assessment, 100% of clients have significant critical findings, typically including multiple systems not being patched at the most urgent level.

> We information security professionals find it critical to keep pace with those Black Hats by using continual improvement to stay up to date on the latest changes in the information security ecosystem.

2. Belief: We have a documented information security policy, so we're all set.

Reality: Even clients who have a written information security plan often have significant gaps in those plans because they have not been mapped to appropriate standards and frameworks (e.g., ISO, NIST, etc.). Furthermore, these security documents often don't address new laws and requirements, such as new enforcement capabilities of the FTC, the Department of Labor's Best Practices or the three new privacy laws in multiple states, including California.

3. Belief: Aren't those policies for people who are careless with their client's data?

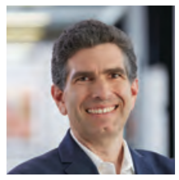
Reality: Many clients and their supporting organizations, such as IT vendors, don't fully understand the information security requirements or questions asked of them, and as a result, they are not in compliance with their responses. These include incorrectly filled out insurance questionnaires, credit card compliance (PCI) and client audit questionnaires.

4. Belief: No one would target us with ransomware, so those precautions aren't necessary.

Reality: Too many—most—organizations are woefully unprepared for a ransomware attack, as we have seen repeatedly in the news. The guidance from organizations such as CISA are clear, yet just not followed. The problem is, like a tube of toothpaste, once an attacker has squeezed the data out of your systems (and without appropriate backups), there is nothing protecting your data (information assets) from deletion by this malicious attacker.

LESSON #3: ASK AN EXPERT

As we look ahead in this new year, I urge readers to work with appropriate subject matter experts to make sure you are on the right track to protecting your information assets.



David Lam, CISSP, CPP, is partner and CISO at Miller Kaplan, a top-100 CPA firm. Learn more about the firm's information security services at millerkaplan.com.

California Awards $150 Million in Tax Credits

In November, the Governor's Office of Business and Economic Development (GO-Biz) announced $150 million in tax credits that are projected to create more than 7,600 new, full-time jobs in California. The funding, from the California Competes (CalCompetes) Tax Credit program will bring more than $1.2 billion in new investments across the state over the next five years. CalCompetes plays a pivotal role in helping innovative startups to grow to scale and to choose California for their long-term home.

"California Competes is an important program that attracts and retains employers, who in turn create good-paying jobs and economic opportunity for California workers." said Dee Dee Myers, senior advisor to Governor Newsom and director of GO-Biz. "These tax credits will incentivize the creation of thousands of new, quality full-time jobs and much-needed investment across our state."

Infinity Energy Inc., of Fresno, received a $2.5 million credit to establish a manufacturing facility in Fresno for solar powered electric vehicle charging stations that will entail the creation of 209 new, full-time jobs. In exchange for a $25 million credit, EnerVenue, Inc. of Fremont, will be creating at least 1,692 full-time jobs to develop and manufacture super high-capacity nickel hydrogen batteries.

These batteries could be used by large venues such as hospitals to keep electricity flowing during power outages. The batteries also can store large amounts of solar or wind-generate electricity to enable homes, businesses, and other venues to rely 100% on green, sustainable energy even when the sun isn't shining, or the wind isn't blowing.

"Companies like EnerVenue are the epitome of the California entrepreneurial spirt" said California Governor Gavin Newsom. "Starting as a Stanford University incubator, EnerVenue will play a pivotal role in helping California achieve its zero-carbon emission goals."

VinFast, a Vietnamese EV manufacturer, received a $20,500,000 credit to establish its United States headquarters in California. It will make over $200 million in capital investments and create at least 1065 new full-time jobs.

"VinFast is planning to bring its all-electric SUVs to the US next year – and we wanted to make sure that it chose California for its US headquarters," said CalCompetes Deputy Director, Scott Dosick. "The CalCompetes Tax Credit is one of California's greatest tools for recruiting businesses to California when they are being actively courted by numerous states. We are proud that VinFast will call California home."

"VinFast was established to bring affordable luxury electric vehicles to the U.S. market, and we are already building a world class corporate team in the US center of advanced transportation and smart technology," said VinFast US CEO Van Anh Nguyen. "We greatly appreciate the support of the State of California as we prepare to launch a brand that will significantly increase EV adoption worldwide and help California and the U.S. meet important environmental goals.

