



**BEACH CITY CAPITAL**  
Investments | Planning | Development



# IMPACT INVESTING IN LOS ANGELES

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Aerial view of Hermosa Beach

# Introduction

Los Angeles is one of the most diverse cities in the world, in terms of race, ethnicity, lifestyle, profession, language and — unfortunately — income disparity. [California's income inequality](#) gap is among the worst in the nation, and LA's is among the worst in California.

## On the upside, Los Angelesans give back in a big way.

A report from UCLA's Luskin School of Public Affairs showed that [LA County residents give about \\$6 billion](#) to nonprofits each year. Another thing we know about Californians, including those in LA, is that they're innovative thinkers and early adopters. Many are embracing a method of engaging with the needs of their communities that goes beyond writing a check to a charity. They're discovering the significance of impact investing.

In this guide, we will explain what impact investing is, how it benefits investors, and some of the specific ways it can positively influence individual communities in Los Angeles County at every stage of business.

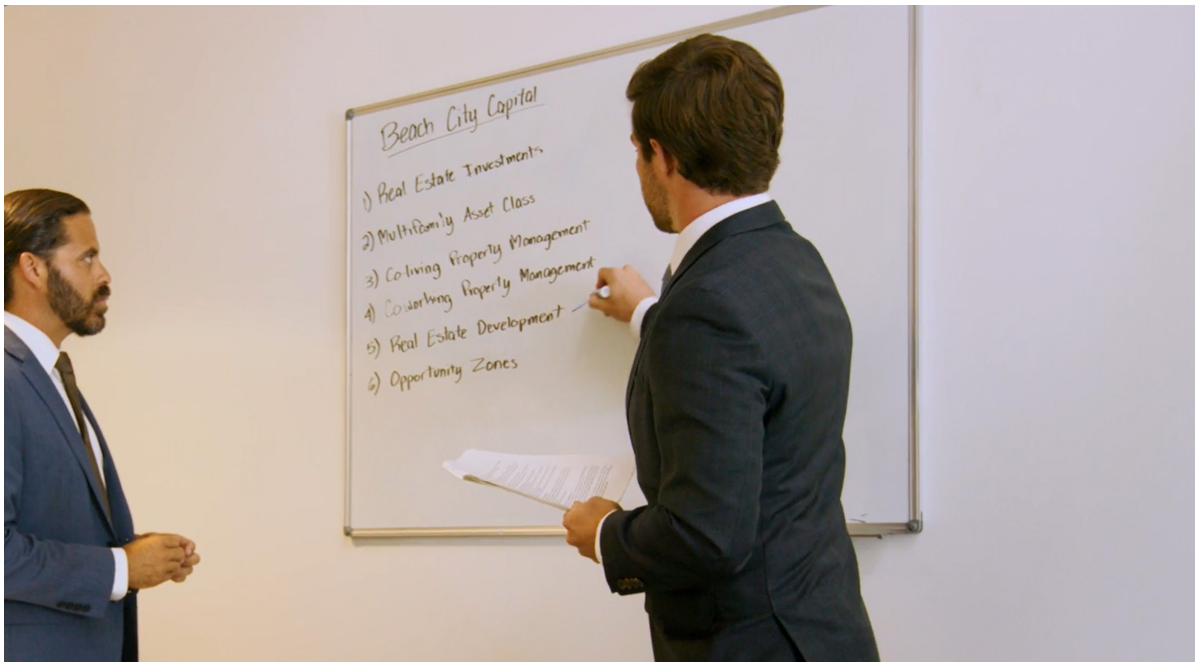


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give about \$6 billion to  
nonprofits each year.



# What is impact investing and why is it a win-win?

Impact investing has become something of a buzzword in recent years. It refers to investing “with the intent to contribute to measurable positive social, economic, and environmental impact alongside financial returns.” You might also hear it referred to as ESG (environmental, social and governance) investing, socially responsible investing or simply investing for good.



Beach City Capital Founder & CEO, Jason Muller, discusses real estate development topics with  
VP of Investments



Impact investing can refer to investing in stock of socially responsible companies or investing directly. The relationship requires transparency about the intentions of the investor as well as the company in which they invest. Interest in these kinds of opportunities has increased dramatically in recent years, and they're more widely available than they once were.

