



THE GRAND AVENUE PLAN:  
AN ECONOMIC IMPACT  
ANALYSIS

FINAL  
REPORT

Los Angeles County Economic Development Corporation  
444 S. Flower Street, 37<sup>th</sup> Floor ♦ Los Angeles, CA 90071  
(888) 4-LAEDC-1 ♦ [www.LAEDC.org](http://www.LAEDC.org)



Christine Cooper, Ph.D.  
Shannon M. Sedgwick  
Somjita Mitra, Ph.D.

JANUARY 2014

This research was commissioned by Grand Avenue L.A., LLC.

The LAEDC Economic and Policy Analysis Group provides objective economic and policy research for public agencies and private firms. The group focuses on economic impact studies, regional industry analyses, economic forecasts and issue studies, particularly in workforce development, transportation, infrastructure and environmental policy.

Every reasonable effort has been made to ensure that the data contained herein reflect the most accurate and timely information possible and they are believed to be reliable.

The report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, endorsements, representations or warranties of any kind whatsoever.

# Executive Summary

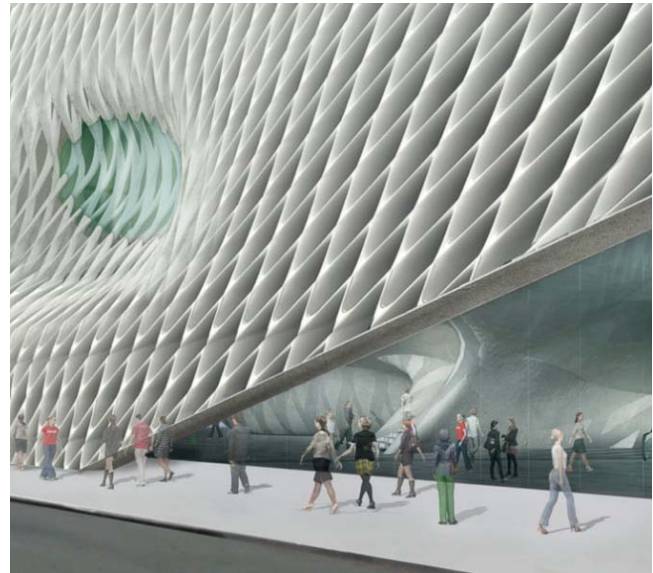
The Los Angeles Grand Avenue Authority, established by a joint powers agreement between the City of Los Angeles Community Redevelopment Agency and Los Angeles County, has embarked upon a plan to transform upper Grand Avenue and revitalize the heart of the civic center of the City of Los Angeles by attracting both residents and visitors through a mix of new residential, commercial and cultural uses.

The project contains three elements. The first consists of changes and improvements to Grand Avenue itself to attract more pedestrian traffic. The second element involves the creation of a large public park stretching from the Los Angeles City Hall to the John Ferraro Building housing the Los Angeles Department of Water and Power. The third element is the construction of several new residential, commercial and cultural projects on the last remaining undeveloped parcels in the Bunker Hill Redevelopment Area.

As the Grand Avenue Authority’s selected developer, The Related Companies has proposed and commenced a multi-phased development plan for the implementation of the Grand Avenue project. To date this has included: master plan and entitlements for the plan area; design, development and completion of the Grand Park; and commencement of construction of two project elements on Parcels L and M, which include a 271-unit residential tower and a world class modern art museum.

Related is currently planning the next phase of development on Parcel Q as a mixed-use project including a hotel, retail and commercial uses, offices and more than 400 residential units. A future phase is anticipated which will add several residential mixed-use structures on Parcel W, which lies just east of Parcel Q.

The Economic and Policy Analysis Group of the Los Angeles County Economic Development Corporation (LAEDC) has conducted an economic analysis of the economic and fiscal impacts in Los Angeles County associated with Related’s Grand Avenue plan. The analysis is based on the projected increase in economic activity in the plan area, as well as the one-time economic and fiscal impacts from the construction phase.



## One-Time Project Development Impacts

The total economic impact in Los Angeles County of the project development spending is shown in Exhibit E-1.

**Exhibit E-1**  
Economic and Fiscal Impact of Project Development

Direct Development Expenditures (\$ millions)	\$ 1,848.0
<b>Total Economic Impact:</b>	
Output (\$ millions)	\$ 3,065.0
Employment (jobs)	20,500
<i>Direct</i>	11,800
<i>Indirect and induced</i>	8,700
Labor income (\$ millions)	\$ 1,298.7
<b>Total Fiscal Impact (\$ millions):</b>	
Federal tax revenues	\$ 243.1
State and local tax revenues	150.4

Source: Estimates by LAEDC

The total cost of the Grand Avenue plan is currently estimated to be \$1.8 billion. This activity will generate:

- ▶ 20,500 annual jobs;
- ▶ \$1.3 billion in labor income;
- ▶ \$3.1 billion in total output (business revenues);
- ▶ \$150 million in state and local taxes, of which \$43.1 million will be earned by the County and \$18.4 million will be earned by cities (mostly the City of Los Angeles).

## Annual Impacts of Ongoing Activity

The total annual economic impact in Los Angeles County of the ongoing activity occurring at the Grand Avenue properties is shown in Exhibit E-2.

It is estimated that businesses located in the plan area will receive \$374.8 million directly in annual rents and revenues, including retail and restaurant receipts, parking and hotel receipts. This activity will generate every year:

- ▶ 5,030 annual jobs;
- ▶ \$189 million in labor income;
- ▶ \$501 million in total output (business revenues); and
- ▶ \$62.5 million in state and local taxes, of which \$30.7 million will be earned by the County each year and \$15.6 million will be earned by cities, the lion’s share by the City of Los Angeles.

### Exhibit E-2

#### Total Annual Economic and Fiscal Impact of Ongoing Operations

Direct Annual Revenues (\$ millions)	\$ 317.7
New Resident Household Spending (\$ millions)	57.1
<b>Total Economic Impact:</b>	
Output (\$ millions)	\$ 500.7
Employment (jobs)	5,030
<i>Direct</i>	3,710
<i>Indirect and induced</i>	1,320
Labor income (\$ millions)	\$ 188.9
<b>Total Fiscal Impact (\$ millions):</b>	
Federal tax revenues	\$ 40.9
State and local tax revenues	62.5

Source: Estimates by LAEDC

# 1 Economic Impact Analysis

**E**conomic impact analysis is used to estimate the overall economic activity, including spill-over and multiplier impacts, which occurs as a result of a particular business, event or geography.