The complete list of approved companies and award amounts is available on the GO-Biz website at business.ca.gov.

The California Competes Tax Credit was created in 2013 to focus on helping businesses grow and stay in California. GO-Biz evaluates the most competitive applications based on the factors required by statute, including total jobs created, total investment, average wage, economic impact, strategic importance and more. In 2018, the program was extended for an additional five years with at least $180 million in tax credits available for allocation to business each year through 2023.

The Governor's Office of Business and Economic Development (GO-Biz) serves as the State of California's leader for job growth and economic development efforts. GO-Biz offers a range of services to business owners including: attraction, retention and expansion services, site selection, permit streamlining, clearing of regulatory hurdles, small business assistance, international trade development, assistance with state government, and much more.

For more information visit business.ca.gov.

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Project Homekey Creates Housing for the Most Vulnerable Population


Cheryl and Billy Ray are just two of the state's formerly homeless who say they've found hope after finding their home in one of the converted Project Homekey Round 1 units of the one-time All-Star Lodge in San Bernardino.

Cheryl and Billy Ray are just two of the state's formerly homeless who say they've found hope after finding their home in one of the converted Project Homekey Round 1 units of the one-time All-Star Lodge in San Bernardino.

With Cheryl battling cancer and Billy Ray unable to find stable work during COVID, the couple was forced to live in their vehicle. During this trying time, Cheryl was hospitalized from complications from her illness. Billy Ray lived in the hospital parking lot for several weeks, unable to visit Cheryl due to COVID protocols. The couple's lives began to turn for the better when Billy Ray was approached by the Chance Project, which offered him a Project Roomkey unit until Cheryl was released. Once reunited, they transitioned from the Orange Show Inn in San Bernardino to a trailer in Victorville until they were provided a permanent unit at the former All Star Lodge.

Based on the success of Project Roomkey, which urgently housed those experiencing homelessness in an effort to prevent the spread of COVID-19, Project Homekey Round 1 was a statewide effort to sustain and rapidly expand housing the homeless or those at risk of homelessness. It provided innovative partnerships between state, regional, and local public entities and the state to develop a broad range of housing types, including purchasing and rehabilitating motels and converting them into permanent, long-term housing for our most vulnerable populations.

For decades, advocates, policymakers, and residents alike have looked to hotel and motel conversions as a solution to homelessness. With expert teaming and leadership, these conversions can be completed quicker and more cost-effectively than new construction, repurposing existing buildings undoubtedly causes significantly less environmental impact, and upgrades to dilapidated motels naturally appeal to the community.

Cheryl and Billy Ray's new home is an example of a motel conversion done right. The City of San Bernardino, Shangri-La Industries, and Step Up on Second joined forces to expertly convert the former eye-sore into 75, 250-square-foot micro homes. As the lead developer, Shangri-La's vertically integrated, turnkey approach that includes financing, development, design, construction, and asset management lowered costs and created efficiencies throughout the process. Notably, it was in the top 10% of the most cost-effective Homekey Round 1 projects throughout California, and the City of San Bernardino was not required to provide any capital for closing.

To afford the tenants the critical support they need, Step Up offers on-site supportive services and property management under the Housing First approach that is guided by the belief that people need basic necessities like food and a place to live before attending to anything less critical, such as getting a job, budgeting properly, or attending to substance use issues. Supportive services provide access to medical and mental health care, substance abuse treatment, life skills, workforce development, and other rehabilitative services to assist the residents with their ongoing recovery and integration into the community. Remarkably, individuals in Step Up housing and support programs remain stably housed at a 97% retention rate after 12 months.

Reflecting on their new home after months of insecurity, Cheryl has found her purpose, "I figured out, we're supposed to give back. How can someone really understand homelessness and hunger and provide support to others if you haven't been there and don't know?" The couple plans to focus on Cheryl's health and finding a security job for Billy Ray while "giving back to the ones who can't fight for themselves."

Amidst the unprecedented pandemic and homelessness crisis, there are record funds, tools, and proof that motel conversions work. Together, we can finally provide, at scale, a path to give the most vulnerable Californians the stability and dignity of a key, a lock, a door, and a place to call home.

Information for this article was provided by Shangri-La Industries. Learn more at shangrilaindustries.com.