**Popular areas of impacting investing include:**

→ Renewable energy	→ Education
→ Conservation/sustainability	→ Housing
→ Microlending	

# Who benefits from impact investing?

The idea behind impact investing is that everyone connected with it benefits in some way. The most visible beneficiaries are the recipients of the positive action. For example, in a project to build a school, the students who ultimately attend the school benefit. The benefit might come to the recipient directly or filtered through an NGO or service agency of some kind. In turn, the larger community may benefit, for example by having more students qualified to fill important jobs thanks to the education they receive at their new school.

These results can be highly rewarding. However, similar outcomes can be achieved through straight donations. **The beauty of impact investing, in particular, is that it also benefits the investor.** Depending on the project, returns can exceed more traditional forms of investing such as stocks and bonds.





# Impact investing on a local level

Impact investing is often associated with global issues such as climate change or world hunger. These causes get wide attention. However, you may not have to look too far to find a great investment opportunity that benefits a worthy cause. You can discover ways to do good for your own community.



## There are good reasons to keep your wealth local.

It's gratifying to see the results first-hand, close to home. Plus, local changes can have ripple effects that make the world a better place.

There is no universal, objective measure of what qualifies as an impact investment. The lack of consensus can pose a challenge to that necessary transparency. One way to overcome these concerns is to invest in a local undertaking. When you can meet and talk to the people involved and see first hand how they put your capital to use, you gain confidence in your action.

Remember the UCLA study we referenced above? It went on to say that about two-thirds of Los Angelenos contribute money to causes outside the county. According to the Los Angeles Times, “[local donors are often unaware](#) of the needs in their own backyard.”

If you're a business owner, your gains can extend beyond your personal wealth, to improving the community in which you do business. By elevating the housing, educational, or quality of life prospects for members of the community, you may allow residents more freedom to contribute to the local economy or even to do business with you directly.



According to the Los Angeles Times, “local donors are often unaware of the needs in their own backyard.”





# The urban housing crisis in Los Angeles

One cannot talk about local issues affecting LA without talking about the affordable housing crisis. [California's median home price \(\\$600K\)](#) is double the national level. Los Angeles itself is the country's seventh most expensive housing market.



Home to Beach City Capital, Hermosa Beach



### **In addition:**

- LA is the third most [rent burdened city in the U.S.](#)
- There are as many as [66,000 people in L.A. without homes.](#)
- [Public housing funding has continuously declined.](#) In 2011 the California State legislature dissolved the state's local Community Redevelopment Agencies, the last source of public investment for low-income housing.
- A shortage of housing that people can afford on a modest income [disproportionately affects people of color.](#)
- The L.A. Times projected homelessness would increase 20% due to COVID-19-related unemployment.

This issue matters not just for the people seeking housing but for the local economy. According to multiple sources, the housing crisis has hurt the [California economy overall.](#)

### **Due to the state's housing shortage, it is estimated that California's economy loses:**

- More than \$140 billion per year in economic output
- More than \$50 billion per year in consumer consumption





The Redondo Beach project converted an underutilized existing four-unit apartment building on a flat double lot, to a modern 3 unit townhome masterpiece.

There are limited prospects for a way out of this crisis, especially since COVID-19. The typical model for adding housing stock has been to create studio and one-bedroom apartments, which still stretch the budget of many middle class people. The average apartment size in Los Angeles is a mere 792 square feet, with an average monthly rent exceeding \$2,500. Small apartments cannot adequately accommodate families with children or multi-

generation families, either.

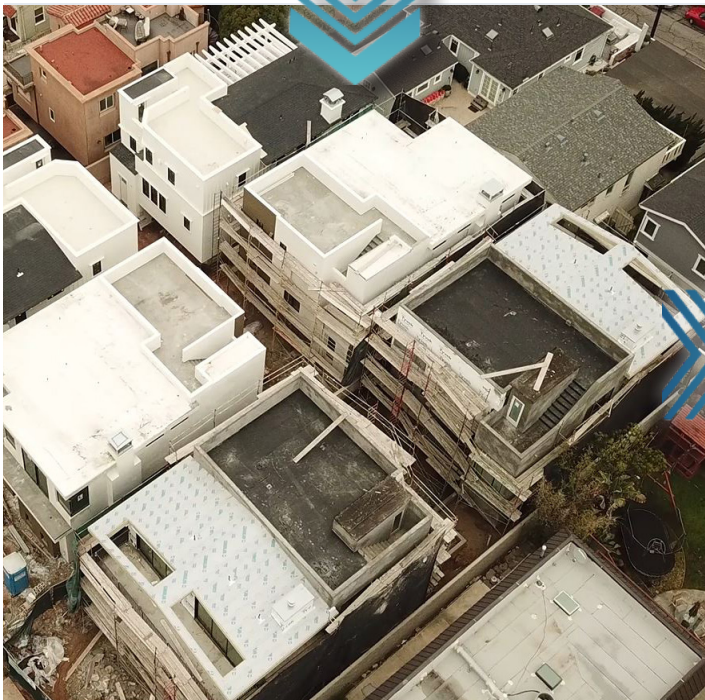
In addition, the current housing stock is aging. The bulk of LA's multi-family housing was built in the 1950s-70s. They predate several significant [updates to California earthquake codes](#), as well as the [ban on asbestos](#). Aging pipes and electrical systems also pose possible health and safety risks.

