

LOS ANGELES WORLD AIRPORTS: VAN NUYS AIRPORT IN 2015

AN ECONOMIC IMPACT ANALYSIS



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NOVEMBER 2016

This report was commissioned by Los Angeles World Airports.

The LAEDC Institute for Applied Economics 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.

This 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

Van Nuys Airport is a general aviation airport in San Fernando Valley which serves the non-commercial aviation needs of Los Angeles County. Los Angeles World Airports (LAWA), a department of the City of Los Angeles, owns and operates Los Angeles International Airport (LAX) and Van Nuys Airport (VNY). With more than 217,000 takeoffs and landings in 2015 and over 100 businesses located on the 730-acre property, Van Nuys Airport is an important hub of aviation-related activity.

Los Angeles County Economic Development Corporation (LAEDC) has quantified the total economic impact in Los Angeles County of Van Nuys Airport (VNY), including the on-site ancillary activities of airport tenants and subtenants, as well as the economic impact of capital improvement projects on the premises.

Ongoing Activity in 2015

The total economic and fiscal impact in Los Angeles County of VNY including airport revenues, on-site tenants and off-site spending of incoming visitors is shown in Exhibit E-1 and summarized as follows:

- ▶ 10,480 jobs;
- ▶ \$674.6 million in labor income;
- ▶ \$2.0 billion in output (business revenues); and
- ▶ \$124.9 million in state and local taxes, and \$170.4 million in federal tax revenues.

Exhibit E-1
Activity Related to Van Nuys Airport in 2015
Economic and Fiscal Impacts in Los Angeles County

	Ongoing Activities	Visitor Spending	Total
Total Economic Impact:			
Output (\$ millions)	\$ 1,996.6	\$ 9.2	\$ 2,005.7
Employment (jobs)	10,390	90	10,480
Labor income (\$ millions)	\$ 671.0	\$ 3.7	\$ 674.6
Total Fiscal Impact (\$ millions):			
Federal taxes	\$ 169.5	\$ 0.9	\$ 170.4
State and local taxes	124.3	0.6	124.9

* May not sum due to rounding
 Source: Estimates by LAEDC



Capital Improvements

VNY supports many private and government aviation needs while helping to reduce congestion at other local airports, in particular Los Angeles International Airport (LAX). The airport is in the midst of various ACIP (airport capital improvement plan) and non-ACIP projects that will enable VNY to continue to meet the growing non-commercial aviation demands of Southern California. The total economic and fiscal impact over the duration of the program is shown in Exhibit E-2 and summarized as follows:

- ▶ 670 jobs;
- ▶ \$37.2 million in labor income;
- ▶ \$107.5 million in output (business revenues); and
- ▶ \$4.5 million in state and local taxes, and \$8.5 million in federal tax revenues.

Exhibit E-2
Total Annual Economic and Fiscal Impact of Capital Improvement Projects at Van Nuys Airport

Total Economic Impact:	
Output (\$ millions)	\$ 107.5
Employment	670
Labor income (\$ millions)	\$ 37.2
Total Fiscal Impact (\$ millions):	
Federal taxes	\$ 8.5
State / local taxes	4.5

Source: Estimates by LAEDC

1 INTRODUCTION

Van Nuys Airport (VNY) opened as the Metropolitan Airport on December 17, 1928, and quickly became a place for pioneering pilots embracing the future of aviation. Many record-breaking flights during this era were based out of this airport.

The Great Depression dissolved the corporation of private citizens that had initially established the airport, but the site was saved by Hollywood filmmakers. VNY continues to be a sought-after location for filming for various films, television shows and even commercials.

As World War II began, the federal government purchased Metropolitan Airport and converted it into a military base. The U.S. military purchased an additional 163 acres for the construction of the Van Nuys Army Airfield, and its new runways were used to train P-38 Lightning Pilots. The airport also became an important defense manufacturing hub during the war, housing the Navy Lockheed Plant, a joint venture between the U.S. Navy and Lockheed Corporation.

The City of Los Angeles purchased the airport from the U.S. War Assets Administration in 1949 for the token sum of \$1. The California Air National Guard base continued to operate on the premises and the name of the airport was changed to San Fernando Valley Airport. Through the 1950's, the Air National Guard continued to grow by replacing its propeller fleet with F-86 jets and investing in new and permanent facilities at the airport. The decade saw significant growth in general aviation at the airport and in 1957 the airport had its final name change to Van Nuys Airport.

The following decade saw the growth in airport operations with the arrival of aerospace companies, the expansion of the airport, the completion of the Van Nuys Golf Course on the south end and the erection of a control tower that operates to this day. By 1971, Van Nuys Airport had become the busiest general aviation airport in the country with over 562,000 operations.