Controller Reports L.A.'s Finances as Solid, but Not Without Challenges

Controller Ron Galperin on January 27th released L.A.'s Annual Comprehensive Financial Report for Fiscal Year 2021 — July 1, 2020 to June 30, 2021 — which details the City's finances and charts how it navigated a full year of the pandemic. The first two thirds of the year were marked by wage cuts and cost-saving measures, but the availability of COVID-19 vaccines and $1.28 billion in federal assistance eventually turned the tide.

"The pandemic hit the economy and our neighborhoods hard last year, putting the City in a financial bind," said Controller Galperin. "Cost-cutting measures and federal funding helped Los Angeles get back on solid ground, but there are tough budget choices ahead. The City created a number of homelessness and equity programs with funds that won't be there next year, making it necessary to understand whether they've achieved their goals."

Revenues Return, Expenses Climb

Some key observations from the report:

In FY 21, overall City revenues increased by 5.2% to $18.4 billion, a positive shift from the 4% decrease the year before. The change is partly attributable to increases in property, sales and other taxes collected.

Overall City expenses continued to climb, rising by 4.8% to $17.3 billion, although the upward trend slowed from the nearly 10% increase the year prior.

The story was slightly different when looking only at the General Fund, the City's main operating fund, which saw revenue down by 1.3% in FY 21. However, General Fund revenues still outpaced expenditures by $375.5 million and have continued to grow. During the first six months of the current fiscal year, revenues came in 11% higher than the same period last year.

Tough Choices In Next Budget

Galperin warned that funding problems will arise in next year's budget. The current budget used $300 million from the federal government to create new programs to build equity and alleviate homelessness; it also used money from prior year appropriations, including $70 million from the Police Department. This one-time funding will not be available for the next budget, leaving these programs at risk.

'Cost-cutting measures and federal funding helped Los Angeles get back on solid ground, but there are tough budget choices ahead.'

In addition, most of the City's workforce will receive raises this summer and new labor contracts will be negotiated, which could lead to additional employment costs. Galperin recommended that the City focus on collecting more revenue and limiting spending, while also finding ways to better use special funds to improve L.A.'s financial picture.

Tracking City Services

To show how City finances translate to public services, Galperin created an online dashboard that measures dozens of City performance metrics in FY 21 versus previous years. Highlights include:

Number of airport visitors down. Just 29 million visitors passed through the Los Angeles World Airports in FY 21, down from 63 million in FY 20 — a 34 million decline caused by a 70% to 80% overall decrease in travel and tourism that started when the pandemic hit.

L.A. provided more meals to seniors and people in need. Homebound Angelenos received 999,000 meals in FY 21, as compared to 813,000 in the year prior. L.A. also served 1.17 million meals to people at community and senior centers, compared to 750,000 in FY 20, showing an increased demand for food access.

L.A. Zoo attendance plummeted. The number of visitors dropped from 1.19 million in FY 20 to 656,000 in FY 21 due to COVID-19 restrictions, which also reduced the ability of students and visitors with subsidized tickets to go to the Zoo.

Read the report at lacontroller.org/acfr2021.

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University Graduates are Prepared to Succeed in the L.A. Job Market

By BRANDEN GRIMMETT

At Loyola Marymount University, graduating seniors tell us they seek work mode flexibility (hybrid or remote), competitive salaries and serious attention to equity and inclusion in their first post-college job. They have seen the benefits of work mode flexibility during the pandemic, as remote campus jobs allowed them to balance their academic, professional, and social lives. The pandemic also helped students narrow their job search, focusing on higher-paying stable jobs in "pandemic-proof" industries such as pharmaceuticals, e-commerce, construction, digital services, and real estate. During the national racial reckoning of 2020 and beyond, LMU students stood in solidarity with the Black community, and now expect future employers to have a track record of diverse hiring and inclusive practices.

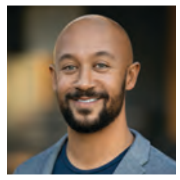
The pandemic also affected employer behavior, especially large companies that previously relied on in-person campus recruiting for early talent. As colleges went online, employers downsized their university recruiting teams, turning to 100% virtual recruiting. This shift meant employers could expand their target schools beyond the local universities where they recruited on-campus, widening the candidate pool. This move also increased student competition for post-college jobs, especially in major cities like Los Angeles. Early talent recruiters shifted their outreach from in-person career fairs to platforms like LinkedIn. Universities modified their career services offerings to help students prepare for a job search conducted 100% virtually.

