



CITY OF ARTESIA

UPDATE ON EDSP CITY COUNCIL STUDY SESSION

FEBRUARY 6, 2023



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INTRODUCTION

Kosmont Companies ("Kosmont"), a real estate & economics advisory firm serving hundreds of cities and local governments for over 36 years, has been retained by the City of Artesia ("City" or "Artesia") to develop an Economic Development Strategy and Opportunity Site Implementation Plan ("EDSP").

To help drive economic development and meet State mandated housing goals, the City recently drafted a Mixed-Use Overlay that increases density and height limits for development along Pioneer Blvd. Further, the West Santa Ana Branch light rail line is expected to have an eastern terminus station at the City limit near 187th St. and Pioneer Blvd. It is expected to bring thousands of passengers to and from Downtown Los Angeles by 2035. There are opportunity sites in the City.

The EDSP is divided into two phases: Existing Conditions/Market Assessment (Phase One) and Strategy (Phase Two).

- Phase One:
 - An Economic and Demographic Profile for the City, illustrating social and economic characteristics,
 - A Market Demand Analysis to evaluate demand for major land uses in the City
 - Stakeholder meetings to better understand the community's needs
- Phase Two:
 - An examination of regulatory tools and policies affecting development
 - Evaluation of key development opportunity sites (identified in Phase One), with high level proforma to assess financial feasibility
 - Highlighting potential funding sources for development, provide actionable implementation strategies, and draft the EDSP

EXECUTIVE SUMMARY

Unemployment / Employment by Industry

- Given the lockdowns and job loss presented during the start of the COVID-19 pandemic, unemployment in the City increased to 12.1% in 2020. However, unemployment levels have decreased rapidly and are nearing pre-pandemic levels (4.9% as of July 2022)
- Top five industries where employees in the City work include: **health care and social assistance**, **accommodation and food services**, retail trade, other services (such as grantmaking / advocacy and machinery repair), and **educational services**. Of these five, three are part of the fastest growing industries in Los Angeles County (shown in bold)
- City's jobs / housing ratio of 1.29 is on par with County and State, demonstrating a jobs and housing balance

Visitation Trends

- 40% decline in visits by employees and 71% decline in visits by visitors (non employment related) to the City at the beginning of the COVID-19 pandemic in March 2020. Visits from both employees and visitors have since increased, but have yet to return to pre-pandemic levels
- The City is primarily a local draw – 60% of visitors to Artesia and 80% of employees in Artesia arrive from less than 7 miles away. Visitors primarily come from Norwalk, Bellflower, Cerritos, Long Beach, and Paramount, likely drawn by the diverse restaurant and cultural retail offerings
- Residents of Artesia tend to visit neighboring cities such as Cerritos, Cypress, Lakewood, Long Beach, and Norwalk, for their major shopping needs (includes visits to shopping centers and super stores [e.g., Costco, Target, Walmart])

EXECUTIVE SUMMARY (CONT'D)

Market Trends in a Post-COVID Economy

- *Retail:* E-commerce drove retail store closures and COVID-19 pandemic accelerated this trend; Retail centers are being reimagined into mixed/blended use developments (e.g., integration of retail and residential)
- *Office:* Leasing activity has declined as more businesses are offering remote work options and working from home becomes the new normal. Social distancing led to office space redesigning / resizing
- *Industrial:* E-commerce is accelerating growth of industrial; Significant demand for fulfillment, last-mile, flex / R&D, and warehouse facilities
- *Residential:* The COVID-19 pandemic turned homes from a place to not only live and play, but **work** as well; Home offices are the new home amenity as single and multifamily housing projects are designed to accommodate work space
- *Hospitality:* The hospitality sector (including conventions and tourism) was hurt significantly by the COVID-19 pandemic; Leisure travel is showing signs of rebounding

Market Demand Analysis

- Demand for retail, office, and multifamily housing in the City was evaluated by observing existing conditions (e.g., inventory, vacancy / lease rates, absorption) and historical trends (10-year period)
- Retail:
 - Artesia has a large retail market (1.42 million SF) and 68% of the retail space is composed of neighborhood or strip retail centers; current retail vacancy is solid at 2.9%, retail NNN rents are \$26.12 PSF as reported by CoStar
 - Only 19,500 SF of retail space was added in the last 10 years (fast-casual); Given the lack of large parcels and several major regional centers within a 5-mile radius of the City, future retail development in the City may be limited
 - Little retail space planned but with more than 340,000 SF of retail space over 40 years old, there may be opportunities for renovated / reimagined space as part of blended-use development (including commercial and multi-family residential)

EXECUTIVE SUMMARY (CONT'D)

Market Demand Analysis (cont'd)

- Office:
 - Artesia has a small office market (~322,700 SF) with no new inventory added in the last 10 years and no office space currently planned or under construction; current office vacancy is 6.7%, office gross rents are \$28.70 PSF/Year
 - Approximately 65,000 SF of the office space over 40 years old could be replaced / reimaged
- Multifamily Residential:
 - The multifamily residential market in Artesia is strong – current vacancy of 1.8%, current asking rents at \$2,077 per month); 829 existing multifamily housing units in the City
 - Two buildings totaling 37 units built in the last 10 years; housing can be the emphasis to meet RHNA requirements (1,069 total units needed per RHNA)

Development Opportunity Sites

- Opportunity Site #1: Housing Authority Site – high-density residential and hotel originally proposed for site, followed by high density micro units. Current status is unknown
- Opportunity Site #2: Artesia Place – 60+ townhomes and small commercial live / work space planned for site
- Opportunity Site #3: 11600 Artesia Blvd. – 0.63-acre site containing vacant buildings and vacant land with frontage along Artesia Blvd. and Roseton Ave. Potential for neighborhood-serving commercial and residential uses. Located near approved Brandywine 30-unit condominium project
- Opportunity Site #4: Artesia Live I Site – Blended-use development was proposed for site, including 111-room hotel, 54 residential units, and 10,900 SF of retail / restaurant space but may be redesigned
- Opportunity Site #5: Artesia Towne Center – Currently a 2-story retail and office center owned by the City with substantial vacancy; Property economics indicate opportunity to evaluate sale / lease to private sector for potential rehab / redevelopment



