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SAN FERNANDO VALLEY BUSINESS JOURNAL

Vol. 25, No. 3 — THE COMMUNITY OF BUSINESS™ — February 3 – 16, 2020 • $4.00

REAL ESTATE QUARTERLY

Outdoor Amenities: Office campus at 4500 Park Granada in Calabasas.

PHOTO BY THOMAS WASPER

REAL ESTATE 2020

Business Journal takes crystal ball approach to commercial markets.

By MICHAEL AUSHENKER
Staff Reporter

At the start of the new decade, the Business Journal asked developers and brokers what's ahead in commercial real estate.

Several projects coming online in 2020 will impact the region, including Santa Clarita's Needham Ranch in industrial, **FivePoint Holding**'s massive Valencia project in residential and **Shapell Properties'** Vineyards in Porter Ranch for retail. At the same time, a presidential election and slower growth in the economy could damper to outlook.

Gazing into the future, **Mian Development Corp.** has several regional hotels in the pipeline and **Warner Bros. Entertainment** will build "iceberg" office towers in Burbank.

But the economy poses a question mark.

"We are long in the tooth in the market," broker **John DeGrinis** with Woodland Hills-based **Newmark Knight Frank** told the Business Journal. "We've gone 10 or 11 years without a cycle change."

Please see REAL ESTATE QUARTERLY SPECIAL REPORT page 23

A Peek Inside Skunk Works

AEROSPACE: Lockheed expands secret R&D operation.

By MARK R. MADLER *Staff Reporter*

Lockheed Martin Corp. broke ground in December on an expansion of its top-secret Skunk Works facility in Palmdale.

The new 208,000-square-foot manufacturing factory is the first new building in 30 years at Air Force Plant 42, the military-owned property where Lockheed and other large aerospace com-

Please see AEROSPACE page 37

Hospital Needs Building Funds

HEALTH CARE: AV's replacement facility may cost $650 million.

By AMY STULICK *Staff Reporter*

Residents within the **Antelope Valley Healthcare District** will vote on a $350 million bond measure next month that will determine the fate of the region's hospital.

A proposed replacement hospital, to be built on district-owned land southwest of the existing

Please see HEALTH CARE page 36

ECONOMIC FORECAST

Fienup

The economy of the San Fernando Valley will grow by 3.4 percent this year – faster than the nation as a whole, according to the Center for Economic Research and Forecasting at **California Lutheran University** in Thousand Oaks. Economists from the center delivered their forecast at a Business Journal breakfast on Jan. 15 at the **Hilton Woodland Hills** hotel. **Matthew Fienup**, the center's executive director, said the the "outlook for the nation has eroded dramatically."

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Nissan Accused of Double-Dealing on Car Lot

AUTOMOTIVE: Did Carlos Ghosn and allies deflate price?

By ANDREW FOERCH *Staff Reporter*

The receiver for the company that formerly owned Universal City Nissan alleges that **Carlos Ghosn**, the former chief executive of Nissan, and his allies conspired to devalue the dealership so a hidden partner could buy it at a greatly reduced price.

Byron Moldo, the court-appointed receiver for **Sage Automotive Group** alleges Nissan, under Ghosn's leadership, concealed a "corrupt" financial relationship with **Trophy Automotive Dealer Group LLC** in Glendale, which bought the Universal City dealership and three others, including Mercedes-Benz of Valencia.

A lawsuit was filed in December against Nissan and two of its subsidiaries.

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PHOTO BY DAVID SPRAGUE

Dealership: Universal City Nissan.

MAIL TO:

THE LIST

BUSINESS IMPROVEMENT DISTRICTS
Ranked by 2019 budget
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Kobe Bryant's Conejo Valley Business
It's unclear what impact the passing of NBA icon will have on Mamba Sports Academy. p. 6

Cooperation Key for Tourism Promoters
Crew at Ventura County Lodging Association, right, works with other groups to improve results. p. 10

SAN FERNANDO VALLEY BUSINESS JOURNAL

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4 Deal for dealership

26 Camarillo developer

CORRECTION
In the Jan. 6 edition's story "Warehouse Leases More Profitable Than Retail," the photo caption for the story should have stated that **Karina Beltran** and **Patrick Conn** work at **Charles Dunn Real Estate Services Inc.**

San Fernando Valley Business Journal (ISSN 1526-0712) is published biweekly by San Fernando Valley Business Journal, 21550 Oxnard, Suite 540, Woodland Hills, CA 91367. Periodicals postage paid at 11150 Santa Monica Blvd., Suite 350, Los Angeles, CA 90025. Subscription price: 26 issues: $49.95. **To subscribe or for customer service, call (855) 856-4749. All other inquiries (818) 676-1750.** Single copies, $4.00. Mailed copies, $6.00. Back issues, $9.00. Address and subscription inquiries to: Circulation Department, 11150 Santa Monica Blvd., Suite 350, Los Angeles, CA 90025. This newspaper is designed to inform decision-making executives, investors and managers on trends, growth and ideas important to commerce and industry in the San Fernando Valley area. Information in San Fernando Valley Business Journal is gathered from sources considered to be reliable, but the accuracy of this information cannot be guaranteed. Neither that information nor any opinion which may be expressed here constitutes a solicitation for the purchase or sale of any securities. Opinions expressed in letters to the editor and commentaries are those of the authors and not necessarily those of the San Fernando Valley Business Journal. POSTMASTER: Send address changes to San Fernando Valley Business Journal, Circulation Department, 11150 Santa Monica Blvd., Suite 350, Los Angeles, CA 90025.

VALLEY INSIDER
JOEL RUSSELL

New PR Council Member

John Musella, president of public relations agency **Musella Group** in Valencia and Los Angeles, has joined the **Forbes Agency Council,** an invitation-only group of owners and executives in the PR, media and advertising industries. In connection with the council, Musella can share his expertise in original articles on Forbes.com. … West Hills-based **Source Photonics,** a maker of optical transceivers for telecommunication systems and data networks, has named **Weiming Li** as chief executive officer. He served as general manager of Source Photonics China from 2007 to 2013. Li succeeds former chief executive **Doug Wright,** who resigned from the company. … The **Calabasas Chamber of Commerce** honored **Lois Julien,** long-time chamber volunteer and promoter of the organization's annual pumpkin festival, with the 2020 Spirit of Calabasas award at its installation ceremony Jan. 25 at the **Calabasas Country Club.** … **Douglas Brown** is the new chief financial officer at Northridge Hospital Medical Center. He is responsible for overseeing the finance and accounting systems, while ensuring the hospital operates within budget. Brown previously served as controller at Dignity Health – Glendale Memorial Hospital and Health Center; both Glendale and Northridge are owned by nonprofit **Dignity Health.** … **Interlink Electronics** in Camarillo has hired **Mark Lowe** as vice president of sensor products and solutions. Lowe previously worked at sensor company **Tekscan** in Boston. "He will be a critical resource for helping us expand our reach in existing markets and penetrate new ones," Interlink Chief Executive **Steve Bronson** said in a statement. … **Mike Hanley,** an agent with **Berkshire Hathaway HomeServices California Realty** in Thousand Oaks, is the new president of **Conejo Simi Moorpark Association of Realtors.** Previous president **Liz Parvex,** an agent with **Century 21 Everest** in Westlake Village, passed the gavel to Hanley at a ceremony last month at **Westlake Village Inn.**

Musella

Brown

Hanley, Parvex

Valley Insider is compiled by Editor Joel Russell. Send submissions to jrussell@sfvbj.com.

Viking Expeditions Seek Distant Shores

Ships take small groups to rugged destinations for a higher price.

By ANDREW FOERCH *Staff Reporter*

Around 350 guests turned out at the **Beverly Hilton** hotel last month to see **Viking Cruises** officially launch its "Expeditions" division and name two new ships.

The Expeditions line will be a series of small-ship cruises to more extreme, less accessible destinations than are available on the Woodland Hills company's traditional ocean and river cruises. So far, Expeditions will take travelers to Antarctica, the Arctic and the Great Lakes.

"Our guests are curious explorers. They want to continue traveling with us to familiar and iconic destinations, but they would also like to travel further," said Viking Chairman **Torstein Hagen** in a statement. "In creating 'the thinking person's expedition,' we are perfecting polar expedition cruising, and we will usher in a new era of comfortable exploration in the heart of North America."

Guests at the event witnessed the naming of the first two ships in Viking's Expeditions fleet – the Viking Polaris and Viking Octantis.

Each will host up to 378 guests in 189 staterooms and will feature panoramic auditoriums for educational lectures and research laboratory spaces for use by the company's academic partners from **Cambridge University** and **Cornell Lab of Ornithology**. Both ships will be outfitted with straight bows, fin stabilizers and reinforced Polar Class 6 hulls for safe sailing through icy waters. The watercraft are currently under construction by Italian shipmaker **Fincantieri** and will be delivered in Norway in a few years.

Rendering: Penguin watching on Viking Expeditions division voyage to Antarctica.

The Octantis will begin sailing to Antarctica and the Great Lakes in January 2022, while the Polaris will debut for voyages to Antarctica and the Arctic in August 2022.

According to **Andrew Kahn**, director of operational business development at Woodland Hills travel agency **Casablanca Express**, expedition cruising is a natural evolution of river cruising, where smaller ships can dock at more ports and guests get to more intimately explore destinations. But where travelers in the past were concerned mostly with comfort, he said, today's traveler wants a bit more action.

"It's all about adventure," Kahn said. "Even on common, basic cruise ships."

And because expedition cruises have fewer guests and looser itineraries, the captain has more freedom to reroute based on spur-of-the-moment opportunities such as wildlife appearances, or simply to explore something new.

Kahn said people who want to go on expedition cruises are generally willing to spend more money than the typical ocean or river cruise customer.

That is reflected in Viking Expedition prices. The inaugural Antarctic Explorer cruise, for example, charges $14,995 a person for a 13-day voyage around the Antarctic peninsula. Viking's 15-day Grand European Tour from Amsterdam to Budapest is downright cheap by comparison, running each guest just $3,649.

A Viking spokesperson said the target consumers for expeditions are "experienced travelers, ages 55 and older … who are interested in culture, history, art and science."

Separately, Viking plans to launch seven river ships in 2020. It has six ocean ships on order, with options for four additional ships. That could bring Viking's ocean ship fleet to 16 ships by 2027.

Cedars-Sinai Opens Offices in Valley

Cancer center in close proximity to Providence Tarzana hospital.

By AMY STULICK *Staff Reporter*

Cedars-Sinai opened its flagship medical offices in the San Fernando Valley at an event on Jan. 29.

The 40,000-square-foot location at 18133 Ventura Blvd. is just around the corner from the **Providence Tarzana Medical Center**. Cedars agreed to a joint venture with **Providence St. Joseph Health** last March to own and operate the Tarzana hospital, with Providence retaining controlling interest in the center.

The medical offices will house a cancer center with orthopedic specialists and internal medicine coming soon, Cedars said in a statement. Cancer care offered at the offices include radiation oncology, medical oncology and an infusion center, as well as surgical oncology and diagnostic imaging.

The location also offers on-site labs and X-ray services.

"We're the first to provide the Valley area with a full range of cancer services from an academic medical center," Dr. **Dan Theodorescu**, director of Cedars-Sinai Cancer, said in a statement. "We believe it's important to make life less complicated for our cancer patients. By offering comprehensive care in a convenient location, we hope to accomplish that."

"We are proud and excited to be opening our flagship Valley medical offices in Tarzana," added **Thomas Priselac**, chief executive of Cedars-Sinai in a statement. "We are ensuring that a community of expert physicians and caregivers is right there, ready to make a difference."

Wheel Dealership: Entrance to Universal City Nissan; right, inventory at lot along 101 freeway.

PHOTOS BY DAVID SPRAGUE

'Strong-Armed'

AUTOMOTIVE: Former owners of Universal City Nissan claim Carlos Ghosn and cronies pushed them out.

By **ANDREW FOERCH** *Staff Reporter*

The international intrigue surrounding former **Nissan Motor Co.** chief executive **Carlos Ghosn** has found its way to the San Fernando Valley.

A now-defunct local automotive franchisee is embroiled in a legal dispute with the Japanese car company, which it accuses of strong-arming it into selling several of its new car dealerships to a hidden partner of Ghosn as repayment for financial favors. Ghosn's relationship with that partner is at the heart of Japanese charges against him.

The receiver for **Sage Automotive Group** – formerly a family-owned collection of Nissan, Infiniti, Kia, Toyota, Chevrolet and Mercedes-Benz dealerships – filed a lawsuit in December against Nissan and two of its subsidiaries. Sage Group went into receivership in July 2017 resulting from a disagreement among the three brothers who were operating the car business following the death of their father and company founder, Morris Schrage, in 2011. Sage no longer owns or operates any car dealerships but is still a corporate entity.

Sage's court-appointed receiver, **Byron Moldo**, alleges Nissan, under Ghosn's leadership, concealed a "corrupt" financial relationship with **Trophy Automotive Dealer Group LLC**, in Glendale, and its owner **Nasser Watar**. Nissan in September 2017 allegedly coerced Sage into selling four dealerships to Watar for far less than market value. They were Universal City Nissan, West Covina Nissan and two non-Nissan dealerships – Mercedes-Benz of Valencia and Kia of Downtown Los Angeles.

Ghosn

The 31-page complaint filed in Los Angeles County Superior Court also alleges Nissan then wrongfully withheld millions of dollars from Sage following the sale, forcing Sage into another fire sale of two additional Nissan dealerships in Glendale.

"Nissan's nefarious scheme to oust the Sage Group and award the franchises to Trophy was ultimately successful, causing the Sage Group millions in damages," the lawsuit states. It estimates the deficit from the Trophy sale at roughly $40 million, not including any subsequent losses resulting from Nissan's alleged financial squeeze that prompted the second sale.

Both Trophy Automotive and its attorney could not be reached after multiple requests for comment over two weeks.

Amnon Siegel, an attorney at Century City law firm **Miller Barondess** who is representing Moldo, described the dispute as "a coordinated effort by several Nissan entities … kicking someone while they're down."

Siegel said the true value of Sage's losses hasn't been defined yet and ultimately may be determined by a jury at trial. The jury's decision may depend on expert testimonies that will evaluate what the dealerships would have been worth had the alleged misconduct not occurred.

Ghosn, mentioned by name throughout the suit but not listed as a defendant, is hiding in Lebanon, where he seeks refuge from Japanese criminal prosecutors. They have charged him for allegedly underreporting his personal compensation as Nissan's chief executive, among other financial misdeeds. In late December, after bailing himself out of Japanese prison, Ghosn violated his parole and fled the country via private jet, which he boarded by hiding in a large musical instrument case, making international headlines. Interpol issued a warrant for his arrest in early January.

Concealed relationship

While the Sage transactions in question occurred in 2017, the story began with the market crash of 2008.

According to the lawsuit, Ghosn suffered huge losses when the financial crisis hit, and turned to his personal friend and Saudi Arabian billionaire **Khaled al-Juffali** for loans. Al-Juffali is not a defendant in the local lawsuit, though he is a central figure in the breach-of-trust allegations brought against Ghosn by Japanese prosecutors.

The lawsuit claims that al-Jufalli and his partner, Trophy's Watar, were "richly rewarded for helping Ghosn." For one thing, Ghosn allegedly arranged to have Nissan enter into a joint venture with a Middle Eastern company called **Al-Dahana**, owned by al-Juffali and Watar; their company, in turn, owns 50 percent of Nissan Gulf, the regional distributor for Nissan and Infiniti in the Middle East. Also, Ghosn sent $14.7 million to Al-Dahana from a "CEO reserve fund" that Ghosn controlled, according to the suit. What's more, Watar and al-Juffali were actively looking to acquire dealerships in the United States. "Nissan, headed by Ghosn, saw the Sage Group as another bounty and pay-back for Ghosn's benefactor, al-Juffali," the lawsuit states.

According to the lawsuit, the Sage dealerships were attractive targets due to their size and central locations in Southern California's new car market. Nissan was California's fifth most popular car maker last year, based on figures from the **California New Car Dealers Association**. Additionally, the lawsuit states the dealerships' weakened financial position and lack of effective leadership under the Schrage brothers made them vulnerable targets.

The lawsuit alleges Ghosn used his power at Nissan to coerce the Sage Group to sell several of its most valuable dealerships to Watar's Trophy at a discounted price without disclosing his relationship with Watar.

"Nissan was digging a grave for the Sage Group and simultaneously burying them in it," the lawsuit states.

Money squeeze

In the automotive industry, dealerships get new cars from manufacturers on credit, then pay the manufacturer once a car has been sold. This is called "floor-plan financing." Most dealerships couldn't operate without it.

In 2017, Nissan's financing branch, Nissan Motors Acceptance Corp., stopped funding Sage's purchase of new cars from Nissan North America, cutting into the group's ability to maintain adequate inventory. According to the lawsuit, the financing branch's explanation was that Sage was behind on roughly $2.2 million in payments for new vehicles.

Siegel, the attorney, said his team "never got a clear explanation" whether this debt was real or fabricated and it will be a focal point of their investigation into Nissan going forward. Sage later resolved the debt using a bridge loan.

After notifying the Sage Group of its debt, Nissan introduced the possibility of selling the dealerships to Trophy, a buyer it said owned a Mercedes-Benz dealership in Encino and was looking to expand its footprint. Neither Nissan nor Trophy disclosed Watar and Ghosn's relationship, according to the suit.

In March 2017, after discussing terms, Sage and Trophy signed a letter of intent for Trophy to purchase from Sage eight dealerships, including Universal City Nissan, for more than $200 million. But according to the lawsuit, Nissan and Trophy had no intention to buy the dealerships for the agreed-upon price. Nissan subsequently ramped up Sage's supposed debt to $4 million, saying Sage was "out of trust," or in violation of finance standards – despite Sage having already paid back the original outstanding balance of $2.2 million with the bridge loan. According to the lawsuit, this further interrupted Sage's normal operations and allowed Trophy to drive down the price substantially.

"The Sage Group was not out of trust for any amount," the lawsuit states. "NMAC was not going to reopen the Sage Group's floor-plan; it was acting to cripple the dealerships and help Nissan deliver them to Trophy."

The deal closed in September 2017. Rather than buying all eight dealerships named in the letter of intent, Trophy bought just four – Universal Nissan, West Covina Nissan, Mercedes-Benz of Valencia and Kia Downtown Los Angeles – for much less than had been agreed to earlier.

After the sale, Sage still owned two Nissan-brand dealerships – Glendale Nissan and Glendale Infiniti. It had planned to use the proceeds from the sale to clear its debt and reopen its lines of financing at those two dealerships. But according to the lawsuit, Nissan continued to withhold at least $2.7 million from Sage.

"The Sage Group requested an accounting from NMAC for the suspense funds. NMAC refused. … Indeed, to date, NMAC has not provided this information to the Sage Group, despite multiple requests," the lawsuit states.

Sage determined that selling the Glendale dealerships would be the best way to recoup some liquidity. The only problem? Nissan allegedly wouldn't approve any potential buyers but one – an established Nissan dealer brought to the table by Nissan.

According to Siegel, "(Sage) had another offer that was higher," but Nissan wouldn't approve that buyer as a viable franchisee.

Sage ultimately sold the Glendale dealerships to Nissan's favored candidate for unspecified losses and no franchise value, which the lawsuit characterized as "unheard of."

According to Siegel, "Car dealerships have significant franchise value, sometimes called goodwill or blue-sky value. It's essentially the value of owning a particular franchise in a particular location and having the exclusive right to sell vehicles in that market area. It's extremely valuable. … These franchises typically sell for between four and 10 times their earnings. (Sage) didn't get close to that."

Both deals were asset sales in which the buyers received the dealerships' franchise deals with Nissan, property leases and existing inventory. The buyers then set up new corporate entities to run the dealerships. The corporate entities represented by Moldo as plaintiffs in the lawsuit no longer operate businesses but have been alive and in receivership since the sales. Moldo filed suit attempting to collect as much money as possible for the Sage equity holders and creditors.

The lawsuit attributes Sage's experience to "an unethical corporate culture" at Nissan.

According to Siegel, "The culture was – everybody did what (Ghosn) wanted. He got his way for years."

Additionally, the lawsuit names as defendants three former Sage executives allegedly recruited by Trophy to work for it, all of whom are accused of breaching their fiduciary duties.

'Juicy prize'

"I've been doing this since the early '80s and … I've never seen anything like this before," said **Barry Kurtz**, a franchise attorney who is not involved in the case. He is chair of franchise and distribution practice at Encino law firm **Lewitt Hackman.**

Kurtz said that franchisors can and do put pressure on franchisees to take certain action, such as selling their business, if they feel it's in the best interests of the franchise, but not with such "extreme and blatant tactics" as those alleged by Sage.

Kurtz wasn't aware of any comparable legal cases and posited that it would be easier for smaller franchisors with close relationships to their franchisees to act this way.

But with more than 1,000 dealerships in the U.S., Nissan certainly isn't a small franchisor. And considering Ghosn's position of influence, Kurtz said "it's hard to believe he would get involved in this. On the other hand, there's so much money involved … people will do anything for the right price."

Bob Bailey was the general manager of Universal Nissan for 27 years, helping grow the dealership to its heights as one of the premier Nissan dealers in the country, located at the epicenter of California car culture. He said he never felt any pressure from the manufacturer to act one way or another during his tenure, which ended in 2011 following the death of Morris Schrage.

"When I left, we were in good standing," he said. "We were solid."

After Schrage passed away, the Sage dealerships were left in the control of his

three sons, **Leonard**, **Michael** and **Joseph**. They found it difficult to share control at the company; two of the brothers ousted the third, who filed suit against them. By 2017, Sage was struggling.

Siegel said family disputes were the primary reason Sage went into receivership in 2017. He said Nissan had started putting pressure on the group by that time, but the extent of their alleged manipulation wasn't clear for years.

"I don't think there was a full appreciation of it. Nobody knew about the relationship between Ghosn and Trophy," Siegel added.

Despite the Schrage brothers' difficulties running the business, the lawsuit posits that "in time, the Sage Group could have recovered its former strength," absent Nissan's alleged meddling.

"But Nissan saw the Sage Group as a juicy prize to award to an insider," the lawsuit continues. "Nissan took advantage of the Sage Group's weakened position and made sure that it could not recover and would be forced to sell to Nissan's dealers of choice."

Siegel described the lawsuit as "another major black eye for (Nissan)."

Kurtz said the saga "makes a lot of (Nissan's) transactions suspect and could put a real hit on their stock if they prove this kind of double dealing."

Mamba Sports Academy's Future Uncertain

TRANSITION: What will become of center without partner Kobe Bryant?

By ANDREW FOERCH *Staff Reporter*

The future of **Mamba Sports Academy** in Newbury Park was thrown into question last month when its celebrity partner Kobe Bryant died in a helicopter crash.

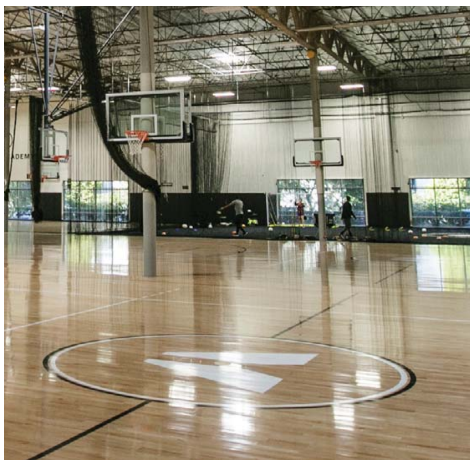
Bryant, 41, was on his way to the training center on Jan. 26 when his Sikorsky helicopter crashed in the hills of Calabasas, killing him and eight other passengers. He was heading to coach his daughter's team in a basketball tournament at the academy. His 13-year-old daughter, Gianna, herself a budding basketball player, was onboard and was killed as well.

Bryant entered a partnership with the Sports Academy, as it was previously known, in 2018 after bringing Gianna and her youth team there to practice.

Dozens of mourners gathered and placed memorials outside the training center last week to pay tribute to the Lakers star who played for 20 years and won five NBA championships before retiring in 2016.

Mamba Sports Academy closed for three days following Bryant's death before reopening on Jan. 29.

The terms of Bryant's partnership with the Academy were never revealed publicly but may inform what will become of the training complex that has become a hub for L.A. athletes of all calibers. It is unclear whether Bryant was a majority or minority stakeholder. The Academy has not specified publicly how its operations will be affected and declined to comment for the Business Journal's story by press time.



PHOTOS BY DAVID SPRAGUE

Court: Basketball section and exterior of Mamba Sports Academy in Thousand Oaks.

Bryant's death sent shockwaves around the world and not just among fans of the NBA.

Second act

After his NBA career ended, Bryant launched a successful second act as an entrepreneur and investor.

He formed in 2016 **Bryant Stibel & Co.**, an investment fund he ran with startup veteran **Jeff Stibel**. Together, they invested in tech startups including **LegalZoom** in Glendale and **Epic Games**, maker of smash hit Fortnite, in North Carolina. The fund claims to now manage a portfolio of more than $2 billion.

In 2018, Bryant entered a partnership with the Sports Academy, a 96,000-square-foot multi-sport training facility opened by **Chad Faulkner** in 2016 in a building formerly occupied by **Amgen Inc.**'s technical support group. The 6-acre center aspires to be a one-stop-shop for athletes of all persuasions and boasts a dizzying array of resources, including basketball and volleyball courts, batting cages, pitching mounds, weight training and stationary bicycling rooms, yoga studios, sports medicine and bio-mechanic lab space, an e-sports training ground, sprinting track, Jiu-Jitsu school, sports psychology clinic, nutrition center and retail shop for sporting attire and equipment.