While trust has always been a central element of interviewing (employers trust to hire, and candidates trust to join), the ways employers and candidates built trust shifted during the pandemic. Networking, referrals, and references became more important than before. Absent an in-person interview and the opportunity to observe body language, recruiters relied heavily on information that could verify a candidate's past performance. Internal referrals and information gathered from job references became critical elements in verifying past performance and fit for the role.

Conversely, the lack of in-person interviews meant candidates sought additional information about company culture, work products, and belonging opportunities. To facilitate this, we rolled out new mentoring software that helped all students (not just seniors) connect with any LMU alumnus/a. Graduates served as mentors by creating paid student projects and offering availability to connect virtually through the platform. As a result, 98% and 99% of LMU undergraduate and graduate students respectively secured employment or graduate school acceptance within six months of commencement.

Student career readiness, however, is not just about securing employment. It is also about performance in the first job, which involves learning new skills and navigating a professional environment. College students who take hybrid or remote courses are quick to embrace online learning and development platforms at their new employer, especially if they were exposed to on-demand learning at their university. Prior to the pandemic, LMU partnered with LinkedIn Learning, offering free digital content and expert-led online courses to all students, faculty, and staff. Faculty embedded these videos into their course syllabi, and career services created playlists introducing students to job search-related content during their first year. As a result, we see recent alumni staying longer in their first post-college job.

The silver lining of the pandemic is that while college students juggled in-person and remote learning, they simultaneously prepared to navigate today's hybrid and remote workplace. As companies consider returning to in-person work, they may find it helpful to consult their newest employees – recent college graduates. Their ability to thrive in all work modes, learn on-demand, and advocate for a more inclusive work environment might bring about the culture shift many companies need.



Branden Grimmett, Ed.D., is associate provost of Career and Professional Development at Loyola Marymount University, where he oversees the office responsible for successfully launching LMU undergraduate and graduate students into their professional careers.

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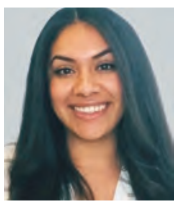

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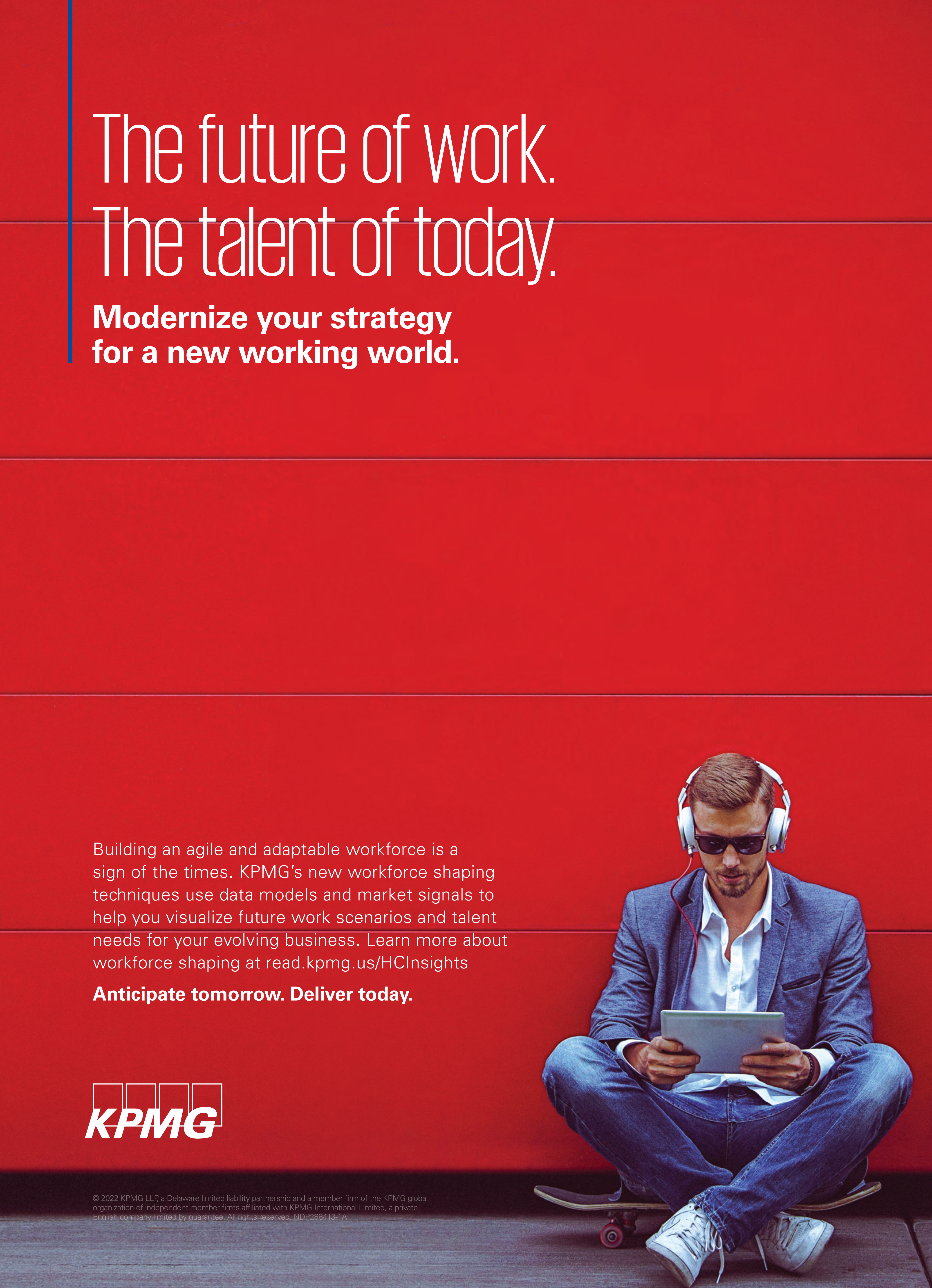
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LOS ANGELES BUSINESS JOURNAL
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Environmental Justice Takes Center Stage in California and Across the Country