Throughout the 1970s and 1980s, the airport continued to grow along with the implementation of several community outreach programs. These included the FlyAway Bus Terminal, the implementation of a Noise Abatement and Curfew Ordinance, the formation of the Van Nuys Airport Citizens Advisory Council and adopting Kester Avenue School.



In the 1990's, the airport gained recognition nationally for air shows while continuing to grow business activity. And by 2015, almost 600 aircraft were based at VNY, including 349 propeller aircraft, 162 jets and 48 helicopters.

Exhibit 1-1
Aircraft Based at Van Nuys Airport in 2015

SE Piston	273
ME Piston	50
SE Turboprop	9
ME Turboprop	17
ME Jet	162
Military	6
Helicopter	48
Non-Flyable (All Types)	17
Total Based Aircraft	582

Source: LAWA

The Los Angeles County Economic Development Corporation (LAEDC) has quantified the economic impact in Los Angeles County of Van Nuys Airport and activities related to airport services, as well as visitor spending and capital improvement projects. ❖

Economic Impact Analysis

Economic 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 impact of the activity occurring at Van Nuys Airport 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 region circulates from the initial recipients to the owners and employees of establishments that help supply them with goods and services for purchase.

For example, aircrafts consume large amounts of jet fuel; in 2015 over 21 million gallons of jet fuel and more than 326 thousand gallons of aviation fuel were delivered to VNY. Aviation operations also require food, janitorial supplies and a range of other operating supplies, from paper goods to computer services. They also pay the wages and benefits of their own workers including flight personnel.

The suppliers of all goods and services sold to aircraft owners in turn hire their own staff and purchase parts and other inputs. Workers for these services, as well as at the supplier companies, spend a portion of their incomes on groceries, rent, vehicle expenses, healthcare, entertainment and so on. The recirculation of the original expenditures multiplies the initial impact through these 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 economic agents (such as firms and their employees).

These models are built upon 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 wage 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 materials, goods and services. 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 construction services or an inflow of out-of-town visitors who spend money at local accommodations and retail outlets.

The initial economic impact of the activity occurring at Van Nuys Airport is the revenue earned by Los Angeles World Airports (LAWA), tenants and on-site businesses which results in an injection of funds into the region and circulates from the airport to the owners and employees of establishments that help supply them with goods and services for purchase.

Our approach is to define the geographic area for which we are estimating the economic impact. We begin by estimating the impact of LAWA operations at Van Nuys Airport. We also solicited and analyzed voluntary and confidential surveys of various tenants and subtenants, which provided a picture of the economic activity occurring on the premises of VNY. We then followed with an analysis of all other on-airport activity, including retail, food and beverages, maintenance, aviation services and ground transportation.

We consulted a variety of data sources to determine the direct activity occurring at each geographic unit. Our estimates for LAWA operations at VNY are produced using data from LAWA's Annual Financial Report for the fiscal year ending June 30, 2015.

Our estimates of direct activity for other on-airport operations were developed using GIS mapping of the airport property. This map was overlaid with Census Bureau data on employment by place of work for the 2014 calendar year. The employment data is taken from official unemployment insurance payroll returns filed by all covered businesses and identifies the number of jobs in each industry sector within the defined geography. While accurate insofar as the data is defined, these estimates will underestimate government employment since this is not covered by the unemployment insurance system. Employment estimates are adjusted for the employment growth rate in each industry sector in Los Angeles County from 2014 to 2015 to obtain an estimate of the number of jobs in 2015.

Once the initial direct activity was determined, indirect and induced impacts were estimated using models developed with data and software from IMPLAN Group, LLC. The economic region of interest is Los Angeles County, under the assumption that most of the suppliers and workers are located within the county.

The metrics used to define 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* is 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 retail services supplied.

The total estimated economic impact includes direct, indirect and induced effects. *Direct* activity includes the materials purchased and the employees hired by the airport and its tenants. *Indirect* effects are those which stem from the purchases made by each direct company. For example, indirect jobs are sustained by the suppliers of the office supplies and insurance purchased by LAWA. *Induced* effects are those generated by the household spending of employees whose wages are sustained by both direct and indirect spending.

Our estimates for labor income and output are reported in 2016 dollars. All employment estimates (direct, indirect and induced) are reported on an annual basis, i.e., the number of full- and part-time jobs supported in one year. ❖

2 General Aviation Airports and Van Nuys Airport

General aviation airports are public-use airports without scheduled air service or have fewer than 2,500 annual passenger boardings. Approximately 88 percent of airports in the country are categorized as general aviation airports according to the National Plan of Integrated Airport Systems (NPIAS).