It also offers camps and clinics for beginning and advanced athletes, and amateur sports leagues for kids and adults.

When Bryant became involved, the Sports Academy changed its name to reflect his nickname, "the Black Mamba," and changed its logo to resemble a snake wrapped around a golden "M." Faulkner has remained as chief executive since then.

"Mamba Sports Academy is a natural expansion of my commitment to educating and empowering the next generation of kids through sports," Bryant said in a 2018 press release announcing the partnership. "We will focus on offering a premium experience on proper training for young athletes, and infuse a little 'Mamba Mentality' into their programs."

With his co-sign, the facility went on to host such professional athletes as L.A. Rams stars **Todd Gurley** and **Aaron Donald**, NBA pros **Anthony Davis**, **Rajon Rondo**, and **Tristan Thompson**, all of whom have done stints with the Lakers, and Ohio State football phenom **Dwayne Haskins.**

It also launched a charity foundation called the **Mamba Sports Foundation** to provide funding and sports opportunities for young, underserved athletes. The center even served as an emergency refuge for more than 3,500 Ventura County residents whose homes were at risk in the Woolsey Fire in December 2018. It had previously offered the same service during the Hill Fire.

Bryant also published several books; won an Oscar for the 2017 animated short film he produced called "Dear Basketball," based on a poem of the same name he wrote to announce his retirement; and grew his own production company **Granity Studios**, which produced documentaries, podcasts and an acclaimed ESPN sports analysis series.

The Federal Aviation Administration and National Transportation Safety Board are investigating the crash of Bryant's helicopter that happened in a hilly area near Las Virgenes Road and Willow Glen Street, south of the 101 freeway.

Also killed in the crash were John Altobelli, a baseball coach at Orange Coast College; his wife Keri; daughter Alyssa, who played on the same basketball team as Gianna Bryant; Christina Mauser, an assistant coach of the Mamba girls' basketball team; helicopter pilot Ara Zobayan; and Orange County mother and daughter Sarah and Payton Chester, also a teammate of Gianna Bryant.

Analyst Sees Solid Returns Ahead for BlackLine

SOFTWARE: Revenue per customer predicted to rise for next decade.

By MARK R. MADLER *Staff Reporter*

Morningstar Inc. initiated coverage of **BlackLine Inc.** this year, starting off with a fair value of $50 for its shares.

The Chicago research and equity company also gave the Woodland Hills accounting software developer a narrow economic moat, or its ability to stay ahead of the competition, according to the first research report authored by analyst **John Barrett** on Jan. 9.

"We believe that BlackLine's strong dollar-based retention rates are indicative of a narrow-moat company," Barrett wrote in the note. "Over the past several years, BlackLine has reported dollar-based revenue renewal rate (excluding upsells) of 97 percent to 98 percent, indicating a customer lifetime of over 20 years."

The firm believes that BlackLine warrants a narrow moat because of high customer switching costs, Barrett continued in the note.

"With over 2,800 customers, including 36 percent of Fortune 500 companies, we believe that BlackLine's importance in corporate finance workflows, including accelerating financial closes and automating account reconciliations, will allow it to generate returns well in excess of its cost of capital over the next decade," he added.

BlackLine develops software that reduces the need for human accountants by automating the process of closing out the books and reconciling accounts. Its customers include **Dow Chemical Co.**, **Coca-Cola Co.** and **Costco Wholesale Corp.**

BlackLine's share price has increased by more than 14 percent since the start of the new year through Jan. 24 and has seen steady increases since Morningstar said it would initiate coverage.

The share price closed at $59.67 on Jan. 29.

For the third quarter ending Sept. 30, BlackLine reported an adjusted net income of $7 million (12 cents a share) compared with adjusted net income of $4.1 million (7 cents) in the same period a year earlier. Revenue increased by 28 percent to $74.9 million.

BlackLine will release its fourth quarter earnings on Feb. 13.

In discussing the third quarter results with analysts in early November, BlackLine Chief Executive **Therese Tucker** said that since pioneering the financial close market, the company has invested in educating chief financial officers, controllers and accountants to modernize their financial close function and drive greater efficiency and internal controls with less time and fewer resources.

"In recent years, we have invested millions of dollars in global customer success teams and accounting transformation specialists to accelerate that pace of education and engagement," Tucker said. "We believe these investments drive significant value for our customers as they look to transform their operations and anticipate continued investment in this area."

In coming up with the $50 fair value figure, the revenue model used by Barrett employed the number of new customers as the primary driver of growth and the revenue per customer as the secondary growth driver.

BlackLine ended the third quarter with 2,871 customers and had added that quarter 87 new net customers.

Barrett is projecting the company will add 330 net new customers per year through 2028. This is a drop off from the three prior years when BlackLine was adding an average 430 net new customers.

"We expect BlackLine's new customer additions is likely to slow as it attempts to move upmarket, especially through the recently announced SAP partnership, as sales cycles lengthen when targeting larger enterprises," Barrett wrote in his research note.

In November 2018, BlackLine announced an agreement with **SAP SE**, a German multinational software company, to allow it to resell BlackLine software around the world.

The firm estimated the revenue per customer to have been $38,000 in 2018 and expects it to rise by an average of 6 percent compounded annually for the next 10 years, reaching $146,000 in 2028 as customers add more BlackLine products and bring more users onto the software.

"These drivers combine to produce revenue growth of 15 percent on average over the next decade," Barrett wrote. "With revenue growth split evenly between new logos and expansion by existing customers and a total addressable market of 165,000 companies (defined as greater than $50 million in revenue), we believe that BlackLine will have ample growth opportunities."

Chief Financial Officer **Mark Partin** said during the analyst conference call that the company had identified during its investor day in September five growth areas to capture the large and underpenetrated market in front of it.

"These growth drivers include our initiative to lead our customers as a strategic partner to the CFO, the SAP partnership, upsell and cross-sell of the install base, a collaborative partner ecosystem and international expansion," Partin said.

BlackLine Inc.
(Nasdaq: BL) *Source: Yahoo Finance*

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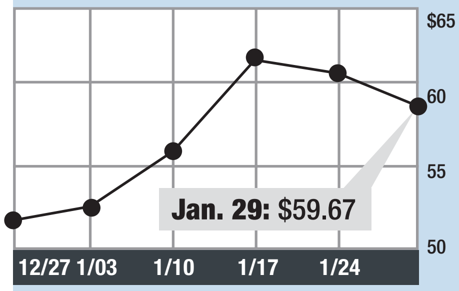

HEADQUARTERS: Woodland Hills
BUSINESS: Accounting software
CEO: Therese Tucker
MARKET CAP: $3.4 Billion
Q3 EARNINGS: $7 Million

LAW

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Firm Taps Legal Talent From Within

Two Lewis Roca IP attorneys make partner.

By AMY STULICK *Staff Reporter*

Dustin Szakalski and **Martin Regehr** have been promoted to partner at **Lewis Roca Rothgerber Christie**, the Glendale firm said in a statement.

Szakalski and Regehr are members of the firm's intellectual property practice. Although they don't expect to make any major changes after their promotions, each is eager to take on more responsibilities in helping manage the firm.

Szakalski

Regehr

"It will be more important for us to mentor and help the junior associates that are joining the firm, so that they can feel like they're welcome and an important part of the firm, but also so they can learn as efficiently as possible and become really good lawyers," Regehr told the Business Journal.

"When I was an associate, I worked as a liaison which helped facilitate communication between associates and firm management, and so this is kind of stepping into a new role, into new shoes and being more a part of firm management than I was as an associate," added Szakalski.

Regehr handles patent prosecution matters for companies in the following industries: digital integrated circuits, radar, nonlinear mechanical structures, electric motors, optical communications and switching systems, semiconductors, MEMS devices, cryptography, power generation, battery systems, welding systems and software systems.

Prior to entering the legal field, Regehr worked for engineering and scientific endeavors, including **NASA**'s Jet Propulsion Laboratory. He wrote software for a space telescope and tested gravitational wave detectors for the Laser Interferometer Gravitational-Wave Observatory at Caltech, the firm said in a statement.

Szakalski focuses more on patent litigation, patent prosecution, trademark applications, branding, licensing and takedown procedures.

He worked as an engineer at **Northrop Grumman** prior to attending law school, the firm said, designing structural airframe parts for the F-35 Lightning II fighter. Szakalski also served as a flight test engineer for **Goodrich Aerostructures** on the Boeing 787.

"This experience as a flight and structural design engineer in commercial and military aviation enables Szakalski to provide counsel to clients in a wide variety of industries in addition to the aerospace and unmanned aerial systems industries," the firm said in a statement.

"I think having industry experience is a great benefit," added Szakalski. "It lends a certain perspective from where the clients are coming from, being a former engineer and just understanding that role. It helped me put myself in the client's shoes and understand their perspective on what they're trying to get out of the legal engagement."

Red Flag?: Employers should review service contracts for compliance.

Parsing AB5's Impact

Lewitt Hackman puts anti-gig law at centerstage.

By AMY STULICK *Staff Reporter*

Employers and lawyers gathered for an early-morning seminar at **Lewitt Hackman** to hear more about legal updates for the coming year.

Primarily, the Jan. 16 session focused on California's anti-gig economy law, AB5. It also provided a crash course on changes to the Private Attorneys General Act of 2004, or PAGA, and minimum wage increases, among other employer-centric concerns.

Attorneys **Sue Bendavid** and **Tal Burnovski Yeyni** from the Encino firm led discussions and answered questions about AB5's ABC test which became effective Jan. 1. According to the test, a worker is an independent contractor only if:

- The person is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- The person performs work that is outside the usual course of the hiring entity's business.
- The person is customarily engaged in an independently established trade, occupation or business of the same nature as that involved in the work performed.

The new test greatly narrows who would be considered a contractor due to the nature of certain professions, like a freelance writer or graphic designer that typically works on contract.

Nearly 200 freelancers for **Vox**'s SB Nation in Los Angeles, for example, were let go and 20 employees were brought on because of AB5. Freelancers perform work that falls within the hiring entity's business, a direct violation of Prong B in the ABC test.

Exemptions for a variety of professions sprang up prior to Gov. **Gavin Newsom** signing the bill, expanding to 11 pages within the bill, Bendavid and Yeyni said. Lawsuits sprang up as well, filed by **Uber** and **Postmates**, as well as freelance journalists.

"When AB5 passed, a lot of industries were not included in the list of exemptions. Businesses across California essentially claimed AB5 ignores the realities of their practice," said Yeyni.

"It is beautifully written and very convincing, I think, and they specifically mentioned the author of AB5, Assemblywoman **(Lorena) Gonzalez**. The lawsuit claims Assemblywoman Gonzalez is hostile toward on-demand companies," added Yeyni, referring to the Uber and Postmates lawsuit. "They said, you have all these exemptions but you deliberately did not include on-demand companies."

The team at Lewitt Hackman briefly touched on the law's retroactivity too, stating that it is indeed retroactive for claims that fall under the wage order, and also for exemptions.

"They said yes, it's retroactive, but if an exemption applies, we'll allow you to apply the exemption as well, under some circumstances. If someone sued today under AB5, it's retroactive for things that fall under the wage order, like rest breaks, meal breaks, overtime, record keeping," explained Bendavid. "There's another part of the bill, which you must also consider. It says if you currently have employees, they must remain employees even if an exemption might otherwise apply. Even if they would qualify for an exemption, too bad for you. You can't go backwards and reclassify them now."

The firm's advice to employers when it comes to AB5 was simple: Get in compliance while courts and legislators slowly attempt to narrow who is affected by the law, and pay close attention to existing contracts.

"I got a call yesterday from a woman who has a professional services-type firm in the construction industry," added Bendavid. "They have 60 employees and 200 independent contractors – that's going to be a red flag. You will be asked how could that possibly be? Do you have people that work for you who do the same thing as those independents? Think about looking at your contracts."

"The moral of the story is, if you have vendors or independent contractors that are providing services to you, then you have to look at your contracts, your facts, and see if the workers qualify, or not," Bendavid told attendees.

Other notable changes for employers discussed at the seminar included a decision which prevents plaintiffs from attempting to circumvent arbitration by filing a PAGA-only claim.

A minimum wage increase is also slated for July 1 with employers that have 26-plus employees looking at $15 per hour, and $14.25 per hour for employers with 25 or fewer employees.

Recruitment at Barrister Band Session

Woodland Hills firm brings on a trial associate.

By AMY STULICK *Staff Reporter*

Barry Goldberg met his latest trial associate through the **Big Band of Barristers**, a music group for lawyers, law students, judges and legal staff to "meet in harmony," Goldberg said.

Matthew Stearns will be joining Woodland Hills' **Law Offices of Barry P. Goldberg**, bringing his experience in entertainment law to the personal injury firm.

Stearns graduated from **Southwestern Law School** in 2016; he has handled trademark and copyright issues in the entertainment field, as well as licensing and intellectual property disputes before the U.S. Patent and Trademark Office.

"I was working in copyright and trademark intellectual property," Stearns said. "As much as I enjoyed the work, it was something that I felt like I needed to have more of a hands-on kind of gig."

Much of his previous work revolved around protecting rap artist trademarks and popular memes, according to a statement from the firm.

Handshake: Goldberg, left, and Stearns.

"Through working in that band, I had some opportunities to work with Barry on and off, and that's basically how things have progressed," added Stearns. "People tend to talk about their work during rehearsals. It was interesting for me to listen because it's worth hearing, what other people's experiences were in different facets of the law."

"He worked for me as a contract attorney for about a year, and that was maybe one day a week. I was begging him to come work for me for a year," said Goldberg, who also serves as president of the **San Fernando Valley Bar Association**. "Maybe it's because he came to law after doing other things, but he's more mature. He has a refreshing ability to analyze and think tactically that I don't see in young candidates."

Goldberg and Stearns play trombone and tenor saxophone in the band, respectively. Stearns was a professional musician prior to pursuing his law degree.

DIGITAL TECHNOLOGY

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Bold Screen's BestSelf TV For Women

Ad company gets user data through streaming channel.

By ANDREW FOERCH *Staff Reporter*

Bold Screen Media in Thousand Oaks is bringing short-form women's lifestyle video content to your big screen TV.

The advertising company has launched BestSelf TV, an OTT app for women-focused content available on the Roku connected TV platform. OTT — or "over the top" — apps deliver video content to a user's phone or television by streaming over the internet rather than satellite or cable.

BestSelf TV offers short, "snackable" content that aspires to empower and motivate women users, including instructional fitness, beauty, home and food videos including at-home workouts, DIY project walkthroughs and cooking tutorials.

It went live on Roku in January. Bold Screen plans to roll it out for iOS, Android and other platforms later in the first quarter.

According to Chief Executive **Dan Alexander**, BestSelf is an attempt by Bold Screen to capitalize on the advertising industry's demand for female audience data.

"There's a lot of demand for buying a female audience across traditional broadcast and connected television. And we saw there was a lot of access to great premium content around the specific subcategories that BestSelf promotes," Alexander said. "That's why we wanted to become a publisher ourselves."

Bold Screen's 11-person outfit started in 2015 helping mobile apps monetize their content with video ads. When the market shifted towards connected television and apps such as Roku, Pluto and Tubi, realizing the platforms offered similar exposure as traditional broadcast TV but with far more trackable user data, Bold Screen followed along.

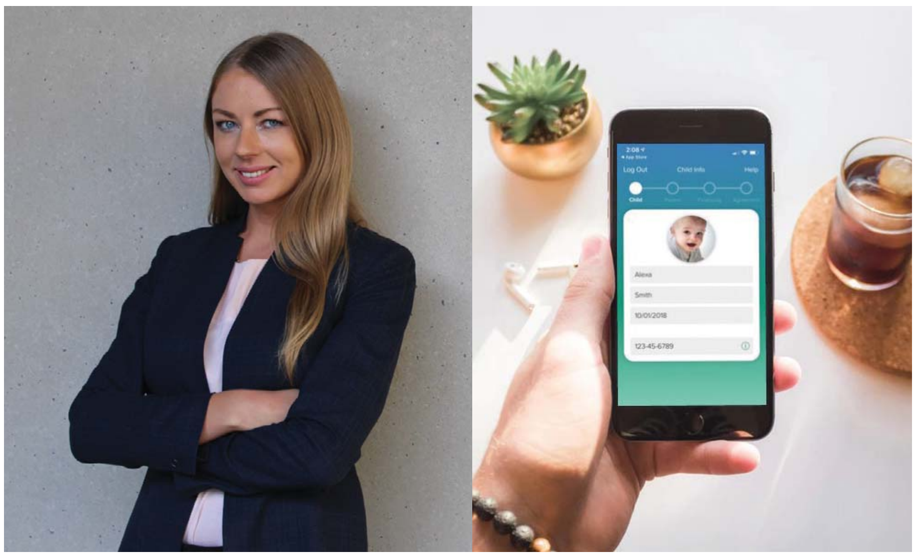
A dearth of short-form, instructional, female-centric content on streaming behemoths **Netflix Inc.** and **Amazon.com Inc.**'s Prime means Bold Screen can start cornering an untapped audience formerly found mostly on YouTube.

Alexander said Bold Screen hopes to partner with influential content creators on YouTube and Instagram by publishing their videos on BestSelf TV for a low-price monthly subscription fee – maybe $1 or $2 a month – paid by their viewers.

"Women (consumers) tend to be loyal," he said. "They gravitate towards one or two influencers or personalities and stick with them."

Bold Screen doesn't plan to become a content creator. Rather, it is comfortable as a content publisher – a role that allows it to rake in an organic stream of user data which it can then sell to other platforms, informing their advertising decisions. Plus, advertisers pay Bold Screen to put their ads in front of BestSelf's own women-heavy viewership. Pharmaceutical companies, for example, may want to run their ads on BestSelf's health vertical "DIY Health." The company may launch other spin-off channels under the BestSelf umbrella if it sees certain content categories drive its viewership.

"At the end of the day, we're an advertising company," Alexander said. "It's all based on monetization, running pre-roll ads or commercials within ad breaks."



Mobile Startup: Founder Ksenia Yudina and mockup of U-Nest in action.

$3.5 Million in VC Pushes U-Nest Ahead

College savings app ramps up in North Hollywood.

By ANDREW FOERCH *Staff Reporter*

College savings app firm **U-Nest** has announced an investment of $3.5 million from Northwestern Mutual Future Ventures.

U-Nest, based in a **WeWork** space in North Hollywood, has created an app that helps users set up and manage 529 tax-advantaged college savings plans on their mobile phones. The company hopes to shorten and simplify the application process so all families feel comfortable saving in the long term for their children's education.

For **Northwestern Mutual**'s venture capital arm, the investment is part of a commitment announced in October to allocate $20 million into startup companies founded by women.

U-Nest is the brainchild of **Ksenia Yudina**, a former vice president at the American Funds division of asset management firm **Capital Group Cos.** – the largest provider of 529 savings plans in the U.S. She said her own struggles with student debt, and those of her friends and family, inspired her to create a solution that would consolidate and digitize the 529 process.

"The student debt right now is around $1.7 trillion. It has become a burden on the entire generation including myself and a lot of my friends, and it can be avoided if people can start preparing early for their kids' future," Yudina said.

529 plans could help lift some of that burden, but the industry first had to overcome a major inaccessibility problem.

Yudina called the process of creating a traditional 529 account "super complex" and "super inconvenient," involving lots of paper forms and financial and legal jargon. U-Nest condenses the process down to about five minutes from start to finish, done entirely on a cellphone.

According to U-Nest Chief Marketing Officer **Peter Mansfield**, only around 30 percent of Americans are even aware 529 plans exist. He said those folks are generally more affluent and may already have financial advisors. The remaining 70 percent, however, probably don't have access to a financial advisor and may be put off by the complicated paperwork. U-Nest, he said, is an attempt to "democratize the availability of these plans" beyond wealthy customers.

Mansfield said it's no coincidence that 529 plans were largely left behind when the rest of the finance industry went through its digital revolution in the mid-2000s.

"Financial advisors traditionally have not made much money when they sell a 529 plan. Couple that with the fact that they also have to do a ton of paperwork to get a family onto a 529 – that's a bad combination," he said.

Where most financial advisors charge a commission rate of 5 percent on any funds a client puts into a 529, U-Nest instead charges users a flat advisory fee of $3 a month.

Yudina said the VC funding has helped U-Nest round out its team, particularly in the hiring of **Michael Van Kempen**, formerly the director of growth at Irvine-based investment platform **Acorns**, as chief operating officer and head of growth, and **Steve Buchanan**, previously a fintech consultant at **Union Bank**, as chief technology officer. U-Nest currently has around 10 employees, including designers and compliance officers.

The funding also helped finance the buildout and launch of U-Nest's Android version, which recently entered its beta testing phase.

It's not every day a fintech startup pops up in North Hollywood. But Yudina, a Sherman Oaks native, has seen the area revitalized by a burgeoning arts district along Lankershim Boulevard and development projects such as the mixed-use lifestyle center NoHo West on Laurel Canyon Boulevard. She said the neighborhood was attractive in that it is "in the middle of everything," and easily accessible by train for employees coming from downtown or Orange County. Plus, rent is considerably cheaper than in Santa Monica and other tech-heavy neighborhoods.

"We're not trying to go down the well-trodden path of being in Silicon Beach, paying the exorbitant rent, struggling for parking and struggling through traffic." Mansfield added. "We wanted to step away from that and develop our own identity in an area that's really evolving."

Other investors in U-Nest include Santa Monica fintech fund **Group 11**, **Unlock Venture Partners** in Seattle, **Draper Dragon** in Silicon Valley and **Artemis Fund** in Houston.

Peacock Unveils a Few Details

NBCU platform announces pricing and programming.

By ANDREW FOERCH *Staff Reporter*

NBCUniversal revealed at an investor's conference last month new information regarding its streaming platform Peacock, including pricing tiers, launch dates and programming.

NBC's entry into the streaming wars will launch in April for Comcast cable subscribers and July 15 for everyone else.

It will be available in three tiers: Peacock Free, a no-charge, ad-supported version with limited programming; a complete, ad-supported version that is free for existing Comcast subscribers and $5 for new customers; and Peacock Premium, an ad-free version which costs $10 a month.

The free tier will offer more than 7,500 hours of content, including hits from the NBC vaults, including sitcoms "The Office" and "Parks and Recreation." Also, there will be feature films from Universal Studios, DreamWorks Animation, Focus Features and Illumination.

Branding: Streaming service's logo.

The streaming service will air original programming series, including "Dr. Death," based on the true-crime podcast and starring **Christian Slater** and **Alec Baldwin**; "One of Us Is Lying," based on the New York Times best-selling young adult mystery-thriller; and "Brave New World," based on the novel by Aldous Huxley and featuring **Alden Ehrenreich** and **Demi Moore**.

Users will also be able to tune into "virtual channels," an extension of the cable TV model adjusted for streaming. These channels will exclusively air specific tracks of NBC programming, such as "Saturday Night Live" or "Law & Order" episodes.

Peacock will be the fourth new streaming service to hit the market since November, following Apple TV+, Disney+ and HBO Max, which will come out in May. Each will compete with Netflix, Amazon Prime and Hulu for subscriptions.

NBCUniversal, based in New York and with West Coast operations in Universal City, is owned by **Comcast Corp.**

Content: NBC's 'Parks and Recreation.'

MANUFACTURING & TECHNOLOGY

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Retail Jobs at High Risk, Study Finds

Cashiers and clerks vulnerable to computer replacement.

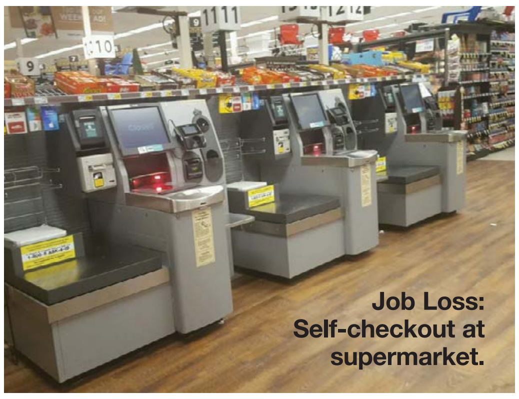
By MARK R. MADLER *Staff Reporter*

The workforce in the Los Angeles-Long Beach-Anaheim area most vulnerable to automation can be found in the retail sector, according to research commissioned by an Illinois manufacturing company.

The study conducted for **Kempler Industries Inc.** showed that out of 6.1 million jobs, about 27.7 percent were at risk for loss due to automation.

Out of that number, about 155,000 were retail salespeople and another 143,310 were cashiers, while combined food prep and serving workers, including fast food restaurants, totaled about 141,700 vulnerable jobs.

Statewide, 26.8 percent of all California jobs are conidered at-risk to automation-related job loss.



Job Loss: Self-checkout at supermarket.

Kempler, in the Chicago suburb of Elk Grove Village, used data for the study from the U.S. Bureau of Labor Statistics and University of Oxford's study on "The Future of Employment."

Tricia Harte, an outreach manager with **Digital Third Coast** in Chicago, which helped with the analysis and handled the media outreach of the study, said that Kempler did it as part of a series of educational studies.

"They primarily work with manufacturing industries, so when they set out to do this piece it was to gain additional insight because when everyone hears automation they associate it with manufacturing and this study revealed a bit of a different result," Harte said.

The study found that South Dakota, Nevada and Florida are the states most vulnerable to job loss, with Las Vegas, Orlando and Miami as the metro areas most vulnerable.