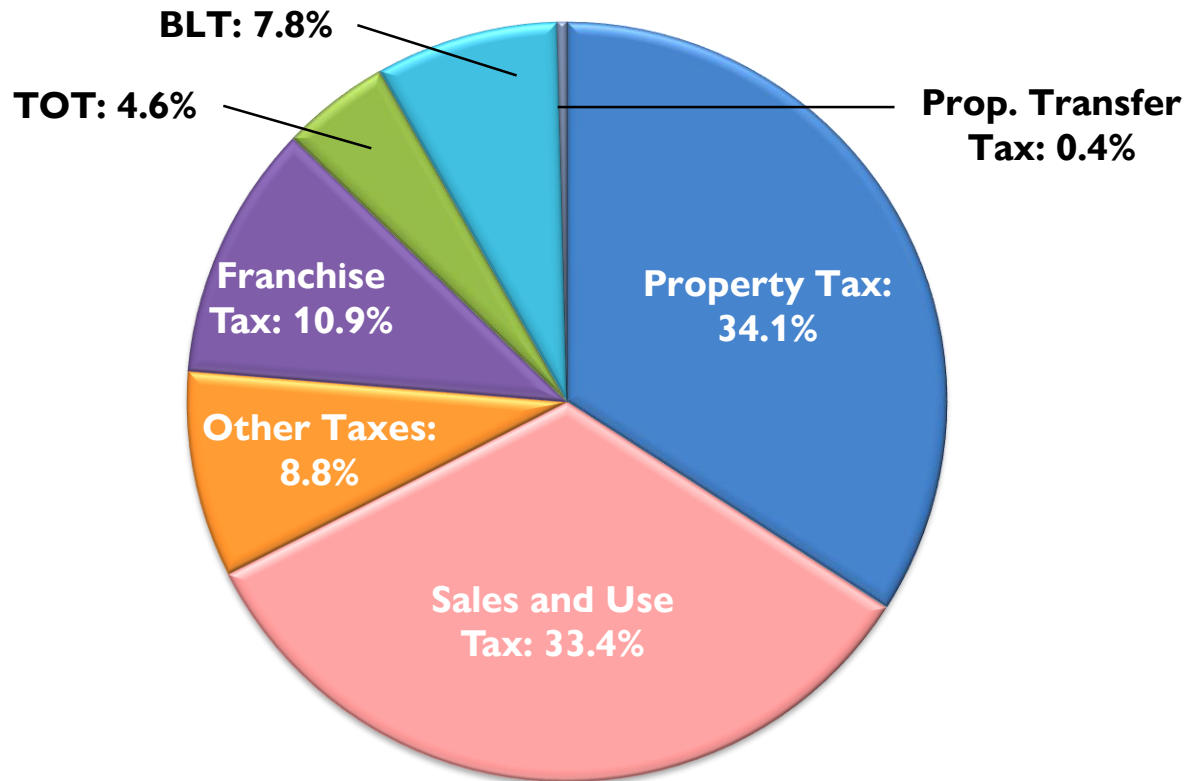
EXISTING CONDITIONS / MARKET ASSESSMENT

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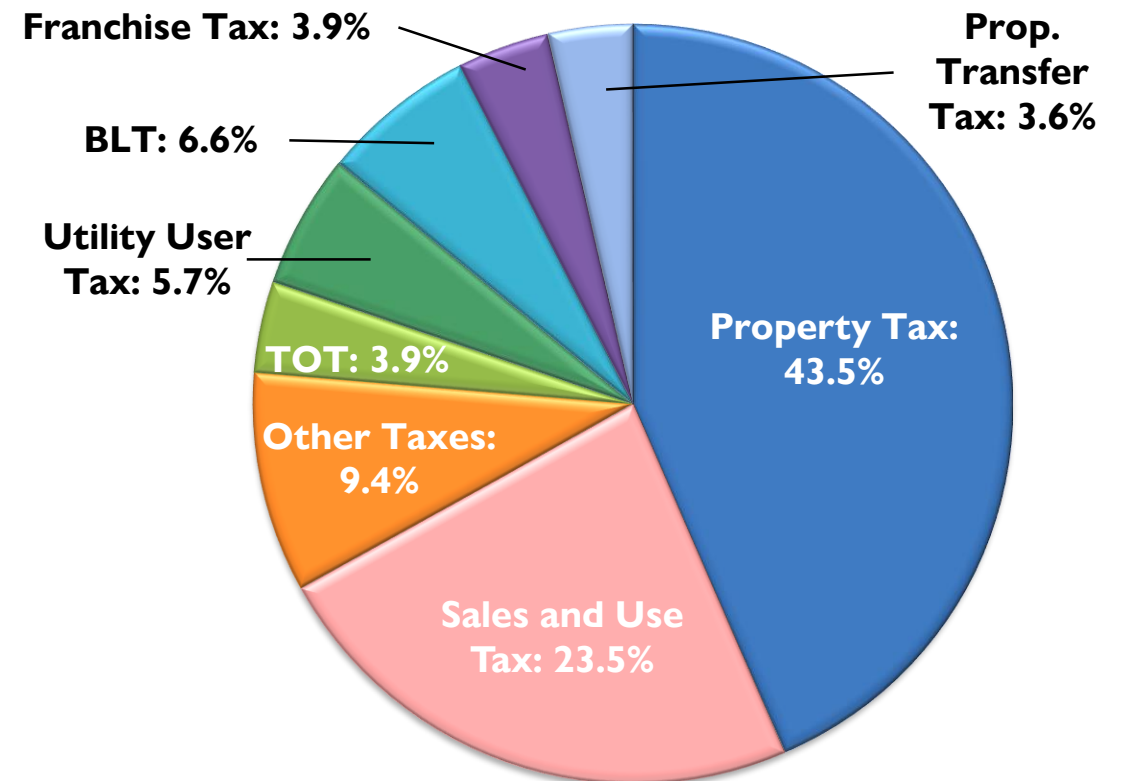
TAX REVENUES

CITY OF ARTESIA VS. CALIFORNIA CITIES (HISTORIC CONTEXT)

City of Artesia



California Cities' Tax Revenues

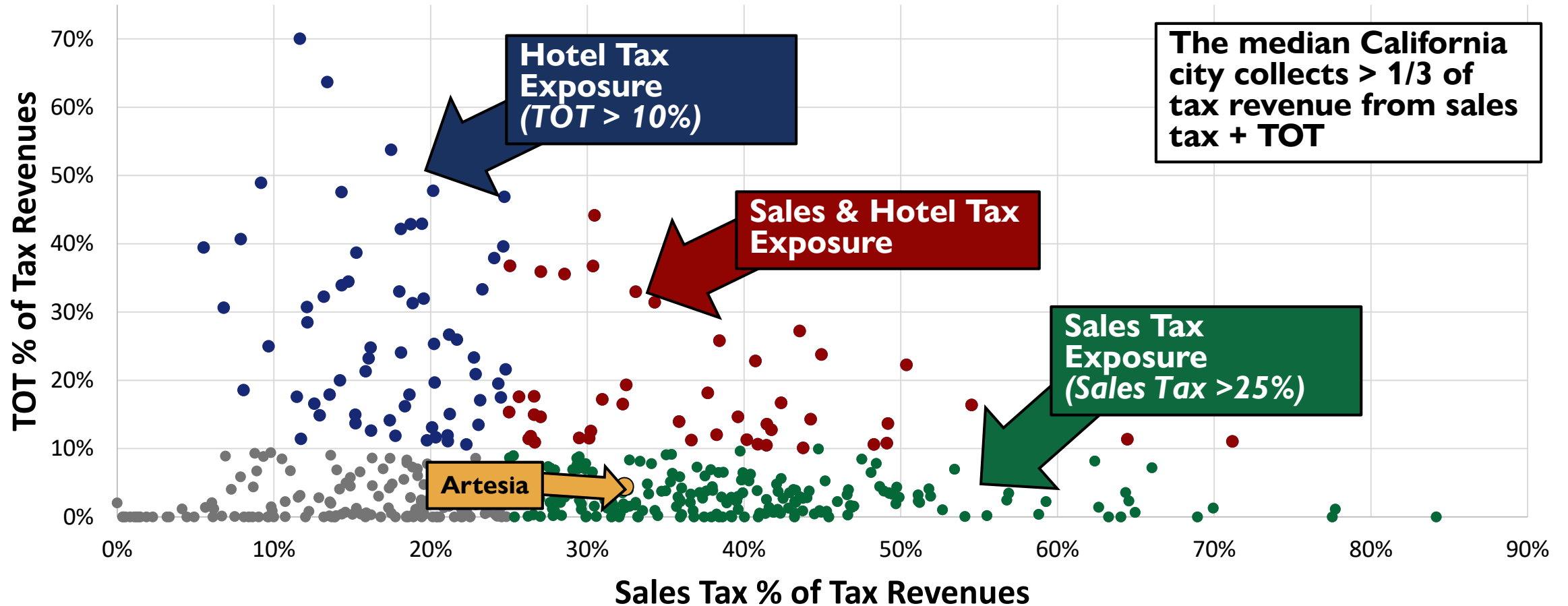


Source: California State Controller's Office, City Revenues FY 2020-2021 (Accessed November 2022)

