

CUSTOM CONTENT

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LOS ANGELES BUSINESS JOURNAL

REAL ESTATE STRATEGIES



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LOS ANGELES BUSINESS JOURNAL

REAL ESTATE STRATEGIES

The economic climate is forcing companies to make changes to the way they do business and to the way they approach their workspace and real estate needs.

On July 14th, the Los Angeles Business Journal hosted a free digital virtual event panel discussion titled “Real Estate Strategies.” The event featured two digital panels comprised of some of the region’s leading authorities, thought leaders and experts. The pair of discussions, one of industry trends and the other an analysis on today’s market, was designed to help c-suite leaders, business owners, managers, and professionals get a pulse on all issues impacting our workspace environments in 2021 and beyond.

To view highlights from the webinar, visit labusinessjournal.com/REstrategies2021

INDUSTRY TRENDS WITH REAL ESTATE ADVISORS



Phil Bond
Executive Vice President, Chief Credit Officer
Farmers & Merchants Bank



“At Farmers & Merchants Bank we are first and foremost real estate lenders. The commercial real estate markets that surround us are something we are very attuned to with particular attention to values and emerging trends.”



Jason Grinnell
Partner, Real Estate
Thompson Coburn LLP



“As one of the real estate partners in Thompson Coburn’s Los Angeles office, I help our clients in a wide range of matters, from office and retail leasing to construction loans. We add value by monitoring legal trends and advising our clients how they may be affected.”



Kofi Nartey
Chief Executive Officer
GLOBL RED



“In many ways, real estate and development are evolving with greater velocity than ever. This requires future planning for design and technology with adaptable elements that cater to the buyer of tomorrow, not today.”



Paul Rosenkranz
Managing Director
CBIZ & MHM



“As a CPA with nearly 40 years servicing clients with significant real estate assets, I believe I can bring, along with the other professionals at my firm, creative solutions to seemingly perplexing tax problems. Working with my clients’ other advisors I have often been successful helping my clients maximize their after-tax cash flow.”

TODAY'S MARKET WITH REAL ESTATE LEADERS



Kasey Garcia
Senior Director Southwest Region Lead
CBRE



“The office innovations with the greatest impact will likely be those that support the “hotelification” of space. Given the near certainty of a more flexible future, many companies will seek to motivate rather than mandate an on-site presence. That means they need to provide a differentiated experience at the office.”



Ray Haj
Senior Vice President and Region Manager
Swinerton



“As an employee-owned company, we demonstrated to ourselves that we can adapt, be more flexible, come out even stronger and are able to maintain a healthier, more balanced lifestyle. Now we ask ourselves how do we sustain such a sweet spot and keep our employees and clients happy?”



David Jalaty
President
Alpha Omega Contractors



“We are about to experience several years of uncertainty in construction and labor costs. Partnering with a trusted construction team who keeps a finger on the pulse of new trends and supply/demand factors will be vital to building high-performing office spaces.”