The initial economic activity related to the initial development spending and to ongoing activities at the new property is the purchase of goods and services from local vendors and the wages and benefits paid to local workers.

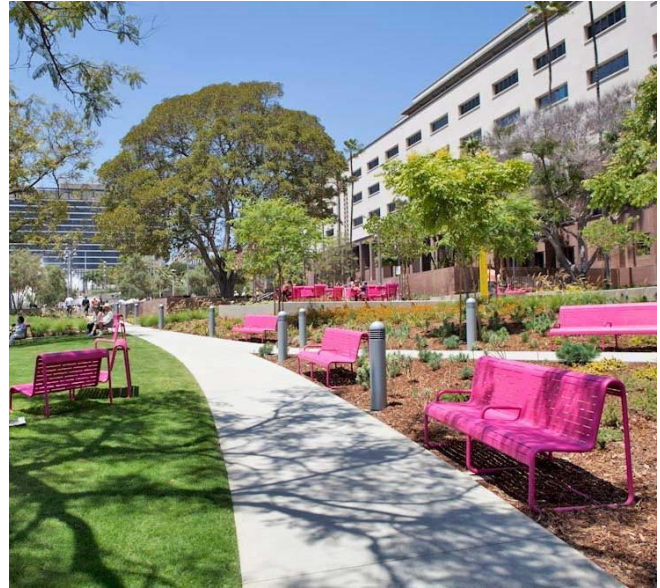
This injection of funds into the county circulates from the project to the owner and employees of establishments that help supply the goods and services that the project purchases. These suppliers in turn hire workers and buy goods and services to facilitate their business.

The project developers will spend millions of dollars for the wages and benefits of construction employees. These workers, as well as employees of all suppliers, spend a portion of their incomes on groceries, rent, vehicle expenses, healthcare, entertainment, and so on. This recirculation of the original expenditures multiplies their impact through such indirect and induced effects.

The extent to which the initial expenditures multiply is estimated using economic models that depict the relationships between industries (such as the construction industry and its suppliers) and among different economic agents (such as industries and their employees).

These models are built upon actual data of expenditure patterns that are reported to the U.S. Bureau of Labor Statistics, the U.S. Census Bureau and the Bureau of Economic Analysis of the U.S. Department of Commerce. Data is regionalized so that it reflects and incorporates local conditions such as prevailing wages rates, expenditure patterns, and resource availability and costs.

The magnitude of the multiplying effect differs from one region to another depending on the extent to which the local region can fill the demand for all rounds of supplying needs. For example, the automobile manufacturing industry has high multipliers in Detroit and Indiana since these regions have deep and wide supplier networks, while the same industry multiplier in



Phoenix is quite small. In another example, the jobs multiplier for the construction industry is higher in, say, Arkansas, than in California because the same amount of spending will purchase fewer workers in Los Angeles than in Little Rock.

Multipliers can also differ from year to year as relative material and labor costs change and as the production “recipe” of industries change. For example, the IT revolution significantly reduced the job multiplier of many industries (such as manufacturing, accounting, architecture and publishing) as computers replaced administrative and production workers. ❖

## Approach and Methodology

Economic impact analysis typically begins with an increase in final demand for an industry’s output, such as a purchase of legal services, or rent and utilities.

The approach used here is to use the budgeted expenditures for the construction of each phase of the project, combined with the estimated revenues of all operations once the properties are occupied. Data was provided by the client and supplemented with regional and local data and analysis to provide revenue estimates (where these were not provided by the client).

Discussion of assumptions and specific estimation methodology is provided in the narrative.

The metrics used to determine the value of the economic impact include employment, labor income and the value of output. *Employment* includes full-time, part-time, permanent and seasonal employees and the self-employed, and is measured on a job-count basis regardless of the number of hours worked. *Labor income* includes all income received by both payroll employees and the self-employed, including wages and benefits such as health insurance and pension plan contributions. *Output* is the value of the goods and services produced. For most industries, this is simply the revenues generated through sales; for others, in particular retail industries, output is the value of the services supplied.

Estimates are developed using software and data from MIG, Inc., which traces inter-industry transactions resulting from an increase in demand in a given region. The economic region of interest is Los Angeles County.

The total estimated economic impact includes *direct*, *indirect* and *induced* effects.

*Direct activity* includes the materials purchased and the employees hired by the developer itself, and in the case of the operations, by each hiring onsite entity. *Indirect effects* are those which stem from the employment and business revenues motivated by the purchases made by the developer or hiring entity and any of its suppliers. *Induced effects* are those generated by the spending of employees whose wages are sustained by both direct and indirect spending.

Labor income includes payments made to wage and salary workers and to the self-employed. Employment is measured on a job-count basis for both wage and salary workers and proprietors regardless of the number of hours worked. ❖

## 2 Development Plan

The Grand Avenue plan is a multi-phased development plan that would provide residential and commercial uses across five parcels depicted on the map at right. Primarily residential, the plan also includes a hotel, retail and restaurant space, and parking.

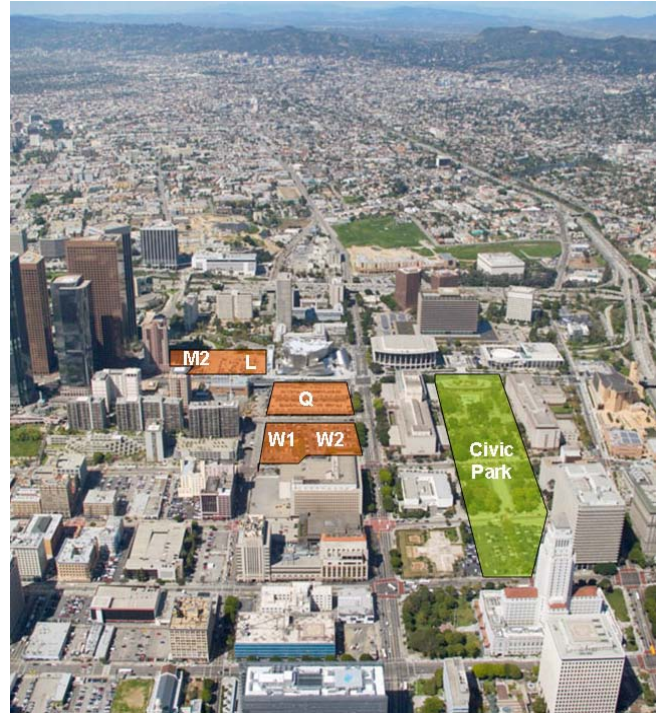
Phase 1 consists of a 300-room luxury hotel and a residential structure with a combination of 380 rental units and 52 luxury hotel-serviced condominiums. These structures will be developed on what is called Parcel Q, at the southeast corner of Grand Avenue and 1<sup>st</sup> Street. This phase also included a 12-acre park between Temple and 1<sup>st</sup> streets stretching from Los Angeles City Hall to the John Ferraro Building housing the Los Angeles Department of Water and Power. The park, completed and now named Grand Park, has been developed as a separate first phase.