Notes: Includes both functional and general tax revenues. Property Taxes includes: in-lieu of MVLF, secured, unsecured, and other property tax revenue categories. Other Taxes includes: interest, penalties, delinquent taxes, transportation taxes (transit and non-transit), employer payroll tax, construction development taxes, parking taxes, admission taxes, and all other taxes. Transportation Taxes comprise most of the revenue labeled "Other Taxes". Business License Tax ("BLT") includes Artesia's Measure V, a business license tax imposed on services and professional businesses located in Commercial General (C-G) and Commercial Planned Development (CPD) zones. Measure V is meant to offset the loss of sales tax revenue to the City from a retail business operating in the same location. Measure V tax is imposed on a per square foot per month basis based on the location of the business (\$0.137 PSF/month if on the first floor, \$0.10 PSF/month if on 2nd floor, \$0.07 PSF/month if on 3rd floor or higher).

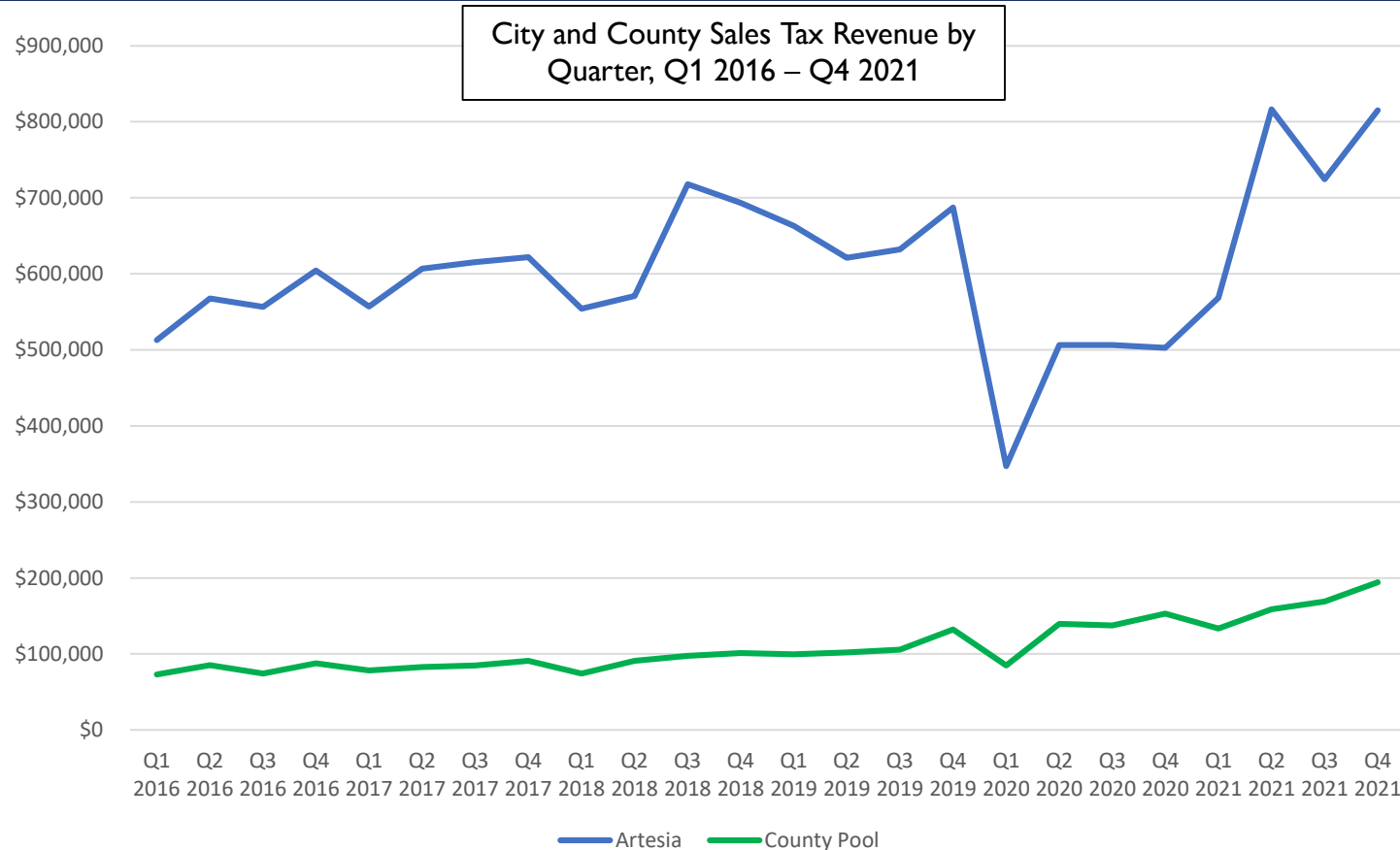
TAX REVENUES

SALES TAX & TOT (HISTORIC CONTEXT)



SALES TAX HISTORY

CITY SALES TAX REVENUE RECOVERED QUICKLY AFTER FROM COVID-19 PANDEMIC QUICKLY



Year	Artesia	County Pool	Pool Share
2012*	\$1,820,000	\$211,000	11.6%
2016	\$2,241,000	\$320,200	14.3%
2017	\$2,400,900	\$336,800	14.0%
2018	\$2,535,700	\$363,800	14.3%
2019	\$2,603,400	\$439,300	16.9%
2020	\$1,862,400	\$514,600	27.6%
2021	\$2,924,300	\$655,000	22.4%
5-Year Growth	30.5%	104.6%	56.8%
10-Year Growth	60.7%	210.4%	93.2%
COVID-19 Effect (2019-2020)	-28.5%	17.1%	63.7%
CAGR	5.5%	15.4%	9.4%