Other types of airports include commercial service, cargo service and reliever airports. Commercial service airports are publicly-owned airports with scheduled passenger service and have at least 2,500 passenger boardings annually. Cargo service airports are those, in addition to other air transportation services, are served by air transportation of only cargo with a landed weight of more than 100 million pounds annually. Reliever airports are designated by the Federal Aviation Administration (FAA) to relieve congestion at commercial service airports and improve general aviation access to the community.

There are several categories of general aviation airports as described in the exhibit below.

Exhibit 2-1
General Aviation Airport Categories

Role	Description
National	Supports the national and state system by providing communities with access to national and international markets in multiple states and throughout the United States
Regional	Supports regional economies by connecting communities to statewide and interstate markets
Local	Supplements communities by providing access to primary intrastate and some interstate markets
Basic	Links the community with the national airport system and supports general aviation activities (e.g., emergency services, charter or critical passenger service, cargo operations, flight training and personal flying)
Unclassified	Provides access to the aviation system

Source: http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/categories/

Exhibit 2-2
Southern California Airports



Source: <http://caaviationday.com/californias-airports/general-aviation-airports/>

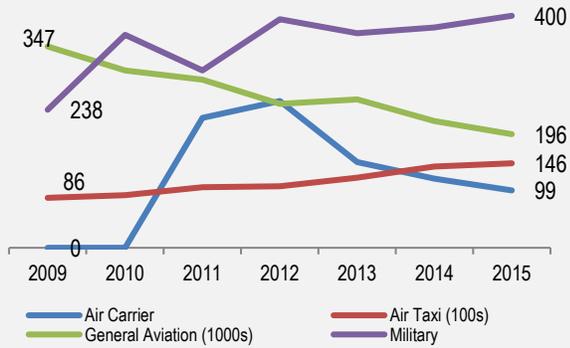
Van Nuys Airport

Van Nuys Airport (VNY) is a publicly-owned airport that is designated as a reliever airport in the national category based on existing aviation activity. The airport provides a general aviation facility (which includes all flying that is not scheduled air carrier service or the military) and is crucial to Southern California’s airport system. It helps reduce congestion and decreases flight delays at Los Angeles International Airport (LAX) and other regional airports and is an important component of the regional approach to meeting aviation demand. The airport also provides an important base and maintenance facilities for fire, air ambulance, search and rescue teams and news media aircraft.

Due to its proximity to downtown Los Angeles and the other business and cultural hubs in Southern California, the airport is used by business travelers and tourists who use private, corporate and charter aircraft. Van Nuys Airport recorded 217,000 takeoffs and landings annually in 2015.

The following exhibit shows the annual aircraft movement at VNY from 2009 through 2015.

Exhibit 2-3
FAA Aircraft Movement



VNY is a key player in the Southern California region, especially in the San Fernando Valley. Both aviation and non-aviation businesses are supported by the airport including fixed-base operators, sales and service for aircraft manufacturers, flight and ground school instruction as well as a golf course complex, various restaurants, a hotel and a home improvement store. ❖

3 Annual Activity at the Van Nuys Airport

The annual activity of the Van Nuys Airport includes the operations of the airport and its property and tenants and ancillary off-site activity resulting from the spending of those who travel through the airport. In this section, the total economic and fiscal activity in the 2015 fiscal year is estimated.

Direct Activity

Direct activity associated with the airport is taken in three parts: the revenues of the airport, the activities of other on-site companies and tenants, and the off-site spending of visiting travelers who inject tourism dollars into the local economy.

Van Nuys Airport Operations

Van Nuys Airport is owned by the City of Los Angeles and operated by Los Angeles World Airports (LAWA) which also operates Los Angeles International Airport (LAX). The airport operates under the Board of Airport Commissioners appointed by the Mayor of Los Angeles.

Air carrier operation at VNY is defined as larger aircraft (more than 60 seats) and does not indicate scheduled air service as normally considered. Scheduled air service is not allowed at VNY. In 2015, VNY recorded 582 based aircraft.

In 2015, Van Nuys Airport saw more than 217,000 takeoffs and landings, including 99 air carrier aircraft designed to carry cargo or passengers, 14,567 air taxi small aircraft designed to make short flights on demand, 195,851 general aviation (which are flights other than scheduled air carrier or non-scheduled air transport operations), and 380 military flights for military operations. Of the approximately 217,000 operations, there were a total of 6,146 after-hours operations, which reflects when the FAA is not staffed.

This activity generated operating revenue of almost \$16.9 million in FY2015, as summarized in Exhibit 3-1 including \$4.4 million in building rentals and \$10.1 million in land rentals.



Total operating expenses in FY2015 was \$15.8 million including \$6.2 million in salaries and benefits and \$3.4 million in contracted services.