Phase 2 of the Grand Avenue Plan consists of a structure housing the new Broad Museum between Grand Avenue and Hope Street (on Parcel L), and a residential tower of 271 rental units on Parcel M south of Disney Concert Hall.

Phase 3 will add several residential structures with a combination of up to 1,310 condominiums and apartments and retail/commercial space on Parcel W, just east of Parcel Q.

All phases include residential uses with retail and restaurant space to provide services, amenities and entertainment for residents and downtown visitors, and ample subterranean parking. The developer has allocated 20 percent of residential units to meet affordability requirements for low- and moderate-income households.

The original development timeline for the Phase 1 development on Parcel Q encountered challenges during the economic recession. As a result, the hotel and residences of Phase 1 were put on hold until financial and market conditions were to improve. The Grand Park, however, was completed in 2013 as a separate first phase of development. Groundbreaking for the Broad Museum on Parcel L and the residential tower on Parcel M occurred in January of 2013 with opening planned for 2014.



**Exhibit 2-1**  
Net Square Feet of Space by Use

	Parcel Q	Parcels L & M	Parcel W
Residential (Rental)	315,000	222,421	888,722
Residential (Sale)	100,000	-	485,011
Hotel	300,000	-	-
Retail Uses	70,000	5,478	48,000
Food and Beverage	58,000	-	16,000
Health Club	36,000	-	-
Offices	45,000	-	-
Museum	-	84,580	-
<b>Total</b>	<b>924,000</b>	<b>312,479</b>	<b>1,437,733</b>

Source: Estimates by LAEDC

Plans for the development of Parcel Q have moved forward in 2013 with design changes pending the approval of the Grand Avenue Authority. ❖

## One-Time Economic Impacts of Construction

The development and construction of the project will generate considerable economic activity in Los Angeles County as expenditures are made for goods and services to produce the new structures and facilities.

The overall projected development budget of the three phases is \$1.85 billion. This includes expenditures related to the development of the Grand Park, the Broad Museum, the Parcel M residential tower, as well as the budgeted costs for development of Parcel Q and Parcel W.

Cost estimates by parcel were provided by developer for Phases 1 and 2. Cost estimates for Phase 3 were derived using the estimated per square foot construction cost of Parcel Q. These are presented in Exhibit 2-2.



**Exhibit 2-2**

### Construction Expenditures by Parcel

	\$ millions	% of Total
<b>Phase 1:</b>		
Grand Park	\$ 56.7	3.1
Parcel Q – Residential & Commercial Mixed-Use	770.6	41.7
<b>Phase 2:</b>		
Parcel L – Broad Museum	195.0	10.5
Parcel M – Residential & Commercial Mixed-Use	120.0	6.5
<b>Phase 3:</b>		
Parcel W – Residential & Commercial Mixed-Use	705.0	38.2
<b>Total Grand Avenue Plan</b>	<b>\$ 1,847.3</b>	<b>100.0</b>

Source: Grand Avenue L.A., LLC

The most significant components of the overall development project are the construction of the residential towers on Parcels Q and W, each parcel accounting for about 40 percent of the project. Construction of the Broad Museum will account for ten percent of the overall costs.

The primary economic impact of the construction phase on the local economy is the expenditure of millions of dollars towards goods and services from local vendors and for the wages and benefits of local construction workers.

The total economic impact in Los Angeles County of the project development spending is shown in Exhibit 2-3.

**Exhibit 2-3**  
Economic and Fiscal Impact of Construction Activity

Direct Development Expenditures (\$ millions)	\$ 1,848.0
<b>Total Economic Impact:</b>	
Output (\$ millions)	\$ 3,065.0
Employment (jobs)	20,500
<i>Direct</i>	11,800
<i>Indirect and induced</i>	8,700
Labor income (\$ millions)	\$ 1,298.7
<b>Total Fiscal Impact (\$ millions):</b>	
Federal tax revenues	\$ 243.1
State and local tax revenues	150.4

Source: Estimates by LAEDC

It is estimated that project construction will generate economic output in Los Angeles County of more than \$3 billion, and support 20,500 jobs with a labor income of \$1.3 billion during the development period.

Of the jobs generated, 11,800 will be directly involved in the construction activity, and 8,700 will be indirect and induced jobs supported by the suppliers and household spending of direct and indirect employees.

This economic activity is projected to generate more than \$243 million in federal taxes and \$150 million in state and local taxes. The disaggregation of taxes by type and by level of government is shown in Exhibit 2-4.



**Exhibit 2-4**  
Detailed Fiscal Impact of Construction Activity

<b>By Type of Tax (\$ millions):</b>	
Personal income taxes	\$ 128.8
Social insurance	114.6
Sales and excise taxes	47.7
Property taxes	43.1
Corporate profits taxes	34.2
Motor vehicle license	2.5
Other taxes and fees paid by businesses	13.8
Other taxes and fees paid by households	8.8
<b>Total</b>	<b>\$ 393.5</b>
<b>By Type of Government (\$ millions):</b>	
Federal	\$ 243.1
State	88.9
County	43.1
<i>Property taxes</i>	35.3
<i>Sales taxes</i>	7.8
Cities	18.4
<i>Property taxes</i>	7.8
<i>Sales taxes</i>	3.3
<i>Other fees and fines</i>	7.3
<b>Total</b>	<b>\$ 393.5</b>

Source: Estimates by LAEDC

Personal income taxes account for the largest single source of fiscal revenues to federal and state governments, reaching \$128.8 million as a result of the construction. Social insurance payments are made to both state and federal governments and will reach almost \$115 million. Other sources of tax revenues include sales and excise taxes, taxes on corporate profits, motor vehicle license and other taxes and fees paid by businesses and households.

The federal government will collect almost 62 percent of all tax receipts, earning \$243 million consisting mainly of social insurance taxes, personal income taxes and corporate profits taxes. The state of California will collect \$89 million, which includes sales tax revenues, personal income taxes, corporate profits taxes, royalties and rents, fees and licenses, and motor vehicle license fees. The county will collect \$43.1 million, largely from property taxes and its share of sales tax revenues. Cities will receive \$18.4 million from a share of property taxes and licenses and fees.