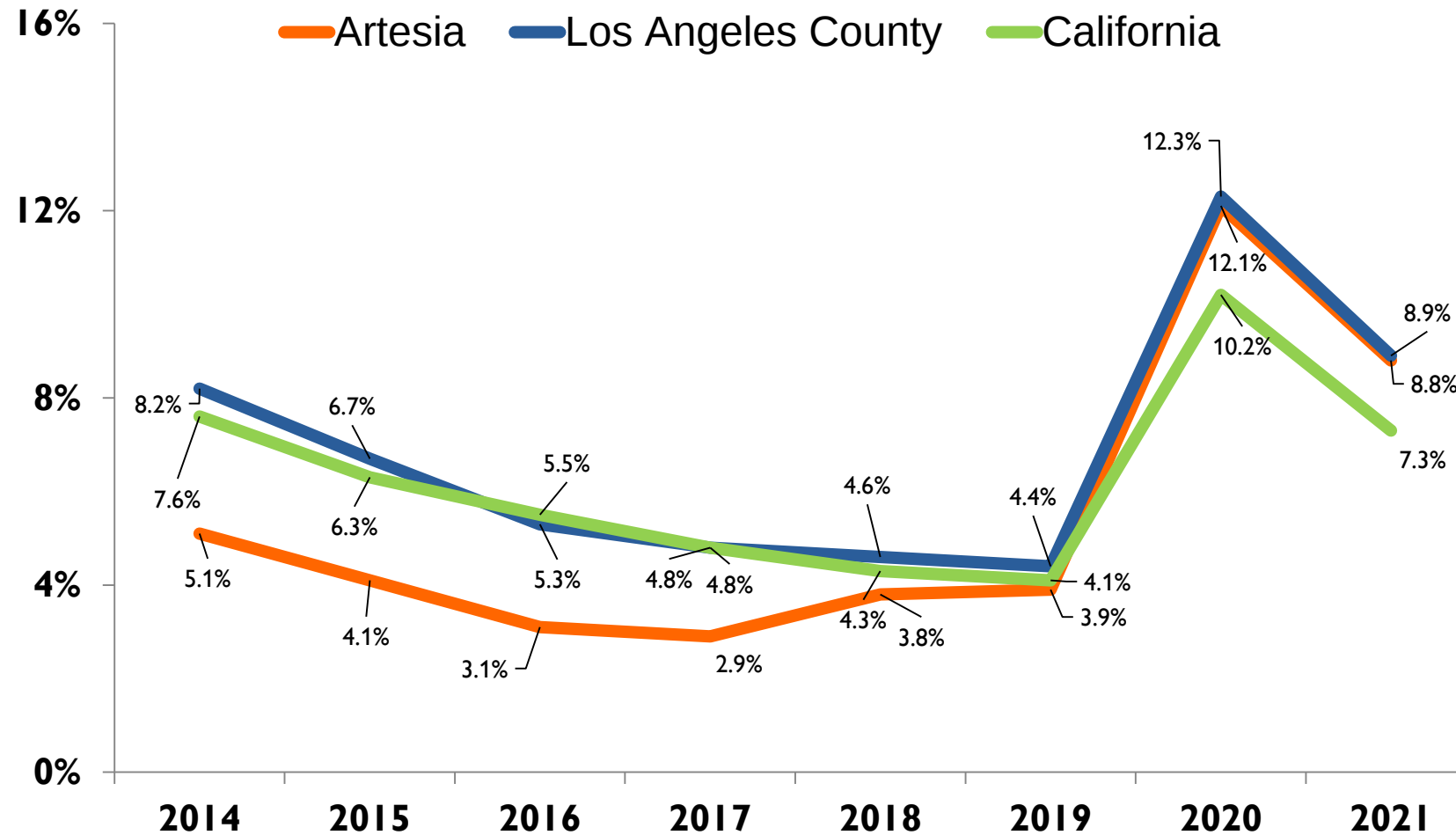
POPULATION & INCOME

CITY, COUNTY, AND STATE

2022	Artesia City	Los Angeles County	California State
Population	16,193	9,992,643	39,770,476
Households	4,553	3,425,790	13,570,050
Average HH Size	3.42	2.86	2.86
Median Age	40.0	36.4	36.7
% Bachelor's Degree or Higher	31.9%	37.0%	37.8%
% Hispanic Origin	35.4%	48.0%	39.4%
% Asian / Pacific Islander Origin	43.4%	15.6%	16.3%
Per Capita Income	\$29,241	\$41,172	\$44,265
Median HH Income	\$75,836	\$81,426	\$88,930
Average HH Income	\$103,700	\$119,793	\$129,367

UNEMPLOYMENT HISTORY

CITY, COUNTY, AND STATE



Unemployment Rate (July 2022)

Artesia	4.9%
Los Angeles County	5.0%
California	3.9%

WORKER INFLOW / OUTFLOW

CITY OF ARTESIA

- Employees who work in the City are coming from Cerritos, Long Beach, Norwalk, Los Angeles, and Anaheim

- Per CoStar, top employers in Artesia include:

- Children's Dental Building (150 employees)
- Artesia Christian Nursing Home (140)
- Stater Bros. Market (80)
- CVS Pharmacy (60)
- Cal Plate (58)
- 99 Ranch Market (50)
- Pense Properties, Inc. (50)
- McDonald's (47)
- Seafood House Inc. (40)

Reference	Artesia	L.A. County
Workers Living and Working	569	3,693,597
Workers Coming (Inflow)	5,293	1,111,781
Workers Going (Outflow)	7,466	854,805
Net Inflow/Outflow	(2,173)	256,976
Employment Ratio*	0.73	1.06



VISITATION TRENDS

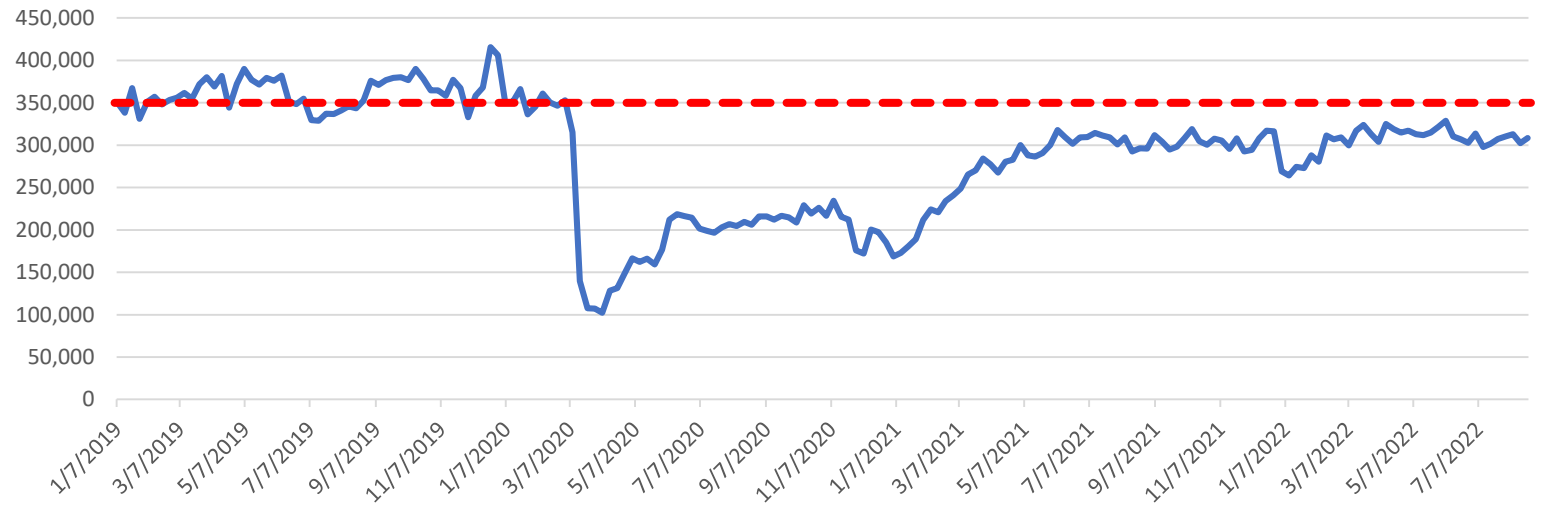
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ARTESIA