By J.C. BOGGS, DANIEL LUNGREN, ALAN DIAL, SUZANNE WILSON, JOSEPH EISERT, GRANTA NAKAYAMA, CYNTHIA AM STROMAN, DOUGLAS A. HENDERSON and ARLENE HENNESSEY

The Biden Administration's Environmental Protection Agency defines Environmental Justice (EJ) as "the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation and enforcement of environmental laws, regulations and policies." Advancing EJ is a central pillar of the Biden Administration, and this is an economic trend that California businesses would do well to address.

Beginning with Biden's executive order "Tackling the Climate Crisis at Home and Abroad," signed during his first week in office, the Administration has taken significant steps to address environmental justice in three principal areas: environmental enforcement, environmental permitting and reviews, and agencies' use of their funding. For example, the EPA has prioritized EJ in enforcement through a focused initiative and various policies. EPA's Office of Enforcement and Compliance Assurance even promotes its recent enforcement cases as reflecting helping to "advance the protection of environmental justice communities disproportionately impacted by pollution."

California and other states also are advancing environmental justice with their own initiatives. Earlier this year, the California Attorney General announced the expansion of the California Department of Justice's Bureau of Environmental Justice, which will have "11 attorneys who are solely focused on fighting environmental injustices throughout the state of California and giving a voice to frontline communities who are all too often under-resourced and overburdened." The Massachusetts Attorney General has launched a Clean Air Initiative including air monitoring, online tip reporting, and enforcement to combat illegal idling in certain communities, and the New York State Attorney General has taken legal action against property management companies to protect children from lead paint hazards in their low-income rental properties.