Economic and detailed fiscal impacts by phase are provided in the Appendix.

The total economic impacts spill across industries through indirect and induced effects. The complete list of estimated impacts by industry sector is shown in Exhibit 2-5.

**Exhibit 2-5**  
Distribution of Impacts of Construction Activity by Industry Sector

	Jobs	Labor Income (\$ millions)	Output (\$ millions)
Utilities	10	\$ 2.2	\$ 15.6
Construction	11,830	829.5	1,855.0
Manufacturing	150	10.0	75.0
Wholesale trade	230	16.8	41.1
Retail trade	2,300	91.5	186.2
Transportation and warehousing	390	20.5	55.3
Information	130	17.6	61.1
Finance and insurance	580	45.8	154.1
Real estate and rental	430	13.0	176.2
Professional, scientific technical	860	82.4	136.7
Management of companies	40	4.0	7.8
Administrative and waste services	610	22.7	39.3
Educational services	240	10.9	17.9
Health and social services	1,110	68.2	118.8
Arts, entertainment and recreation	200	7.0	16.1
Accommodation and food services	710	19.0	46.6
Other services	610	30.1	49.4
Government	70	7.1	12.8
<b>Total</b>	<b>20,500</b>	<b>\$ 1,298</b>	<b>\$ 3,065</b>

Source: Estimates by LAEDC

Of the 20,500 jobs generated, 11,830 will be in the construction sector. However, virtually all industry sectors will experience a positive economic impact from the project construction spending, including professional and technical services, health and social services, retail trade, finance and insurance and accommodation and food services.

The values in the exhibit should be interpreted as illustrative of industry effects rather than precise given model and data limitations. A description of these industries is provided in the Appendix. ❖

### 3 Ongoing Annual Impacts of Future Activity

The properties of the Grand Avenue Plan will have a recurring impact on the regional economy once construction is completed and the residential and commercial space is occupied. Annual revenue related to the development will include the additional residential and commercial rents, and the revenues earned by onsite retail stores, commercial establishments, restaurants, onsite parking and, if applicable, hotel operations. Moreover, the new resident households will make purchases at local businesses that are not onsite, adding even more economic activity to the downtown area.

This section quantifies the two separate components of economic activity related to the Grand Avenue project—operational revenues and new resident spending—and estimates the total economic impact of the two components combined.

#### Operational Revenues

Operational revenues are revenues newly introduced into the local economy from the ongoing annual activity at the Grand Avenue Plan properties, and include residential rent revenue, retail activity, food and beverage purchases, activity anticipated to be generated by other commercial tenants, hotel revenues, resident and visitor parking revenue, and expenditures made by the new Broad Museum on Parcel L.

Residential rent revenue is the total amount of rent paid annually by new resident tenants of the properties. The number of units, unit type, projected rents and sales prices per square foot provided by the developer were used to estimate the rents for all units on the properties. Affordability requirements were used to estimate rents on the 20 percent of units set aside.

Commercial property will be home to retail stores, restaurants, businesses providing other services such as laundry and hospitality, and businesses that are involved in professional services such as architects, accounting and legal services. Projected annual revenues for retail and restaurant activity were provided by the developer. Revenues estimates for other commercial activity were derived using employment density and productivity estimates for a variety of industries.



The 300-room hotel to be located on Parcel Q will draw additional revenues into the regional economy. Hotel revenue was derived using expected revenue per available room (RevPAR) at stabilization provided by the developer. RevPAR measures the revenue each room in a hotel generates in a given time period. Additional hotel revenues not included in revenue estimates include mini-bar purchases, spending on in-room entertainment (movies, video games, etc.), and other specialized services like laundry and room services. However, the developer provided a *pro forma* of projected revenues in addition to room revenues, such as meeting and banquet revenues and revenues projected for hotel restaurants and lounges.

Parking revenues for Grand Avenue properties will be collected from three separate sources: visitors, residents and hotel guests. Visitor parking cannot be estimated with any accuracy and has been excluded. Resident tenants of the properties will need a place to park their vehicles. Where detailed data on estimated parking revenues was not provided, the number of parking spots allocated to residential use was estimated by type of unit, and a monthly space rent was assumed at \$100 per space.

Many hotel guests will also use the parking facilities. Hotel parking revenues were calculated using occupancy data, where valuation was estimated to be \$40 per day based on comparable parking rates for the local area. Excess residential and hotel parking was not estimated as it is too inconsistent to estimate with accuracy.

The Broad Museum will add economic activity through its expenditures on staff, exhibits, facilities, maintenance

and other operational functions. The Broad Foundation provided its estimated aggregate annual operating budget which was used as a proxy for museum revenues. This may understate the actual impact of this parcel.

Estimates for activities expected to occur on Parcel W were derived through extrapolation of data and estimates for Parcel Q on a square foot basis.

Using these methods, annual revenues of the ongoing activities at Grand Avenue Plan properties are estimated and summarized in Exhibit 4-1.

**Exhibit 4-1**  
**Estimated Annual Revenues at Grand Avenue Plan Properties**  
 (\$ millions)

	Parcel Q	Parcels L & M	Parcel W	Total
Retail and food and beverage	\$ 101.8	\$ 2.1	\$ 50.9	\$ 154.8
Hotel room and events revenue	43.6	-	-	43.6
Residential rents	12.6	7.8	23.2	43.6
Office activity	16.1	2.2	8.1	26.4
Hotel F&B revenues	25.7	-	-	25.7
Museum	-	10.0	-	10.0
Property mgmt	1.6	-	5.7	7.3
Parking	3.6	0.2	1.0	4.9
Health club	1.4	-	-	1.4
<b>Total Annual Revenues</b>	<b>\$ 206.4</b>	<b>\$ 22.4</b>	<b>\$ 88.9</b>	<b>\$ 317.7</b>

Source: Grand Avenue L.A., LLC; Estimates by LAEDC

The majority of the ongoing revenues will occur on Parcel Q. Not only is this the largest parcel, but the property will contribute the lion’s share of activity because of its mix of uses, which includes a 300-room hotel. ❖

## New Resident Spending

In addition to the ongoing activity occurring at the redeveloped property, a significant impact of the Grand Avenue Plan on the local economy will come from the addition of the new resident households (and their spending) to the neighborhood.

To quantify this impact, the annual income and spending for each new household is first estimated, and then the share of spending that would likely be directed to businesses in Los Angeles County is calculated.

