

THE BOND BUYER

By Keeley Webster

Published October 09 2018, 4:00pm EDT

Kosmont grows by helping California cities navigate post-redevelopment world

LOS ANGELES — The demise of California's redevelopment agencies could have spelled doom for Kosmont Companies, but instead the company has experienced steady growth.

Gov. Jerry Brown in 2011 signed legislation eliminating the redevelopment agencies. Prior to their demise, cities and counties could use tax increment financing – the increase in tax revenues generated by development — to repay bonds issued to finance infrastructure and other improvements. The company Larry Kosmont founded had advised local governments about redevelopment.



"The state is driving home two major agendas — sustainability and housing," said Larry Kosmont, founder and chief executive of Kosmont Companies. "It's forcing cities to rethink their economic development strategies."

"A lot of people have come up to me and asked, I would have thought you would have slowed down after the demise of redevelopment," said Kosmont, the chief executive of the Los Angeles-based firm. "The reason the opposite happened is that we saw a big gap in doing redevelopment transactions. It didn't take away the demand for public-private deals."

A focus on public-private partnerships and efforts to help cities figure out the patchwork of economic development tools state lawmakers created after redevelopment agencies were eliminated have resulted in burgeoning growth for the firm, founded in the 1980s as a one-man shop.

"We had to fill the gap as to how you get these done without RDAs," Kosmont said.

Kosmont went to work creating strategies for cities to work with Enhanced Infrastructure Financing Districts and "everything California birthed in the last four years of legislation."

The firm's sweet spot helping cities with financial advisory services as well as helping connect private and public money resulted in it adding a half dozen positions in four years.

"The state is driving home two major agendas — sustainability and housing," Kosmont said. "It's forcing cities to rethink their economic development strategies."

Among those hires was Carolyn Petty, who joined the firm in December as chief operating officer and senior vice president.

Petty has more than 25 years of financial and operational executive experience in the public and private sectors. She was an executive director for CBS Paramount Television Division and the former mayor of Hermosa Beach. She was treasurer/secretary and vice president for the League of California Cities, Los Angeles Region and is a registered municipal advisor.

Key positions number under 20 people, up from 10 or 12 it had in 2011.

It wasn't just the additional work created as Kosmont helped cities figured out how to use EIFD's, one of the mechanisms created by the Legislature in 2016 to fill the economic development gap left by the demise of RDAs.

Commercial real estate also has been on fire, he said.

"Our real estate business has grown from a couple of brokers to three times that," Kosmont said.

Under the EIFD legislation, cities can create districts, but they have to get the county and other special districts in the area to agree to contribute their tax increment to make bond payments on bonds issued to build infrastructure. Under the old RDA system, the redevelopment agencies could just capture any new property tax money generated by the new development.

An EIFD can finance traditional public works, such as transportation, transit, parks and libraries, water and sewer facilities, solid waste disposal, and flood control and drainage. But projects must also support sustainable community goals, energy efficiency, and lessening a community's carbon footprint. EIFDs can also support "the acquisition, construction, or rehabilitation of housing for persons of low and moderate income" and transit-oriented development, according to Senate Bill 628, the legislation that created EIFDs in 2014.

The focus on environmental, social and governance, ESG, investing has placed the same emphasis nationally on what Brown and the Legislature have been doing in California.

Kosmont pointed to the large audience for a panel on ESGs at the recent Bond Buyer California Public Finance conference as an example.

"That room was pretty full," Kosmont said. "It was a lot fuller than it would have been in prior years."

Green bonds, housing and real estate finance are forever joined at the hip, said Kosmont, who attributes his firm's growth to his recognition of that phenomenon.

"If you ask most people in our business, they don't know that yet," Kosmont said. "To me, the signs are in bright lights."