Exhibit 3-1 Direct Airport Operations (FY2015)

Operating Revenue (\$ thousands):	
Aviation revenue	
Landing fees	\$ 1
Building rentals	4,427
Land rentals	10,099
Other aviation revenue	2,237
Total aviation revenue	16,764
Other operating revenue	83
Total operating revenue	\$ 16,847
Non-Operating Revenue (\$ thousands):	
	\$ 120
Operating Expenses (\$ thousands):	
Salaries and benefits	\$ 6,204
Contractual services	3,405
Materials and supplies	497
Utilities	338
Other operating expenses*	291
Allocated administrative charges	1,747
Depreciation and amortization	3,341
Total Operating Expenses	\$ 15,823

Source: Los Angeles World Airports, FY 2015 Comprehensive Annual Financial Report

On-Site Ancillary Activity

As a hub of economic activity, Van Nuys Airport encompasses more than the operations of the airport. More than 100 businesses are based on the premises including Airtel Plaza Hotel, Home Depot and four major fixed-base operators (FBOs). These operators are major leaseholders of airport property and, in turn, sublet land and buildings to various subtenants. The FBOs provide storage, parking, aviation fuel, flight instruction, charter flights, aircraft maintenance and sales. Along with the FBOs and their subtenants, there are various ancillary aviation businesses on the premises that provide aircraft repair, avionics and other functions. Van Nuys Airport also hosts operations of various local, state and federal agencies including FAA, TSA, and CBP.

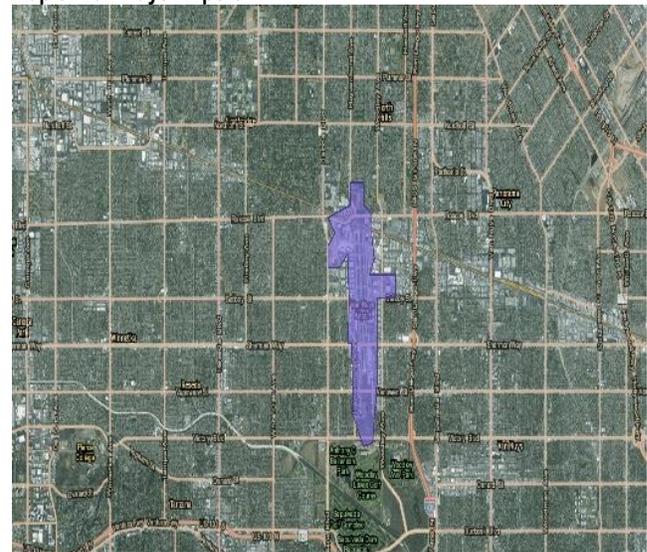
These tenants contribute to the regional economic activity attributable to the airport. To determine the jobs supported by all tenant activity at VNY, tenants and subtenants were asked to complete a confidential survey questionnaire provided by LAEDC. The data, in conjunction with information provided by airport authorities, yielded an estimate of on-site ancillary jobs. However, these responses did not provide complete employment information.

To obtain detailed employment and payroll data estimates across all industries for all on-site ancillary activity not related to LAWA, Van Nuys Airport was defined as a custom site using GIS software. Specialized reports containing place of work can be obtained using the defined custom geography. A map of the custom site of Van Nuys Airport is showing in Exhibit 3-2.

Using the map, payroll data for employment by place of work is estimated for each business location within the defined geography. The summary of employment by industry sector within VNY is shown in Exhibit 3-3.

Almost twenty percent of employees are in transportation and warehousing, which includes aircraft support services, maintenance and repair. Other large industry sectors include wholesale trade, administrative and waste management services and professional, scientific and technical services.

Exhibit 3-2
Map of Van Nuys Airport



Source: ESRI, LAEDC

Exhibit 3-3
Jobs in On-Airport Activity at VNY in 2015

	Jobs
Agriculture, Forestry, Fishing and Hunting	21
Mining, Quarrying and Oil and Gas Extraction	36
Utilities	3
Construction	258
Manufacturing	254
Wholesale Trade	701
Retail Trade	527
Transportation and Warehousing	982
Information	326
Finance and Insurance	39
Real Estate and Rental and Leasing	132
Professional, Scientific and Technical Services	404
Management of Companies	53
Administrative and Waste Management Services	455
Educational Services	35
Health Care and Social Assistance	366
Arts, Entertainment and Recreation	49
Accommodation and Food Services	214
Other Services	230
Government	148
LAWA Employees	56
Total*	5,291

* May not sum due to rounding
Source: U.S. Census Bureau Local Employment Dynamics 2014; Van Nuys Airport; Van Nuys Airport Tenants; Estimates by LAEDC

Economic and Fiscal Impact

Using the financial data for LAWA operations at Van Nuys Airport and employment estimates by industry for all other activities on the property, the economic and fiscal impact of the overall ongoing activity at Van Nuys Airport is estimated for Los Angeles County. These impacts are shown in Exhibit 3-4.