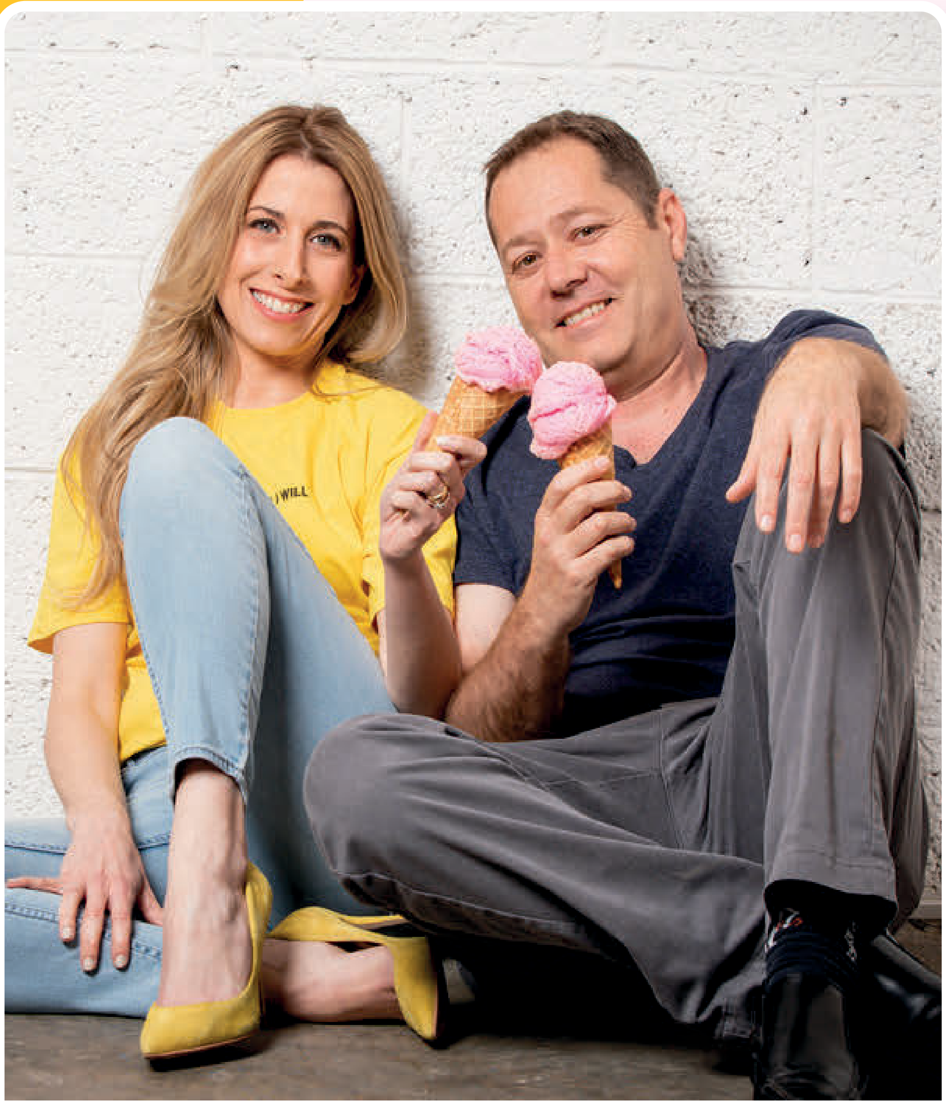
STATE AG EJ DEMANDS

In September 2021, a coalition of Democrat Attorneys General from 19 states and the District of Columbia sent a letter to Congressional leadership demanding that Congress act to address climate change and environmental justice. As the AGs demand, Congress "must fully respond to the climate emergency," "must prioritize environmental justice," and "must pass both the Infrastructure Investment and Jobs Act and budget legislation that provides the funding necessary to respond to the climate crisis and provide long overdue environmental justice for our most vulnerable communities."

According to the state AGs, Congress should respond to the "climate emergency" by (1) promoting clean and renewable energy, (2) investing in transportation electrification, (3) encouraging energy efficiency and conservation, (4) funding zero-emission school buses, and (5) addressing methane pollution. In addition to a comprehensive response to the climate emergency, Congress must make environmental justice a priority and "must reinforce and bolster the actions of both the Administration and states by prioritizing substantial further investment in environmental justice." The coalition urges Congress to prioritize investment in specific areas, including ensuring clean water for all, ensuring clean air for all, protecting community voice in government decisions, and "[c]onsistent with Executive Order 14,008, we urge Congress to seek to make 40 percent of improvements funded by the budget legislation benefit overburdened communities."

The State AGs' EJ demands underscore the pervasive importance of EJ in all aspects of law, regulation, and social policy in the U.S. With the heightened focus on EJ by these AGs and their collective pressure on Congress, industry needs to identify and assess EJ effects across all areas of legal compliance and look to state-specific requirements and developments. While this coalition of state AGs likely will continue to pressure Congress to act to advance environmental justice, companies should expect state-level AG targeting of EJ as a new legal metric of compliance.