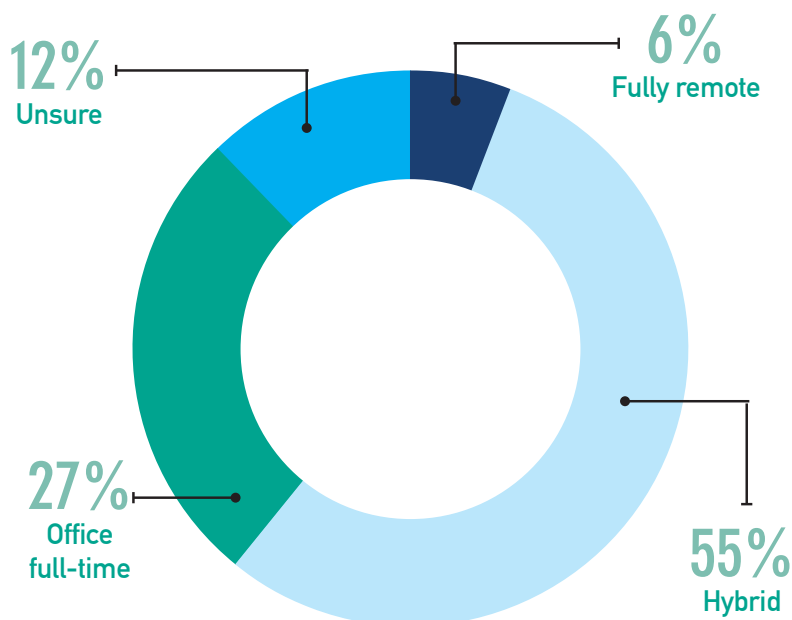


James R. Kruse
Chief Executive Officer
DPI Retail

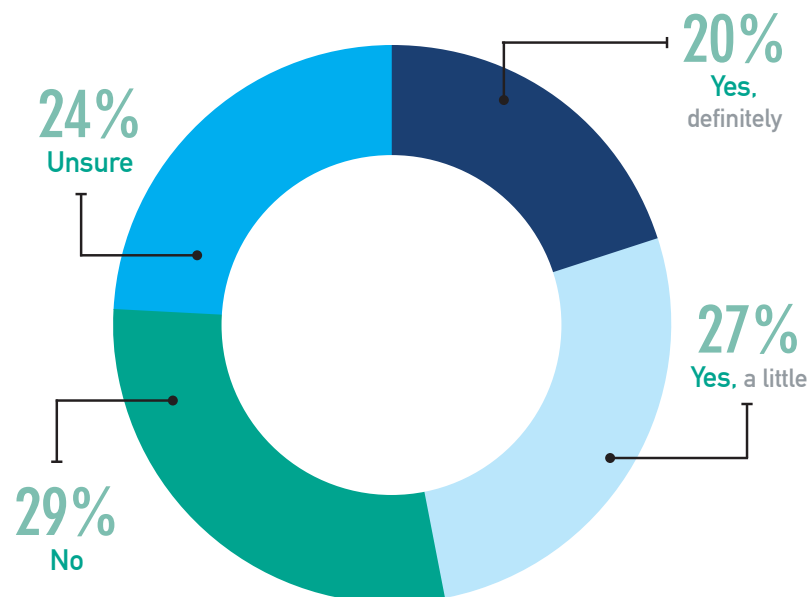


“It is starting to feel pretty good again. It ain't over. This is a time to be cool, clinical, and kind. Listen deeply. Get understanding. We are all a bit wounded, but we want to work. Let's get after it. Depend on yourselves.”

HOW WILL YOUR WORKPLACE MOVE FORWARD POST-PANDEMIC?



HAS THE PANDEMIC ACCELERATED YOUR TRANSACTIONS?



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**REAL ESTATE
 STRATEGIES**

Five Tax Moves for the Real Estate Sector

By PAUL ROSENKRANZ

Tax changes from Congress at the end of 2020 and 2021 continue to bring significant opportunities for commercial real estate developers, managers, and operators. From the advantageous changes made to the Employee Retention Tax Credit to extensions of other tax credits, the following five tax moves will help to minimize 2021 tax liabilities.

EMPLOYEE RETENTION TAX CREDIT

Last year's Coronavirus Aid, Relief, and Economic Security (CARES) Act created a payroll tax credit to offset the cost of retaining employees – the Employee Retention Tax Credit (ERTC). For 2020, employers can claim the credit on a quarterly basis if they experienced a 50% decline in 2020 gross receipts compared to the same quarter in 2019. The credit is equal to 50% of qualified wages and health plan expenses after March 12, 2020 and before Jan. 1, 2021.

The Consolidated Appropriations Act, 2021 (CAA) and the American Rescue Plan (ARP) Act modified and extended the ERTC. With these modifications, the size of the credit is increased to 70% of eligible wages and health expenses incurred between Jan. 1, 2021, and Dec. 31, 2021, with a \$10,000 per-employee per-quarter maximum (totaling \$28,000 per employee in 2021).

The CAA also created retroactive ERTC

benefits that may be treated as incurred during the fourth quarter of 2020. Retroactive benefits are based on eligible wages paid after Dec. 31, 2019 and before Oct. 1, 2020. These cash refunds may be accessed by amending any previously filed payroll tax returns for any quarter that experienced the revenue decline compared to the same quarter in 2019. Although many commercial real estate operators did not take out Paycheck Protection Program (PPP) loans, the CAA and ARP Act permit PPP loan recipients to claim the ERTC regardless of PPP loan involvement.

ENERGY-EFFICIENT COMMERCIAL BUILDINGS DEDUCTION (SECTION 179D)

The extension of the deduction for energy-efficient building investments also benefits commercial real estate. The CAA made Section 179D permanent, ensuring the continuation of deductions for energy efficiency improvements to buildings, including lighting, heating, cooling, ventilation and hot water systems. The provision also indexes for inflation the amount of the \$1.80-per-square-foot limitation.

WORK OPPORTUNITY TAX CREDIT

Also available for 2021 is the Work Opportunity Tax Credit (WOTC) program. This credit is for employers hiring individuals who are members of one or more of 10 targeted groups, including young individuals and veter-

ans. The CARES Act set forth that employers cannot claim both WOTC and ERTC credits for the same employee, and the CAA upheld this stipulation through 2021.

ENERGY CREDITS

Commercial real estate should also take note of extensions and phase-outs of energy credits. The CAA extends the current 26% investment tax credit for any solar energy property, fiber-optic solar equipment, fuel cell property and small wind energy property that begins construction by the end of 2022. The CAA also extends the 22% rate for a property that begins construction by the end of 2023, after which the credit is reduced to 10% or 0%.