Exhibit 3-4

Total Annual Economic and Fiscal Impact of Ongoing Operations

Total Economic Impact:

Output (\$ millions)		\$ 1,996.6
Employment		10,390
<i>Direct</i>	5,290	
<i>Indirect and induced</i>	5,100	
Labor income (\$ millions)		\$ 671.0

Total Fiscal Impact:

State / local taxes (\$ millions)	\$ 124.3
Federal taxes (\$ millions)	169.5

Source: Estimates by LAEDC

It is estimated that ongoing activities at the airport during 2015 supported 10,390 jobs with total labor income of \$671.0 million.

Additionally, this activity generated almost \$2.0 billion in economic activity and almost \$294 million in total tax revenues. The disaggregation of taxes by type is shown in Exhibit 3-5.

Personal income taxes are estimated to have been \$74.9 million paid to federal and state governments. Similarly, social insurance payments are made to both state and federal governments and were \$73.7 million. Transit occupancy taxes from the hotel on the premises were about \$1.6 million. Other sources of tax revenues include taxes on corporate income, motor vehicle license fees and other taxes and fees paid by businesses and households.

The federal government collected almost 60 percent of all tax receipts, consisting mainly of social insurance taxes, personal income taxes and corporate income taxes. The State of California collected \$64.6 million, consisting of sales tax revenues, personal and corporate income taxes and motor vehicle license fees.

The County of Los Angeles collected about \$40.4 million in taxes, mainly from property taxes and its share of sales tax revenues. Cities received \$19.4 million from their share of property taxes, transient occupancy taxes and licenses and fees.



Exhibit 3-5

Detailed Fiscal Impact of Ongoing Operations

By Type of Tax (\$ millions):

Personal income taxes	\$ 74.9
Social insurance	73.7
Sales and excise taxes	56.2
Property taxes	38.8
Corporate income taxes	31.3
Other taxes and fees	18.9

Total **\$ 293.8**

By Type of Government (\$ millions):

Federal	\$ 169.5
State	64.6
County	40.4
<i>Property taxes</i>	31.8
<i>Sales taxes</i>	8.5
Cities	19.4
<i>Property taxes</i>	7.0
<i>TOT taxes</i>	1.6
<i>Sales taxes</i>	3.7
<i>Other fees and fines</i>	7.1

Total **\$ 293.8**

Source: Estimates by LAEDC; May not sum due to rounding

The total annual economic impact spilled across industries through indirect and induced effects. The complete list of estimated impacts by industry sector is shown in Exhibit 3-6.

Many of the impacts were felt in the transportation and warehousing industry, but many other industries also benefit from the ongoing activities at the airport, including administrative and waste services, retail trade and health and social services. Each of these industries experienced an increase in business revenues and in the number of jobs as the effects of ongoing operations circulated through the economy.

Exhibit 3-6
Annual Economic Impacts by Industry Sector

	Jobs	Labor Income (\$ millions)	Output (\$ millions)
Agriculture	20	\$ 0.9	\$ 1.4
Mining	50	9.0	44.0
Utilities	10	1.4	12.5
Construction	360	19.3	61.8
Manufacturing	320	29.2	145.6
Wholesale trade	840	67.1	206.8
Retail trade	980	35.1	86.2
Transportation and warehousing	1,430	102.6	337.0
Information	530	62.9	272.4
Finance and insurance	330	29.1	83.8
Real estate and rental	500	19.1	164.0
Professional, scientific technical	920	92.6	157.3
Management of companies	140	17.8	34.3
Administrative and waste services	1,170	42.1	113.3
Educational services	140	6.7	10.9
Health and social services	940	54.4	96.0
Arts, entertainment and recreation	210	8.1	17.5
Accommodation and food services	690	21.7	47.3
Other services	610	20.7	36.2
Government	200	31.1	68.3
Total	10,390	\$ 671.0	\$ 1,996.6

Source: Estimates by LAEDC

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. ❖



4 Visitor Spending

Van Nuys Airport, as the general aviation airport for Los Angeles World Airports, serves as an important conduit for various private, corporate and government aviation needs in Los Angeles County. As an airport dedicated to noncommercial air travel, Van Nuys hosts flights other than scheduled air carrier service or military operations.

In 2015, there were more than 217,000 takeoffs and landings at the airport. Some of these flights were for flight instruction or private travel. However, some flights transported visitors to and from the region. Visitors arriving into Los Angeles County through Van Nuys Airport for business or leisure purposes are likely to have spent time in the area, enjoying the local amenities and cultural attractions, staying in local hotels and dining at local restaurants. Such visitor spending generated additional economic impact in Los Angeles County.

Based on discussions with major airport tenants and airport authorities, it is estimated that approximately 32,000 visitors arrived in Los Angeles County through the airport in 2015.