The Los Angeles-Long Beach-Anaheim metro market tied for 23rd with the San Diego-Carlsbad area.

"They were slightly above the state average with the percentage of the workforce considered vulnerable," Harte said.

For the study's purposes, automation was defined as replacing a human position with a computer or software program, she added.

A lot of people hear automation they assume or visualize a factory where line workers are replaced by computers or robots. But increasingly, and as borne out by the Kempler study, retail jobs are threatened by people shopping online or cashiers losing their jobs because people use a kiosk or a self-checkout counter, Harte said.

"Most people don't think of those as automation that replaces a position, but in these cases it does" Harte said.

Funded: Chief Executive Mike Whitmire says FloQast has won over investors.

FloQast's Growth Plan With New $40 Million

Software firm wants new products, international sales.

By MARK R. MADLER *Staff Reporter*

Accounting software developer **FloQast Inc.** has received $40 million in a series C funding round, led by a Silicon Valley venture capital firm.

The Van Nuys company will use the money to accelerate customer expansion and drive technology innovation for corporate accounting teams. **Norwest Venture Partners**, in Palo Alto, led the round, with participation from existing investors **Insight Venture Partners** in New York and **Polaris Partners** in Boston.

Sean Jacobsohn, a partner at Norwest Venture Partners, joined the FloQast board of directors. FloQast has raised $93 million since 2014.

Chief Executive **Mike Whitmire** said he has a relationship with Jacobsohn going back to his days at Cornerstone OnDemand a decade ago.

"A fun fact is that he said no to my seed round, my A round and my B round," Whitmire said. "But here we are as part of the investement of the C round."

So what changed in that time?

Whitmire admitted FloQast was a high-risk investment in the company's early days. He was an entrepreneur from the non-traditional backgound of accounting starting his first company and did not know a lot about building and selling software, he added.

But then the staff grew and the company began to do well and the market responded to its products. When **BlackLine Inc.** in Woodland Hills went public in October 2016, it validated a really big market opportunity and made FloQast more attractive to investors, Whitmire said.

"I think all of that stuff, the progress of the business and us as entrprenuers, got (Jacobsohn) excited about FloQast," Whitmire said. "He was aggressively pursuing the Series C and really wanted to be involved in the company."

In a statement, Jacobsohn said that FloQast's growth and vision for the accounting software market made the company an ideal investment.

"Controllers and accounting departments across a growing number of markets are standardizing their accounting operations on FloQast to drive more accurate and effective reporting, accountability and compliance, and to give the organization's senior executives greater visibility into the performance of the company," Jacobsohn said.

The company will use the money for continued investment in its two core products – a close management solution and AutoRec, a product released last year. There will be additional hires to work on those programs, Whitmire said.

Additonal hiring will also be done for a new, third product that the company has started work on.

"I want to keep that confidential for the time being and not give away the road map, but that will come out at towards the end of 2020 if not 2021," Whitmire said.

And, lastly, there is international expansion.

The company has a decent roster of clients worldwide, having done well in Europe and in Central and South America, he said.

Whitmire feels confident that FloQast's products work well internationally and now the company is feeling out whether it can sell effectively to international markets, Whitmire continued.

"Once we prove that, we look to open a physical office in whichever city makes the most sense," he added.

Last year, the company made major strides in growth of the business.

It added AutoRec, its new product that automates the account reconciliation process; continued to expand its partner program, adding more than three dozen new consulting and channel partners; grew the number of accounting professionals using the platform by more than two-thirds; and added 275 new customers, including ride share service **Lyft Inc.** and the **Chicago Cubs** baseball team.

Whitmire said that the company has done well in bringing sports teams into the fold.

Starting with the **Golden State Warriors** in 2015, FloQast found that its products were a good fit for sport franchises because their accounting departments tend to be between five people and 20 people, which is right in the wheelhouse for the software.

"It worked out really well and once the first domino fell we started reaching out to more," Whitmire said, adding that the company now has between 15 and 20 teams in all the major league sports, but "not the Dodgers. I am sad to say."

Glendale Accelerator Needs Leader

City on hunt for expert on fostering tech startups.

By MARK R. MADLER *Staff Reporter*

The city of Glendale has sent out a request for proposals for an operator of its startup tech accelerator.

The accelerator is being funded with a $1 million grant allocated by the California Governor's **Office of Business and Economic Development**. The money will go to the operator of the space at 250 N. Orange St., a city-owned retail front that will be offered rent free for three years.

Jennifer Hiramoto, deputy director of economic development for Glendale, said in the past six months the city has hosted several public meetings to generate excitement among potential operators.

"We are hoping that the future applicant will be somebody who can serve and develop an accelerator program that will be a resource not just for the city of Glendale but to the Tri-Cities and greater Los Angeles region," Hiramoto said.

The deadline to submit a proposal is March 11. City staff will then review the proposals before passing them along to the selection committee made up of different business representatives to make the final selection and take it to the City Council for approval.

Incubator Space: Accelerator site at 250 N. Orange St.

A pre-bid conference takes place on Feb. 6 along with a visit to the accelerator site.

"It is our hope that we have a contract executed with the accelerator operator in June, and it may take them a few months to ramp up," Hiramoto said. "The time it takes them to ramp up would vary, but it seems reasonable to have the accelerator up and running by the end of the year."

The intent of the accelerator is to create a place for local startups to go and jumpstart their business. They will be provied access to mentors, capital and other likeminded startups.

"The city is hoping that through the operator we would be able create jobs, retain talent in Glendale and the Tri-Cities region, attract high-growth startups to Glendale and keep them once they successfully complete the program," Hiramoto said.

"We are hoping also that the accelerator will raise Glendale's profile as a hub for innovation and continue to provide the narrative that it is an important city to Southern California's technology scene," she added.

THE LIST

Tourism Districts Collaborate to Multiply Impact

LIST: Marketing campaigns target regular tourists as well as meeting planners.

By AMY STULICK *Staff Reporter*

For tourism promotion at the local level, regional Business Improvement Districts work with city-centric districts to draw people in, and work to highlight existing attractions and recurring events.

Ventura County Lodging Association, No. 1 on the Business Journal's list of BIDs, plays well with **Visit Camarillo**, No. 9 on the list, as well as the **Ventura Visitors & Convention Bureau** and **Oxnard Convention & Visitors Bureau**, to pull people in the Los Angeles market to visit neighboring counties.


Tucker

"We all work together, which is really unique for our region, to leverage resources," said **Brian Tucker**, executive director of Ventura County Lodging Association. "We take it from a high level through the lens of the collective whole, and it drills down to the city level and they take it from there."

Tucker, who has been working in the industry for more than 20 years, hasn't always seen this type of camaraderie, with most tourism districts not daring to cross that "line in the sand" of working with competitors.

It hurts a region when a tourism BID, called a TBID, turns inward, Tucker said, instead of participating in cross promotion.

"The local bureaus, we kind of rely on them to be our boots on the ground and work directly with the experts there," added Tucker. "If we can inspire more people to see and do things in the region, they're going to stay longer. … In terms of our marketing campaigns, the markets we're in, the types of audiences we're communicating to, we all work together so we try not to duplicate efforts."

The Ventura County TBID spends 65 percent of its budget on leisure promotion, and 35 percent on marketing to meeting planners, wedding consultants and corporate event directors.

Sports events

Santa Clarita Tourism Marketing District, No. 8 on the Business Journal's list, devotes half of its funding to advertising and the other half for events and meeting planner attraction.

The district has had luck with sporting events in particular, according to **Evan Thomason**, economic development associate for the City of Santa Clarita. Locals also think of **Six Flags Magic Mountain** when they think of the Santa Clarita Valley.

"Part of what we do is attracting people from the outside but also educating our residents in all the great things to do here," said Thomason. "Santa Clarita is surrounded by three different mountain ranges and our city has had an open space ordinance for the past several years. ... I like to say it's like Los Angeles, but a little bit more breathable at times."

The area BID incentivizes companies to bring their meetings or sporting events to Santa Clarita as well, such as **Amgen Inc.**'s Tour of California and a local **Spartan Race** at Castaic Lake State Recreation Area. Biotech giant Amgen is based in nearby Thousand Oaks, while Spartan was founded in Vermont as an obstacle course race.

"Those (incentives) form by way of hotel rebates, so for the participating hotels that are part of our TBID, we can offer room rebates to different groups," said Thomason. "Those directly result in hundreds of hotel rooms. In the case of the Amgen Tour of California, we've literally gained thousands of hotel nights."

This year however, Thomason said, the Amgen cycling tour has been put on hold entirely. According to a report from **KHTS**, tour President **Kristin Klein** cited changes to "business fundamentals" as the reason for the tour's hiatus.

Klein, who is also vice president of **AEG Sports**, hopes to relaunch the race next year, which showcases the entire state in a week-long event. The tour has generated more than $3.5 billion in state economic impact, according to **Beacon Economics**.

"Not only was the race a great economic driver for us, and the rest of the state, it was an exhilarating world class sporting event right in our backyard. We hope to see it return some day," added Thomason.

Meeting planners tend to use Santa Clarita for events falling into a 400 to 600 attendee range, based on convention space size.

"There's a chess tournament that we have out here every year, and there are a lot of meetings that aren't as flashy but are just as important because they do the same thing – visitors are coming up here and enjoying Santa Clarita and boosting the local economy," explained Thomason.

Expiring BID

Thousand Oaks Property BID, founded in 2011 to hire a consultant for expanding mixed-use development over a 3-mile stretch of Thousand Oaks Boulevard, has served its purpose, city officials said, and will be deactivated in June. The BID appeared on previous Business Journal lists, but not this year as it has no 2020 budget.

Remaining funds will be used to enhance the mixed-use corridor from Moorpark Road to Dusenberg Drive.

"There's an installment that we got from the county, about $80,000, that we need to remit," added **Haider Alawami**, economic development manager for the City of Thousand Oaks.

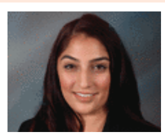
The BID worked closely with the Thousand Oaks Boulevard Association, which will continue to exist in an advisory capacity.

THE LIST

BUSINESS IMPROVEMENT DISTRICTS

Ranked by 2019 budget

▶ NEXT ISSUE
Accounting Firms

Rank		Business Improvement District • name • address • website	Budget • 2020 • 2019 (in thousands)	Profile • members • type • city blocks	Terms • length • renewal date	Areas Covered	Programs and Services	Top Executive • name • title • phone	
1		**Ventura County Lodging Association** 305 S. Kalorama St, Suite B Ventura 93001 venturacountycoast.com	$3,000 $2,500	65 property N/A	10 years 2025	Camarillo, Oxnard, Ventura and Port Hueneme	marketing program to increase hotel occupancy by promoting Camarillo, Oxnard, Ventura and Port Hueneme	Brian Tucker Executive Director (800)-648-2124	
2		**Conejo Valley Tourism Improvement District** 600 Hampshire Road, Suite 200 Thousand Oaks 91361 conejo.com	1,700 1,450	14 merchant N/A	10 years 2027	lodging properties in Agoura Hills and Thousand Oaks	multiplatform destination marketing, meeting, wedding, sports and travel conferences, familiarization tours and strategic partnerships	Danielle Borja CEO, President (805) 370-0035	
3		**Greater Downtown Glendale Association** 100 N. Brand Blvd., Suite 508 Glendale 91203 downtownglendale.com	1,587 1,436	165 property 46	10 years 2029	Brand Boulevard and Central Avenue	beautification, cleaning, public space development and management, district identity and branding	Rick Lemmo President (818) 476-0121	
4		**Visit Burbank** 200 W. Magnolia Blvd. Burbank 91502 visitburbank.com	1,100 1,100	18 property NA	10 years 2026	hotels with 25 rooms or more in city limits	marketing and activities promoting Burbank including an enhanced partnership with Universal Studios Hollywood	Tony Garibian Chairman (818) 238-5180	
5		**Downtown Burbank Partnership** 150 N. 3rd St. Burbank 91502 dtnbur.com	1,024 1,024	296 property 39	10 years 2028	Magnolia Boulevard, Olive Avenue, Alameda Avenue, I-5 freeway	marketing, events, regional branding, maintenance, capital improvements, hospitality and social services outreach, and leasing support	Michael Cusumano Chairman (818) 238-5180	
6		**South L.A. Industrial District** 13300 Victory Blvd., Suite 320 Van Nuys 91401 N/A	891[1] 865[1]	281 property 22	5 years 2020	Slauson Avenue, Florence Avenue, Central Avenue, Avalon Avenue	security, maintenance	Susan Levi Executive Director (818) 780-9100	
7		**North Hollywood BID** 5026 Lankershim Blvd. North Hollywood 91601 nohobid.com	683 676	120 property 40	5 years 2024	Lankershim Boulevard, Magnolia Boulevard	safety ambassador program, maintenance, marketing	Steve Gibson Executive Director (818) 761-8230	
8		**Santa Clarita Tourism Marketing District** 23920 Valencia Blvd., Suite 100 Santa Clarita 91355 teamsantaclarita.com	612 525	5 merchant NA	NA NA	hotels in city limits	marketing, event attraction	Jason Crawford Economic Development Manager (661) 255-4347	
9		**Visit Camarillo** 4001 Mission Oaks Blvd., Suite B Camarillo 93012 visitcamarillo.com	580 532	11 merchant NA	10 2019	hotels in city limits	marketing programs designed to increase tourism and overnight stays in Camarillo Hotels	Yuliana Gonzalez Executive Director (844) 775-2533	
10		**Montrose Shopping Park Association** P.O. Box 782 Montrose 91021 shopmontrose.com	550 495	180 merchant 8	1 year December	2200-2400 blocks of Honolulu Avenue and peripheral streets	marketing, promotions, events, clean and safe	Dale Dawson Business Administration (818) 541-0699	
11		**Destination Lancaster** 554 W. Lancaster Blvd. Lancaster 93534 destinationlancasterca.org	535 360[2]	9 merchant N/A	5 years 2023	hotels in city limits with AAA rating of 3 stars or greater	marketing, partnerships, branding, visitors center	Sandy Smith Executive Director (661) 400-0342	
12		**Studio City BID** 12198 Ventura Blvd., Suite 207 Studio City 91604 studiocitybusinessdistrict.com	450 527[1]	224 property Studio City	5 years 2024	Ventura Boulevard from Carpenter Avenue to Coldwater Canyon Avenue, Ventura Place, Laurel Canyon Boulevard, Radford Avenue	improvement projects, sidewalk sweeping, tree trimming, pressure washing, repaved alleys, removed graffiti, daily security patrols	Vicki Nussbaum Executive Director (818) 821-3820	
13		**Visit Simi Valley** 40 W. Cochran St., Suite 100A Simi Valley 93065 visitsimivalley.com	330 330	5 merchant NA	5 years 2024	hotels in Simi Valley	marketing	Layma Askarzoi Executive Director (805) 526-3900	
14		**The BLVD Association** 44933 Fern Ave. Lancaster 93534 theblvdlancaster.com	307[2] 307[2]	236 merchant 9	NA NA	Lancaster Boulevard from 10th Street West to Sierra Highway, Kettering Street to Milling Street	clean and safe, marketing, advocacy	Erika Figueroa Executive Director (661) 723-6074	

[1] Provided by the Los Angeles City Clerk.
[2] Business Journal estimate.
NA - Not Available N/A - Not Applicable Note: The information on this list was provided by representatives of the districts and cities. To the best of our knowledge, this information is accurate as of press time. While every effort is made to ensure the accuracy and thoroughness of the list, omissions and typographical errors sometimes occur. Please send corrections or additions to research@sfvbj.com.

Researched by Joshua Niv

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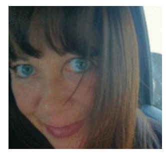
BUSINESS IMPROVEMENT DISTRICTS

Continued from page 11

Rank		Business Improvement District • name • address • website	Budget • 2020 • 2019 (in thousands)	Profile • members • type • city blocks	Terms • length • renewal date	Areas Covered	Programs and Services	Top Executive • name • title • phone	
15		**Historic Old Town Canoga Park BID - Canoga Park Improvement Association** 21822 Sherman Way, Suite 106 Canoga Park 91303 canogaparkcal.com	$249 $255	229 property 15	10 years 2029	Wyandotte Street to Gault Street, includes Historic Old Town Sherman Way Corridor from Glade Avenue to Canoga Avenue	landscaping and maintenance, security, marketing, promotions and public relations, admin and operations	Mary Paterson Executive Director (818) 346-7480	
16		**Sherman Oaks BID** 14930 Ventura Blvd., Suite 210 Sherman Oaks 91403 villageatshermanoaks.com	148 122	80 property 8	10 years 2030	Van Nuys Blvd. from Hortense Ave. to Ventura Blvd. and Ventura Blvd. from Van Nuys Blvd. to Cedros North	sidewalk pressure washing, landscaping, sweeping, trash removal, graffiti removal, image enhancement	Leslie Elkan President (818) 326-0273	
17		**Encino Commons BID** 17547 Ventura Blvd., Suite 106 Encino 91316 NA	148[1] 141	300 property 9	5 years 2020	Ventura Blvd. from Balboa Blvd. to White Oak Ave.	marketing, landscaping	Susan Levi Executive Director (818) 780-9100	
18		**Old Granada Village BID** 17723 Chatsworth St. Granada Hills 91344 granadahillsbid.com	140[1] 138	100 property 5	5 years 2020	Chatsworth St. from Encino Ave. to Lindley Ave.	marketing, landscaping	Susan Levi Executive Director (818) 780-9100	
19		**Chatsworth BID** 2391 Tapo St. Simi Valley 93063 chatsworthbid.com	116[1] 108	370 merchant 8	one year January	Devonshire St.- Topanga Canyon to Mason	marketing, security, landscaping	Marian Gorman BID Administrator (818) 678-4969	
20		**Tarzana Safari Walk BID** 18653 Ventura Blvd., Suite 323 Tarzana 91356 tarzanasafariwalk.com	79[1] 74	26 property 4	5 years 2022	Ventura Blvd. from Reseda Blvd. to Burbank Blvd.	marketing, beautification & streetscape improvements	Kathy Delle Donne President (818) 394-6601	

[1] Provided by the Los Angeles City Clerk.
NA - Not Available N/A - Not Applicable Note: The information on this list was provided by representatives of the districts and cities. To the best of our knowledge, this information is accurate as of press time. While every effort is made to ensure the accuracy and thoroughness of the list, omissions and typographical errors sometimes occur. Please send corrections or additions to research@sfvbj.com.

Researched by Joshua Niv

Valley Economic Forecast

Matthew Fienup, executive director of California Lutheran University's Center for Economic Research and Forecasting, speaks at the Valley Economic Forecast breakfast on Jan. 15.

PHOTO BY SHELDON BOTLER

Valley Still 'True Economic Hotspot'

The economy of the San Fernando Valley will grow by 3.4 percent this year – slower than the 4 percent average it has grown in recent years but still faster than the greater Los Angeles-Orange County area, faster than Ventura County and faster than the state as a whole. In fact, it'll grow faster than about anywhere else. That's the conclusion of the economists at **California Lutheran University**'s **Center for Economic Research and Forecasting**.

"The San Fernando Valley is a true economic hotspot, whose performance compares favorably to almost any other geography," said **Matthew Fienup**, the executive director of the economic research group in Westlake Village.

Fienup along with **Dan Hamilton**, the director of economics at the research group, have produced the Valley Economic Forecast for the Business Journal for four years. Their latest findings were presented at a breakfast event Jan. 15 at the **Hilton Woodland Hills** hotel, and their reports appear on subsequent pages.

Broadly, they see the U.S. economy growing at a much slower clip in 2020 largely because of the ongoing trade war; the "outlook for the nation has eroded dramatically," Fienup said. California's economy will slow but less than that of the United States as a whole. The Valley's economy will slow but less than that of the state.

On the jobs front, a sector that economists call "Information and Technology" continues booming in the Valley. The reason: that sector includes motion picture production as well as software engineering and the like. It happens to be the highest paying sector, too, and goes a long way toward explaining why the Valley is an economic star.

Not all is rosy in the Valley. It has excruciatingly high housing costs, even compared to its high-priced neighbors, and "the mismatch between housing costs and incomes has significant social costs," Fienup said. Notably, those costs include a lack of upward economic mobility for many along with an exodus of workers, especially younger and lower- and middle-income workers.

In separate reports on the following pages, Hamilton assesses both commercial and residential real estate in the Valley and he examines the Glendale and Burbank economies in a separate report. That's because those two cities are relatively large and can tip the overall forecast in such a way as to distort the picture the rest of the San Fernando Valley.

GDP GROWTH FORECASTS

	2020	2021
San Fernando Valley	3.4	**3.1**
Los Angeles/Orange County	2.0	**1.8**
California	2.5	**2.4**
United States	1.8	**1.6**

Source: CLU-CERF

Valley Still an Economic Star But Will Grow Slower This Year

By MATTHEW FIENUP

When our team from the Center for Economic Research and Forecasting first set out to analyze the discrete economy of the San Fernando Valley, we didn't quite know what to expect. As long time neighbors of the San Fernando Valley, we had an intuition that the Valley was home to a strong and vibrant economy. But what we found surpassed even our elevated expectations. The San Fernando Valley is a true economic hotspot, whose performance compares favorably to almost any other geography. The San Fernando Valley enjoys a substantial economic growth premium, which elevates it above the broader Los Angeles metropolitan area, above the nation, and even above a strong state economy.

With the advent of this year's forecast, the Valley's growth premium is certainly intact. The Valley is in the midst of a stretch of robust economic growth that is now entering its sixth year. Over the past five years, economic growth in the Valley has averaged more than 4 percent. By comparison, the broader Los Angeles metropolitan area has averaged growth of just 3.1 percent and the nation has averaged just 2.5 percent. During this same period, the State of California has enjoyed growth of 3.9 percent, nipping at the heels of the San Fernando Valley economy. But interestingly, our estimates of GDP growth for 2019 indicate that California's economic growth rate slowed significantly while the San Fernando Valley's accelerated.

California's slowdown in economic growth owes both to state level policies which inhibit economic growth and to the trade war which is currently being waged across the globe. The state's economic slowdown is significant yet still small compared to the nation's. The U.S. economy is truly buckling under the weight of the most restrictive international trade policies in nearly 90 years. Business investment has cratered in the environment of uncertainty that the trade war has produced. As a result, the economic outlook for the nation has eroded dramatically. To our delight, even as the state of California and the nation are experiencing economic slowdowns, the San Fernando Valley's economic growth continues apace. In this way, the underlying strength of the San Fernando Valley economy seems to provide a degree of insulation from outside factors and trends.

New growth estimate

The biggest change in our outlook from a year ago stems from data released by the Bureau of Economic Analysis. On Dec. 12, the BEA released its annual Metro GDP dataset which provides economic growth figures for the Los Angeles / Orange County Metropolitan Statistical Area, which is an input to our analysis of the San Fernando Valley. The release provided a new growth estimate for 2018 as well as significant revisions to the economic history of the region going back to 2002. This year's BEA release also incorporates updates and methodology revisions for the state of California and the nation.

Both the Los Angeles Metro Area and the San Fernando Valley saw significant revisions to economic growth numbers for the past 4 years. The Valley's economic growth estimates were revised upwards in 2015 and 2016 (by 20 and 10 basis points, respectively) and downwards in 2017 and 2018 (by 20 and 110 basis points respectively). The downward revision to the growth estimate for 2018 might seem worrisome were it not for a significant rebound in the growth rate that we estimate happened in 2019. As mentioned above, this rebound is especially noteworthy given the major slowdown being experienced at every other scale of geography, including the broader metro region, the state and the nation.

Economic growth data for the L.A. Metro Area was revised upward for 2016, 2017 and 2018. That is, economic activity in the greater L.A. economy was stronger in these years than previously thought.

Despite the upward revisions to its economic growth figures, the L.A. Metro economy saw a significant decline in economic growth over the past 3 years. Economic growth was 3.7 percent in 2017 and 3.1 percent in 2018. Our estimate of growth in 2019 is just 2.6 percent, equal to our estimate of growth for the state at large. In other words, the Los Angeles and Orange County Metropolitan Area is seeing an economic slowdown similar to the state's and the nation's (although not as dramatic as the nation's). In our view, this makes it even more remarkable that economic growth in the Valley remains strong. Declining economic growth across comparable geographies goes a long way to ensuring the San Fernando Valley will maintain its growth premium for the foreseeable future.

Revisions of the sort that were released in 2019 and which altered the historical record for both the California and LA/Orange Metropolitan Area economies (and in effect the San Fernando Valley economy) give us pause. There is a natural tendency on our part to wonder if the historical data won't be revised again next year and in ways which fundamentally alter the economic outlook. Despite our caution, four years of analysis have taught us to never underestimate the San Fernando Valley economy.

As with last year's publication, we once again see signs of economic strength in the San Fernando Valley that is broad based and enduring. During the past year, only the small and highly volatile Agriculture and Resource Extraction sectors saw declines in economic output. That is, every single sector of the non-farm, non-extraction economy saw gains. The fastest growing sectors were Construction, Transportation and Warehousing, and Information and Technology.

Information and Technology, a broad sector that includes software engineering, internet development, and motion picture production continues to be a significant driver of the Valley's strong outlook. Output in this sector increased 5.9 percent in the past year and is up more than 100 percent since before the recession.

Industries and occupations

On top of increases in total economic output, the San Fernando Valley is enjoying a third straight year of relatively strong job growth.

As with GDP growth, while job growth slowed from 2018 to 2019 across the L.A. Metro area, job growth appears to have ticked up in the San Fernando Valley. Over the past three years, job growth has averaged 2.2 percent in the Valley, while averaging 1.6 percent for the nation and only 1.4 percent for the L.A. Metro area.