Expected monthly rents and sales prices for each residential unit were provided by the developer, including those set aside to meet affordability criteria.



It is assumed that all units will be rented to households with spending patterns typical to residents of Los Angeles County. Further, it is assumed that the residential towers will experience a 92.7 percent occupancy rate based on the *American Community Survey, 2007-2011* five-year rental vacancy rate for the 90012 zip code area. A higher occupancy rate would translate into higher local spending and larger impacts; the inverse would be true for a lower occupancy rate.

Using expected rents, the income levels of future tenants and homeowners are estimated using data of the percentage of income typically dedicated to housing costs. According to the U.S. Census Bureau’s *American Community Survey* report on housing characteristics, the median household in the downtown zip code of 90012 area of Los Angeles that rents its primary residence pays at least 35 percent of its before-tax income in housing costs. Therefore, the average annual pre-tax income for households living in Grand Avenue residences will exceed \$98,660, and the aggregate annual income of all new residents will exceed \$100 million.

To estimate the local expenditures of typical Los Angeles County households, household spending patterns described in the *Consumer Expenditure Survey, 2012-13* of the Bureau of Labor Statistics of the U.S. Department of Commerce are applied to the household incomes implied by the rents.

The survey disaggregates spending for various categories, including housing, transportation, food, health care, etc. It is assumed that only the following categories represent local retail spending: food away from home, alcoholic beverages, housekeeping supplies,

apparel and services, gasoline and motor oil purchases, personal care products and services, reading, tobacco products and smoking supplies, and a portion of entertainment spending.

Exhibit 4-2 presents estimates of average annual household spending for selected categories in the Los Angeles area.

**Exhibit 4-2**  
Average Annual Household Spending for Selected Categories (Los Angeles MSA)

	Annual Estimate	% of Annual Income
Alcoholic beverages	\$ 613	0.9
Apparel and services	2,150	3.1
Entertainment	2,395	3.4
Food at home	4,337	6.2
Food away from home	3,166	4.6
Gasoline	2,951	4.2
Miscellaneous	915	1.3
Personal care products and services	732	1.1
Public transportation	597	0.9
Reading	95	0.1
Tobacco products	149	0.2
<b>Subtotal</b>	<b>\$ 18,100</b>	<b>26.0</b>
<b>Average Household Income (pre-tax)</b>	<b>\$ 69,562</b>	<b>100.0</b>

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics

The average household in the Los Angeles Metropolitan Statistical Area earns \$69,562 in pre-tax earnings, of which 26 percent or \$18,100 is spent on goods and services that are likely to be purchased near one’s place of residence. The remaining 74 percent of household spending is directed to housing, transportation costs (other than gasoline), health care, personal insurance, pensions, and cash.

Using this information, the projected total annual local retail spending of the new residents in Grand Avenue residences is estimated. These estimates, by spending category, are shown in Exhibit 4-3.

It is estimated that between more than \$57 million will be spent at local businesses by new households living in the residential units of the Grand Avenue Plan project.

The estimates in Exhibit 4-3 are likely to understate the level of local expenditures since the estimates in Exhibit 4-2 assume a linear relationship between spending patterns and incomes (that is, as household income rises, each category continues to receive the same proportion of total household spending). However, demand for



certain goods and services varies with income. Households with higher incomes (and thus more disposable cash) typically spend more on items such as restaurant meals as a proportion of their income.

**Exhibit 4-3**  
Projected Local Spending by New Resident Households

	Parcel Q (\$ millions)	Parcel M (\$ millions)	Parcel W (\$ millions)
Alcoholic beverages	\$ 0.39	\$ 0.20	\$ 1.34
Apparel and services	1.38	0.70	4.70
Entertainment	1.54	0.78	5.24
Food at home	2.79	1.42	9.48
Food away from home	2.04	1.03	6.92
Gasoline	1.90	0.96	6.45
Miscellaneous	0.59	0.30	2.00
Personal care products and services	0.47	0.24	1.60
Public transportation	0.38	0.20	1.31
Reading	0.06	0.03	0.21
Tobacco products	0.10	0.05	0.33
<b>Subtotal</b>	<b>\$ 11.64</b>	<b>\$ 5.92</b>	<b>\$ 39.58</b>
<b>Total New Household Spending</b>	<b>\$ 44.7</b>	<b>\$ 22.73</b>	<b>\$ 152.10</b>

Source: Estimates by LAEDC

Further, the estimates for Parcel Q are based on household spending only, and do not account for local expenditures of hotel guests. Nor are any potential expenditures made by new visitors drawn to the location considered, other than those retail activities occurring at Grand Avenue project businesses, such as at restaurants and retail stores on, say, Hope Street. The project is anticipated to attract new visitors from outside the region; however, lack of data limits the inclusion of this activity. ❖

## Economic and Fiscal Impact

The operational revenues and residential spending estimates are used as inputs to determine the total economic impact in Los Angeles County of all ongoing activity occurring at the Grand Avenue properties. This is presented in Exhibit 4-4.

**Exhibit 4-4**  
Total Annual Economic and Fiscal Impact of Ongoing Operations

Direct Annual Revenues (\$ millions)	\$ 317.7
New Resident Household Spending (\$ millions)	57.1
<b>Total Economic Impact:</b>	
Output (\$ millions)	\$ 500.7
Employment (jobs)	5,030
<i>Direct</i>	<i>3,710</i>
<i>Indirect and induced</i>	<i>1,320</i>
Labor income (\$ millions)	\$ 188.9
<b>Total Fiscal Impact (\$ millions):</b>	
Federal tax revenues	\$ 40.9
State and local tax revenues	62.5

Source: Estimates by LAEDC

It is estimated that ongoing activity at the Grand Avenue properties will generate economic output in Los Angeles County of over \$500 million annually, and support 5,030 jobs with a labor income of \$189 million.

Moreover, this economic activity is projected to generate almost \$62.5 million in state and local taxes and more than \$40 million in federal taxes. The disaggregation of taxes by type and by level of government is shown in Exhibit 4-5.

The largest component of overall tax revenues is property taxes. As a redevelopment project, the new properties of the Grand Avenue Plan will generate an annual increase in property taxes in addition to the ongoing property taxes of workers, residents and business that are impacted by the Grand Avenue project, as the assessed value of the property will rise by at least the value of construction. This may understate the actual reassessment. The property tax rate in this area is estimated to be 1.22 percent. Applied to the construction spending, this implies an annual increase in property tax revenues of \$21.8 million, which is shared among the County of Los Angeles, the City of Los Angeles, Los Angeles School District, the Community College District, and other taxing entities.