Data provided by the Los Angeles Tourism and Convention Board is used to estimate non-resident spending per visitor as well as the percentage visitors that were domestic day visitors and domestic overnight visitors. Using these, it is estimated that 18,583 domestic overnight visitors to Los Angeles County and 11,417 domestic day visitors arrived through VNY in 2015.

An additional 1,196 visitors are assumed to be international passengers based on data provided by the Customs and Border Protection Agency to airport authorities. Spending for overseas and Mexican visitors was obtained from the *Overseas and Mexican Visitors to California* report from the California Travel and Tourism Commission. To estimate the number of visitors from Canada and their spending, data from the 2014 *Marketing and Planning Resource Book* produced by the Los Angeles Tourism and Convention Board (LATCB) is used. Based on data from this report, it is estimated that about 100 visitors from Canada arrived into the region through Van Nuys Airport.

The total estimated spending by category for all visitors is shown in Exhibit 4-1. Please note that all international



visitor spending regardless of country of origin are shown in aggregate.

Exhibit 4-1

Visitor Spending in 2015

Total Number of Visitors	11,417	18,583	1,196	31,196
(\$ thousands)	Day Visitors	Domestic Overnight	International	Total
Lodging	-	\$ 751.6	\$ 735.2	\$ 1,486.9
Transportation	170.5	511.1	144.0	825.6
Shopping	148.2	451.0	556.7	1155.9
Entertainment	111.2	330.7	310.2	752.1
Food and Beverages	244.6	751.6	453.5	1449.8
Other	66.7	210.5	158.1	435.3
Total*	\$ 741.2	\$ 3,006.5	\$ 2,357.8	\$ 6,105.5

* May not sum due to rounding

Source: Los Angeles Tourism and Convention Board 2014 Marketing and Planning Resource; Overseas and Mexican Visitors to California; Estimates by LAEDC

This spending does not include any spending by the flight crew who may be required to stay overnight in the region and thus underestimates local spending of all visitors to the region.

In total, it is estimated that the almost 32,000 visitors to Los Angeles County through Van Nuys Airport spent over \$6.1 million in 2015 on a variety of goods and services including accommodations, ground transportation, food and beverages and retail purchases.

The largest expenditures, in aggregate, are for food and beverages, lodging and ground transportation.

Economic and Fiscal Impact

Exhibit 4-2 presents the economic impact of visitor spending facilitated by the airport.

Exhibit 4-2

Total Annual Economic and Fiscal Impact of Visitor Spending

Total Economic Impact:

Output (\$ thousands)		\$ 9,162.5
Employment		90
<i>Direct</i>	60	
<i>Indirect and induced</i>	30	
Labor income (\$ thousands)		\$ 3,679.1

Total Fiscal Impact:

State / local taxes (\$ thousands)	\$ 621.6
Federal taxes (\$ thousands)	880.3

Source: Estimates by LAEDC

Visitor spending contributed more than \$9.1 million to the local economy and supported 90 jobs with a labor income of \$3.7 million.

Additionally, this economic activity is estimated to have generated over \$621,600 in state and local taxes and over \$880,000 in federal taxes. The disaggregation of taxes by type is shown in Exhibit 4-3.

Exhibit 4-3

Detailed Fiscal Impact of Visitor Spending

By Type of Tax (\$ thousands):

Personal income taxes	\$ 411.7
Social insurance	398.7
Sales and excise taxes	287.1
Property taxes	178.1
Corporate income taxes	135.7
Other taxes and fees	90.6
Total	\$ 1,501.9

By Type of Government (\$ thousands):

Federal	\$ 880.3
State	264.6
County	170.7
<i>Property taxes</i>	146.0
<i>Sales taxes</i>	24.8
Cities	186.3
<i>Property taxes</i>	32.1
<i>TOT taxes</i>	111.1
<i>Sales taxes</i>	10.6
<i>Other taxes and fines</i>	32.4
Total	\$ 1,501.9

Source: Estimates by LAEDC; May not sum due to rounding



The total annual economic impact will spill across industries through indirect and induced effects, as above, with most of the impacts occurring in retail trade, transportation and warehousing, accommodation and food services and other services industries in Los Angeles County. ❖

5 Capital Improvements

As a busy general aviation airport, LAWA’s Van Nuys airport and its tenants are constantly maintaining, upgrading and constructing new facilities to serve the growing non-commercial aviation needs of the region. Currently, airport tenants are in the midst of \$43.4 million worth of capital improvement projects as listed in Exhibit 5-1.