All sectors of the non-farm economy except two saw job gains in 2019. Utilities, Transportation and Warehousing and Construction saw the largest gains, with the number of jobs in these sectors growing 8.3, 6.6 and 5.5 percent respectively. The gains in

Please see page 16

HOW THE VALLEY'S GDP HAS CHANGED

GROSS DOMESTIC PRODUCT - BILLIONS OF DOLLARS

		CHANGES DURING THE LAST YEAR		CHANGES SINCE THE GREAT RECESSION	
SECTORS	2019 $ BILLIONS	2018-19 CHANGE $ billions	2018-19 PERCENT CHANGE	2007-19 CHANGE $ billions	2007-19 PERCENT CHANGE
Agriculture	0.1	0.0	-2.2	0.0	-35.6
Natural Resources/Mining	0.0	0.0	-1.3	-0.1	-89.1
Utilities	0.3	0.0	10.4	0.2	102.2
Construction	3.6	0.2	5.3	-0.2	-4.9
Durable Goods Manufacturing	5.3	0.1	1.7	0.7	15.0
Non-Durable Goods Manufacturing	2.6	0.1	3.4	-0.3	-11.1
Wholesale Trade	4.8	0.2	3.3	-0.2	-3.5
Retail Trade	5.7	0.1	2.1	0.1	1.7
Transportation/Warehousing	1.4	0.1	4.5	0.3	26.4
Information/Technology	13.4	0.7	5.9	7.1	110.6
Financial Activities	25.1	0.9	3.8	4.6	22.3
Professional/Business Services	10.5	0.5	4.6	1.9	21.9
Education/Health/Personal/ Repair/Maintenance	11.1	0.4	3.9	3.9	54.2
Leisure/Hospitality	4.0	0.1	3.6	0.7	20.9
Government	4.5	0.1	2.1	0.3	6.4
TOTAL All Industries	**92.7**	3.5	3.9	18.8	25.5

Source: CLU CERF

HOW THE VALLEY'S JOB COMPOSITION HAS CHANGED

JOBS AND JOB GROWTH

		CHANGES DURING THE LAST YEAR		CHANGES SINCE THE GREAT RECESSION	
SECTORS	2019 thousands	2018-19 CHANGE- thousands	2018-19 PERCENT CHANGE	2007-19 CHANGE- thousands	2007-19 PERCENT CHANGE
Agriculture	0.7	0.0	-0.8	-0.8	-52.4
Natural Resources/Mining	0.0	0.0	-3.4	-0.1	-88.7
Utilities	1.1	0.1	8.3	0.5	77.7
Construction	33.4	1.8	5.5	1.8	5.6
Durable Goods Manufacturing	28.7	-0.2	-0.6	-11.0	-27.7
Non-Durable Goods Manufacturing	14.5	0.0	0.0	-5.0	-25.6
Wholesale Trade	20.5	0.3	1.5	-5.0	-19.6
Retail Trade	61.0	-0.6	-1.0	-4.2	-6.5
Transportation/Warehousing	12.0	0.7	6.6	2.1	21.6
Information/Technology	25.9	0.6	2.5	3.2	14.2
Financial Activities	36.6	0.3	0.9	-7.6	-17.2
Professional/Business Services	78.7	2.7	3.5	2.4	3.2
Education/Health/Personal/ Repair/Maintenance	153.0	4.8	3.2	52.7	52.6
Leisure/Hospitality	61.9	1.7	2.8	14.9	31.7
Government	40.2	0.0	-0.1	-0.3	-0.8
TOTAL All Industries	**568.2**	12.1	2.2	43.5	8.3

Source: CLU CERF
*Data are full-year averages.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Continued from page 14

construction jobs are especially noteworthy, as this year's publication marks the first time that the San Fernando Valley has finally recovered the pre-recession number of construction jobs. The fact that it took more than 11 years to recover is astonishing and underscores the lasting impact of the financial crisis and Great Recession on the San Fernando Valley and the broader region.

Retail Trade and Durable Goods Manufacturing are the only sectors to have lost jobs over the past year. Combined, the two sectors lost only 800 jobs. This number is fortunately small, although the most recent loss of manufacturing jobs compounds earlier losses. Jobs in Durable Goods Manufacturing are now down 28 percent from the pre-recession high. This sector has lost jobs in each of the four years that we have produced the San Fernando Valley economic forecast.

Despite the long overdue recovery of jobs in construction, the San Fernando Valley labor market is still very different than the one which prevailed prior to the Great Recession. Since 2007, jobs in goods producing and other high value-added sectors have seen sustained declines. Durable and Non-durable Goods Manufacturing jobs are each down more than 25 percent. Jobs in Financial Activities and Wholesale Trade are both down close to 20 percent. Utilities and Transportation and Warehousing have defied this trend and have each seen strong gains in percentage terms. Utilities jobs have increased by 77 percent. Transportation and Warehousing had increased 22 percent. While these numbers are welcome, they represent small sectors of the Valley's labor market and combine to have added only 2,600 jobs since prior to the recession.

Jobs in Information and Technology continue to be a bright spot, having grown nearly 15 percent since 2007. When you consider that the total economic output in the Information and Technology sector has grown by more than 100 percent in that time, it must be the case that these are, on average, highly productive jobs of a sort that any community would envy. Not surprisingly, Information and Technology has far and away the highest average salary of any industry sector, with an average salary of over $110,000, more than 20 percent higher than the second highest paying sector.

The strongest jobs growth since the recession is concentrated in Education, Health and Maintenance Services and Leisure and Hospitality. Together, these two sectors have added an astounding 67,600 jobs. As we have noted in previous San Fernando Valley publications, jobs in these sectors are a mixed economic blessing. First, the prevalence of job creation in these sectors generally indicates the presence of a prosperous and wealthy consumption-based society. At the same time, the jobs created in these sectors are generally low value added and thus low paying. Given the high cost of living in the Valley and the surrounding metro area, most of these new jobs require extraordinary accommodation on the part of workers who fill them.

High housing costs

The median single-family home in the San Fernando Valley is currently 17 times the average salary in both Leisure and Hospitality and Education and Healthcare. To put this in perspective, nationwide, the median home price is just 3.4 times the median income. Income multiples of the size of the San Fernando Valley's are almost unthinkable across most of the United States. The mismatch between housing costs and incomes has significant social costs. These include lengthy work commutes from more affordable regions far away or packing a large number of individuals into a single dwelling in order to afford rents closer to work. They also include a lack of upward economic mobility for large shares of the region's population and a net exodus of workers, especially younger and lower- and middle-income workers.

While we lack net domestic migration estimates for the narrow geography of the San Fernando Valley, net migration statistics for Los Angeles County bear this out. L.A. County is currently seeing a large and accelerating exodus of people. In 2019, nearly 100,000 more people left Los Angeles County for somewhere else in the United States than came to Los Angeles County from somewhere else.

Net domestic outflow in Los Angeles County is currently strong enough that it overwhelms both natural population growth (births minus deaths) and net foreign migration. As a result, Los Angeles County's population actually shrank in 2019.

Economist Matthew Fienup released his findings to about 130 business leaders at the Hilton Woodland Hills.

INDUSTRY DATA

2001 TO 2019

SECTORS	JOBS 2019	AVERAGE SALALRY - ANNUALIZED (thousands of dollars) 2001	2019	CHANGE-	PERCENT CHANGE
Agriculture	744	25,631	42,871	17,240	67.3
Natural Resources/Mining	18	56,132	57,304	1,172	2.1
Utilities	1,087	49,166	81,211	32,045	65.2
Construction	33,425	36,187	59,470	23,284	64.3
Durable Goods Manufacturing	28,708	50,462	75,935	25,473	50.5
Non-Durable Goods Manufacturing	14,470	32,178	56,651	24,473	76.1
Wholesale Trade	20,547	44,725	71,377	26,652	59.6
Retail Trade	61,033	26,868	38,540	11,672	43.4
Transportation/Warehousing	12,003	33,141	51,438	18,297	55.2
Information/Technology	25,903	79,210	112,681	33,471	42.3
Financial Activities	36,552	52,619	91,372	38,752	73.6
Professional/Business Services	78,693	42,388	73,434	31,046	73.2
Education/Health/Personal/ Repair/Maintenance	152,957	27,461	42,648	15,187	55.3
Leisure/Hospitality	61,901	26,473	42,708	16,236	61.3
Government	40,160	39,361	62,147	22,786	57.9
TOTAL All Industries	**568,200**	39,083	58,493	19,409.9	49.7

Source: CLU-CERF and CA-EDD
*2019 estimated with partial year data.

Population decline is more than an early warning sign. As Charles Crumpley, Publisher of the San Fernando Valley Business Journal, wrote regarding neighboring Ventura County whose population also declined in 2019, "Detroit loses population, not Ventura County." We would add, "Nor Los Angeles County!" Admittedly, the San Fernando Valley economy is significantly stronger than that of either Los Angeles County or Ventura County. But we urge business leaders and public officials alike to heed the warnings being issued by data in the Valley's neighbors. The housing shortage is now a crisis which threatens economic prosperity. Given the growth premium that the San Fernando Valley enjoys, its leaders should demand an earnest effort to address the housing shortage and to invest in the long-term sustainability of the Valley's economy. This means providing vibrant communities to compliment the vibrant economy that the Valley currently enjoys. Vibrant communities support and house workers of all income levels.

Valley's forecast

The Valley economy is forecasted to grow by 3.4 percent in 2020 and 3.3 percent in 2021. This may at first seem disappointing relative to recent years' economic performance. The Valley is indeed forecasted to grow at a rate significantly below the 4 percent average of the past five years.

While this represents an undeniable slowdown for the San Fernando Valley economy, we remind readers that this is still a bullish forecast relative to any comparable geography. The broader L.A. Metro economy is forecasted to grow at just 2 percent in 2020 and 1.8 percent in 2021. That is to say, although the Valley is forecast to experience an economic slowdown, the Valley's growth premium will likely *grow.* From 2016 to 2018, the economic growth premium enjoyed by the San Fernando Valley averaged a little more than 40 basis points above the L.A. Metro economy. If the current CERF forecast holds, the growth premium will average 135 basis points over the next two years. The San Fernando Valley's economic growth will also remain extremely favorable relative to both the state of California and the nation.

The U.S. economic outlook is eroding rapidly, as the economy absorbs the impacts of the Trade War. The current national outlook is weak compared to almost any historical context. The current U.S. forecast anticipates growth that is weak even compared to the anemic 2 percent average growth rate which marked the decade following the Great Recession. The California economy is also forecasted to slow substantially. We mentioned previously that the San Fernando Valley economy appears to be somewhat insulated from these broader macro economic trends. It is insulated, but it is not immune. Precipitous declines in business investment, caused in large measure by the trade war, do impact the San Fernando Valley economy, if not as much as comparable geographies.

Total economic output is forecasted to continue growing at a rate which exceeds job growth. The forecast calls for job growth of 2.2 percent and 2.0 percent over the next two years respectively. This is consistent with recent history and with the previous year's forecast. We anticipate that the San Fernando Valley will continue to produce jobs faster than the L.A. Metro economy and the state of California.

The risks to the current forecast are likely to be on the downside on net, but are not simply one-sided. The single biggest risk to the forecast is the Trade War and the impacts on business investment and hiring decisions. The Administration in Washington, D.C. simply does not possess a commitment to free trade and the considerable economic benefits that flow from it. As a result, we are skeptical that any agreement reached with China will be an improvement over the situation that existed prior to the current trade battle. The Administration's NAFTA-replacement, dubbed USMCA, is worse than the status quo. Tariffs have also now been in place long enough that it could take years to undo the harm that has already been done. The question is not whether these developments will impact the economy of the San Fernando Valley but by how much. We are making the claim at this time that the impacts will be muted relative to other regions of the United States. We could be wrong.

The biggest upside risk to the current forecast is the San Fernando Valley itself. It is no accident that the Valley is a true economic hot spot. The lengthy creative and technological legacies of the San Fernando Valley, coupled with an attitude and with policies that, on-balance, embrace growth and economic dynamism, will surely continue to pay dividends. As we have concluded in previous forecasts, the San Fernando Valley exhibits uncommon economic strength. We anticipate that the region will remain uncommonly strong in the years ahead.

Matthew Fienup, Ph.D., is executive director of the Center for Economic Research and Forecasting at California Lutheran University.

Industrial Inventory Very Low; Office Vacancy Tightening Again

By DAN HAMILTON

Our review of San Fernando Valley commercial real estate activity includes data through the third quarter of 2019. The office marketspace appears to have been impacted by a change in the type of space available for lease in 2019. The industrial marketspace was impacted by a lack of inventory for the most recent measurement period. As we argue for residential real estate, we call for greater development of industrial space in the San Fernando Valley. We applaud the renaissance in hotel development, as this will benefit future business development activities in the San Fernando Valley.

Office space

The San Fernando Valley's net absorption, an important indicator of market activity, turned a corner for the worse for the first three quarters in 2019. On the face of it, this is not congruent with our analysis of the Valley's jobs and GDP data, which have continued to exhibit strength. However, office specialist brokers in the San Fernando Valley assure me that the Valley's office market is doing well despite certain shifts in the data presented here.

This downturn was accompanied by a jump in the Valley's office space lease rates. In the same quarters as the absorption slowdown, quarters 1, 2 and 3 of 2019, the Valley's lease rates jumped 10 percent from the prior year.

The type of space that has become available can impact these data. If there was office space that came open for leasing that was not absorbed, this would push net absorption down. And if this newly available space was expensive relative to the other space open for lease, then we would see a bump in the asking rates as mentioned above.

The Valley's office-space vacancy rate continues to tighten relative to its neighbors. While Los Angeles and the Conejo Valley vacancies stayed in the 14-15 percent range during 2018 and 2019, the San Fernando Valley's rate fell from a 12 percent average in 2018 to 10.8 percent in 2019.

Industrial space

The San Fernando Valley's 2019 industrial vacancy rate fell yet again, which is remarkable given that it was already very tight in 2018. The 2019 three-quarter average was 0.8 percent. It is very uncommon for a rate like this to fall to less than 1 percent and then stay at that level, given the time it takes for establishments to make the decisions necessary to leave, move or enter new space.

L.A. County's vacancy rate is double the San Fernando Valley's rate. The Conejo Valley's rate has consistently risen for more than a year now and was almost 3 percent by the third quarter of 2019. A market this tight calls for the development of new industrial space.

As we have pointed out before, it is not just traditional industrial space users in these buildings, but also various non-traditional entities. Examples include Cross-Fit gyms, indoor rock-climbing facilities, wine tasting rooms, and more. These companies can get into industrial space for a per-square-foot cost that is less than half the available office space cost.

Lease rates for industrial space have continued to rise during most of 2019, relative to 2018, with asking rates well over $1 a square foot in the second quarter of 2019. 2019 sales and leases picked up to 2.3 million square feet, in the first three quarters, up from 1.2 million for all four quarters of 2018. These data are a testament to the ongoing vitality of the Valley's economy.

Hotel space

The Valley is set for a hotel building boom in the next few years. There are five properties in the planning stage near the Warner Center, and a Home2 Suites is already under construction nearby. Sherman Oaks has two hotels in planning stages, and Glendale has eight new hotels in early development planning. Burbank has seven hotels in planning stages, and the AC Hotel Burbank is already under construction.

The broader region is set to be a new hotel space leader in 2020, with Los Angeles County having more hotel rooms under construction than any other California county, ending 2019 with 3,166 rooms.

A brief comment on Woodland Hills retail

The owner of the Westfield Topanga complex plans to redevelop the former Sears store into a dining and entertainment complex in Woodland Hill. Old and dormant retail spaces that have fallen out of favor with the market are found all across the state and are detrimental to their communities. The projected completion date of late 2021 for the dining and entertainment complex is great news for Woodland Hills and the San Fernando Valley and is logically coherent with the forecast of robust economic activity for the Valley that is presented in this publication.

Dan Hamilton is director of economics of the Center for Economic Research and Forecasting at California Lutheran University.

Valley's Home Prices High Despite Weak Sales

By DAN HAMILTON

The San Fernando Valley's housing market continues to become more expensive. Ventura County's existing single-family home price growth has slowed a bit and levels average $660,000 in the past three months of data. Los Angeles County's levels are about $635,000, while the Valley's levels in the same time period are over $730,000.

As in many places, the Valley's home sales growth slowed substantially during the Winter of 2018 to 2019. The declines were double-digit from August 2018 through March of 2019. Typical high season sales rates of 600 homes a month subsided to a bit under 500 homes per month and the Valley experienced a 36-year historical low sales rate of only 266 homes in February of 2019. A recovery began starting April 2019, but it has been weak. Our estimate of 5,166 closed escrows for 2019 is still 200-units off the 2018 rate. Using sales as a metric, this is still a weak housing market, locally and nationally.

The recent sales recovery in the Valley's condominium market is much stronger than that for single-family homes, up 23 percent using the last three months of data. This is to be expected as prices for those housing units, in the $440,000 range, imply a $1,900 monthly mortgage payment at 3.92 percent, while the single-family home prices imply a $3,100 monthly mortgage payment.

What are the prospects for future interest rates? They will stay low. The Federal Reserve Board has pursued extraordinary monetary policy since late 2008. They are convinced that the large-institution liquidity benefits and short-rate control benefits the Fed accrues from a large balance sheet outweigh the negatives of reduced financial intermediation, investment, and slower growth. Our Center for Economic Research and Forecasting disagrees strongly, but there is no mistaking the commitment behind this massive and fundamental policy shift that has occurred at the central bank of the United States.

The Fed will maintain a large presence in the mortgage-backed securities market for at least the next few years, which implies that the existing downward pressure on mortgage rates will continue.

Do the low rates help home buyers? Not much. Prices are high enough that the prospect of buying a modest home, not even a large or fancy residence, in the San Fernando Valley creates a *principle* problem for the buyer, not a *rate* problem. The prices are so high that low rates cannot overcome the affordability problem.

In smaller beach counties such as Ventura County, price growth is often a result of supply constraints rather than income generation. In the San Fernando Valley, prices are driven by supply constraints, and as well by a combination of wealth and income accumulation, which in turn is driven by economic activity. As shown in the accompanying table, the Valley's median household income is only 12 percent greater than the United States' median, while its median home price is 242 percent greater than that of the United States!

The vitality of the Valley's economy is partly responsible for the home prices.

The robust economy is not the only factor. Our Center for Economic Research and Forecasting has repeatedly documented that the post-2008 new home building rate in the United States has set a *historically low* standard for building in an expansionary economy. We have also documented that California's building rate is about *half* the U.S. rate. Given the San Fernando Valley's location in California, we can deduce the Valley's home building rate is less than that of the United States.

Most regions in California do not build enough homes, and the economy loses vitality as a result. A rational economic development policy includes a rational real estate development policy, and most communities, including the San Fernando Valley, do not have either.

HOUSEHOLD INCOME AND HOME PRICES - 2019

	MEDIAN HOUSE PRICES[1]	MEDIAN HOUSEHOLD INCOME	MEDIAN MULTIPLE[2]
San Fernando Valley	$733,000	$70,501	10.4
Los Angeles County	$635,283	$67,655	9.4
Ventura County	$659,750	$86,683	7.6
California	$600,243	$74,605	8.0
United States	$214,167	$63,174	3.4

Sources: National, California and Southland Regional Associations of Realtors and Claritas.

[1] September to November
[2] Home prices divided by median income.

When Added to Valley, Volatile Burbank and Steady Glendale Boost Overall Economy

By DAN HAMILTON

For this article, we include geographic coverage of Burbank and Glendale, geographies that we add alongside our "narrow" definition of the rest of the San Fernando Valley. Burbank and Glendale are integral to the Valley as well as to Southern California and the nation. As such, we combine the San Fernando Valley, Glendale, and Burbank into a larger geography that we call the Greater San Fernando Valley economy.

Burbank and Glendale forecast

The structure and evolution of Glendale's economy are quite similar to that of the San Fernando Valley. The composition of industries is fairly similar, and Glendale is to an extent a bedroom community for the rest of the Valley. This means that some of Glendale's households provide many of the workers in the San Fernando Valley. This provides a link between Glendale's business cycle and the Valley's. Given this, we are not surprised to see that Glendale's economic growth, revealed in both the history as well as the forecast, track the San Fernando Valley's growth rates closely.

We estimate that Glendale's economic growth improved a bit in 2019 despite a slight downtick in jobs growth. This is driven by a positive productivity shock to Glendale's economy in 2019. By productivity shock we mean that GDP accelerated more than jobs, and positive productivity shocks are a great thing. The 2020 to 2021 forecast calls for that productivity boost to subside somewhat during those years, but Glendale's growth will be steady and stronger than growth for the United States.

Burbank's economy is much more volatile than Glendale's economy, or for that matter most other regional economies in the United States. Burbank is home to a number of large project-driven enterprises including Warner Bros. Studios, Walt Disney Studios, The Burbank Studios, Nickelodeon Animation, Cartoon Network, and the list goes on. These companies work on very large projects, such as movies, TV series, and animation projects. When they gear up for such an effort, the boost to jobs and economic growth is massive. Then, when a particular project ramps down, Burbank's economy contracts just as vigorously as it expanded. This results in an extremely volatile economy.

When a noteworthy project hits, economic growth rates for Burbank are often in the double digits, providing an economic boost many times greater than that of most areas. How does Burbank do in the long run? To answer this, we compute a centered 5-year moving average for Burbank and compare this metric against its neighbors. For most of the years that we have data, Burbank's overall growth, or average growth, is substantially greater than the growth of its neighbors. If recently estimated and forecasted data are correct, Burbank's long-run average growth will converge toward that of its neighbors.

The economic forecast for Burbank implies a slowdown, but not a recession, in 2020, and then a pickup in 2021. This is in effect a forecast of project activity, which means that the forecast error is large relative to the potential errors in either the San Fernando Valley or Glendale forecasts.

Greater Valley forecast

By the Greater San Fernando Valley, we mean the combination of Burbank, Glendale, and the rest of the Valley, as most people think of it.

The GDP growth of the Greater Valley geographic concept is more volatile than GDP growth of the narrow definition of the Valley. We have Burbank to thank for that. What does not change is that the area's economic growth typically exceeds that of the United States, at least in the years since 2013.

Our forecast maintains the Greater Valley's growth premium over the United States. There is a reduction in growth in 2020, followed by an increase in 2021. This pattern is driven in part by a similar pattern in the jobs forecast. Geographically, the main driver behind this pattern is Burbank, which we forecast will experience growth in both years but at a noticeably slower growth rate in 2020 compared with either 2019 or 2021.

What are the risks to this forecast? Geographically, we believe most of the risk is from Burbank and to a lesser extent the San Fernando Valley. The forecast of Glendale's growth is benign. If Burbank does not have the slowdown in activity in 2020, or the pickup in 2021, then this forecast will be off. For Burbank, the San Fernando Valley, and, to a lesser extent, Glendale, economic growth is partially driven by the technology sector. If activity in this sector falters, the San Fernando Valley's economic vitality will diminish.

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AT THE EVENT

About 130 business leaders met for breakfast at the Hilton Woodland Hills hotel on Jan. 15 and heard a San Fernando Valley-specific economic forecast for 2020.

1 **Dan Hamilton**, center, is the chief economist of California Lutheran University's Center for Economic Research and Forecasting.

2 Among those in attendance is **Holly Schroeder**, executive director of the Santa Clarita Valley Economic Development Corp.

3 **Randy Witt**, center, is chair of the Valley Economic Alliance.

4 Getting breakfast are **Kevin Tamaki**, economic development director for Los Angeles City Councilmember **Bob Blumenfield**, left, and **Coby King**, chief executive of High Point Strategies. Both men are former chairs of the Valley Industry and Commerce Association.

5 **Tony Battaglia** of Raymond James in Woodland Hills speaks before the economic forecast is presented. Standing at right is Business Journal Publisher **Charles Crumpley**.

6 Among those taking notes is **Kevin Davis** of Aerotek.

7 **John Parker** of Parker Brown speaks before the economic forecast is presented.

8 **Cindy Keitel** of California Lutheran University, left, with **Jarrod DeGonia**, Senior Field Deputy for Los Angeles County Supervisor **Kathryn Barger**.

9 **Matthew Fienup**, the executive director of California Lutheran University's Center for Economic Research and Forecasting, presents his economic assessment and forecast of the San Fernando Valley.

PHOTOS BY SHELDON BOTLER

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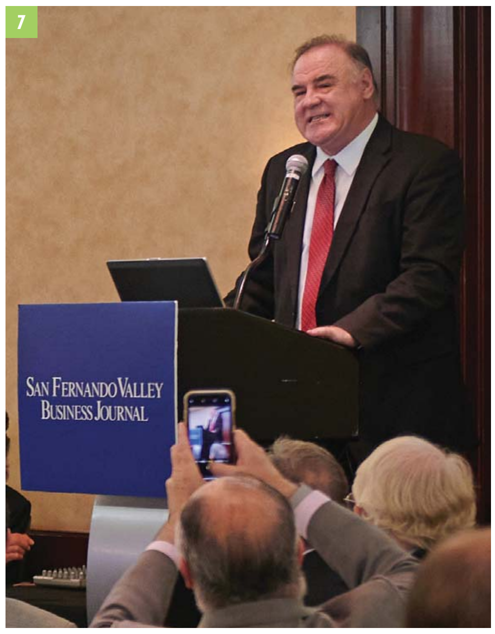

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REAL ESTATE CRYSTAL BALL

What to expect in 2020 for the Valley's office, industrial, retail and multifamily markets.