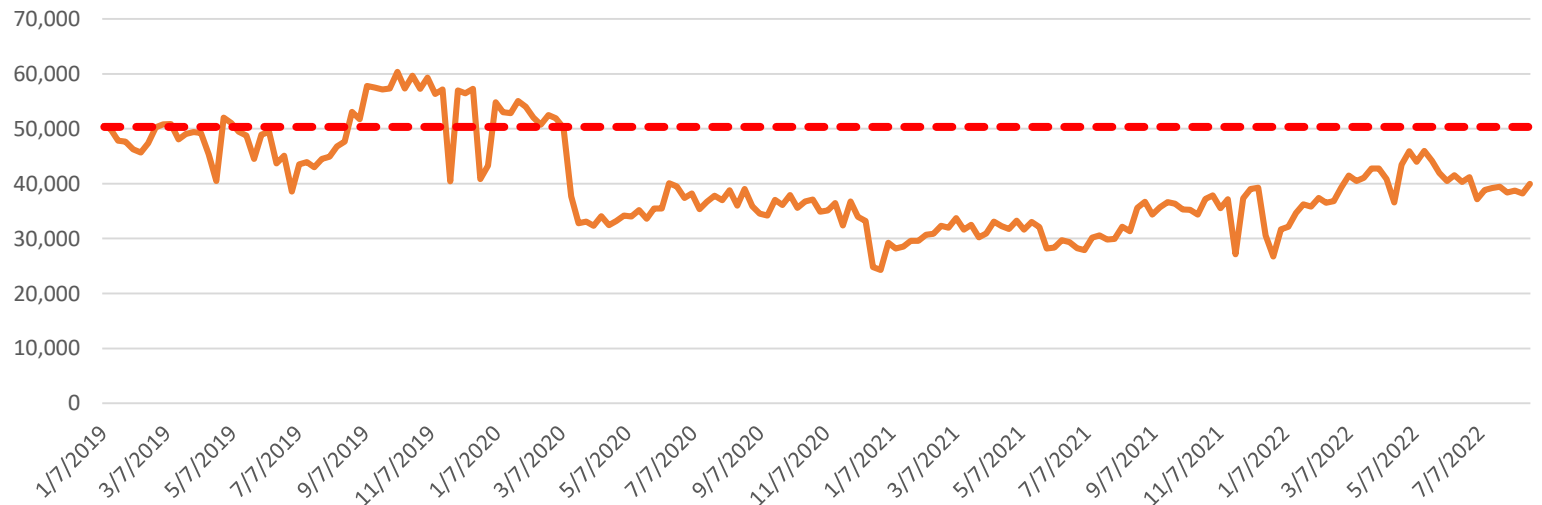
VISITOR AND EMPLOYEE VISITS (FROM 1/1/2019 TO 8/31/22)

This data shows how visitors to City retail shops have rebounded from Covid much better than the workers employed in City commercial district

Weekly Visits by Visitors



Weekly Visits by Employees



CITY OF ARTESIA

VISITOR / EMPLOYEE FOOT-TRAFFIC OVERVIEW

Artesia Visitor / Employee Summary Data (Last 12 Months)

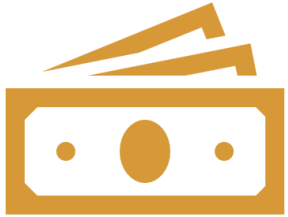
	Visitors	Employees
Annual Visits	15.9M	2.0M
Visit Frequency	6.5	166.6
Median Visit Length	61 min.	150 min.
Avg. HH Income	\$90K	\$81K

Visitation Data: Distance from Home Area

	0-3 Miles	3-7 Miles	7-10 Miles
Visitors	37%	23%	10%
Employees	60%	20%	10%

	10-30 Miles	30-100 Miles	100+ Miles
Visitors	20%	5%	5%
Employees	8%	2%	0%

WHAT IS THE VISITOR AND EMPLOYEE PROFILE TO THE CITY? (LAST 12 MONTHS)



Avg. HH Income

Visitors	\$90,000
Employees	\$81,000



Ethnicity

Visitors		Employees	
Hisp.	39.5%	Hisp.	45.8%
White	33.3%	Asian	26.6%
Asian	20.6%	White	22.1%
Afr.Am.	6.6%	Afr.Am.	5.6%

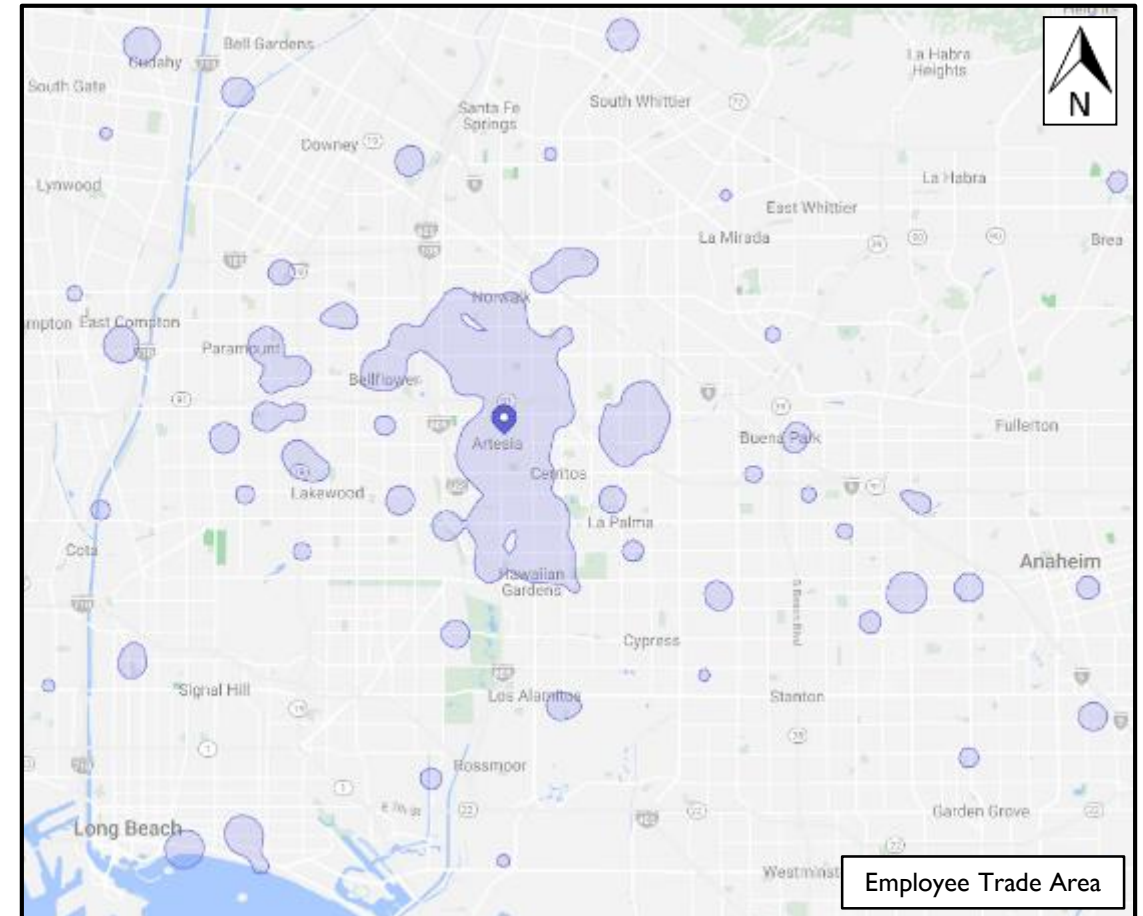
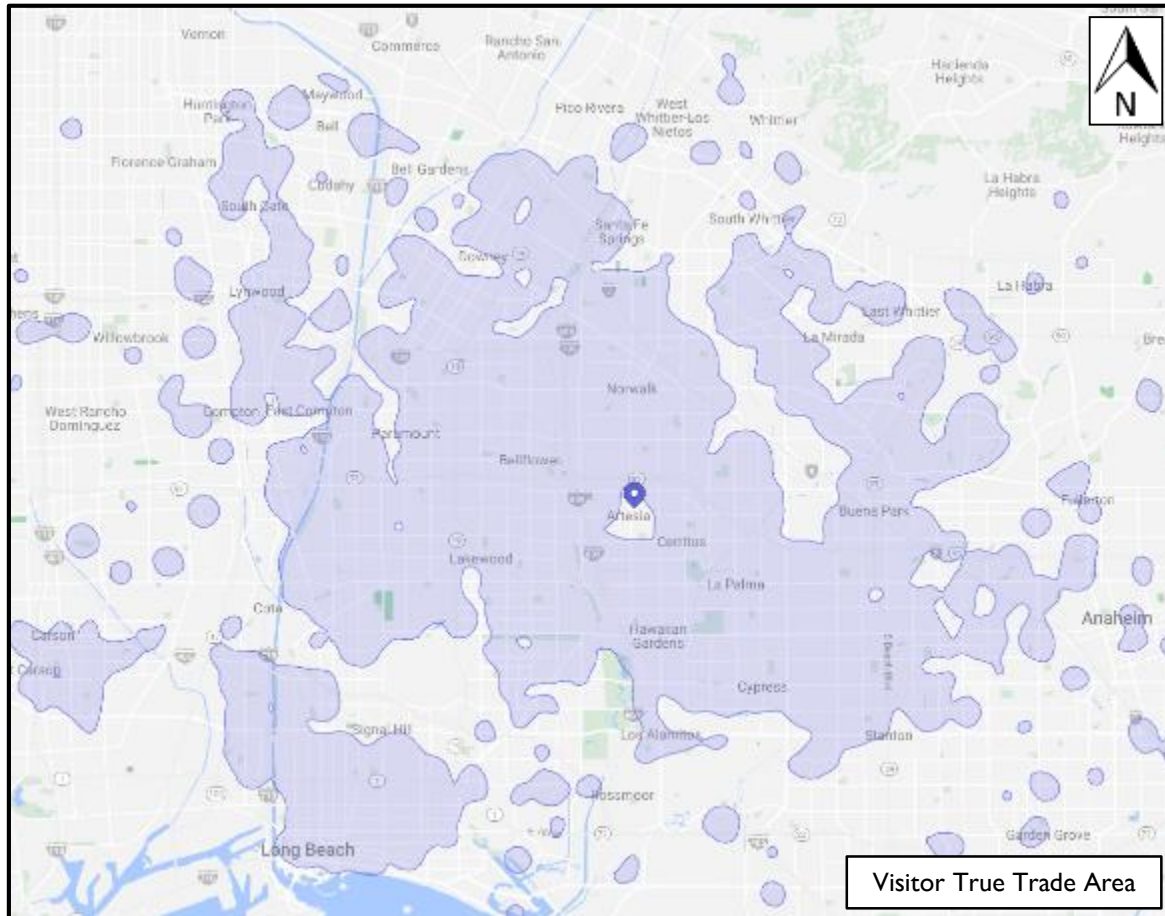