Personal income taxes are estimated to be \$18.4 million annually, paid to federal and state governments. Similarly, social insurance payments are made to both state and federal governments and will be \$18.2 million. Sales and excise taxes are estimated to reach \$17 million as a result of the new activity occurring at the property. This category includes transient occupancy taxes which will be earned from the new hotel. Other sources of tax revenues include taxes on corporate profits, motor vehicle license and other taxes and fees paid by businesses and households.

**Exhibit 4-5**  
Detailed Annual Fiscal Impact of Ongoing Operations

<b>By Type of Tax (\$ millions):</b>	
Personal income taxes	\$ 18.4
Social insurance	18.2
Sales and excise taxes	17.0
Property taxes	13.6
Incremental property taxes	21.8
Corporate profits taxes	8.2
Motor vehicle license	0.5
Other taxes and fees paid by businesses	4.4
Other taxes and fees paid by households	1.3
<b>Total</b>	<b>\$ 103.4</b>
<b>By Type of Government (\$ millions):</b>	
Federal	\$ 40.9
State	16.2
County	30.7
<i>Property taxes</i>	<i>29.1</i>
<i>Sales taxes</i>	<i>1.6</i>
Cities	15.6
<i>Property taxes</i>	<i>6.4</i>
<i>TOT taxes</i>	<i>6.3</i>
<i>Sales taxes</i>	<i>0.7</i>
<i>Other fees and fines</i>	<i>2.3</i>
<b>Total</b>	<b>\$ 103.4</b>

Source: Estimates by LAEDC

The federal government will collect almost 40 percent of all tax receipts, earning \$40.9 million annually, consisting mainly of social insurance taxes, personal income taxes and corporate profits taxes. The state of California will collect \$16 million annually, consisting of sales tax revenues, personal income taxes, corporate profits taxes, royalties and rents, fees and licenses, and motor vehicle license fees. The county will collect more than \$30 million, largely from property taxes and its share of sales tax revenues. Cities will receive \$15.6 million from a share of property taxes, the transient occupancy tax and licenses and fees. Most of these tax revenues will be earned by the City of Los Angeles.

Economic and detailed fiscal impacts by phase are provided in the Appendix.

The total annual economic impacts spill across industries through indirect and induced effects. The complete list of estimated impacts by industry sector is shown in Exhibit 4-6.

Of the 5,030 jobs generated annually, about half, or 2,540, will be in accommodation and food services. This includes the hotel staff and workers added in new and existing restaurants and drinking establishments. However, virtually all industry sectors in Los Angeles County will experience a positive economic impact from the new activity occurring at the Grand Avenue properties, including retail trade, health and social services, real estate and rental activities, administrative and waste services, professional and technical services, and finance and insurance.

The values in the exhibit should be interpreted as illustrative of industry effects rather than precise given model and data limitations. A description of these industries is provided in the Appendix. ❖

**Exhibit 4-6**  
Distribution of Annual Impacts by Industry Sector

	Jobs	Labor Income (\$ millions)	Output (\$ millions)
Utilities	5	\$ 0.7	\$ 4.6
Construction	20	1.6	2.9
Manufacturing	20	1.0	7.8
Wholesale trade	30	2.1	5.2
Retail trade	870	28.7	57.7
Transportation and warehousing	80	3.7	8.6
Information	30	6.1	15.2
Finance and insurance	95	7.7	25.2
Real estate and rental	430	9.4	91.6
Professional, scientific technical	290	28.6	45.9
Management of companies	15	1.8	3.5
Administrative and waste services	160	5.9	10.8
Educational services	35	1.6	2.7
Health and social services	160	9.9	17.3
Arts, entertainment and recreation	100	3.9	14.7
Accommodation and food services	2,540	67.5	173.2
Other services	120	6.1	9.7
Government	30	2.5	4.1
<b>Total</b>	<b>5,030</b>	<b>\$ 188.9</b>	<b>\$ 500.7</b>

Source: Estimates by LAEDC

# Appendix

## Details by Parcel

### Exhibit A-1

#### One-Time Incremental Economic and Fiscal Impact of Project Development by Parcel

	Grand Park	Parcel Q	Parcel L	Parcel M	Parcel W	Project Total
Direct Development Expenditures (\$ millions)	\$ 56.7	\$ 770.6	\$ 195.0	\$ 120.0	\$ 705.0	\$ 1,847.3
<b>Total Economic Impact:</b>						
Output (\$ millions)	\$ 100.4	\$ 1,270.9	\$ 332.9	\$ 197.9	\$ 1,162.7	\$ 3,064.9
Employment (jobs)	750	8,310	2,550	1,290	7,600	20,500
Labor income (\$ millions)	\$ 47.4	\$ 526.8	\$ 160.5	\$ 82.0	\$ 482.0	\$ 1,831.0
<b>Total Fiscal Impact (\$ millions):</b>						
Federal tax revenues	\$ 8.6	\$ 99.2	\$ 29.1	\$ 15.4	\$ 90.7	\$ 243.1
State and local tax revenues	\$ 4.5	\$ 63.1	\$ 15.3	\$ 9.8	\$ 57.7	\$ 150.4

Source: Estimates by LAEDC

### Exhibit A-2

#### One-Time Incremental Government Revenue from Project Development by Parcel

	Grand Park	Parcel Q	Parcel L	Parcel M	Parcel W	Project Total
<b>By Type of Tax (\$ millions):</b>						
Personal income taxes	\$ 4.7	\$ 52.3	\$ 15.8	\$ 8.1	\$ 47.9	\$ 128.8
Social insurance	4.4	45.9	15.1	7.2	42.0	114.6
Sales and excise taxes	1.3	20.3	4.4	3.2	18.6	47.7
Property taxes	1.1	18.3	4.0	2.9	16.8	43.1
Corporate profits taxes	0.8	14.9	2.6	2.3	13.6	34.2
Motor vehicle license	0.1	1.0	0.3	0.2	0.9	2.5
Other taxes and fees paid by businesses	0.4	5.9	1.3	0.9	5.4	13.8
Other taxes and fees paid by households	0.3	3.6	1.1	0.6	3.3	8.8
<b>Total</b>	<b>\$ 13.1</b>	<b>\$ 162.3</b>	<b>\$ 44.4</b>	<b>\$ 25.3</b>	<b>\$ 148.5</b>	<b>\$ 393.5</b>
<b>By Type of Government (\$ 000):</b>						
Federal	\$ 8,606	\$ 99,188	\$ 29,113	\$ 15,446	\$ 90,744	\$ 243,096
State	2,823	36,947	9,605	5,754	33,802	88,931
County	1,144	18,331	3,983	2,855	16,771	43,083
Property taxes	938	15,018	3,267	2,339	13,740	35,302
Sales taxes	205	3,313	716	516	3,031	7,781
Cities	489	7,829	1,703	1,219	7,163	18,403
Sales taxes	88	1,420	307	221	1,299	3,335
TOT taxes	206	3,304	719	515	3,023	7,766
Property taxes	5	55	18	9	50	136
Other fees and fines	189	3,051	660	475	2,791	7,166
<b>Total</b>	<b>\$ 13,062</b>	<b>\$ 162,295</b>	<b>\$ 44,404</b>	<b>\$ 25,273</b>	<b>\$ 148,479</b>	<b>\$ 393,513</b>