By **MICHAEL AUSHENKER** *Staff Reporter*

2020 marks a new decade – and possibly a turning point for the commercial real estate market.

While the Valley's developers and brokers report a robust market now, economists expect slower growth this year and a few clouds are forming on the horizon — including a presidential election, a softening of the residential market and talk of a plateauing economy or even a recession.

This Special Report looks at major local projects online or in development that will impact local markets by year's end.

Office

The biggest deal in the Tri-Cities market is the **Gehry Partners**-designed "Iceberg" buildings at **AT&T**-owned Warner Bros.' Burbank Studios. The funky-looking twin office towers, which will hug the 134 freeway when completed by 2023, drew a slew of notables to the Jan. 14 groundbreaking, including master architect **Frank Gehry**, developer **Jeffrey Worthe** of **Worthe Real Estate Group**, Warner Bros. Entertainment Chief Executive **Ann Sarnoff**, California Gov. **Gavin Newsom** and Burbank Mayor **Sharon Springer**.

Worthe Real Estate Group is developing the site with **Stockbridge Real Estate Fund**.

"This is a big deal," Newsom told a crowd of nearly 300 gathered on the Burbank Studios lot. "Not just to Burbank but to the entire region."

Springer, who promised that, thanks to this endeavor, Burbank will join the ranks of downtown Los Angeles, Barcelona and Shanghai as metropolises with iconic Gehry buildings, added that some 12,000 housing units are going to be created during the next 15 years that will provide the workers a place to live.

Also as part of the deal, Worthe and Stockbridge purchased three office buildings currently owned by Warner Bros.— Triangle Building (4001 West Olive

Please see page 24

Continued from page 23

Ave.), Glass Building (3903 West Olive Ave.) and Wood Building (111 N. Hollywood Way) — as well as the 30-acre Warner Bros. Ranch located on Hollywood Way.

Occupancy of Phase I is slated for 2022 with Phase II occupancy unfurling the following year.

In the leasing arena, The Park Calabasas, developer **Rising Realty Partners**' freshly minted 20-acre property at 4500 Park Granada in Calabasas, shows the continuing appeal of the suburban campus format. The property has shored up 100-percent occupancy with a 50,000-square-foot office lease to **AmaWaterways**, one of the world's leading river cruise lines.

"We are excited to move into our new home at The Park Calabasas in June as it offers a stimulating green environment in line with our vision that wellness and sustainability are important aspects of a productive and healthy work-life balance," said AmaWaterways President **Rudi Schreiner** in a statement.

Some of the big question marks of 2019 have lingered into 2020.

The biggest mystery is what **Triple Five Worldwide** intends to do with 47 acres of long-vacant prime Warner Center land. Triple Five, which owns the biggest indoor shopping center in the United States, the Mall of America, has remained cagey about its intentions as it takes care of environmental treatment of the former Rocketdyne site. The Canadian company specializes in massive retail centers, which would seem superfluous next to **Unibail-Rodamco-Westfield**'s malls in close proximity. That leaves hospitality, residential or office product as potential usages for the land.

While community activists kicked off the new year by vocalizing their discontent with the level of environmental treatment taking place at the site, Triple Five publicist **Coby King** of **Vectis Strategies** told the Business Journal that there is no update on the project at this time.

A stone's throw away at 21555 Oxnard St. in Woodland Hills, not much appears to be happening with the recently vacated big-box office building known as the Warner Landmark, which, since its 1977 opening, has been the home of single tenant **Anthem Blue Cross**. However, as of last month, the building became available when the health insurer relocated to its new Warner Center address at 21215 Burbank Blvd.

Last April, **CBRE Group**'s **Matthew Heyn** told the Business Journal that Anthem's move out would become a major opportunity for owner **Abraham Lerner**, redevelopment firm **Lincoln Properties Co. West** and CBRE to reposition the property.

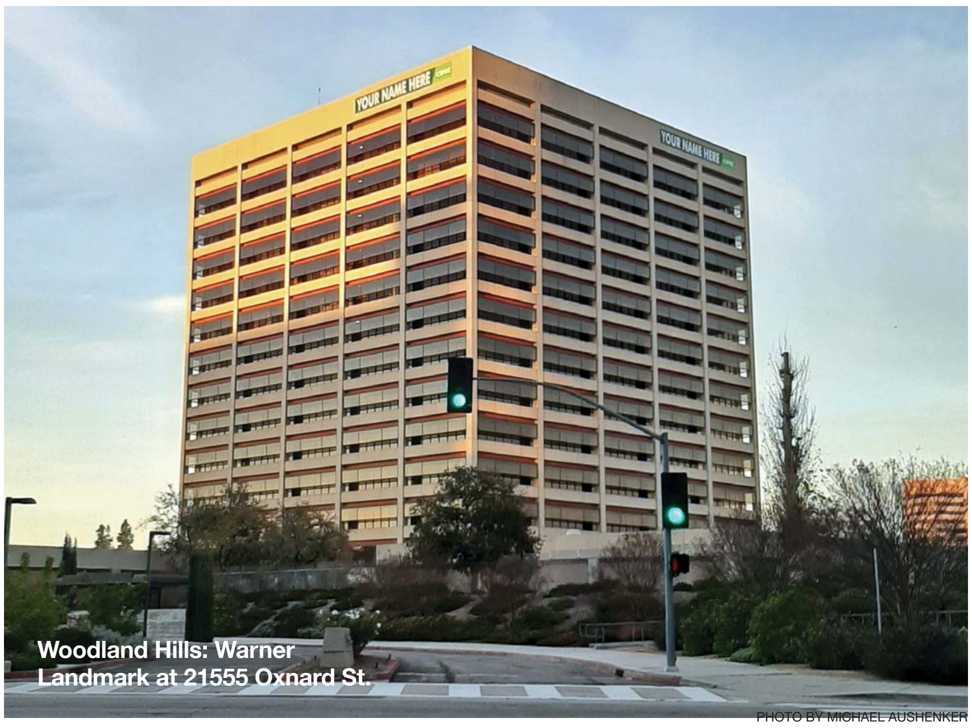
"We're definitely targeting entertainment and tech," Heyn told the Business Journal. "Those two are major drivers, but really any tenant of size that is looking for efficiency that you can't find anywhere else in the Valley."

The remodel project was originally slated to be finished by mid-2020 at an estimated cost of $50 million. However, as of press time, work on the building does not appear to be underway.

Across the Valley in Glendale, the 2019 assumption by **ServiceTitan** of four floors of vacant space at 800 N. Brand promises improvement for the submarket in 2020. The space was previously occupied by **Nestle USA**.

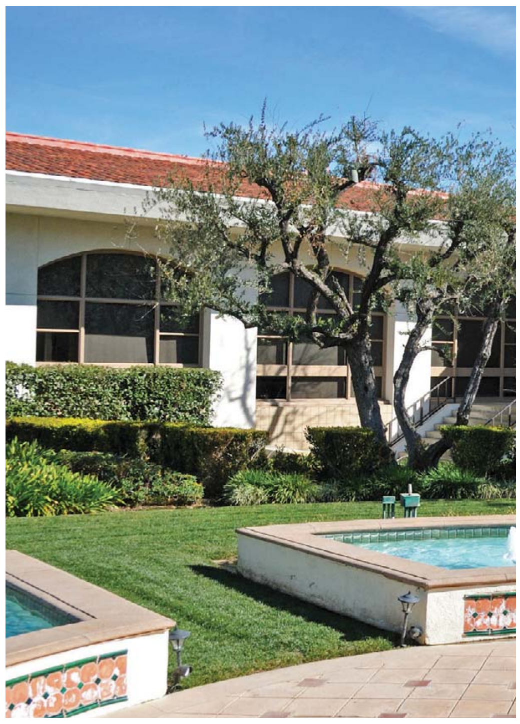
"The Nestle exodus actually has helped improve the complexion of the market – what was once back office, traditional corporate America has been replaced by more dynamic industries led by high-growth companies focused on attracting and retaining talent," CBRE's **Cody Chiarella** told the Business Journal last May. "The tenant mix (in Glendale) is becoming more diversified and creative, e.g. **DreamWorks**, (**Amazon Inc.**-owned) Whole Foods, Age of Learning, LegalZoom, Industrious; the boom of luxury multi-family developments in the central business district; and the retail anchored by the Americana and Galleria has put Glendale on the map as a 24/7 lifestyle submarket."

Santa Clarita: Illumination Dynamics is first tenant at Needham Ranch industrial park.



Woodland Hills: Warner Landmark at 21555 Oxnard St.

PHOTO BY MICHAEL AUSHENKER



Retail

Fresh retail space is percolating at The Vineyards at Porter Ranch, a major mixed-use project spearheaded by **Shapell Properties** in the West Valley that has already seen last year's roll-out of a retail center anchored by a Whole Foods and a Nordstrom's, plus a Kaiser Permanente facility.

"We have quite a few milestones on tap for 2020, including opening for the AMC Theatres, various restaurants and retailers – and the first phase of the apartments will be available for occupancy in the fall," Shapell Properties Chief Executive **John Love** told the Business Journal. "The Kaiser medical building has been open and operating since July."

This year will also mark the start of construction of the mixed-use site's Hampton Inn Suites, which currently has an uncertain completion date. Expect to see a slew of new businesses in-filling the Vineyards' 200,000 square feet of retail shopping retail center, including Finney's Craft House, Gus's BBQ, Lure Fish House and Patxi's Pizza.

In the retail sector, as indoor malls find it increasingly difficult to stay alive, they have taken unconventional businesses as tenants in so-called "creative adaptive" space, a trend we'll see more in coming years.

Two years ago, **California Museum of Art Thousand Oaks** moved into the Oaks retail center at 350 W. Hillcrest Drive in Thousand Oaks, owned by **Macerich**. The museum's past chair **Tony Principe**, president at development company **Westcord Commercial Real Estate Services**, said the arrangement has worked for both landlord and tenant.

"Malls are now looking for different reasons to attract people," Principe told the Business Journal. "We don't really sell a product. We sell an experience. Macerich understood that. … Having gyms and hotels and schools and malls and museums will put people there and keep them there."

The museum has increased foot traffic after assuming space formerly occupied by a Baby Gap store.

Macerich just announced that it will pursue building a 121-key hotel near the Oaks mall.

Industrial

A question mark hanging over the current industrial market is which tenants will next move into Tejon Ranch Commerce Center, where **L'Oreal** is just moving after signing a lease for 480,000 square feet last year. A new building saw prospective tenant **Next Level** about to move into some 189,000 square feet. However, the Carson company backed out and that entire building is now available again. Meanwhile at Tejon, East Coast firm **Covington Group** bought the 606,000-square-foot building occupied by **Dollar General** as an investment.

John Erickson, senior vice president of Brokerage Services at **Colliers International**'s Valencia office, said the top talk of the industrial street is Needham Ranch in the Santa Clarita Valley, where "some of it has come to market (such as) Illumination Dynamics while two or three more buildings will come online before year's end."

Also in Santa Clarita, at IAC Commerce Center, there is a 134,000 square foot building complete, another 156,000 square feet underway, and three more buildings planned. Some of those buildings will be open for business before year's end.

Soon in Simi Valley, **Xebec** will break ground on a project on Easy Street.

"You'll see that get started later this year," Erickson said.

Heading into 2020, "it's more of the same," said Woodland Hills-based **Newmark Knight Frank** industrial broker **John DeGrinis**. "The big topics are continued lack of availability and continued lofty pricing."

A few big names, DeGrinis said, such as **Amazon, Inc.** and **Walmart**, are "executing to achieve (their) goals and moving forward."

Where the local industrial scene is starting to experience problems with its lack of inventory is in entertainment. There aren't enough venues to handle the current demand for content production.

Porter Ranch: New tenant AMC Theatres at Vineyards development.

Calabasas: Rising Realty's Park Calabasas campus at 4500 Park Granada.

PHOTO BY THOMAS WASPER

Burbank: Rendering of Frank Gehry-designed iceberg office towers along 134 freeway.

Studios generally need "purpose-built" hangar space, as DeGrinis called it, to suit their specific needs for television production. However, there's not enough such existing structures in the San Fernando Valley and its surrounding submarkets.

While there are the conversions of conventional warehouses into soundstages, "it's a less ideal scenario but because they hang so much stuff from the roof, it's more ideal to have a better purpose-built scenario," DeGrinis said.

With 530 television shows created last year, the demand on Hollywood has never been greater, DeGrinis said.

How to keep up demand for production facilities as the streamer wars heat up with Warner Bros. and Universal joining Netflix, Amazon and Disney in the fray, "that's the challenge the industry is trying to figure out," said DeGrinis, as productions head out of state to places such as New Mexico and Louisiana where more space is available.

Also driving industrial in 2020 will be **Amazon, Inc.**-led e-commerce and manufacturers who are "trying to figure out how to become more efficient," DeGrinis said. "The other active segment in the market is food-related."

For example, Chick-Fil-A recently opened a lemon-processing facility at one of the structures on the IAC Valencia campus in Santa Clarita.

"They bought the building and ripped up the entire floor and invested $70 million worth of improvements," DeGrinis said.

Meanwhile, **Monster Beverage Corp.**, maker of Monster energy drink, aggressively chased a 7-acre property that they had eyed in the city of San Fernando.

"They ended up paying a crazy number because they had to have it," DeGrinis said, referring to the $33.7 million acquisition of 510 Park Ave.

"Food guys are also active in Ventura County," DeGrinis added. "[Food-related companies] is a segment in which we see some growth."

In terms of the pipeline of new development, there are isolated projects being worked on in Thousand Oaks, Simi Valley and Oxnard.

"However, we are long in the tooth in the market," DeGrinis observed. "We've gone 10 or 11 years without a cycle change (and) California is losing one house seat, which means a shrinking population."

Multifamily

This sector may be the hairiest and least straightforward, with many issues muddying the investment waters, from California property tax rules and rent control regulations to the overhaul of soft-story apartment complexes in time for the city's 2022 deadline on retroactive earthquake fixes.

But that's for existing buildings. Plenty of residential development is currently underway which, if city officials and developers are to be believed, will become game-changers.

The most ambitious of all housing projects will begin to unfold some 21,000 units in Santa Clarita Valley. On Jan. 13**, Five Point Holdings, LLC** announced the sale of 781 homesites at its Valencia development, which occurred in the fourth quarter of 2019. Long known by former name Newhall Ranch, Valencia has closed on 711 of these 781 homesites, and the balance is anticipated to close in the first half of this year. Proceeds from the closed homesites will total approximately $135 million, according to Five Point.

"This is a milestone for the company, as we have been waiting for this day for a long time," said Five Point Chairman **Emile Haddad** in a statement. "These are the first deliveries of the approximately 21,000 homesites anticipated to be delivered next in Valencia."

Attendant with this development will be 11.5 million square feet of commercial space, including health care and lifestyle-focused space. Additionally, Valencia is designed to be the first net zero greenhouse gas community of its size in the entire country, according to Five Point.

An ambitious residential project of another stripe continues to push forward in Woodland Hills, as part of the collective Warner Center 2035 Specific Plan — championed by City Councilman **Bob Blumenfield** and other city officials — to transform the neighborhood into the downtown center of the entire San Fernando Valley. Developed by Canoga Park-based developer **California Home Builders**, the Q buildings — a network of five interfacing residential towers with compatible services and amenities will begin to come online this summer, when The Q on Variel will open.

"All of the Qs are a network of buildings with different lifestyles – we're going to provide valet parking, concierge, and coworking space in the building the tenants we're going to open and operate," said California Home Builders Chief Executive **Shawn Evenhaim**, who added that he will open a listing office in April for Q on Variel.

"We already have a waiting list of people," he said. "Our hope is that the first tenants will move there (this summer)."

In nearby Reseda, Tarzana-based **Gelt Inc.** has aligned with Uhon Inc., the Pasadena-based American arm of China-based developer **Shenzhen Yuhong Investment Group Limited Co.**, to build the $90-million Watermark Apartments — a five-story, 250-unit project at 6625 Reseda Blvd. designed for relatively affordable rents of $1,300 to $3,500 per month — currently under discussion. Although representatives of Gelt and Uhon could not be reached, Watermark is expected to come online by year's end.

REAL ESTATE QUARTERLY

Mian Dynasty Expanding in Ventura County

From Calabasas to Camarillo, developer has big plans for hotels.

By MICHAEL AUSHENKER *Staff Writer*

On Site: Tahir Mian at future Conference Center of Camarillo location.

PHOTOS BY THOMAS WASPER

Addition: 51-room expansion underway at Mian's Hilton Garden Inn Calabasas.

Across from Camarillo Premium Outlets, tractors work away on a busy construction site. Overseeing the project, in a snazzy blue blazer and cowboy boots, stands **Tahir Mian**.

"I'm like a little kid at heart," said the Texas-based developer, who also goes by "T.M." Mian. "I look at the construction site and it excites me."

Construction began last August on the upcoming Mian Plaza and Conference Center of Camarillo. The Spanish colonial revival-style project near the 101 on-ramp will feature hotels, restaurants and meeting spaces by 2022.

The project came about, Mian said, because the city of Camarillo wanted it.

"There is more demand in Camarillo for a conference center," he said.

Mian Development Corp., the Dallas real estate firm which Mian originally started to build multifamily properties, is spearheading the ambitious project on parcels purchased by the city of Camarillo a decade ago.

Camarillo has long discussed the possibility of building such a complex, hoping to capitalize on local demand for meeting space and overflow business traffic from the western San Fernando Valley and Ventura County as well as usage by California State University – Channel Islands for academic conferences and scholastic events.

"The city has wanted a conference center for some time, because the Camarillo market has always been heavy on business travel, with so many technology and biomedical companies headquartered along the 101 freeway corridor," **Bruce Baltin**, senior vice president in the L.A. office of hospitality consultancy **PKF Consulting**, told the Business Journal in 2015.

Among the Mian Plaza's components: a 122-room Home2 Suites by Hilton and a four-story, 155-room Embassy Suites with swimming pool, restaurant and 17,500 square-foot, 750-seat conference center, and more than 650 parking spaces

Per the developer's agreement with the city of Camarillo, Mian first had to create a water channel — price tag: $6 million — which Mian called "a beast" to install underground. Then, he imported 30,000 cubic yards of soil for the project. He said utilities will soon be re-organized underground.

"They are moving fast," Mian said of the latter. "I can't believe (the progress)."

Mian said his one-two punch of placing two tiers of hotel brands opposite each other is not without precedent in the region. Mian Development erected the Hilton Garden Inn and the Homewood Suites by Hilton opposite each other in neighboring Oxnard. When one hotel has overage, the other fills the void.

"Both complement each other," Mian said. "That's the reason we're doing the same thing in Camarillo."

Regional strategy

A resident of Camarillo's Spanish Hills with partner of seven years **Alisa Rector**, Mian operates from his eighth-floor offices at his 170-room Hilton Garden Inn Oxnard at 1975 Solar Drive in Oxnard. From his mahogany desk and a nearby conference table buried in blueprints of Mian Plaza, he shared his enthusiasm for the project.

The Home2 Suites will sit on the south side of the property facing the direction of Los Angeles; the restaurants will rise behind it and face the Outlets mall across the street; and the Embassy Suites will take the north end of the property, facing toward Ventura. One of the restaurants, Mian said, will be a Brazilian eatery in the vein of a Fogo de Chão.

When all is completed in Camarillo, Mian said, he will have hired an additional 250 people, bringing his total regional workforce to 500.

The two hotels at Mian Plaza and Conference Center of Camarillo will join a growing string of Mian hotels in the region, including The Commons at Calabasas-adjacent Hilton Garden Inn Calabasas at 24510 Park Sorrento; and a pending four-story Hilton project across from the Ventura County Fairgrounds in Ventura, a nascent project that is a few years away from breaking ground.

On Jan. 27, Hilton Garden Inn Calabasas became the site of a National Transportation Safety Board press conference on the Sikorsky S-76 private helicopter crash that took the lives of nine people, including former Lakers player Kobe Bryant. His hotel housed 35 NTSB personnel, Mian said.

In Calabasas, Mian continued, his Hilton Garden Inn has become a central hub. During the Woolsey fire, Mian put up a slew of first responders for free and, in fact, Mian and Rector were stuck at the hotel after the wildfire struck.

"We couldn't get out to go to Camarillo," Mian recalled.

Mian is currently expanding his Calabasas Hilton by 51 rooms.

Close to home

Of Pakistani origin, Mian hails from Texas, where he attended Texas State University and Wayland Baptist University.

Mian first came across the Hilton brand in the most hands-on way possible. Early on in his college career, while at Texas State Technical College in Amarillo, he worked as a maintenance person at a Hilton in town. Then one day, "I came back and bought the place," he said.

It became a satisfying acquisition in a career made up of many such purchases.

"I said, 'I was a student, now I'm a teacher,'" he said, laughing.

Mian has buttered his bread in Texas, where his firm owns the Sterling Hotel in Dallas. The firm previously owned multifamily and office plazas in places such as Arlington, Irving and Fort Worth, Texas.

When Mian first arrived in Ventura County over two decades ago, he was struck by how brilliant the oceanfront real estate was.

"I knew I could not go wrong on that," he said.

Mian immediately identified a need to add product to the area.

Today, while Mian maintains a house in Dallas, Camarillo is where his heart is.

But given his ample experience between developing in Texas and California, Mian said California's business climate is by far much more difficult to navigate than in the Lone Star State, where deals may hinge on handshake deals.

"In Texas, there's a good old boys' kind of approach," he said.

Mian said he is currently eyeing Ventura, where he wants to build a four-story, 160-key Hilton on land he acquired from the Ventura County Fairgrounds.

The hands-on developer abides by a rule. "If I can't get to the site in 30 minutes, I'm not interested," Mian said. "If the acquisition is not right, you are always going to suffer."

One of his dreams is to develop affordable housing in Oxnard that will provide inexpensive apartments for his employees on a loyalty platform, in which workers can purchase their condos after 30 years of service with the company.

REAL ESTATE QUARTERLY

The Quiet Before the Storm

Valley's office market held steady in quarter, but change is on the horizon.

By MICHAEL AUSHENKER *Staff Reporter*

Across the San Fernando and Santa Clarita valleys, the drivers of office and industrial leasing continue to be the twin E's — entertainment and e-commerce. Logically, office and industrial space, already relatively limited, continue to see high rents matching high demand.

In the industrial sector for 2019's fourth quarter, the San Fernando Valley with 90 million square feet in inventory, has seen an overall 0.7 percent vacancy, down from 1.1 percent a year previous. All of the 323,300 square feet of the industrial inventory under construction is taking place in the west San Fernando Valley.

In Ventura County, the western section of the county currently has 41.9 million square feet of inventory, totaling almost half of the entire San Fernando Valley's inventory. West Ventura County's vacancy registered 2.0 percent for 2019's fourth quarter, up from 1.3 percent a year ago.

In terms of price, average industrial rents in western Ventura County were 65 cents in the fourth quarter, compared to 92 cents in the San Fernando Valley, according to **Colliers International** data.

"It's not much of a change in the vacancy – that's almost normal attrition," said **John Erickson**, senior vice president of Brokerage Services at Colliers International's Valencia office. "It's more or less business as usual."

The office space has also been relatively consistent. Burbank, with its inventory of nearly 7 million square feet, saw vacancy drop to 8.1 percent in the fourth quarter from 2019 from 10.6 percent in the third quarter.

In the San Fernando Valley, which has a 22 million square feet of office, vacancy dropped nominally from 11.3 percent to 11.1 percent.

Content-creating tenants

Kevin Fenenbock, a specialist in office leases in the San Fernando and Santa Clarita valleys who also works at Colliers' Valencia headquarters, said that the 2019 Q4 numbers are basically flat and not earth-shaking, but there will come a point when companies will have little choice but to fan out and create hot submarkets in other parts of the Valley region.

"Between North Hollywood and Woodland Hills, we've seen some pretty strong rental rates increasing mainly by content post-production. Those guys are pushing for product in that area, driving rents up," Fenenbock said.

Fenenbock chalks up the San Fernando scene to "so much demand, so little vacancy," he said, which forces new tenants to go into Sherman Oaks and Encino, "displacing a lot more traditional office users and forcing them to move west," he said.

But getting younger companies to ink leases outside of the Burbank-North Hollywood axis may be a slow train. While companies are moving west across the Valley, "we're not seeing a north migration yet," Fenenbock said. "We're not seeing these guys going to Northridge. Not the entertainment guys."

Northridge: The Mix at Harman.

Despite **Facebook Inc.** leasing up some 70,000 square feet at the **Shubin-Nadal Realty Investors** and **DRA Advisors LLC** joint-ventured The Mix at Harman campus in Northridge, "it really never gained a lot of traction," he added.

Fenenbock believes that the Mix at Harman's presence in Northridge should have sparked a submarket trend. Unfortunately, the Northridge location is still proving to be a detriment for some.

The problem, continued the Colliers broker, is that "you go outside that campus and it's a little bit challenging. That area still has to do some work to attract that entertainment market. … The amenities don't look and feel quite there yet."

For now, the pressure valve for tenants seems to be toward the west. However, eventually office-users will have no choice but to pursue more out-of-the-way properties in outlier markets around the Valley.

"That's the hope," he said. "We will see more migration north and west as long as (entertainment) content production continues."

Fenenbock added that waiting for the tenants before refurbishing a property poses a challenge. It's smarter for landlords to upgrade in order to secure the tenants.

"It's much more palatable for tenants to make that move," he said. "It needs to be seen today to get people excited."