EMPLOYEE BENEFITS-RELATED CREDITS

The refundable payroll tax credit for paid sick and family leave established as a part of the Families First Coronavirus Response Act (FFCRA) was extended through the end of September by the ARP Act. Only some commercial real estate owners will qualify, as the program is for private-sector employers with fewer than 500 employees (and government entities).

Also extended was the employer tax credit for paid family and medical leave through 2025. Eligible employers can claim an elective general business credit based on eligible wages paid to qualifying employees with respect to family and medical leave. Taxpayers who claim

From the advantageous changes made to the Employee Retention Tax Credit to extensions of other tax credits, these tax moves will help to minimize 2021 tax liabilities.

the FFCRA credit cannot use those wages for purposes of calculating this employer tax credit. The maximum amount of family and medical leave that may be taken into account is 12 weeks per taxable year per eligible employee.

HOW TO MAXIMIZE PLANNING OPPORTUNITIES

Working with a tax provider can help you maximize the planning opportunities for 2021.

Paul Rosenkranz is the lead tax managing director in the Los Angeles office of CBIZ & MHM. He has more than 35 years of experience providing tax consulting and planning services for real estate developers, operators, managers, and closely held businesses.

Commercial Real Estate Operating Conditions Improve Despite Challenges

Although business conditions have improved for commercial real estate, according to the most recent COVID-19 impact survey conducted by NAIOP, 86.6% of developers now report delays or shortages in construction supplies — an all-time high since the survey began in April 2020. This suggests that supply chain disruptions may outlast other effects of the pandemic, increasing construction costs and slowing new development.

The percentage of respondents reporting some type of deal activity has more than doubled for office and retail properties over the last year. It has also increased substantially for industrial (92.2% vs. 71.2% in June 2020) and multifamily (76% vs. 58.6%) properties.

The share of respondents reporting a decline in leasing for current development projects has dropped by more than half, but shortages of construction supplies and workers are both more acute now than a year ago. Although local governments have had more than a year to adapt to the pandemic, the share of respondents reporting delays in permitting or entitlements due to COVID-19 has remained unchanged since June 2020, with two-thirds of respondents reporting these delays.

For the first time since NAIOP began the coronavirus impacts survey, most respondents reported witnessing some type of retail acquisition or development activity. Nearly a third (31.3%) reported new retail development, and 39.1% reported acquisitions of existing retail



buildings, marking a sharp increase in both measures since the January survey. Seventy percent of respondents reported that 90% or more of their retail tenants had paid their rent in full and on time by June 15, the first time most respondents have reported this rate of on-time collection for retail properties since the survey began in April 2020.

The survey was completed by 239 NAIOP members between June 16 and 21, 2021. Respondents represent a range of professions, including developers, building owners, building managers, brokers, lenders and investors.

“The materials and supply chain issues are lagging effects of the pandemic, and they are affecting every industry,” said Thomas J. Bisacquino, president and CEO of NAIOP. “While the pandemic’s impact was deep, there’s a sense of optimism among NAIOP members, with deal activity rising and an increase in people returning to offices, restaurants and retailers.”

In June, NAIOP conducted its eighth survey of its U.S. members on the impacts of COVID-19. Since April 2020, the association has examined the pandemic’s effects on commercial real estate and how firms have

responded.

NAIOP, the Commercial Real Estate Development Association is the leading organization for developers, owners, investors and related professionals in office, industrial, retail and mixed-use real estate. NAIOP provides unparalleled industry networking and education and advocates for effective legislation on behalf of our members. NAIOP advances responsible, sustainable development that creates jobs and benefits the communities in which our members work and live. For more information, visit naiop.org.



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Outside the Box Lending Sets This Unique Bank Apart

Founded in Long Beach in 1907 by C.J. Walker, Farmers & Merchants Bank provides white-glove service to clients in offices from San Clemente to Santa Barbara. Four generations of family management

LENDER SPOTLIGHT

have honed a foundation of values – honesty, integrity, the home, the church and service above self – that set F&M apart from other banks today. F&M Bank offers commercial and small business banking, treasury management services, commercial lending, online & mobile banking, personal checking and savings accounts, and other products.

OUTSIDE THE BOX LENDING

Most commercial real estate lenders have pre-defined programs that clients must fit into. At F&M Bank, there is no “box.” The bank’s philosophy is to adapt to the needs of the client in order to develop the best possible financing solution. F&M Bank’s lenders are flexible, nimble, transparent, and committed to delivering on clients’ needs.