Top Home Location Zip Codes

Visitors		Employees	
90650	Norwalk	90650	Norwalk
90706	Bellflower	90701	Artesia
90703	Cerritos	90703	Cerritos
90805	Long Beach	90706	Bellflower
90723	Paramount	90715	Lakewood

TRADE AREA COVERAGE: LAST 12 MONTHS

EMPLOYEES AND VISITORS TO CITY



ARTESIA RESIDENTS TOP VISITED SHOPPING CENTERS – PLACER.AI

Shopping Centers		
Location	City	%
Los Cerritos Center	Cerritos	73%
Artesia Center	Artesia	65%
Plaza 183	Cerritos	62%
Cerritos Promenade	Cerritos	62%
Lakewood Center	Lakewood	51%
Long Beach Towne Center	Long Beach	50%
College Square	Cerritos	48%
Artesia Oasis Plaza	Artesia	41%
City Plaza	Artesia	32%
Lincoln Station	Cerritos	31%



MARKET DEMAND ANALYSIS

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Key Market and Economic Development Trends



Housing is Not a Loss Leader, it's a Growth Driver

Housing Creation as Economic Development

- New housing can generate significant new tax revenues and support local jobs from resident spending
- Housing is not necessarily a net negative fiscal impact, especially at current property values



Retail is Not Just Retail Anymore

Retail Reimagination as Economic Development

- U.S. retail over-built and needs “right sizing;” Covid accelerated trends; today its about essentials, experience & e-commerce
- Blended/mixed use projects integrate multiple uses (housing, retail, open space, creative office, hotel)



Telework is Reconfiguring Office

Office Conversions as Economic Development

- Telework and work from home options are reshaping the needs for office space and business districts
- Job redistribution tied to housing
- Vacancies can lead to fiscal impact pressure



Industrial / Distribution is Critical for the Economy

Industrial & Fulfillment as Economic Development

- Modern industrial is not “your father’s industrial” – not smokestacks
- Retail can’t thrive without distribution
- Booming demand for distribution, e-commerce, and data centers, blending for fulfillment/delivery, job creators

RETAIL MARKET OVERVIEW

	Q4 2022		
	City of Artesia	5-Mile Radius	S.E. L.A. County Submarkets
Availability			
NNN Rent \$PSF/Yr.	\$26.12	\$23.36	\$23.86
Vacancy Rate	2.9%	5.4%	3.9%
Vacant SF	41,750	1,748,534	2,882,604
Net Absorption	(2,297)	(8,841)	90,676
Inventory			
Existing SF	1,416,110	32,495,262	74,207,444

- Major available retail space in City
 - 8,000 SF restaurant space available at Artesia Oasis Plaza
 - 7,000 SF restaurant space available at Pioneer Artesia Center
- According to CoStar, there is currently no retail space that is planned, proposed, or under construction, except for supportive retail in the Artesia Live I project (primarily housing and hotel with 10,900 SF of retail)
- In the last 10 years ~19,500 SF of retail has been added in the City
- 48% of retail space in the City is over 40 years old. Roughly half of the space (~340,000 SF could be replaced / re-envisioned over the next 10 years)



Top: Artesia Oasis Plaza
Above: Pioneer Artesia Center

Source: CoStar (Accessed January 2023); **Note:** CoStar defines Triple Net (NNN) as “a lease where the tenant is responsible for all expenses associated with their proportional share of occupancy of the building, except long-lived structural components and management charges.” Vacant space refers to all space that is not occupied by a tenant regardless of availability or lease obligation. Available space is the amount of space currently being marketed as available for lease or sale in a given time period. It includes any space that is vacant, occupied, or available at a future date. Negative net absorption refers to the fact that more tenants vacated retail space as opposed to renewing or expanding.