Exhibit 5-1

Construction Review

Tenant	Improvement	Required/ Planned Investment (\$ millions)	Timeframe
Aerolease Assoc.	Demolish "T" Hangars and replace with GA Hangar, office space and ramp improvements	\$3.0	Complete prior to 12/8/17
Clay Lacy	Definite Improvement Plan (DIP) on or before 12/31/15. Build improvements according to DIP on or before 6/30/18	10.0	Complete prior to 6/30/18
Signature 8361 LLC	Access solution; demolition of 3 "T" hangar bays; and re-develop site	3.0	Complete prior to 12/31/21
Signature 8433 LLC	Concept to be approved	6.3	Various completion dates
Signature 8390 LLC	Concept to be approved	-	Various completion dates
Pacific Aviation Development	Area 0--Street improvements/T conditions	0.6	Complete
Pacific Aviation Development	Area 1-Relocation of eligible propeller aircraft and hangars	3.0	Complete
Pacific Aviation Development	Area 2-Construct 6 buildings (approx.. 56 hangars)	6.0	Completion of construction prior to 12/31/15
Pacific Aviation Development	Area 3-Construct 3 buildings	7.0	Completion of construction prior to 12/31/16
Pacific Aviation Development	Area 4- Construct 4 buildings	4.5	Completion of construction prior to 12/31/17

Source: Van Nuys Airport



Van Nuys Airport is also planning several capital improvement projects over the course of the next 5 years. The following tables list these projects and their estimated time frames. Since these projects have not yet begun, they have not yet generated economic impact in the local region. However, once they begin they will generate significant economic impact through the salaries paid to construction workers and the monies they spend that will re-circulate through the local economy. Please note that although these projects encompass several years, their economic impact will be measured in 2016 dollars.

Exhibit 5-2

VNY ACIP Submittals for FY 2017-2022

Project	Est Total Costs (\$ millions)	Estimated Timeframe
Reconstruct Taxiway A & B and improve lighting (Phase 1)	\$ 3.6	1/2018-12/2018
Taxiway A and B Service Road Improvements (Phase 1)	0.6	1/2018-12/2018
Reconstruct Taxiway A & B and improve lighting (Phase 2)	28.0	1/2019-12/2019
Taxiway A and B Service Road Improvements (Phase 2)	4.7	1/2019-12/2019
Reconstruct Taxiway A & B and improve lighting (Phase 3)	12.0	1/2020-12/2020
Taxiway A and B Service Road Improvements (Phase 2)	2.4	1/2020-12/2020
Reconstruct Runway 16L-34R	5.1	1/2021-12/2021
Construct Bull Creek Service Road	0.5	1/2022-12/2022
Rehabilitate Taxilane B1	1.5	1/2022-12/2022
Rehabilitate Runway 16R-34L	0.6	1/2022-12/2022
Total ACIP	\$ 58.9	

Source: Van Nuys Airport; May not sum due to rounding

Exhibit 5-3

VNY Non-ACIP Submittals for FY 2017-2022

Project	Est Total Costs (\$ millions)	Estimated Timeframe
7701 Woodley Ave-Bldg 901 switchgear update	\$ 0.9	2017-2018
Radio Communications System Improvement (VNY)	0.5	2020-2021
Underground Storage Tank (UST) Removal (VNY)-Jet Center	0.7	2017-2018
Underground Storage Tank (UST) Removal (VNY)-Maintenance Yard	2.9	2018-2019
Total Non-ACIP	\$ 5.0	

Source: Van Nuys Airport



additional \$2.7 million consisting of sales revenues, personal and corporate income taxes and motor vehicle license fees. ❖

Economic and Fiscal Impact

Van Nuys Airport will be spending \$63.9 million on ACIP and non-ACIP projects through 2022. The exhibit below summarizes the economic impact in Los Angeles County of these projects.

Exhibit 5-4

Total Annual Economic and Fiscal Impact of ACIP and non-ACIP Capital Improvement Projects at Van Nuys Airport

Total Economic Impact:		
Output (\$ millions)		\$ 107.5
Employment		670
<i>Direct</i>	410	
<i>Indirect and induced</i>	260	
Labor income (\$ millions)		\$ 37.2
Total Fiscal Impact (\$ millions)		
State / local taxes		\$ 4.5
Federal taxes		8.5

Source: Estimates by LAEDC

The capital improvement projects undertaken at Van Nuys Airport will generate 670 jobs including 410 direct jobs and 260 indirect and induced jobs with a total labor income of \$37.2 million. This spending will contribute \$107.5 million to the local economy.

Additionally, this economic activity is projected to generate \$4.5 million in state and local taxes and \$8.5 million in federal taxes. The disaggregation of taxes by type is shown in Exhibit 5-5.