With LA County so built out, there is no new land on which to build more housing, so new housing needs to replace the old, and developers need to use the available space strategically.

**Impact investing opens opportunities to address many of these housing issues.**







Beach City Capital developments in Hermosa Beach, CA





# How impact investing fights the housing crisis locally

Helping to finance affordable rental housing in Los Angeles is an ideal form of impact investing for those who want to address a tangible, timely problem in their community. More affordable housing means more people able to live stable lives. When someone can comfortably pay their rent each month in an adequate apartment, several results occur.



Mar Vista Development Project

People can have shorter commutes when they have more choice of where to live — and we all know the burden that commuter traffic places on LA. Shorter commutes lead to less traffic congestion and, in turn, less pollution, while improving quality of life for the commuter themselves.

A lack of safe, affordable housing causes families to move more frequently. [Children achieve better outcomes](#) with more stability, such as living in one place long term and staying enrolled at the same school.

**People less burdened by rent have more income to direct to other things.**

They have more disposable income to put into the local economy. They are more [able to afford healthcare](#) for themselves and their children. Landlords maintain steady income when tenants can afford to pay rent.

**Investing in multi-family developments opens new, affordable places to live.**

- Newer buildings are healthier and safer to live in
- Improves the aesthetics of the neighborhood
- Opportunity Zones offer tax incentives for investing

Purposeful land development and design stand to enhance our communities by reviving dilapidated lots with energy- and cost-efficient buildings. These savings allow building owners to accept affordable rents and receive higher net operating income, a true win-win-win for the neighborhood, tenant, and owner.



# Investing in affordable multi-family housing projects

The trend toward less affordability and more homelessness has been on the rise for decades. It will take a new approach to solve current issues in L.A. Impact investing in affordable multi-family housing, particularly housing that embraces a new model known as co-living, can disrupt the negative trend.



Catalina Village will provide attainable rental housing on a 1.2 acre site located one block from the ocean in Redonda Beach, CA





Beach City Capital's Mar Vista Project, a 28-unit co-living apartment in West LA

## Co-living, or shared suite living is different than anything that's been tried in rental real estate.

Co-living updates the old concept of roommates, thanks to new innovations in building design and property management technology. Buildings designed for [co-living can provide higher-end amenities](#) at relatively low cost.

Residents are matched to a space, and to each other, to partially share a living space. Co-living suites often comprise three to five private bedrooms with a shared kitchen, dining, and living rooms. The suites are fully furnished from couches, TVs, and beds to salt and pepper, pots and pans, toilet paper and paper towels. Rent is all-inclusive of utilities, all shared goods, and cleaning services.

For a small sacrifice in privacy, residents get a nicer, safer place to live than they could afford with a

standard LA apartment. New developments in property technology, or [proptech](#), make shared suite living more possible and practical than ever before. Advanced security technology, for example, can allow residents to safeguard their personal space and belongings.

More shared suite living in LA can positively impact the housing crisis and open opportunities for people to live in coastal areas previously out of reach financially.



# Commercial real estate makes a great form of impact investing

Investing in affordable, multi-family commercial real estate offers a range of benefits.

- Real estate typically outperforms the stock market and is less volatile
- Tax benefits from locally designated Opportunity Zones
- Investing at an early stage of development increases the potential return

Most importantly, impact investors get to see tangible results in their own communities. **It's a win for everyone involved.**

Beach City Capital provides opportunities to invest in multi-family and mixed use developments in coastal Los Angeles County, incorporating the latest proptech and co-living trends. If this kind of impact investing sounds like an exciting way to diversify your portfolio, [explore our current developments](#) or [learn more about us](#).



## Get Started

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