One very successful redevelopment which Fenenbock has handled is the **Elbar**-owned The Ranch, a 12-acre site on the border of Sherman Oaks and Van Nuys which is currently seeing a building-by-building renovation that will wrap up within the decade.

Laid out something like a long rectangle, Fenenbock said that Elbar took a chance on the industrial part of town and "that has been extraordinarily successful."

Initially, Fenenbock admitted, "it was pulling teeth getting people to get there," but now the complex is 100-percent occupied by such young companies as **FloQast**, **T-Cure**, fashion company **Doen**, post-production firm **FuseFx**, and **VSI**, which does audio work for **Netflix Inc**.

Greater San Fernando Valley Office Market, 4th Quarter 2019

Market/Submarket	Inventory (square ft.)	Vacancy Rate			Under Construction (square ft.)	Net Absorption (square ft.)[1]			Weighted Asking Rent [2]		
		4th Qtr. 2019	3rd Qtr. 2019	4th Qtr. 2018		4th Qtr. 2019	3rd Qtr. 2019	4th Qtr. 2018	4th Qtr. 2019	3rd Qtr. 2019	4th Qtr. 2018
Los Angeles County	**204,205,200**	**14.6%**	**14.5%**	**14.4%**	**7,544,200**	**316,200**	**657,800**	**1,844,500**	**$3.49**	**$3.49**	**$3.38**
San Fernando Valley	**22,019,200**	**11.1%**	**11.4%**	**11.3%**	**343,400**	**67,500**	**(165,500)**	**272,600**	**$2.70**	**$2.75**	**$2.74**
West San Fernando Valley	14,943,000	11.3%	11.5%	11.0%	103,400	20,400	(83,600)	188,300	$2.62	$2.68	$2.73
Central San Fernando Valley	4,500,600	10.8%	10.8%	5.4%	0	(1,700)	(67,800)	79,800	$2.62	$2.63	$2.56
East San Fernando Valley	2,575,600	9.9%	11.8%	10.1%	240,000	48,800	(14,100)	4,500	$3.36	$3.34	$2.93
Tri-Cities	**22,967,500**	**12.0%**	**12.6%**	**12.9%**	**493,500**	**43,500**	**63,700**	**330,100**	**$3.28**	**$3.23**	**$3.10**
Burbank	6,965,500	8.1%	10.6%	10.7%	242,300	49,900	(21,400)	42,300	$3.53	$3.59	$3.38
Glendale	6,164,800	16.8%	16.7%	17.2%	0	6,900	37,800	165,500	$3.16	$3.15	$3.00
Ventura County	**9,827,800**	**14.8%**	**16.5%**	**15.9%**	**0**	**166,100**	**(14,500)**	**15,000**	**$2.46**	**$2.39**	**$2.18**
West Ventura County	3,145,200	11.3%	20.6%	21.5%	0	(32,800)	(83,600)	(34,100)	$2.22	$2.06	$1.93
Conejo Valley	6,848,700	11.5%	14.5%	13.3%	0	198,900	0	49,100	$2.70	$2.62	$2.37
Santa Clarita Valley	**2,071,700**	**15.3%**	**13.8%**	**14.2%**	**0**	**(33,300)**	**20,400**	**2,000**	**$2.67**	**$2.63**	**$2.55**
Antelope Valley	**827,900**	**1.6%**	**2.1%**	**2.8%**	**0**	**5,500**	**2,247**	**3,700**	**$1.76**	**$1.84**	**$1.56**

San Fernando: Monster Beverage paid $33.7 million for a warehouse at 510 Park Ave., where it will raze and rebuild.

Burbank: Walt Disney Animation Studios took 116,000 square feet at 3900 W. Alameda Ave.

Glendale: The 220-unit Griffith apartment complex at 435 W. Los Feliz Road traded for $119 million.

Greater San Fernando Valley Industrial Market, 4th Quarter 2019

Market/Submarket	Inventory (square ft.)	Vacancy Rate			Under Construction (square ft.)	Sold & Leased (square ft.)			Weighted Asking Rent[4]		
		4th Qtr. 2019	3rd Qtr. 2019	4th Qtr. 2018		4th Qtr. 2019	3rd Qtr. 2019	4th Qtr. 2018	4th Qtr. 2019	3rd Qtr. 2019	4th Qtr. 2018
Los Angeles County	**897,857,400**	**1.4%**	**1.5%**	**1.6%**	**6,529,900**	**8,634,500**	**8,607,200**	**9,685,500**	**$0.86**	**$0.85**	**$0.78**
San Fernando Valley	**90,414,400**	**0.7%**	**0.8%**	**1.1%**	**332,300**	**682,700**	**698,300**	**260,800**	**$0.92**	**$0.93**	**$0.99**
West San Fernando Valley	25,815,200	1.2%	1.0%	1.8%	332,300	137,600	165,800	115,300	$0.97	$0.99	$0.89
Central San Fernando Valley	13,742,200	0.2%	0.2%	0.3%	0	35,700	135,700	10,400	$1.19	$1.27	$1.09
East San Fernando Valley	50,389,300	0.5%	0.9%	1.0%	0	509,400	396,800	135,100	$1.07	$1.11	$0.99
Ventura County	**60,441,068**	**2.2%**	**2.4%**	**1.1%**	**313,900**	**308,200**	**579,100**	**400,700**	**$0.68**	**$0.69**	**$0.67**
West Ventura County	41,915,200	2.0%	2.2%	1.3%	67,100	235,200	284,800	115,300	$0.65	$0.65	$0.63
Simi Valley/Moorpark	11,290,200	2.6%	2.3%	1.0%	246,800	22,300	96,300	266,300	$0.72	$0.70	$0.73
Conejo Valley	7,707,000	2.2%	2.8%	2.1%	0	50,700	198,000	19,100	$0.91	$0.91	$0.91
Santa Clarita Valley	**19,465,000**	**2.3%**	**2.3%**	**4.9%**	**742,200**	**135,100**	**190,700**	**263,700**	**$0.73**	**$0.71**	**$0.69**
Antelope Valley	**8,554,600**	**2.4%**	**2.6%**	**2.1%**	**0**	**70,900**	**22,000**	**54,300**	**$0.67**	**$0.65**	**$0.59**

Westlake Village: Jafra Cosmetics International sold its headquarters at 2451 Townsgate Road for $28.2 million.

Lancaster: Lone Oak Lancaster bought 59,384-square-foot warehouse at 45545 Trevor Ave. for $8.2 million.

Santa Clarita: Valencia Medical Building at 23928 Lyons Ave. was purchased for $4.3 million.

[1] Net absorption is the change in occupied space for a given period of time. Due to the transfer of owner occupied space to competitively leasable space and/or the delivery of new construction in the market, discrepancies may occur in the relation between vacancy rates and net absorption.

[2] Quoted full service gross per-square-foot.
[3] Market includes Pasadena, not listed.
[4] Quoted triple net.

Source: Colliers International

Conejo Valley

Office vacancy tightened to 11.5 percent compared to 13.3 percent a year earlier. However, asking rates ratcheted up $2.70, a gain of 33 cents, or 13.9 percent in the last year. Tenants absorbed 198,900 square feet during the fourth quarter.

MAIN EVENTS

▶ **Jafra Cosmetics International Inc.** sold its headquarters in Westlake Village for $28.2 million. New owner **PS Southern California One** plans to develop a portion of the property at 2451 Townsgate Road into a **Public Storage**.

▶ The 108-unit Stonepine Apartments at 1394 E. Hillcrest Drive in Thousand Oaks sold for $33.8 million to **FPA Multifamily**.

▶ The 60,416-square-foot industrial building at 685 E. Cochran St. in Simi Valley traded for $11 million. The seller will continue to occupy a portion in a leaseback for **SensoScientific**.

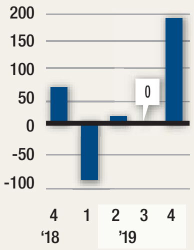
▶ Mission Oaks Corporate Center at 5300 Adolfo Road in Camarillo sold for $11 million.

CONEJO VALLEY

OFFICE MARKET AT A GLANCE

Inventory: ....6.85 million square feet
Under Construction:...0
Class A Asking Rents:................................$2.70

Net Absorption
000s of square feet



Vacancy Rate
percent

Simi Valley: 685 E. Cochran St. sold for $11 million; seller will continue partial occupancy.

Santa Clarita Valley

The decade's final quarter ended with a 15.3 vacancy for office, a significant uptick from 13.8 percent during the previous quarter. Office tenants gave back 33,300 square feet, according to **Colliers International** data, while rents edged higher to $2.67.

MAIN EVENTS

▶ The 105,000-square-foot warehouse at 27811 Hancock Parkway in Valencia sold for $18.2 million to **Enayat Properties**, which plans to occupy it as an owner-user, according to **CoStar Group Inc.**

▶ A developer and two investors paid $4.3 million for Valencia Medical Building at 23928 Lyons Ave. The building has 20,304 square feet.

▶ **Coldwell Banker Quality Properties** leased 3,250 square feet of second-floor office space at 27451 Tourney Road in Valencia. According to sources, Coldwell Banker signed a five-year lease pitched in the mid-to-high $2 per square foot range.

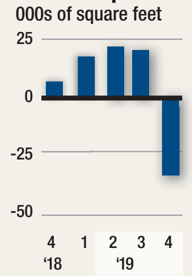
▶ Santa Clarita Plaza at 23942-23945 Lyons Ave. sold to **Rami Darghalli Living Trust** for $2.9 million.

SANTA CLARITA VALLEY

OFFICE MARKET AT A GLANCE

Inventory:......................... 2.07 million square feet
Under Construction:...0
Class A Asking Rents: $2.67

Net Absorption
000s of square feet



Vacancy Rate
percent

Santa Clarita: Retail property at 23942-23945 Lyons Ave. was purchased for $2.9 million.

Antelope Valley

A solid 70,900 square feet of industrial space were sold or leased during the fourth quarter. Vacancy registered at 2.4 percent compared to 2.1 percent for the same quarter a year prior. Asking rents for industrial space increased to 67 cents a square compared to 59 cents a year ago.

MAIN EVENTS

▶ Investor **Gary Pietruszka** in North Hollywood paid $13 million for 10 West Plaza, a 3,500-square-foot retail center at 40117 10th St. West in Palmdale.

▶ Industrial property with 31,350 square feet at 244-254 E. Avenue K4 in Lancaster sold to **iLead Education** in Acton for $10.2 million.

▶ The 59,384-square-foot warehouse at 45545 Trevor Ave. in Lancaster sold to **Lone Oak Lancaster** for $8.2 million. The seller was **W.A. Thompson Distributing Co.**

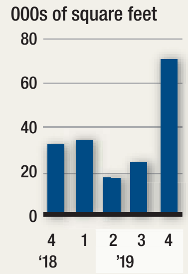
▶ New York-based **Blackstone Group** sold the Motel 6 property at 407 W. Palmdale Blvd. to **Divine Hospitality in Palmdale** for $6. 2 million. The motel has 105 rooms and 27,284 square feet.

ANTELOPE VALLEY

INDUSTRIAL MARKET AT A GLANCE

Inventory:......................... 8.55 million square feet
Under Construction:...0
Asking Rents:... 67 cents

Sold & Leased
000s of square feet



Vacancy Rate
percent

Palmdale: 10 West Plaza with 3,500 square feet at 40117 10th St. West sold for $13 million.

REAL ESTATE QUARTERLY

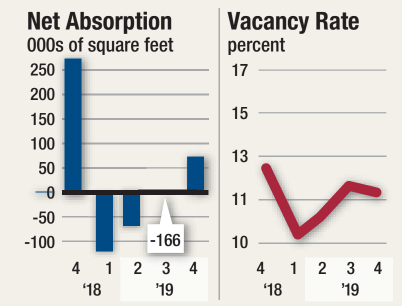
San Fernando Valley

Valley tenants absorbed 67,500 square feet of office space in the fourth quarter. Compared to the previous quarter, lease rates decreased 5 cents to $2.70, according to Colliers International data. Vacancy moved marginally lower to 11.1 percent. Developers have an impressive 343,000 square feet of office under construction. In the industrial market, 682,700 square feet were leased or sold during the fourth quarter while vacancy fell incrementally to 0.7 percent. Industrial lease rates were 92 cents a square foot, a penny less than the previous quarter and 7 cents less than a year ago.

SAN FERNANDO VALLEY

OFFICE MARKET AT A GLANCE

Inventory: ....22 million square feet
Under Construction: 343,400
Class A Asking Rents: $2.70



MAIN EVENTS

▶ Northridge Plaza shopping center at 8840-8878 Corbin Ave. in Northridge sold for $42.5 million. The center has 108,400 square feet.
▶ **Monster Beverage Corp.** purchased an industrial property at 510 Park Ave. in San Fernando for $33.7 million. Monster plans to raze the 26,600-square-foot warehouse and redevelop the property.
▶ **Rockwood Capital** and **Artisan Realty Advisors** paid $30 million for the six-story office building at 4640 Lankershim Blvd. in North Hollywood.
▶ **Air 1 Moving & Storage** signed a lease for about 21,600 square feet in the warehouse at 9556 Cozycroft Ave. in Chatsworth. A source with knowledge of the deal put the five-year lease's total value at about $1.4 million.
▶ The 88-unit Cambridge Apartments in Sherman Oaks sold for $29.4 million to **Interstate Equities Corp.** The two-building complex is at 14340 and 14350 Addison St.
▶ **Tropical Creations Landscape Contractors** purchased a 10,221-square-foot industrial building at 12610 Saticoy St. South in North Hollywood for $3 million.
▶ **AmaWaterways** leased 50,000 square feet and moved its headquarters to The Park Calabasas office complex at 4500 Park Granada in Calabasas. Financial terms of the lease were not disclosed. The company previously had its offices at 26010 Mureau Road, also in Calabasas.
▶ Northridge Medical Center, located at 18433 Roscoe Blvd. in Northridge, sold for $11.7 million. ▶ **EC365 Investments** in Sherman Oaks bought the Victory Square office building at 12444 Victory Blvd. in North Hollywood for $15 million. The seller was **Homeowners Marketing Services Inc.**, which has its offices in the building.

Northridge: Target-anchored retail center at 8840 Corbin Ave. sold for $42.5 million.

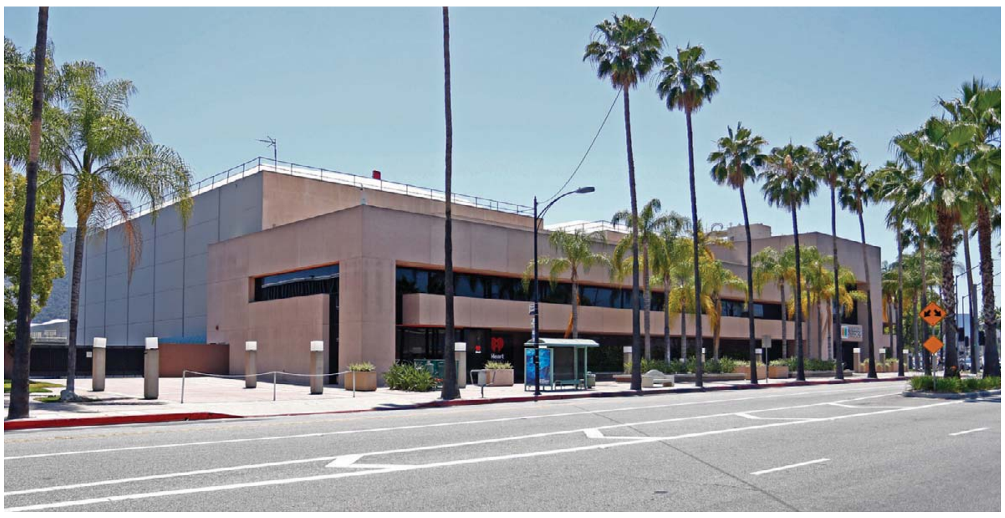
North Hollywood: Six-story tower at 4640 Lankershim Blvd. traded for $30 million.

Burbank and Glendale

Burbank office vacancy fell to 8.1 percent during the fourth quarter compared to 10.7 percent in the same quarter a year previous. Glendale vacancy came in at 16.8 percent. In terms of price, Burbank rents fell 6 cents compared to the previous quarter to $3.53. In Glendale, the price rose a penny to $3.16. Both Burbank and Glendale reported positive absorption of 49,900 and 6,900 square feet, respectively.

MAIN EVENTS

▶ The Griffith, a 220-unit apartment complex at 435 W. Los Feliz Road in Glendale, sold for $119 million to **Greystar Real Estate Partners**. The sellers were **AFL-CIO Investment Trust Corp.** and **PNC Realty Investors Inc.**
▶ **Walt Disney Co.** signed a lease to expand into The Tower at 3900 W. Alameda Ave. in Burbank. According to **CoStar Group**, Walt Disney Animation Studios will occupy about 116,000 square feet. Financial terms were not disclosed.
▶ **Pacific States Box & Basket Co. Inc.** sold a portfolio of eight Glendale industrial buildings with 131,050 square feet for $25.5 million to **CPD Los Angeles**. The properties are located at 1225, 1275, 1295 and 1291 Los Angeles St.; 440 and 444 Cypress St.; and 437 and 449 Fernando Court.
▶ The historic Woolworth Building at 201 N. Brand Blvd. in Glendale sold for nearly $18.1 million to investor **BrandWilson**.
▶ **Netflix Inc.** leased up to 60,000 square feet in the Burbank Studios complex at 3000 W. Alameda Ave. in Burbank. The streaming company expects to occupy the space for two years until its permanent offices in Hollywood finish construction. Financial terms were not disclosed.
▶ **Raintree Partners** bought a 92-unit apartment complex called the Summit at 3250 Fairesta St. in La Crescenta-Montrose for $34.5 million.



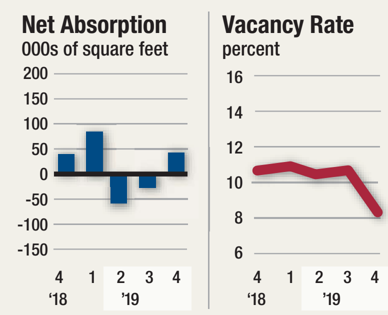
Burbank: Netflix leased 60,000 square feet in Burbank Studios at 3000 W. Alameda Ave.

Glendale: Historic Woolworth Building at 201 N. Brand Blvd. fetched $18.1 million.

BURBANK

OFFICE MARKET AT A GLANCE

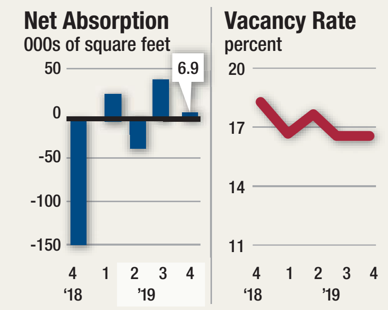
Inventory:........................6.97 million square feet
Under Construction:............................ 242,300
Class A Asking Rents: $3.53



GLENDALE

OFFICE MARKET AT A GLANCE

Inventory: ....6.16 million square feet
Under Construction:.. 0
Class A Asking Rents: $3.16



COMMUNITY OF BUSINESS™

Greater Valley business events

1. John Shin, center, founder of Axianta Financial Partners, celebrated the grand opening of the company's Santa Clarita location on Dec. 11.

2. Senior Resources' **Sandy Rosenholz** led the first Wellness Resource Network meeting on Jan. 10 at the West Valley-Warner Center Chamber of Commerce community room.

3. The West Valley-Warner Center Chamber of Commerce hosted its Comedy and Connections breakfast at Maggiano's in Woodland Hills on Jan. 8, sponsored by Stan Israel Insurance Services.

4. Tiffany Lewis, left, co-producer and host of Valley Biz Buzz podcast, and **Diana Williams**, chief executive at the West Valley-Warner Center Chamber of Commerce, during a recording session. Lewis and Williams are producing the Valley Biz Buzz podcast, which features business leaders in the West Valley.

5. Last month Oakmont of Camarillo held a grand opening. From left: Oakmont's **Megen Ory**, business office director specialist; **Amanda Senger**, marketing director; and **Debbie Navaro-Hikry**, talent acquisition manager, greet guests.

6. Residents enjoy resort-style dining at Oakmont of Camarillo, a senior living community that opened in January at 305 Davenport St.

Community of Business publishes photographs of business-related events in the valleys, including parties, awards dinners, benefits and other celebrations. Photos must be clearly and completely labeled including formal name of event and exact date it took place. Please email photographs to astulick@sfvbj.com and don't forget to include contact information.

– Compiled by Amy Stulick

MERGERS & ACQUISITIONS DECEMBER 2019 | RANKED BY VALUE

Announced Date	Transaction Status	Merged/Acquired Business	Business Description	Sellers	Buyers/Investors	Deal Structure	Value (in millions)
December 16	Closed	**HemaCare Corp.**, Northridge	Provides human-derived primary blood cells and tissues for biomedical research.	NA	Charles River Laboratories International Inc., Wilmington, Mass.	Acquisition of Majority Stake; Cash Merger	$ 379.65
December 20	Closed	Park Wilshire Apartments, Los Angeles	A 170-unit apartment building.	**M West Holdings**, Sherman Oaks	NA	Acquisition of Majority Stake; Cash Merger	38.2
December 17	Closed	New Hollywood Apartments, Hollywood	Apartment building.	**M West Holdings**, Sherman Oaks	ROM Residential, Hollywood	Acquisition of Majority Stake; Cash Merger	26.0
December 5	Closed	Assets of **Sienna Biopharmaceuticals Inc.**, Westlake Village	Drug development assets.	**Sienna Biopharmaceuticals Inc.**, Westlake Village	Sebacia Inc., Duluth, Ga.	Acquisition of Majority Stake; Bankruptcy Sale; Cash Merger; Corporate Divestiture	1.7
December 30	Announced	**Active Holdings**, Chatsworth	Apparel manufacturing.	APS Global	Imagine Glory Development Ltd., Tortola, British Virgin Islands	Acquisition of Majority Stake; Cash Merger; Corporate Divestiture; Cross-Border	0.25
December 23	Announced	**One Capital Management**, Westlake Village	Privately owned investment manager.	NA	CI Financial Corp., Toronto, Ontario, Canada	Acquisition of Majority Stake; Cross-Border; Terms Not Disclosed	NA
December 23	Closed	**Bob Fields Aerocessories Inc.**, Santa Paula	Manufactures inflatable door seals for the aviation industry.	NA	Talco Aviation Corp., San Antonio, Texas	Acquisition of Majority Stake; Terms Not Disclosed	NA
December 18	Effective	Digital Image Systems Inc., Duluth, Ga.	Sells and repairs copiers and other document imaging equipment.	NA	**URM Technologies Inc.**, Valencia	Acquisition of Majority Stake; Terms Not Disclosed	NA
December 18	Closed	**Search Agency Inc.**, Glendale	Digital marketing agency.	JMI Management Inc.	Forward3D Ltd., London	Acquisition of Majority Stake; Cross-Border; Terms Not Disclosed	NA
December 16	Closed	**Fastener Technology Corp.**, North Hollywood		NA	**Shimtech Industries US Inc.**, Santa Clarita	Acquisition of Majority Stake; Terms Not Disclosed	NA
December 12	Closed	**SnapMD Inc.**, Glendale	Provides telemedicine tools.	J.F. Shea Venture Capital, Walnut; **TYLT Lab**, Simi Valley	VirTrial, Scottsdale, Ariz.	Acquisition of Majority Stake; Terms Not Disclosed	NA
December 12	Announced	B. Riley Principal Merger Corp., New York	Special Purpose Acquisition Corporation that intends to effect a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.	**B. Riley Principal Investments**, Woodland Hills	Alta Equipment Co., Livonia, Mich.	Acquisition of Majority Stake; Reverse Merger-Backdoor IPO; Stock Merger	NA
December 10	Closed	**Whitmor Plastic Wire & Cable Corp.**, Valencia	Manufactures wires, cables, and tubings for military, aerospace, and satellite industries.	NA	BJG Electronics Inc., Ronkonkoma, N.Y.	Acquisition of Majority Stake; Terms Not Disclosed	NA
December 9	Closed	**NPO Solutions Inc.**, Studio City	Management consulting firm.	NA	Health Management Associates Inc., Lansing, Mich.	Acquisition of Majority Stake; Terms Not Disclosed	NA
December 3	Effective	Commercial Business Systems Inc., Doulasville, Ga.	Provides management software solutions for water treatment industry.	NA	**ServiceTitan Inc.**, Glendale	Acquisition of Majority Stake; Terms Not Disclosed	NA
December 3	Closed	Caliper Corp. Inc., Princeton, N.J.	Employee-assessment and talent-management solutions company.	NA	**PSI Services**, Glendale	Acquisition of Majority Stake; Terms Not Disclosed	NA
December 2	Closed	**MBMJ Capital**, Sherman Oaks	Provides accounts receivable and invoice factoring solutions primarily to small businesses.	NA	Republic Business Credit, New Orleans	Acquisition of Majority Stake; Terms Not Disclosed	NA

The chart features deals that involved sellers, investors, buyers or targeted companies in the greater San Fernando Valley. Local entities are boldfaced. NA: not available. N/A: not applicable.