The federal government will collect almost two-thirds of all tax receipts annually consisting mainly of social insurance taxes, personal income taxes and corporate income taxes. The State of California will receive an

Exhibit 5-5

Detailed Fiscal Impact of Capital Improvement Projects

By Type of Tax (\$ millions):

Personal income taxes	\$ 4.2
Social insurance	3.9
Sales and excise taxes	1.7
Property taxes	1.2
Corporate income taxes	1.3
Other taxes and fees	0.7

Total \$ 13.0

By Type of Government (\$ millions):

Federal	\$ 8.5
State	2.7
County	1.2
<i>Property taxes</i>	1.0
<i>Sales taxes</i>	0.3
Cities	0.5
<i>Property taxes</i>	0.2
<i>Sales taxes</i>	0.1
<i>Other taxes and fines</i>	0.2

Total \$ 13.0

Source: Estimates by LAEDC; May not sum due to rounding

Incremental Tenant Improvements

Based on discussions with tenants and airport authorities, there may be various smaller projects undertaken by tenants that are not included for confidential or privacy reasons. Exhibit 5-1 is not an exhaustive list of projects. Without a complete list of all these projects and their associated costs and years of construction, the economic impact of capital improvement projects will be *underestimated*. We were not able to determine the exact amount spent in 2015 for these projects. Therefore, we were not able to quantify the *total* economic impact of these capital improvement projects.

Therefore, this section estimates the *incremental* impact of every \$1 million worth of capital improvement projects. This provides a picture of the economic impact of construction at Van Nuys Airport.



Economic and Fiscal Impact

Exhibit 5-6 presents the incremental economic impact of every \$1 million worth of tenant capital improvement projects at the airport.

Exhibit 5-6

Total Annual Economic and Fiscal Impact of Incremental Capital Improvement Projects at Van Nuys Airport

Total Economic Impact:	
Output (\$ thousands)	\$ 1,682.3
Employment	10
<i>Direct</i>	5
<i>Indirect and induced</i>	5
Labor income (\$ thousands)	\$ 582.8
Total Fiscal Impact:	
State / local taxes (\$ thousands)	\$ 70.3
Federal taxes (\$ thousands)	132.4

Source: Estimates by LAEDC

For every \$1 million worth of capital improvement projects undertaken at Van Nuys Airport, 10 jobs will be added including 5 direct and 5 indirect and induced with a total labor income of almost \$600 thousand. This spending will contribute almost \$1.7 million to the local economy.

Additionally, this economic activity is projected to generate \$70.3 thousand in state and local taxes and

\$132.4 thousand in federal taxes. The disaggregation of taxes by type is shown in Exhibit 5-7.

The federal government will collect over one third of all tax receipts annually consisting mainly of social insurance taxes, personal income taxes and corporate income taxes. The State of California will receive an additional \$42.2 thousand consisting of sales tax revenues, personal and corporate income taxes and motor vehicle license fees. Tax receipts, along with total economic impact, will increase with every additional \$1 million worth of capital improvement projects. ❖

Exhibit 5-7

Detailed Fiscal Impact of Incremental Capital Improvement Projects

By Type of Tax (\$ thousands):	
Personal income taxes	\$ 65.7
Social insurance	60.7
Sales and excise taxes	26.7
Property taxes	18.7
Corporate income taxes	20.2
Other taxes and fees	10.8
Total	\$ 202.7
By Type of Government (\$ thousands):	
Federal	\$ 132.4
State	42.2
County	19.5
<i>Property taxes</i>	15.3
<i>Sales taxes</i>	4.2
Cities	8.6
<i>Property taxes</i>	3.4
<i>Sales taxes</i>	1.8
<i>Other taxes and fines</i>	3.4
Total	\$ 202.7

Source: Estimates by LAEDC; May not sum due to rounding

Appendix

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 (2012).

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.

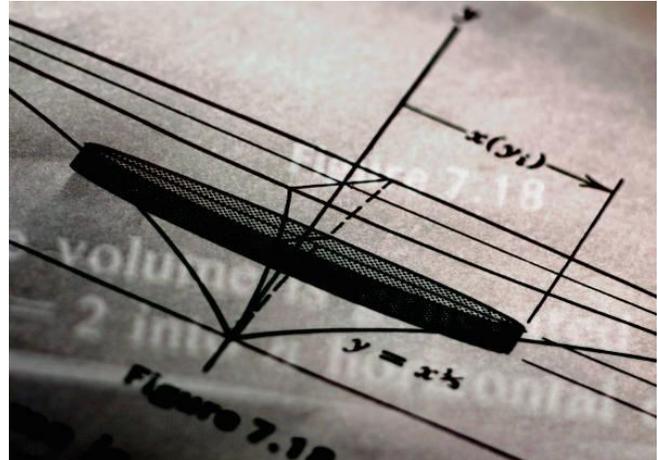
Utilities: Activities of this sector are generating, transmitting, and/or distributing electricity, gas, steam, and water and removing sewage through a permanent infrastructure of lines, mains, and pipes.

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. ❖



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