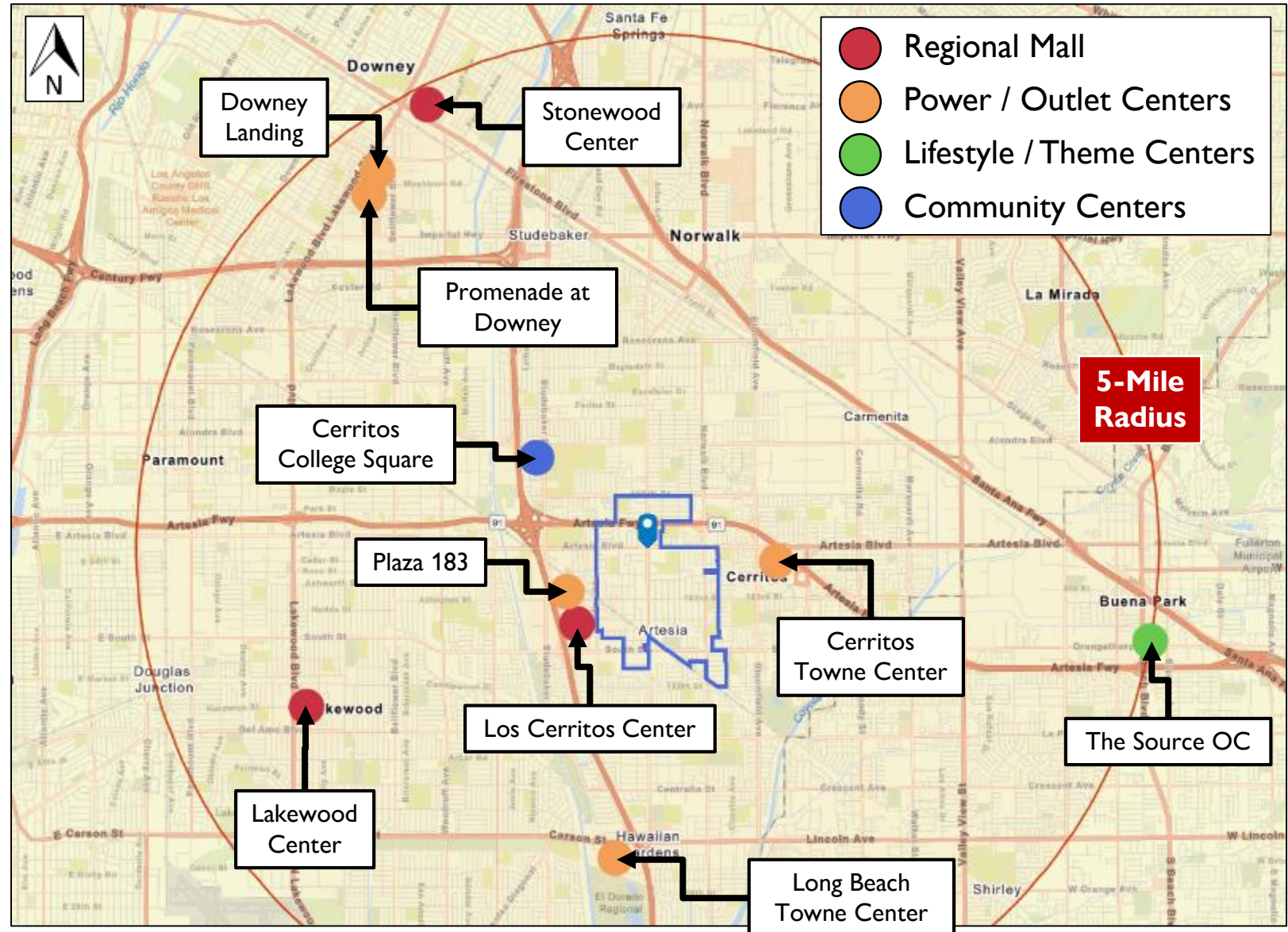
ARTESIA

MAJOR SHOPPING CENTERS WITHIN 5-MILE RADIUS

	Artesia	5-Mile Radius
Shopping Center Inventory (SF)	977,300	22,200,000
2022 Population	16,200	624,900
Shopping Center SF Per Capita	60.3	35.5

Sources:

ESRI Business Analyst Online,
CoStar (Accessed August 2022)



OFFICE MARKET OVERVIEW

	Q4 2022		
	City of Artesia	5-Mile Radius	S.E. L.A. County Submarkets
Availability			
Gross Rent \$PSF/Yr.	\$28.70	\$28.29	\$28.64
Vacancy Rate	6.7%	5.1%	4.9%
Vacant SF	21,639	617,706	1,049,482
Net Absorption	2,800	(46,839)	92,351
Inventory			
Existing SF	322,660	12,019,586	21,501,265

- Major available office space in City
 - 20,801 SF available at 17100 Pioneer Blvd. – the largest office building in the City (82,516 SF).
- According to CoStar, there is no office space currently planned, proposed, or under construction. No new office construction in the last 10 years
- 40% of office space (133,000 SF) in the City is over 40 years old. Roughly half of this space (65,000 SF) could be replaced or re-envisioned over the next 10 years as part of blended-use project



Left: 17100 Pioneer Blvd.

MULTIFAMILY MARKET OVERVIEW

	Q4 2022		
	City of Artesia	5-Mile Radius	S.E. L.A. County Submarkets
Availability			
Asking Rent Unit/Mo.	\$2,077	\$1,876	\$1,597
Vacancy Rate	1.8%	2.3%	2.3%
Total # of Vacant Units	15	913	2,583
Net Absorption	(2)	(131)	44
Inventory			
Total # of Units	829	40,339	113,541

- Major multifamily buildings in City
 - Los Arboles (11901 176th St., market-rate garden apartments; built 1973; 158 units; 36 du/ac)
 - Eaves Cerritos (11421 186th St.; market-rate low-rise apartments; built 1973; 151 units; 65 du/ac)
 - 17888 Alburtis Ave. (market-rate, low-rise apartments; built 2005; 62 units; 30 du/ac)
- Multifamily buildings proposed in Artesia:
 - Artesia Live I (17610-17618 Pioneer Blvd.; 54 units proposed as part of blended-use development)
 - Brandywine proposed a 30-unit condominium complex at 11504 Artesia Blvd.



Top: Los Arboles Apartments
Middle: Eaves Cerritos
Above: Artesia Live rendering

Source: CoStar (Accessed January 2023); **Note:** Data represents the average asking rents across all unit types (studio, 1BR, 2BR, etc.). Inventory does not include dormitories or mobile homes. Negative net absorption refers to the fact that more residents vacated as opposed to moving into residential units. Numbers in parentheses and in red indicate a negative number.

FINDINGS

MARKET DEMAND ANALYSIS

- Demand for multifamily residential is strongest with over 1,000 new units designated by RHNA, while demand for retail and office is low
 - Increased e-commerce presence (need for smaller last-mile, flex industrial, and sorting facilities), limits retail demand
 - Limited demand for office space given more people are working from home. Furthermore, no new office space has been added in the City in the last ten years
- There is currently no retail or office space planned, proposed, or under construction in the City, except for supportive retail proposed on the Artesia Live I and Artesia Place sites
- City could consider reimagining underperforming retail space in shopping centers, such as Artesia Towne Center into a high density residential / retail project)

City of Artesia		
Commercial Land Use	% of Space 40+ Years Old	Est. SF reimagined in the next 10 years
Retail	48%	340,000
Office	40%	65,000