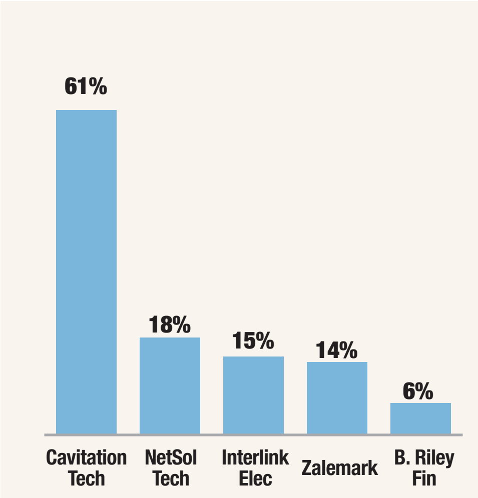
All data is provided by S&P Capital IQ, a business unit of the McGraw-Hill Cos. and a provider of multi-asset class data, research and analytics to institutional investors, investment advisers and wealth managers around the world. For more information, visit www.capitaliq.com.

VALLEY 50

The Valley area's biggest public companies.

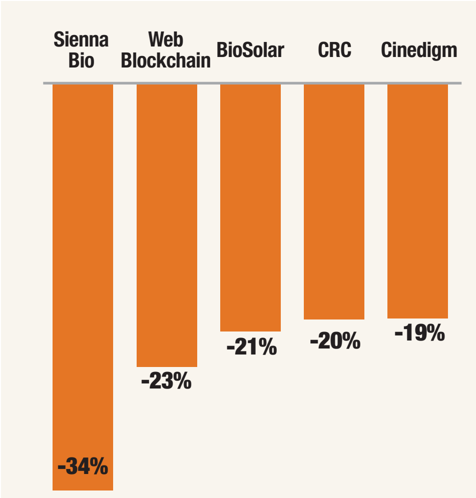
TWO-WEEK BEST PERFORMERS

Percent Change from Jan. 15 - Jan. 29



TWO-WEEK WORST PERFORMERS

Percent Change from Jan. 15 - Jan. 29



FIVE HIGHEST P/E RATIOS

As of Jan. 29

Tejon Ranch	355.07
American Homes	103.00
Semtech	69.63
Simulations Plus	66.51
Qualstar	55.81

FIVE LOWEST P/E RATIOS

As of Jan. 29

BioSolar	0.05
California Resources	0.91
BNK Petroleum	2.17
NetSol Technologies	8.58
PennyMac Financial	9.32

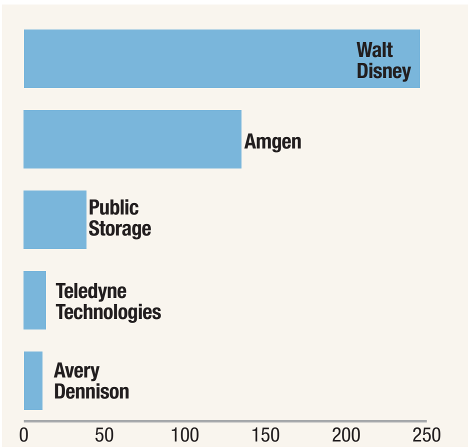
TOP 10 MOST ACTIVE STOCKS

Average daily volume

Company	Volume
Walt Disney	10,647,940
MannKind	5,524,426
BioSolar	3,196,725
Amgen	2,818,820
California Resources	2,191,533
American Homes 4 Rent	1,748,562
PennyMac Mortgage Invest.	906,508
Public Storage	854,376
Tutor Perini	817,943
Cheesecake Factory	676,674

FIVE BIGGEST MARKET CAPS

As of Jan. 29



INDEXES As of Jan. 29

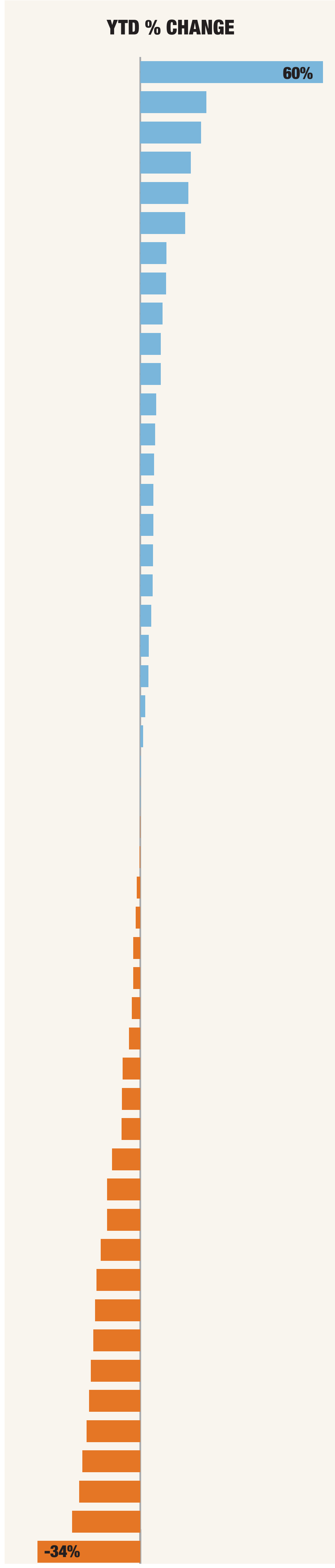
	Dow Jones Industrial	NASDAQ	S&P 500	Valley 50
Jan. 15 Close	29,030.22	9,258.70	3,221.29	2043.61
Jan. 29 Close	28,734.45	9,275.16	3,273.40	2023.34
Point Chg.	(295.77)	16.46	52.11	-20.27
2-Wk % Chg.	-1.0%	0.2%	1.6%	-1.0%
YTD % Chg.	0.7%	3.4%	1.3%	10.3%
52-Wk Chg.	17.2%	30.9%	23.8%	29.3%

COMPANIES

All closing prices as of Jan. 29

Company	1/29 Price	Two Week % Change
Web Blockchain Media	0.01	-23.4%
MannKind	1.57	3.3%
Cavitation Technologies	0.03	61.3%
Trio-Tech International	4.65	-5.1%
BlackLine	59.67	3.1%
Simulations Plus	33.35	0.6%
Teledyne Technologies	376.17	0.3%
AeroVironment	66.93	-5.1%
B. Riley Financial	27.00	6.0%
NetSol Technologies	4.27	18.3%
Dine Brands Global	89.14	3.4%
PennyMac Mortgage Invest.	23.45	2.2%
American Homes 4 Rent	27.48	3.2%
LTC Properties	46.80	1.3%
Public Storage	222.08	1.8%
Limoneira	20.05	-0.2%
Avery Dennison	136.23	3.2%
Interlink Electronics	4.94	14.8%
PS Business Parks	170.80	1.4%
Salem Media Group	1.48	-0.7%
Qualstar	5.57	-2.3%
Unico American	6.40	-14.6%
Tejon Ranch	16.12	0.1%
Cheesecake Factory	38.94	-0.9%
PennyMac Financial Services	34.07	0.3%
Tarsin Mobile	0.51	0.0%
Mission Valley Bancorp	14.35	-0.2%
Taitron Components	2.81	-4.5%
Markray	0.03	-3.9%
Marcus & Millichap	36.40	-2.8%
ASGN	69.32	-0.9%
Research Solutions	3.50	3.6%
Semtech	50.96	-4.4%
Amgen	227.15	-6.0%
Walt Disney	136.06	-5.7%
Bank of Santa Clarita	13.35	-5.8%
Tix	0.45	-1.7%
US Nuclear	0.66	1.5%
APEX Global Brands	0.70	-6.1%
Zalemark	0.02	13.7%
Capstone Turbine	2.62	-15.2%
Tutor Perini	10.95	-8.1%
Second Sight Medical Products	5.02	-4.7%
Atara Biotherapeutics	13.79	-17.6%
BioSolar	0.01	-20.5%
Flamemaster	9.82	-17.5%
BNK Petroleum	0.09	-15.0%
Cinedigm	0.56	-19.4%
California Resources	7.01	-19.5%
Sienna Biopharmaceuticals	0.02	-33.6%

YTD % CHANGE



Summary presented by BNY MELLON WEALTH MANAGEMENT

For more information, please contact:
Rob Kricena, Regional President in Los Angeles at (310) 551-7600

Data provided by FactSet, a source considered to be reliable. However, the information in this feature may not be complete and cannot be guaranteed. The information provided in this feature does not constitute the provision of investment advice.

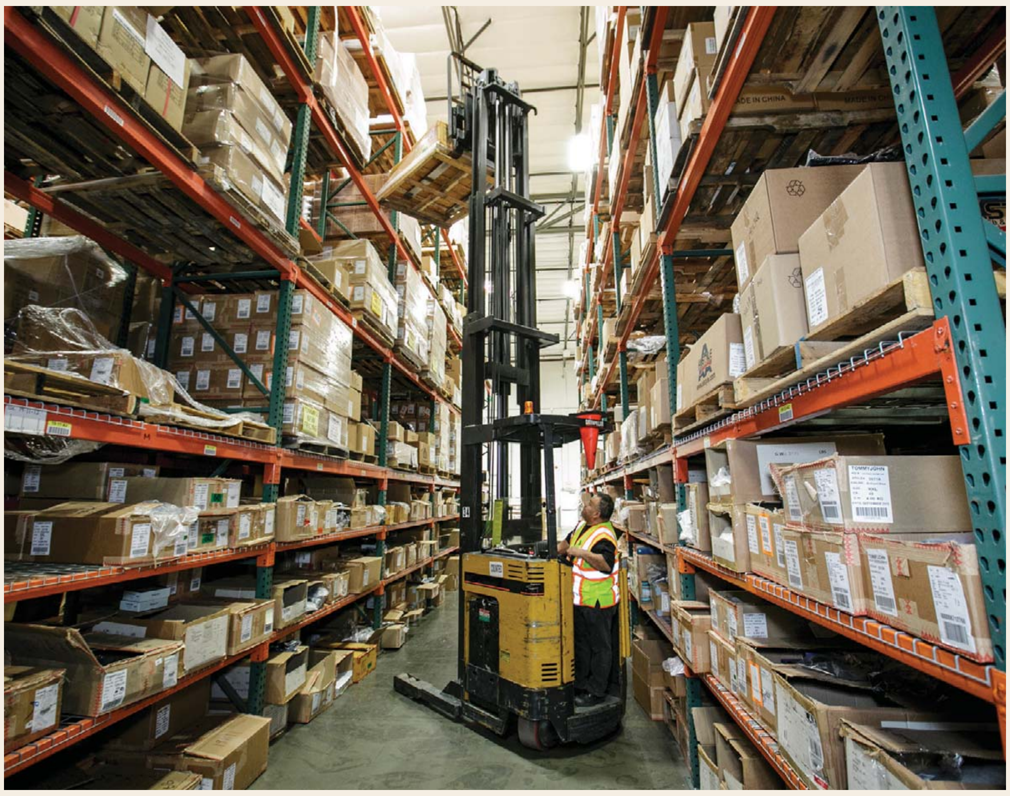
AROUND THE VALLEYS

News and notes from the greater San Fernando Valley

Burbank: Virus shuts Disney parks.

Burbank: Game studio sold.

Glendale: 20-unit Doran Lofts at 730 W. Doran St. sold for $12.6 million.



Valencia: AMS Fulfillment, above, acquired EchoData Group for undisclosed price.

▶ SAN FERNANDO VALLEY

CALABASAS

Asgn Inc. in Calabasas has acquired Blackstone Federal, a subsidiary of **Blackstone Technology Group** that does contract work for the Department of Homeland Security. The deal closed for $85 million. Blackstone Federal was founded in Arlington, Va., in 2002. It comprises around 100 technical consultants who provide application development, cloud systems architecture, cybersecurity, user experience design and branding services to government clients. The group generated about $44 million in revenue in 2019 and is expected to grow more than 10 percent year over year, according to a press release from Asgn. It now joins Asgn's ECS division where it will provide enterprise information technology solutions to federal customers.

NORTHRIDGE

Newmark Knight Frank completed last month the $10.5 million sale of a 22,237-square-foot industrial property in the Northridge Business Centre at 19851-19853 Nordhoff St. in Northridge. The property is 100 percent occupied by the federal government's General Services Administration, which is currently on a long-term lease. NKF's **Sean Fulp**, **Ryan Plummer** and **Mark Schuessler** with **Private Capital Group**, along with **Kevin Shannon** and **Ken White** with NKF's Capital Markets group represented the seller, **GUR Nordhoff LLC**. The buyer, **Century Park Partners Inc.**, represented itself. "The GSA has occupied this facility since 2008 and recently renewed its commitment to the property by signing a lease for another 15 years," Plummer said in a statement. "This presents a prime opportunity for the new ownership to enjoy in-place cash flows from a committed, investment-grade tenant in a well-located San Fernando Valley industrial building."

Pier 1 Imports stores in Northridge and Thousand Oaks are among the 450 across the country that will close in the coming months. In its quarterly earnings report released Jan. 6, the Texas-based home décor retailer revealed it will close nearly half of its 942 brick-and-mortar stores in an attempt to cut costs and stay in business amid decreased foot traffic. Net sales for the quarter decreased more than 13 percent to $358 million, down from $413 million in the same quarter a year ago. Pier 1 reported a net loss of $59 million for the quarter. "To reflect the revised store footprint, the company also plans to close certain distribution centers and reduce its corporate expenses. This includes a reduction in corporate headcount," the company said. About 20 stores will close in Southern California, including locations in Santa Monica, Long Beach, West Covina, five in Orange County, five in San Diego and two in Riverside. The news follows the closure of a Pier 1 store in Canoga Park last summer. The company didn't say how many employees will lose their jobs.

▶ SANTA CLARITA VALLEY

VALENCIA

AMS Fulfillment Holdings has acquired EchoData Group, a fulfillment services company with operations on the East Coast. Financial terms of the transaction were not disclosed. Valencia-based AMS will now be able to offer same-day delivery to the major East and West Coast population centers and two-day delivery to approximately 90 percent of the United States. EchoData, in New Holland, Pa., supports complex order fulfillment programs for e-retailers across multiple sales channels. AMS has been working with EchoData for the past two years as its exclusive partner on the East Coast. "Working with EchoData gave us exposure to their culture and team of fulfillment professionals, and we see true similarities between us which will serve as the bedrock of our success as we join forces," President **Jay Catlin** said in a statement. AMS operates four fulfillment centers in Valencia, totaling about 550,000 square feet of space. It added facilities in New Holland, Pa. and New Castle, Del. with the acquisition of EchoData.

▶ TRI-CITIES

BURBANK

Walt Disney Co,'s Hong Kong Disneyland closed in late January to prevent the potential spread of the Coronavirus, making it the second Disney park to close, following Shanghai Disneyland. Hong Kong Disneyland Resort hotels will remain open, according to a statement from the Burbank-based media and entertainment giant. Shanghai's two hotels closed along with the park. "We are in close contact with health authorities and the government about the situation and will announce a reopening date once they determine it is advisable," park officials said. Coronavirus was first detected in Wuhan, China, according to Centers for Disease Control and Prevention, and roughly 6,000 confirmed cases were reported in China. Additional international cases were identified, including two in Orange and Los Angeles counties. The closures affect tourists looking to celebrate Lunar New Year at the parks; Disney plans to refund admissions, show tickets and hotel deposits.

Walt Disney Co. sold game developer FoxNext Games to Culver City-based mobile game publisher **Scopely Inc.** for an undisclosed sum on Jan. 22. FoxNext is best known for its mobile action game "Marvel Strike Force," which launched in March 2018 and generated more than $150 million in its first year of sales, according to the company. Disney acquired Playa Vista-based FoxNext Games in March 2019 as part of its $71.3 billion purchase of 21st Century Fox. Disney will retain a portion of FoxNext's licensed portfolio.

GLENDALE

Reveleer, a cloud-based medical data platform in Glendale, announced $6 million in Series C financing from Santa Monica venture capital firm **Upfront Ventures**. The company will use the money to extend its risk adjustment products, advance artificial intelligence initiatives and accelerate bringing its product to market. Last year, the company made more than $10 million in revenue and signed a $16 million multi-year agreement with an undisclosed national health plan, which agreed to use the Reveleer platform for medical record retrieval, review and submission. "Reveleer is now uniquely equipped to deploy software to more efficiently acquire, manage and govern data in accordance with an ever-changing regulatory environment," said **Jay Ackerman**, chief executive of Reveleer, in a statement.

A private investor has acquired the Doran Lofts apartments in Glendale for $12.6 million. The 20-unit project, located at 730 W. Doran St., was originally developed as condominiums. The new buyer plans to continue to operate it as an apartment house for the long term. The property purchase was part of a 1031 exchange. **Greg Alexanian** and **Levon Alexanian** with **Alexanian Apartment Advisors** represented both buyer and seller. "The Doran Lofts are a unique asset, originally developed as condos in 2007 – high construction grade and large units," Greg Alexanian said in a statement. "We knew prior to marketing that the demand would be there."

▶ VENTURA COUNTY

WESTLAKE VILLAGE

Velocity Financial Inc. went public last month on the New York Stock Exchange. A total of 7.25 million shares debuted at an initial price of $13 under the ticker VEL. The offering netted about $94 million. Velocity, founded in 2004, is a mortgage lender that provides loans mainly for 1-4-unit residential rental properties and small commercial properties. The company will use money from the offering to repay outstanding corporate debt, according to a press release. Wells Fargo Securities, Citigroup and JMP Securities acted as lead managers for the initial public offering.

Arcutis Biotherapeutics, a Westlake Village biopharmaceutical company specializing in topical treatments for psoriasis, has proposed terms for its plan to go public. The company intends to raise $125 million from the sale of its common stock with an initial public offering price between $15 and $17 a share, according to an amended registration statement filed with the Securities and Exchange Commission. Arcutis has applied to list its common stock on the Nasdaq under the symbol ARQT. **Cantor Fitzgerald & Co.** is acting as lead manager for the proposed offering; **Goldman Sachs & Co.** and **Guggenheim Securities LLC,** along with **Cowen**, are acting as bookrunning managers.

— Compiled by Andrew Foerch

CALENDAR

Tuesday, Feb. 4

Employment Law Update
Santa Clarita Valley Chamber of Commerce
7:30 a.m. – 10:30 a.m.
Hyatt Regency Valencia
24500 Town Center Drive, Valencia
$55 members; $65 guests
(661) 702-6977 or hello@scvchamber.com

Chamber Luncheon
Antelope Valley Hispanic Chamber of Commerce
11 a.m. – 1 p.m.
Hilton Garden Inn
1309 Rancho Vista Blvd., Palmdale
$20 members with RSVP, $25 guests with RSVP; $30 at the door
(661) 538-0607 or avhispanicchamber@gmail.com

Wednesday, Feb. 5

Comedy and Connections Breakfast
West Valley – Warner Center Chamber of Commerce
7 a.m. – 9 a.m.
Warner Center Marriott
21850 Oxnard St., Woodland Hills
$24; add $10 at the door
(818) 347-3747; RSVP by Feb. 4

Disadvantaged Business Enterprise Outreach and Training
Antelope Valley Transit Authority and Small Business Development Center
11 a.m. – 2 p.m.
Antelope Valley Transit Authority
42210 Sixth St. West, Lancaster
Free; includes lunch
(661) 362-5900 or cocsbdc.org

Thursday, Feb. 6

Chamber Business Breakfast
Palmdale Chamber of Commerce
7:30 a.m. – 9 a.m.
Embassy Suites
39375 Fifth St. West, Palmdale
$15 members; $20 guests
(661) 273-3232

Human Capital Management Trends - Addressing Today's Generational Differences
Professionals in Human Resources Association – Woodland Hills Chapter
7:30 a.m. – 9:30 a.m.
Woodland Hills Country Club
21150 Dumetz Road, Woodland Hills
$30 members, $45 guests in advance; $45 members, $50 guests at the door
woodlandhills@pihra.org

Friday, Feb. 7

The Breakfast
Greater Conejo Valley Chamber of Commerce
7:30 a.m. – 9 a.m.
Agoura Hills Recreation & Event Center
29900 Ladyface Court, Agoura Hills
$25 members; $35 guests
(805) 370-0035 or pkissel@conejochamber.org

Monday, Feb. 10

Networking Luncheon
North Valley Regional Chamber of Commerce
11:30 a.m. – 1 p.m.
Rosie's BBQ & Grillery
8930 Corbin Ave., Northridge
$25; add $5 at the door
(818) 349-5676 or nikki@nvrcc.com

Thursday, Feb. 13

Good Morning Calabasas Chamber Breakfast
Calabasas Chamber of Commerce
7:30 a.m. – 9 p.m.
Calabasas Country Club
4515 Park Entrada, Calabasas
$30 members; $35 guests
(818) 222-5680

Breakfast With the Chamber
Chatsworth – Porter Ranch Chamber of Commerce
7:30 a.m. – 9 a.m.
Emle's
9250 Reseda Blvd., Northridge
$20 members; $25 guests
(818) 341-2428 or Exec@ChatsworthChamber.com

QuickBooks Level 1
Small Business Development Center
9:30 a.m. – 1:30 p.m.
College of the Canyons
University Center, Room 272
26455 Rockwell Canyon Road, Santa Clarita
$59
(661) 362-5900 or cocsbdc.org

Send items for the calendar section of the Business Journal to mmadler@sfvbj.com.

Custom Content

ON THE **MOVE** PEOPLE & COMPANIES

ANNIVERSARY

American Financial Center,Inc. (AFCI) of Sherman Oaks is proud to celebrate its 20th year in business as of March, 2020.

AFCI Factors Accounts receivables for businesses and makes small loans and Merchant Cash Advances.

For more information:
American Financial Center, Inc.
A Factoring Company
14930 Ventura Blvd. Suite 320
Sherman Oaks, Ca 91403
www.afincen.com
818-981-1034

ON THE **MOVE** PEOPLE & COMPANIES

Does your company have something to announce? Let the business community know more. The San Feernando Valley Business Journal's bi-weekly feature **On The Move** offers your company the perfect opportunity to announce your news.

- Company Anniversaries
- New Hires
- Promotions
- Philanthropic Activities
- Opening/Moving Locations
- Recent Awards
- New Funding
- Events & Conventions
- Acquisitions & Mergers
- Special Announcements

TAX SERVICES

Los Angeles-based firm, **KROST CPAs and Consultants**, has merged with BPE&H out of Woodland Hills effective January 1, 2020. Seven principals join the KROST leadership team, including Scott Eisner, Martin Belak-Berger, Bob Price, Phil D'Amico, Scott Gilmore; and founding principals Jerry Block and Jane Plant.

For more information visit KROSTCPAs.com.

(top left) Greg Kniss, KROST Managing Principal, followed left to right by new KROST principals Martin Belak-Berger, Scott Eisner, Robert Price, Scott Gilmore, and Philip D'Amico. Not pictured: Jerry Block and Jane Plant.

Please visit:
http://www.sfvbj.com/people-on-the-move-form/

ACCOUNTING

Hollman

Tronkina

CohnReznick LLP, one of the top U.S. advisory, assurance, and tax firms, has promoted 12 professionals to its partnership ranks, effective February 1, 2020. Two are from the firm's Los Angeles office:

Jeff Hollman, CPA, most recently served as an audit director and is a key member of the firm's Cannabis, Retail & Consumer Products, and Manufacturing & Distribution practices. Jeff has more than 13 years of experience assisting companies with technical matters such as purchase accounting, debt and equity transactions and stock-based compensation. He combines technical expertise with industry knowledge to provide value-added solutions to his clients.

Natalie Tronkina, CPA, is a member of CohnReznick's Transactional Advisory Service Practice. With more than 15 years of experience, Natalie provides buy- and sell-side due diligence for private equity, lenders, and strategic buyers and sellers. Her areas of focus include performing quality of earnings, net working capital assessments, preparing pro-forma financial statements, performing profitability and bridging analyses, evaluating financial reporting infrastructures, and recommending best practices.

"We are very excited to have Jeff and Natalie join our partnership. They are both highly talented business people who add value to our clients and our teams. They elevate our practice and we look forward to their continuing success," said **Scott Sachs**, CPA, Managing Partner – Los Angeles Offices.

Health Care: Hospital to Access Bond Financing

Continued from page 1

Antelope Valley Hospital, is expected to cost between $600 and $650 million in total.

The measure will need to pass with two-thirds of votes cast on March 3. The district plans to pay the remaining $300 million of the construction budget with revenue bonds, according to **Ed Mirzabegian**, chief executive of Antelope Valley Hospital.

The need for a new hospital is driven by the state's seismic safety standards, Mirzabegian told the Business Journal. Physical space is constrained, too. AV Hospital's emergency room, for instance, was built to accommodate 40,000 patients per year; the hospital currently sees between 130,000 and 140,000 pass through its emergency room annually.

Mirzabegian

"The emergency room would be designed to have a fast track, different zones based on acuity. There would be large, state-of-the-art trauma rooms, and then we are putting emergency imaging, surgery, cath lab, (gastrointestinal services), outpatient, everything on the same floor, next to each other," said Mirzabegian. "That's a huge way to really efficiently move the patient."

Supporters of the bond measure, according to the campaign's website, include Dr. **Mateo Olivarez**, chairman for the district's board of directors, and mayors **Rex Parris** and **Steven Hofbauer** of Lancaster and Palmdale, respectively.

The 30-year bond would be repaid by property taxes of approximately $40 per $100,000 of a property's value.

Taxpayers within the district can expect a $10 per month increase for a median-priced home if the bond measure is approved, according to the separate campaigning arm in favor of building the new hospital named **Yes on Measure AV**.

Fewer beds

Plans for the hospital are still in its early stages, but the district has brought on **RBB Architects** to develop renderings. The proposed building has a capacity of 250 beds, a stark difference from the current 423 licensed beds which includes 85 to 90 beds in the Women and Children's Pavilion, a newer facility built 15 years ago.