F&M Bank specializes in the following commercial real estate loan types:

- **Permanent Loan:** Financing obtained on a commercial property that includes some amortization.
- **Bridge Loan:** Short-term financing provided during the renovation period that converts to a permanent loan.
- **Renovation Loan:** Financing to modernize, repair, or otherwise improve an existing commercial structure.
- **Construction Loan:** Financing obtained for ground up construction.
- **Master Loan Agreement:** A revolving line of credit enabling borrowers to acquire multiple properties while reducing the time required to create individual loans and documentation.
- Fixed & Adjustable Rates
- Flexible Amortization Schedules
- Cash Out Refinances Allowed
- Incentivized Rates for Faster Amortization

The client experience with F&M is different because the business is designed around the client’s needs. It is a rarity today to find Relationship Managers who have their office within a bank branch, like F&M’s Relationship Managers. From on-site decision making, to a credit administration team that works as diligently as the relationship managers, F&M can operate quickly to develop a solution for industrial, retail, office, or even those special, unique situations.

Farmers & Merchants Bank is a regional bank with deposits insured by the Federal Deposit Insurance Corporation (Member FDIC) and is an Equal Housing Lender. All loans are subject to credit approval.

For more information, visit FMB.com.

DEDICATED IN-BRANCH LENDING

Within each F&M Branch Office, there is a dedicated three-person team who manages the lending relationship. An F&M Relationship Manager, a Portfolio Banker, and a Loan Specialist are dedicated to answering each client’s questions from structuring the deal to the final pay-off of the client’s note.

THE F&M BANK ADVANTAGE

- No prepayment penalties
- Competitive Rates & Terms

114 YEARS OF CRE EXPERIENCE

F&M Bank’s CRE expertise also comes from 114 years of personal experience buying land to build new Branch Offices from the ground up and renovating existing office space. F&M Bank owns more than 75% of its Branch Office locations, demonstrating its long-term commitment to the communities it serves. F&M’s most recent acquisition and renovation is a six-story building on the corner of Lakewood and Del Amo in the city of Lakewood. F&M purchased the building, completed a multi-million dollar renovation, and opened for business on Monday, July 12, 2021.

F&M’s newest branch office at 4909 Lakewood Blvd.



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Peace

OF MIND IS BUILT IN

As an employee-owned company, we demonstrated to ourselves that we can adapt, be more flexible, come out even stronger, and can maintain a healthier, more balanced lifestyle. We are strongly positioned to deliver excellence for years to come.

RAY HAJ

Senior Vice President, Region Manager



ENR CA #1
General Contractor

100%
Employee-Owned

4,000+
Experts Strong

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Reimagining Commercial Space: Renovation Enhancements that Drive Landlord Revenues

With over 40 years of combined experience, the Alpha Omega Contractors team specializes in providing general contracting and construction management services for commercial properties throughout Southern California. The team brings a top level of quality to projects in the medical, life sciences, commercial, and industrial space.

CONTRACTOR SPOTLIGHT

As a dedicated partner and as a seamless extension of the project team, Alpha Omega provides reliable service, maintaining a high-touch presence at each step of the way.

Recently, the team completed a tenant improvement project for a fast-growing Biotechnology company in Westlake Village. The team worked closely with the client and design team to find strategic solutions to achieve the final vision, all while staying within budget.

When it was time to get to work on the 19,977 square foot office, the team first removed ceilings and interior walls to create an open-air environment. From there, they moved on to the reception area, carving it out of the middle of the space and differentiating it from the rest of the office with a retro wood divider and stained wood veneer paneling. Existing glass paneling and wood accents were also expertly retouched, updated, or refinished to maintain an upscale atmosphere throughout the executive suites, community areas, and conference rooms.

The AO Contractors team also recently completed numerous projects at the Park Sorrento building in Calabasas. From medical offices to spec suites, the team took the time to get to know the landlord and each client to achieve their desired final look. Capital improvement projects like these allow landlords to enhance the price of the rent, while also enticing tenant retention.

In one particular Spec Suite project, AO updated the office to better utilize the existing space. They created an open workspace, complete with new partitions to designate executive suites and conference rooms. When it came to the final touches, the team incorporated wood finishes, millwork, updated lighting, and a new ceiling to achieve a modern look and feel.

Because Alpha Omega was involved from the pre-construction phase onward in both of these projects, they were able to offer creative solutions to challenges that ultimately helped keep the project cost down.

Alpha Omega's Los Angeles office is located at 1431 Truman St., Suite H, in San Fernando. For more information, call (818) 330-1555 or visit aocontractors.com.



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We are one of the leading providers of accounting and tax services to Southern California's real estate industry.

For more than 35 years we have represented some of Southern California's largest **property developers, managers, and individual property investors** and we have **worked with some of the most well-known lenders, investors, buyers, and sellers.**

With our years of experience and industry expertise, we can help assemble **the team you need to make your project a success.**

MHM (Mayer Hoffman McCann P.C.) is an independent CPA firm that provides audit, review and attest services, and works closely with CBIZ, a business consulting, tax and financial services provider. CBIZ and MHM are members of Kreston International Limited, a global network of independent accounting firms.