Source: Estimates by LAEDC

**Exhibit A-3**

**Annual Incremental Economic and Fiscal Impact of Project Activities by Parcel**

	Grand Park	Parcel Q	Parcel L	Parcel M	Parcel W	Project Total
Direct Annual Revenues (\$ millions)		\$ 206.4	\$ 10.0	\$ 12.4	\$ 88.9	\$ 317.7
New Resident Household Spending (\$ millions)		11.6	-	5.9	39.6	57.1
<b>Total Economic Impact:</b>						
Output (\$ millions)		\$ 307.4	\$ 15.7	\$ 24.4	\$ 153.2	\$ 500.7
Employment (jobs)		3,280	70	200	1,500	5,030
Labor income (\$ millions)		\$ 120.9	\$ 3.8	\$ 8.0	\$ 56.1	\$ 188.9
<b>Total Fiscal Impact (\$ millions):</b>						
Federal tax revenues		\$ 25.3	\$ 1.0	\$ 1.9	\$ 12.7	\$ 40.9
State and local tax revenues		\$ 25.6	\$ 0.7	\$ 1.9	\$ 12.4	\$ 40.6
<b>Incremental Property Tax (\$ millions)</b>		\$ 9.4	\$ 2.4	\$ 1.5	\$ 8.6	\$ 21.9

Source: Estimates by LAEDC

**Exhibit A-4**

**Detailed Annual Incremental Government Revenue from Project Activities by Parcel**

	Grand Park	Parcel Q	Parcel L	Parcel M	Parcel W	Project Total
<b>By Type of Tax (\$ 000):</b>						
Personal income taxes		\$ 11,798	\$ 365	\$ 786	\$ 5,592	\$ 18,442
Social insurance		11,596	377	776	5,401	18,150
Sales and excise taxes (includes TOT)		11,050	267	758	4,879	16,955
Property taxes		8,336	240	679	4,368	13,622
Incremental property taxes		9,401	2,379	1,464	8,601	21,845
Corporate profits taxes		4,361	355	560	2,943	8,218
Motor vehicle license		321	10	24	160	515
Other taxes and fees paid by businesses		2,677	78	220	1,417	4,392
Other taxes and fees paid by households		811	25	54	377	1,267
<b>Total</b>		\$ 60,351	\$ 4,096	\$ 5,321	\$ 33,639	\$ 103,407
<b>By Type of Government (\$ 000):</b>						
Federal		\$ 25,314	\$ 975	\$ 1,943	\$ 12,683	\$ 40,915
State		8,712	398	943	6,102	16,156
County		15,191	2,190	1,880	11,427	30,688
<i>Property taxes</i>		6,833	197	556	3,580	11,166
<i>Incremental property taxes</i>		7,706	1,950	1,200	7,050	17,906
<i>Sales taxes</i>		653	44	124	796	1,616
Cities		11,134	532	555	3,427	15,648
<i>Sales taxes</i>		280	19	53	341	693
<i>TOT taxes</i>		6,258	1	2	14	6,275
<i>Property taxes</i>		1,503	43	122	788	2,457
<i>Incremental property taxes</i>		1,695	429	264	1,551	3,939
<i>Other fees and fines</i>		1,398	40	134	733	2,285
<b>Total</b>		\$ 60,351	\$ 4,096	\$ 5,321	\$ 33,639	\$ 103,407

Source: Estimates by LAEDC



## Description of Industry Sectors

The industry sectors used in this report are established by the North American Industry Classification System (NAICS). NAICS divides the economy into twenty sectors, and groups industries within these sectors according to production criteria. Listed below is a short description of each sector as taken from the sourcebook, *North American Industry Classification System*, published by the U.S. Office of Management and Budget (2007).

*Agriculture, Forestry, Fishing and Hunting:* Activities of this sector are growing crops, raising animals, harvesting timber, and harvesting fish and other animals from farms, ranches, or the animals' natural habitats.

*Mining:* Activities of this sector are extracting naturally-occurring mineral solids, such as coal and ore; liquid minerals, such as crude petroleum; and gases, such as natural gas; and beneficiating (e.g., crushing, screening, washing and flotation) and other preparation at the mine site, or as part of mining activity.

*Utilities:* Activities of this sector are generating, transmitting, and/or distributing electricity, gas, steam, and water and removing sewage through a permanent infrastructure of lines, mains, and pipes.

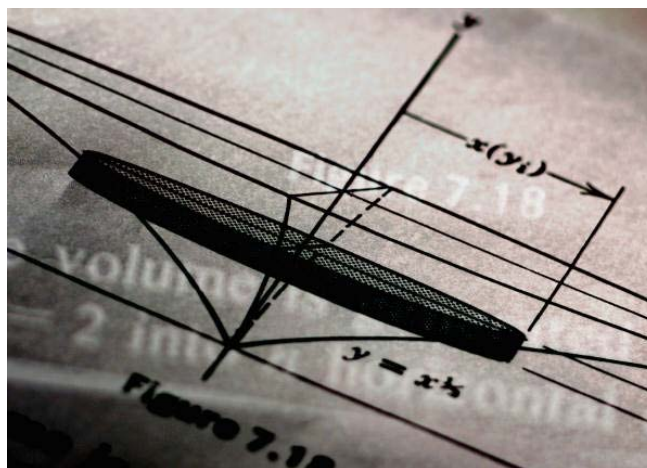
*Construction:* Activities of this sector are erecting buildings and other structures (including additions); heavy construction other than buildings; and alterations, reconstruction, installation, and maintenance and repairs.

*Manufacturing:* Activities of this sector are the mechanical, physical, or chemical transformation of material, substances, or components into new products.