J.C. Boggs, Alan Dial, Suzanne Wilson, Joseph Eisert, Granta Nakayama, Cynthia AM Stroman and Douglas A. Henderson are partners at King & Spalding. Daniel Lungren is a senior counsel at King & Spalding and a former U.S. Congressman and California Attorney General. Arlene Hennessey is an associate at King & Spalding.



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Global Growth to Slow through 2023

Following a strong rebound in 2021, the global economy is entering a pronounced slowdown amid fresh threats from COVID-19 variants and a rise in inflation, debt, and income inequality that could endanger the recovery in emerging and developing economies, according to the World Bank's latest Global Economic Prospects report. Global growth is expected to decelerate markedly from 5.5 percent in 2021 to 4.1 percent in 2022 and 3.2 percent in 2023 as pent-up demand dissipates and as fiscal and monetary support is unwound across the world.

The rapid spread of the Omicron variant has disrupted economic activity in the near term. In addition, a notable deceleration in major economies—including the United States and China—will weigh on external demand in emerging and developing economies. At a time when governments in many developing economies lack the policy space to support activity if needed, new COVID-19 outbreaks, persistent supply-chain bottlenecks and inflationary pressures, and elevated financial vulnerabilities in large swaths of the world could increase the risk of a hard landing.

"The world economy is simultaneously facing COVID-19, inflation, and policy uncertainty, with government spending and monetary policies in uncharted territory. Rising inequality and security challenges are particularly harmful for developing countries," said World Bank Group president David Malpass. "Putting more countries on a favorable growth path requires concerted international action and a comprehensive set of national policy responses."

The slowdown will coincide with a widening divergence in growth rates between advanced economies and emerging and developing economies. Growth in advanced economies is expected to decline from 5 percent in 2021 to 3.8 percent in 2022 and 2.3 percent in 2023—a pace that, while moderating, will be sufficient to restore output and investment to their pre-pandemic trend in these economies. In emerging and developing economies, however, growth is expected to drop from 6.3 percent in 2021 to 4.6 percent in 2022 and 4.4 percent in 2023. By 2023, all advanced economies will have achieved a full output recovery; yet output in emerging and developing economies will remain 4 percent below its pre-pandemic trend. For many vulnerable economies, the setback is even larger: output of fragile and conflict-affected economies will be 7.5 percent below its pre-pandemic trend, and output of small island states will be 8.5 percent below.

Meanwhile, rising inflation—which hits low-income workers particularly hard—is constraining monetary policy. Globally and in advanced economies, inflation is running at the highest rates since 2008. In emerging market and developing economies, it has reached its highest rate since 2011. Many emerging and developing economies are withdrawing policy support to contain inflationary pressures—well before the recovery is complete.

The latest Global Economic Prospects report features analytical sections that provide fresh insights into three emerging obstacles to a durable recovery in developing economies. The first, on debt, compares the latest international initiative to tackle unsustainable debt in developing economies—the G20 Common Framework—with previous coordinated initiatives to facilitate debt relief. Noting that COVID-19 pushed total global debt to the highest level in half a century even as the creditors' landscape became increasingly complex, it finds that future coordinated debt relief initiatives will face higher hurdles to success. Applying lessons from the past restructurings to the G20 Common Framework can increase its effectiveness and avoid the shortcomings faced by earlier initiatives.

"The choices policymakers make in the next few years will decide the course of the next decade," said Mari Pangestu, the World Bank's managing director for development policy and partnerships. "The immediate priority should be to ensure that vaccines are deployed more widely and equitably so the pandemic can be brought under control. But tackling reversals in development progress such as rising inequality will require sustained support. In a time of high debt, global cooperation will be essential to help expand the financial resources of developing economies so they can achieve green, resilient, and inclusive development."

The second analytical section examines the implications of boom-and-bust cycles of commodity prices for emerging market and developing economies, most of which are heavily dependent on commodity exports. It finds that these cycles were particularly intense in the past two years, when commodity prices collapsed with the arrival of COVID-19 and then surged, in some cases to all time-highs last year. Global macroeconomic developments and commodity supply factors will likely cause boom-bust cycles to continue in commodity markets.

The third analytical section explores COVID-19's impact on global inequality. It finds that the pandemic has raised global income inequality, partly reversing the decline that was achieved over the previous two decades.

Information for this article was provided by the World Bank. Learn more at worldbank.org.

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