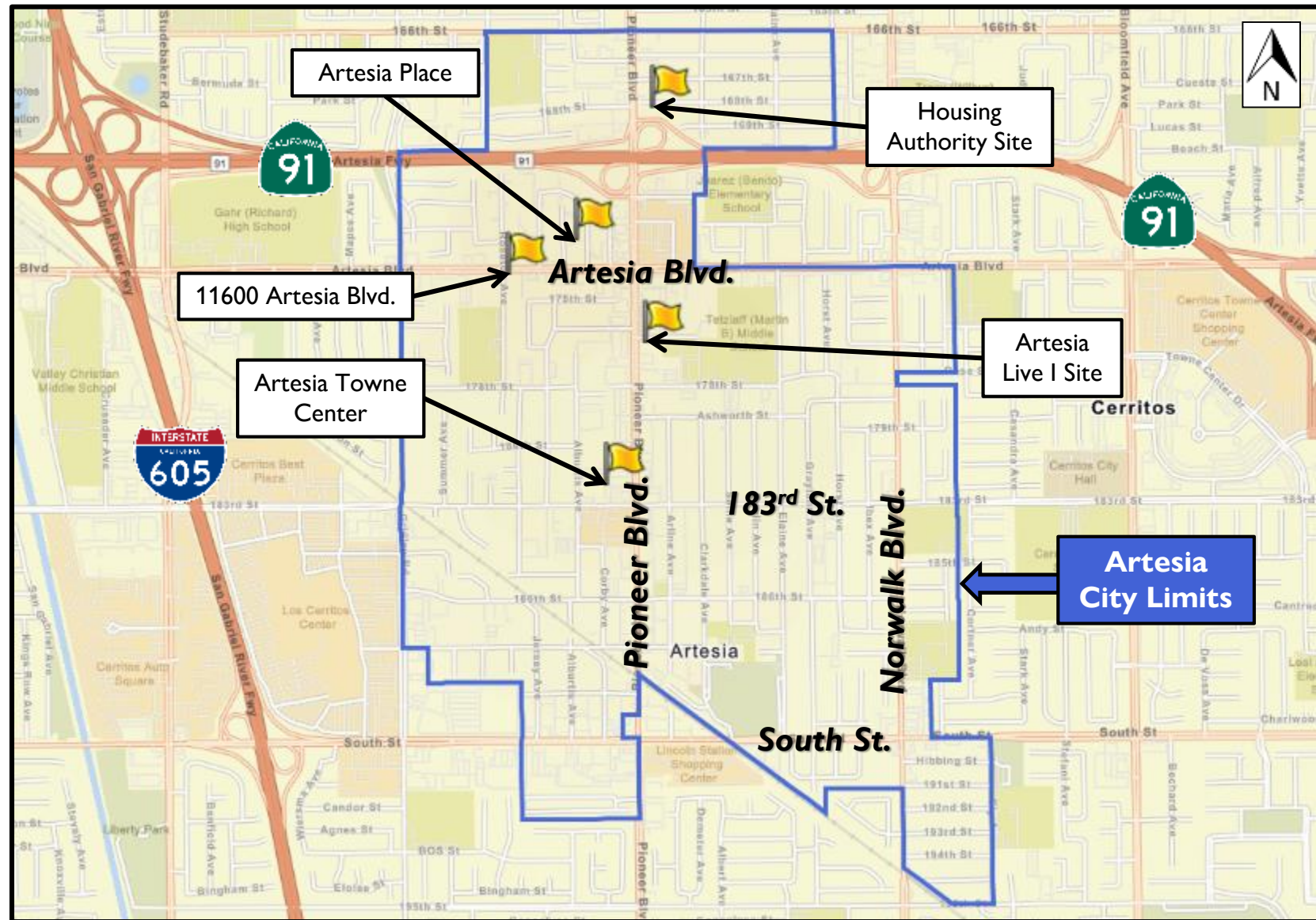
- Large amount of commercial space built before 1980. It is possible that a substantial portion of the existing commercial space could be reimagined as blended use residential/retail in the next 10 years



OPPORTUNITY SITE PROFILES

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CITY BOUNDARIES AND KEY DEVELOPMENT OPPORTUNITY SITES



OPPORTUNITY SITE #1: HOUSING AUTHORITY SITE

SUBJECT SITE PROFILE:

- Ownership: Housing Authority of the City of Artesia
- APN: 7011-004-902, -903; 7011-005-900 to -903
- Total Size: ~1.02 AC
- Zoning: Commercial General
- Four parcels are vacant, two are part of the 1 Stop Flooring Supply store
- Close proximity to SR-91 on northern end of Artesia
- Visibility from Pioneer Blvd., however parcels are located on cul-de-sac (168th St.) with no access to Pioneer Blvd.
- Development opportunity to complement surrounding residential uses, to provide additional housing along Pioneer Blvd.



OPPORTUNITY SITE #2: ARTESIA PLACE

SUBJECT SITE PROFILE:

- Ownership: Artesia & Fallon LLC (G3 Urban); California Milk
- APN: 7035-016-064; 7035-020-056, -057
- Total Size: ~3.53 AC
- Zoning: Artesia Blvd. Corridor Specific Plan (Quadrant 2); Heavy Manufacturing and Industrial
- Former dairy processing facility with parking lot across Alburdis Ave.
- Close proximity to SR-91 and Pioneer Blvd. with frontage on Artesia Blvd.
- Interest in developing housing on the Site. Such a development will require a zoning / land use update to allow residential



OPPORTUNITY SITE #3: 11600 ARTESIA BLVD.

SUBJECT SITE PROFILE:

- Ownership: Juan P. Cleves
- APN: 7035-017-010, -011
- Total Size: ~0.63 AC
- Zoning: Artesia Blvd. Corridor Specific Plan (Quadrant 4); Allows for neighboring-serving commercial, retail, and residential (including live/work units)
- Front parcel contains two vacant buildings (former TV repair shop, former lawnmower repair business); Rear parcel is vacant land
- Frontage along Artesia Blvd. and Roseton Ave.
- Located across from 2.56-acre vacant site on SWC Artesia Blvd. and Roseton Ave. and near Brandywine's approved 30-unit residential condominium project



OPPORTUNITY SITE #4: ARTESIA LIVE I SITE

SUBJECT SITE PROFILE:

- Ownership: Cornerstone Artesia Development
- APN: 7033-007-016, -017, -018
- Total Size: ~0.83 AC
- Zoning: Artesia Live I Specific Plan; Calls for a blend of uses including hotel, residential condominiums, retail, restaurant, and parking
- The Site contains vacant land, however, could potentially use adjacent vacant and / or underutilized parcels (totaling 2.15 acres) to create a larger project spanning two blocks to 178th St.
- Frontage along Artesia Blvd.
- Blended use development opportunity featuring 111-room hotel, 10,900 SF retail/restaurant; 54 res. units



OPPORTUNITY SITE #5: ARTESIA TOWNE CENTER

SUBJECT SITE PROFILE:

- Ownership: City of Artesia
- APN: 7035-012-904
- Total Size: ~2.09 AC
- Zoning: Commercial General
- 40,200 SF retail center built in the 1980s with 2nd floor office space and fast-food drive-thru pad
- Located at NWC of major intersection (Pioneer Blvd. and 183rd St.) adjacent to fast-food pad. Retail center has visibility from both streets
- Commercial / office uses located on each corner
- City expressed interest in redeveloping the Artesia Towne Center



NEXT STEPS

- **Council Feedback**
- **Stakeholder Outreach**
- **Examination of regulatory tools and policies affecting development**
- **Further Evaluation of key development opportunity sites with high level proforma to assess financial feasibility**
- **Highlighting potential funding sources for development and provide actionable implementation strategies**
- **Final Draft of EDSP**

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