*Wholesale Trade:* Activities of this sector are selling or arranging for the purchase or sale of goods for resale; capital or durable non-consumer goods; and raw and intermediate materials and supplies used in production, and providing services incidental to the sale of the merchandise.

*Retail Trade:* Activities of this sector are retailing merchandise generally in small quantities to the general public and providing services incidental to the sale of the merchandise.

*Transportation and Warehousing:* Activities of this sector are providing transportation of passengers and cargo,



warehousing and storing goods, scenic and sightseeing transportation, and supporting these activities.

*Information:* Activities of this sector are distributing information and cultural products, providing the means to transmit or distribute these products as data or communications, and processing data.

*Finance and Insurance:* Activities of this sector involve the creation, liquidation, or change of ownership of financial assets (financial transactions) and/or facilitating financial transactions.

*Real Estate and Rental and Leasing:* Activities of this sector are renting, leasing, or otherwise allowing the use of tangible or intangible assets (except copyrighted works), and providing related services.

*Professional, Scientific, and Technical Services:* Activities of this sector are performing professional, scientific, and technical services for the operations of other organizations.

*Management of Companies and Enterprises:* Activities of this sector are the holding of securities of companies and enterprises, for the purpose of owning controlling interest or influencing their management decision, or administering, overseeing, and managing other establishments of the same company or enterprise and normally undertaking the strategic or organizational planning and decision-making of the company or enterprise.

*Administrative and Support and Waste Management and Remediation Services:* Activities of this sector are performing routine support activities for the day-to-day operations of other organizations, such as: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

*Educational Services:* Activities of this sector are providing instruction and training in a wide variety of subjects. Educational services are usually delivered by teachers or instructors that explain, tell, demonstrate, supervise, and direct learning. Instruction is imparted in diverse settings, such as educational institutions, the workplace, or the home through correspondence, television, or other means.

*Health Care and Social Assistance:* Activities of this sector are operating or providing health care and social assistance for individuals.

*Arts, Entertainment and Recreation:* Activities of this sector are operating facilities or providing services to meet varied cultural, entertainment, and recreational interests of their patrons, such as: (1) producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) preserving and exhibiting objects and sites of historical, cultural, or educational interest; and (3) operating facilities or providing services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

*Accommodation and Food Services:* Activities of this sector are providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

*Other Services (except Public Administration):* Activities of this sector are providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grant-making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services. ❖

## Study Authors

### **Christine Cooper, Ph.D.**

*Vice President, Economic and Policy Analysis*

Dr. Cooper leads the Economic and Policy Analysis Group whose work involves research in regional issues such as economic impact studies, regional industry analysis and forecasts, workforce development analysis, and issue studies related to the *L.A. County Strategic Plan for Economic Development*. Her fields of expertise include development economics, environmental economics, regional analysis and urban sustainability.

Prior to joining the LAEDC, Dr. Cooper was a co-founder of a start-up company in Hong Kong concentrating on equity transactions software and computer accessories manufacturing, which expanded production into the special economic zone of Shenzhen, China and distributed products throughout the United States and Asia. With her business partner, she also established the first authorized Apple Computer retailer in China. She has been a lecturer at California State University, Long Beach and at the Pepperdine Graziadio School of Business and Management.

Dr. Cooper is a citizen of the United States and Canada. She earned a Bachelor of Arts in Economics from Carleton University in Ottawa, Canada, and a Ph.D. in Economics from the University of Southern California. With funding from the National Science Foundation, she earned a Graduate Certificate in Environmental Sciences, Policy and Engineering. Her current research includes industry cluster determination and performance in the regional economy, commuting and job allocation patterns, and workforce development issues.

### **Shannon M. Sedgwick**

*Associate Economist*

In her current capacity as an Associate Economist at the LAEDC, Ms. Sedgwick develops subject-specific information and data interpretation for economic impact, demographic, transportation, industry and issue studies. She performs research, data collection and organization, analysis and report preparation. Her work focuses on demographics, industry clusters and workforce development in the form of occupational analysis. Ms. Sedgwick is also proficient at conducting geospatial analysis and has experience working with RIMS II multipliers.

Ms. Sedgwick joined the LAEDC team in June of 2008 as an Economic Research Assistant for the Kyser Center for Economic Research. In that role she assisted both Economic Research and the Consulting Practice of the LAEDC with data collection and research, managing multiple data sets covering the State of California, Southern California, its counties and their sub-regions. In addition to writing sections of LAEDC's Economic Forecasts, she was responsible for the "Business Scan" containing a collection of Los Angeles County economic indicators; the annual "L.A. Stats" report, containing the most frequently requested statistics for Los Angeles and its surrounding counties; and was a regular contributor to the weekly economic newsletter, "e-Edge."

Before joining the LAEDC, Ms. Sedgwick managed an industrial and steel supply company located in the Inland Empire. There she identified and targeted a diverse customer base, and analyzed product and customer patterns in the local industrial market to successfully increase revenues.

A Southern California native, Ms. Sedgwick received her Bachelor of Arts in Economics from the University of Southern California (USC) with a minor in Architecture. She has been a member of the national and the Los Angeles Chapter of the National Association for Business Economics (NABE) since 2008.

***Somjita Mitra, Ph.D.***  
*Economist*

Somjita Mitra joined the Economic and Policy Analysis Group as an Economist in June 2013. She is involved in planning, designing and conducting research and analysis for consulting clients and local businesses and governments, as well as for LAEDC's internal departments. Her focus is in regional analysis, economic impact studies and the industrial and occupational structure of local economies.

Before joining the LAEDC, Dr. Mitra was an Economist for a local economic research and litigation consulting company evaluating economic damages, estimating lost profits, identifying key economic issues and developing necessary analytical and empirical frameworks. Prior to this, Dr. Mitra was a Project Director for a consumer research firm in Los Angeles where she managed projects that identified and analyzed key market issues for small, local firms as well as multinational corporations.

Dr. Mitra received her Bachelor of Arts in Economics and Political Science from the University of California, Los Angeles and her Master of Arts in Politics, Economics and Business as well as her Ph.D. in Economics from Claremont Graduate University. Dr. Mitra enjoys volunteering in the local community and is actively involved in both women's welfare and animal rescue organizations. ❖

Los Angeles County Economic Development Corporation  
444 S. Flower Street, 37<sup>th</sup> Floor  
Los Angeles, CA 90071  
(888) 4-LAEDC-1  
[www.LAEDC.org](http://www.LAEDC.org)