"Health care is going toward outpatient," Mirzabegian explained. "We are really concentrating on the functionality. You need less beds, to tell you the truth, for the future. The patient is staying less time, and that is based on insurance and governmental agencies looking at this very closely."

Currently, not all of the hospital's beds are in use; some of the rooms are very old and built to house three to four patients. Now many of these rooms are used for offices or storage, Mirzabegian said.

"It's not adequate with three to four patients with one bathroom and one television; it's just not conducive to today's standard, so we don't use those rooms. Most of the rooms are for two beds. We put one patient there in order to have a private room," he added.

Ironically, because of inefficiency, space is at a premium in the large hospital.

In fact, the district board has approved $9 million to add a prefabricated building with 40 beds to the existing emergency room.

"That is in the state planning commission right now. Hopefully in the next couple months that will be released and we will start that," said Mirzabegian in a Jan. 27 townhall meeting. "We are hoping that by summer the building is ready. That is something we have to have now."

Square footage for the new hospital stands at roughly 350,000, with 1,500 to 2,000 square feet per bed, Mirzabegian said. Each bed will cost about $1.9 million.

Management upheaval

Similar to a school district, a hospital district is a political area on the map that collects taxes and provides the public a service. Management decisions for the hospital district are determined by a board of directors, with the hospital owned by the district.

Mirzabegian returned to the position of chief executive after pursuing other executive roles with **Avanti Hospitals Healthcare System**, **Healthcare Partners/IPA** and **Prime Healthcare Services**.

Prior to Mirzabegian, **Michael Wall** served for two years in the position before being put on administrative leave in October 2018; third-party health care management company **Alecto Healthcare Services** was ousted in 2016 before Wall was bought on, an attempt by the district to straighten out its finances.

Antelope Valley Hospital was built in the 1950s and could be retrofitted, which Mirzabegian estimates would cost $400 million. That's the only other option to building the new hospital.

"(State regulators) gave us a timeline, they told us that we have until summer of 2020 to say what we want to do. Then, we have until January 2021 to have all architectural design and everything completed," Mirzabegian told the Business Journal. "By 2022, you have all contracts for builders and developers and all that, it's done and submit those plans to us. After their approval we have to start construction in 2022 and have it finished by 2025."

If the district misses any of these deadlines, the state could fine it $5,000 a day, Mirzabegian added.

If AV Hospital closes, roughly 500,000 people would need to travel to other facilities. In addition to having the third busiest emergency room in the state, the hospital also houses the closest neonatal intensive care unit and in-patient mental health care facility for 50 miles in any direction – the next closest is **Henry Mayo Newhall Hospital** in the Santa Clarita Valley.

Medical Main project

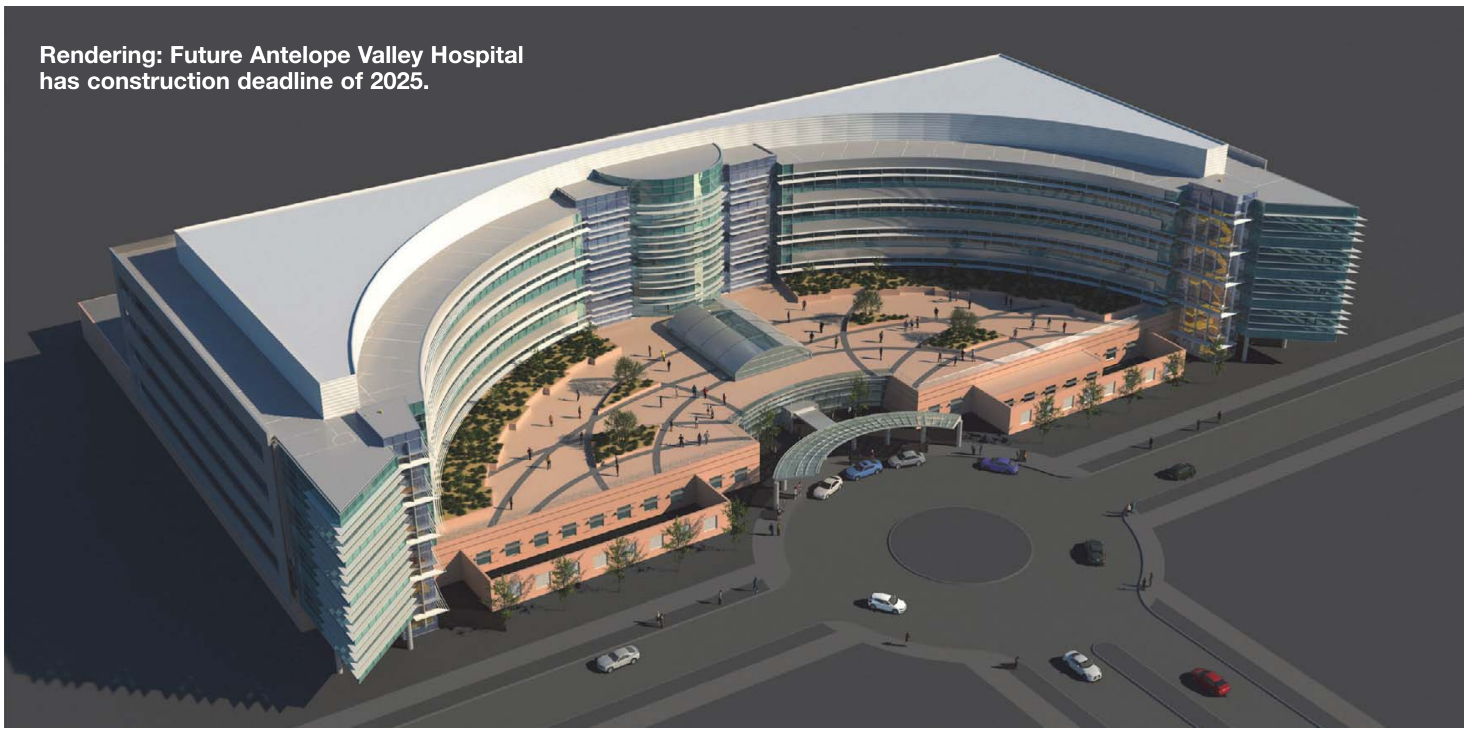
In the event that the district builds the new hospital, other regional projects such as Medical Main Street could flourish. The development, a joint effort by the city of Lancaster and the hospital district, aims to transform 107 acres of vacant land in downtown Lancaster into a working health care cluster.

"Medical Main is not going to happen if there is not a hospital there," said Mirzabegian. "If you have a new hospital there going up, then the land will be attractive to people who want to invest in a nursing home, skilled nursing, surgery center, dialysis unit, even a hotel."

AV Hospital's chief executive expects Medical Main Street to expand during the next 20 years at least, with parcels being bought up and added to project efforts.

As for the existing hospital, the district may choose to demolish the structure and build a parking structure, Mirzabegian said, but it's still too early to tell.

"It could be a lot of things," he added. "That hasn't been decided yet but there are three or four plans for it. It's not usable anymore."



Rendering: Future Antelope Valley Hospital has construction deadline of 2025.

Aerospace: 'Flexible Factory' at Top Secret Site

Continued from page 1

panies are located.

Jeff Babione, vice president and general manager of what is officially known as the Advanced Development Programs division of the Bethesda, Md., defense and aerospace giant, said that the new facility will follow on the legacy created by Skunk Works when it started more than 75 years ago in Burbank.

Skunk Works has always been on the cutting edge of technology for aircraft but also the manufacturing technology to build the planes, Babione said.

"It is a necessity to modernize the facility in order to produce these advanced systems at the performance level they need," he added.

The expansion will cost in excess of $200 million and is scheduled to be completed in about 15 months, or early to mid-2021.

In the meantime, work goes on inside the current 886,000-square-foot plant at 1011 Lockheed Way. A staff of engineers, designers and fabricators are thinking eight or nine steps ahead of what regular aircraft can do. Its customers are three branches of the U.S. military and research centers, such as the **Defense Advanced Research Projects Agency**, or DARPA.

Groundbreaking: Politicians and Lockheed executives at Dec. 4 ceremony.

Rendering: Expanded Skunk Works facility in Palmdale.

The Skunk Works' legacy includes some of the most advanced aircraft ever built: the XP-80, a prototype jet fighter during World War II; the U2 high-altitude spy plane; the SR-71 Blackbird, one of the fastest planes ever flown; and the F-117 Nighthawk, the first stealth bomber.

While much of the work there remains classified, current programs include hypersonic aircraft; a compact fusion reactor; and unmanned aircraft, or drones, according to the Skunk Works website.

The Skunk Works facility ranked No. 2 on the Business Journal's list of largest manufacturers last year based on 3,700 area employees.

Richard Aboulafia, an aviation analyst with aerospace research firm **Teal Group**, in Fairfax, Va., said that the expansion at the facility implies there are a lot of programs being done there that the general public doesn't know about. Both the research and procurement budgets of the Pentagon have seen nice increases in recent years, Aboulafia said.

"Even though it's hard to identify any one program that's driving this growth, there's probably a lot of stuff in the secret world that is helping them along," he added.

Robotic manufacturing

Skunk Works was founded in 1943 by Lockheed engineer Clarence "Kelly" Johnson when the aircraft manufacturer was located in Burbank. The name was a play on a backwoods moonshine called "skonk works" from Al Capp's "L'il Abner" comic strip and has since been trademarked by Lockheed.

What Johnson and his team started – a fast-paced, secretive workshop turning out cutting-edge aircraft technology – continues to this day.

"We began the design and development; now we want to be able to produce the highest quality, most advanced technology for our customer and that is what our customer expects," Babione said.

The Palmdale operations, which includes Skunk Works and other work the company does there, are part of the aeronautics division, one of five that make up Lockheed. Skunk Works also has facilities in Fort Worth, Texas, and Marietta, Ga. In total, Skunk Works has an employee base of about 5,000 workers.

Lockheed had a presence in Palmdale before Skunk Works relocated there from Burbank in the early 1990s, bringing with it some 4,000 employees. Around the same time, Lockheed was constructing other buildings on the 500-plus acres it had in the Antelope Valley, including one with laboratories for the production of aircraft parts from composite materials.

The buildings Skunk Works currently occupies were used to build the L-1011, the last commercial jet produced by the company, and so have large ceilings – 100 feet tall, Babione said.

The design of the new building will incorporate the latest technology. That includes being able to control the temperature inside in an area of northern Los Angeles County where the temperature can reach up to 120 degrees during the summer.

There will also be advanced communications and not just between the employees, who will have access to digital data on an iPad, but between the machines themselves.

The structure will be a "flexible factory," Babione explained, where robots will move to the work rather than the work coming to the robot. It will accomplish that through a combination of information inputted by employees and the robotic machines using their own sensors to locate and understand needed tasks, he added.

"It is a complete different way of doing it that will involve not only machine learning but perhaps artificial intelligence so that the machine can learn how to continuously do the process better," Babione continued. "That way the quality goes up, the time to do the operation goes down and enables us to get the (final product) to our customer sooner."

Research with impact

This expansion has two implications for Lockheed, Babione said.

One is that it marks Skunk Works' continued journey of innovation. The second is that it gives the division the opportunity to be a vanguard of new technology that can then be used in the production lines of other aircraft. Lockheed is the main contractor on the F-35 Lightning II stealth jet being made for both U.S. and foreign militaries, as well as the F-16 Fighting Falcon and F-22 Raptor.

"We plan on taking those lessons learned from the new facility that will enable us to accelerate the rate at which we build and reduce the cost for existing systems like the F-16, the F-35 and ultimately the C-130 (military transport aircraft)," Babione said.

J.J. Murphy, the city manager for the city of Palmdale, is pleased to see the expansion at the Skunk Works. The city was represented by Mayor **Steve Hofbauer** at the groundbreaking on Dec. 4; he also presented a certificate of appreciation to Lockheed at the event.

"It is a substantial impact every time Lockheed expands or purchases equipment," Murphy said. "It has a direct impact on the general fund budget."

The city brings in about $2.2 million a year from Lockheed, including from property taxes and purchase use taxes.

"Being the hub of the aerospace industry, to see not only Lockheed Martin but the other defense contractors growing is a great indicator for our local economy," Murphy said.

Northrop Grumman Corp., also located at Plant 42, has been adding employees in anticipation of doing final assembly work on the next generation long-range stealth bomber, the B-21 Raider.

When Northrop received that contract it was bad news for Skunk Works, which also bid on it, but that probably freed up capacity and cleared the way for the Pentagon to give them some consolation prizes, said Aboulafia, the analyst.

"These are smaller and lower production run programs that help keep their design team capabilities intact," he added.

Such "consolation prizes" can be a good way to keep Skunk Works well positioned for the when the next big military contract comes along, such as the sixth-generation fighter jets that would happen by the end of the decade. That generation aircraft would likely replace the Air Force's F-22 and the Super Hornet, used by the Navy and built by **Boeing Co.**, Aboulafia said.

U2 legacy

While much of what goes on at the Skunk Works is classified, there are some unclassified projects that Babione could talk about.

One is the X-59, an experimental aircraft being made for NASA that can demonstrate how humans can fly faster than the speed of sound without the sonic booms associated with flying at that speed.

The first flight of the X-59 is scheduled for early- to mid-2021, Babione said.

"It has the opportunity to really revolutionize the way people travel," he added. "That is why this is so important to NASA to demonstrate this technology. Maybe someday we'll all be going supersonic and you won't be able to tell from anything more than the sound of distant thunder."

Another unclassified project is the venerable U2 spy plane. Skunk Works does the maintenance work on the planes to this day.

"While the U2 we fly now are a different model, it is just as valuable to our government as it was back in the '50s when it was first developed," Babione said.

The aircraft remains in use for its intelligence, surveillance and reconnaissance capabilities and is often used as a test vehicle for many of Skunk Works' classified efforts, he added.

It is a footnote to the Skunk Works' legacy that a plane created 65 years ago remains relevant in the digital age, he continued.

"Something that was borne of slide rules and well before there were computers is a testament to the brilliance of Kelly and the continued innovations by the Skunk Works teams," Babione said.

COMMENTARY

Ghosn Blowing Whistle on Japan

ONE MORE THING

Charles Crumpley

It's interesting that a bit of the incredible international saga that is Carlos Ghosn has popped up in the San Fernando Valley. As you can read in the article on the front page of this issue, a local car dealership group has alleged that the-then Ghosn-led Nissan strong-armed them into selling cheaply to a crony of Ghosn.

That'll all play out in court, presumably. But I'm also interested in something different, and it's not that Ghosn improbably spirited himself out of Japan by hiding in a big box a month ago. It's that he made the bizarrely conspiratorial claim that Japanese prosecutors, presumably in league with the government and some high-level moles at Nissan, coordinated the effort to charge him with made-up crimes. He fled the country because, he said, he could never get a fair trial in Japan. It's all outlandish, preposterous and, in my opinion, probably all true.

At first glance, Japanese business and governmental systems look and feel Western. But they operate quite differently. Businesses don't prize competitiveness but cooperation; they form sprawling interlocking conglomerations, called keiretsu, and they work in sync with government, including its regulatory agencies. Japanese news outlets are quietly compliant.

The keiretsu and government agencies are clubby and exceedingly protective of Japanese businesses. It has long been notoriously difficult for foreign companies to crack the Japanese market. You might recall one well-known example of how Japanese regulators once moved to ban foreign-made skis because Japanese snow is "different."

Japanese business and governmental systems look and feel Western. But they operate quite differently.

Along came Carlos Ghosn to head up Nissan, one of Japan's prized companies. Ghosn, who was born in Brazil, raised in Lebanon and educated in France, is not Japanese. He set about upending the way a Japanese company is "supposed" to behave. He linked up Nissan with Renault in France and reportedly was close to bringing Fiat Chrysler into the fold to create a true globe-spanning automobile alliance. With Nissan on the verge of losing even more of its Japanese-ness under Ghosn, he suddenly was arrested and charged with self-dealing and financial improprieties.

What he is alleged to have done is intricate and nuanced. I have no idea if he wrongly paid himself, as prosecutors claim, or if he acted properly and with knowledge and approval of the company, as Ghosn claims. (But I do wonder why a pay dispute, which normally is solved in the boardroom, is supposedly a crime in Ghosn's case.)

What I do know is that the keiretsu-government power bloc in Japan would never sit quietly while Ghosn transformed Nissan into a non-Japanese company. It's believable to me that Japan's regulators would work with prosecutors and high-level insiders at Nissan to stop him. Oh, and since Japanese prosecutors reportedly have a 99 percent conviction rate, Ghosn is justified in saying he likely could not get a fair trial in Japan. (Hey, Japanese prosecutors: If you try just a teensy bit harder, I'll bet you could achieve a 100 percent conviction rate and be just like North Korea!)

What's interesting and mystifying is why Ghosn – educated, intelligent, urbane, extremely successful – did not see this coming.

He sees it now. In a recent interview with CNBC, he was quoted as advising foreign business managers in Japan to "get out." He said if foreign executives have any kind of problem with a colleague or partner in Japan, "you can be set up. And if you're set up, nobody is gonna save you."

So it's interesting that finally someone is blowing the whistle on just how Japan Inc. operates – in clubby, protective and seemingly unfair ways against non-Japanese. It's unfortunate that Ghosn may be so flawed a character that his message is ignored by the rest of the world.

• • •

It's reassuring that the San Fernando Valley's economy continues to outperform just about any other region, as you can read in the Valley Economic Forecast section that begins on Page 13 of this issue.

However, house prices remain impossibly high in the Valley. And, according to Matthew Fienup, the executive director of California Lutheran University's Center for Economic Research and Forecasting, those high prices carry a terrible social cost. In fact, they could explain why – improbably – Los Angeles County had a net loss in population last year. That is not reassuring at all.

As Fienup put it: "The housing shortage is now a crisis which threatens economic prosperity."

Charles Crumpley is editor and publisher of the Business Journal. He can be reached at ccrumpley@sfvbj.com.

Let's Repair Minimum Wage Law

By STUART WALDMAN

VICA LOCAL UPDATE

The Business Perspective on Valley Issues

Last week, I was up in Sacramento speaking with legislators on one of our monthly advocacy trips with our members of the Valley Industry and Commerce Association. A new year brings new bills: hundreds of ideas, some fresh, and some old. The new year also brings an opportunity to fix the unintended consequences of past "new ideas," many of which impact the business community.

I want to go back a few years and explore what happens when the Legislature passes a law which substantially changes employment law in California – and then fails to do any kind of follow up.

In 2016, California legislators chose to implement a new minimum wage, which steps up on Jan. 1 each year until it reaches $15 an hour in 2022. Los Angeles has a minimum wage that will always be higher than the state minimum wage due to the scheduled increases in line with inflation. But no Angeleno business owner can ignore the California minimum wage.

That's because, contrary to what many people believe, minimum wage doesn't just mean that hourly workers get a few extra bucks an hour. As business owners, you know that a higher minimum wage means other labor costs go up too: including higher overtime costs and a higher salary threshold for your exempt employees.

California has strict rules about who can be considered an exempt employee – that is, exempt from overtime and trusted to manage their own time, including meal and rest breaks. In addition to a duties test and other requirements, exempt employees have to be compensated above a salary threshold, which in California, is double the state minimum wage.

In 2020, that salary threshold is $49,920 for employers with 26 or more employees, and it will rise to over $62,000 in the next few years. And that impacts a lot of people.

I've heard from a couple of different types of organizations who are being forced to change their hiring practices in a way that proponents of the minimum wage increase did not anticipate.

The first group of people who raised concerns were nonprofit organizations. I heard from all kinds of nonprofits that they were reevaluating positions such as fundraising professionals or activities directors. Some of those positions had their salary increased, a short-term solution since the threshold is continually rising. Others switched to nonexempt hourly rates, an expensive and restrictive solution for positions that never work a standard 8-hour day, 5-day week schedule. And some of those positions have just been eliminated.

The second group I heard from, employers hiring young professionals right out of college, started raising concerns with the latest increase. New graduates have the energy and motivation to take on stretch assignments, to go to industry events and build their networks, and to put extra effort into projects in order to build their reputations.

But if I'm paying a new graduate hourly, and especially if I'm paying them overtime, I'm less able to take a risk and pay them for the extra time they need to build their career as quickly. Sure, they'll be fine long-term, but the rising salary threshold limits the risk that employers are willing to take on giving them those opportunities.

No one is asking for the minimum wage to be lowered. When the next recession hits, I anticipate needing to revisit the annual increases. But there are steps that the Legislature could take right now to mitigate some of the unintended consequences of this huge change to the law.

Two simple fixes would be adjusting the salary threshold so that it is not linked to the minimum wage. A second fix would be to allow a flexible work week, so that employees could choose to work more than 8 hours in a day without incurring overtime. That would help the fundraising professional trying to get everything done before the annual gala, or the new graduate who wants to attend an evening industry event.

Following up on a major law to fix the inevitable problems isn't an admission of failure. It's a vital part of responsible lawmaking, and as all the new ideas roll in, I urge our Legislature to take a fresh look at the laws we already have.

Stuart Waldman is president of the Valley Industry and Commerce Association, a business advocacy organization in Van Nuys that represents employers in the Valley area at the local, state and federal levels of government.

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'I'm like a little kid at heart. I look at the construction site and it excites me.'

TAHIR MIAN, Mian Development Corp., PAGE 26

'Student debt right now is around $1.7 trillion. It has become a burden on the entire generation.'

KSENIA YUDINA, U-Nest, PAGE 8

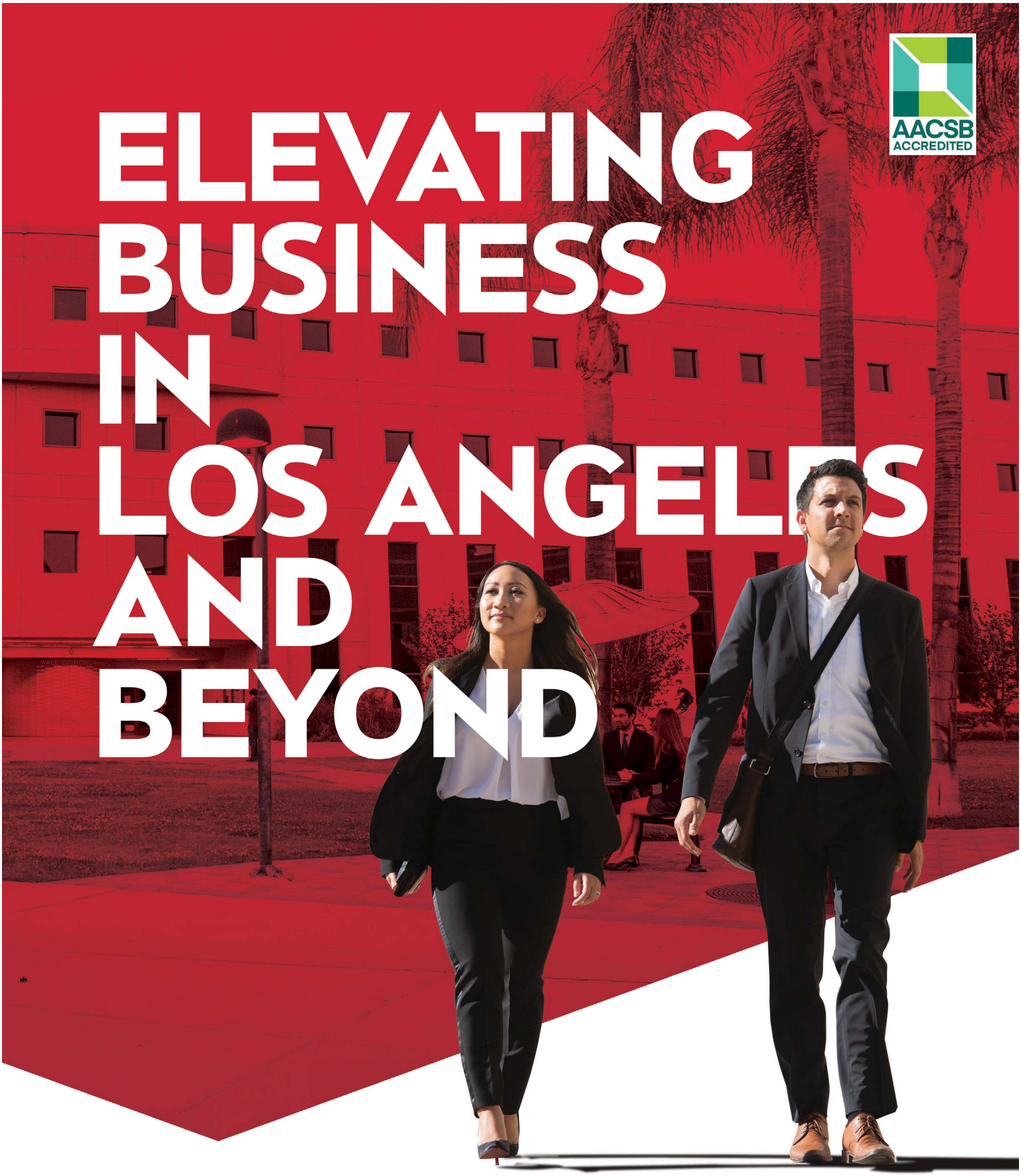
'The local bureaus, we kind of rely on them to be our boots on the ground.'

BRIAN TUCKER, Ventura County Lodging Association, PAGE 10

PEOPLE

COMPANIES, ASSOCIATIONS, ETC.

These indexes list the people, businesses, associations, organizations, schools, etc., that are named in this week's issue. The numbers refer to the page on which the name is found.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