CENTRAL CITY ASSOCIATION
OF LOS ANGELES

Downtown’s Contribution to the City of Los Angeles’ Economy, 1999-2019

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About Beacon Economics

Founded in 2007, Beacon Economics, an LLC and certified Small Business Enterprise in California, is an independent research and consulting firm dedicated to delivering accurate, insightful and objectively based economic analysis. Leveraging unique proprietary models, vast databases and sophisticated data processing, the company’s specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis and economic impact studies. Beacon Economics equips its clients with the data and analysis required to understand the significance of on-the-ground realities and to make informed business and policy decisions.

About Central City Association

Central City Association (CCA) is the premier advocacy organization in the Los Angeles region and leading visionary on the future of Downtown Los Angeles (DTLA). Since its founding in 1924, we have produced meaningful results for our members and the Downtown community. We maximize our effectiveness by leading, convening and collaborating with stakeholders to form strong partnerships and coalitions. CCA represents the interests of 400 businesses, trade associations and nonprofits from a broad range of industries that collectively employ more than 350,000 people in the county.

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During the first half of the 20th century, Downtown Los Angeles (DTLA) was the undisputed center of economic, cultural, and civic life in Los Angeles. Yet after World War II, as in many other downtown areas throughout the nation, DTLA fell victim to suburbanization. People and jobs fled by the thousands to other parts of the city and the broader Southern California region. This process left behind dilapidated buildings, empty parking lots, decaying infrastructure, deserted streets, and deteriorating public services in the region’s once vibrant core.

In response, the City of Los Angeles undertook a number of efforts to revitalize this part of the city. This happened over the course of several Mayoral Administrations. Some of the more famous initiatives included the Red Line Subway project, which was the brainchild of Mayor Tom Bradley, and the Adaptive Reuse Ordinance (1999), which made it easier to repurpose historic buildings by waiving certain provisions in the zoning code.

Perhaps the least known initiative, at least in name only, occurred in the South Park neighborhood. In the early 1990s, 25% of the South Park neighborhood was comprised of parking lots, while another 25% of the land was vacant and undeveloped, and much of the existing retail space was empty. To revitalize this area of the city, on October 31, 1997, the City Council (by a margin of 13-2) approved the Disposition and Development Agreement (“DDA”), in which the city engaged the L.A. Arena Development Company to build a new sports arena, which would later be called the Staples Center, as well as a 5.6 million square foot entertainment district later known as L.A. LIVE. The city made two major commitments as part of the agreement. First, the city provided public funds to support the construction of the area. In total, the city borrowed $58.5 million for the project, which was used to acquire and prepare the site, as well as to pay for the relocation of residents and the Los Angeles Children’s Center. In addition, the city expedited and provided assistance to the developer in attaining entitlements, easements and other planning approvals.

Furthermore, over the past 40 years, a series of successful ballot initiatives have raised income to expand the city’s rail network. DTLA is at the center of the region’s expanding rail network, and is now connected to Santa Monica, Pasadena, the San Fernando Valley, South Los Angeles and Long Beach by rail. Private investment has also been spurred by city investments in streetscape improvements like MyFig and Main and Spring Forward that have added protected bike lanes in Downtown. Investments in parks and open spaces have also propelled Downtown, with places like South Park Commons, Grand Park, Grand Hope Park and LA State Historic Park, and other parks under development, like First and Broadway Park, the 6th Street Viaduct and the redesigns of Pershing Square and Gilbert Lindsay Plaza.

- Since the late 1990s, DTLA has become more important to the city’s economy, along a variety of measures.
- Over the period 1998-2016, DTLA accounted for 34 percent of all private jobs added to the city’s economy.
- Beyond its contribution to total jobs, DTLA has been a significant contributor to job growth in certain of the city’s industries. DTLA has accounted for:
  - 40% of the city’s employment growth in the Arts and Entertainment Industry
  - 64% of the employment growth in the Construction Industry
  - 40% of the employment growth in the Management of Companies and Enterprises Industries
  - 43% of the employment growth in the Professional, Scientific and Technical Services Industries
- In 2016, DTLA employers’ paid an annual average wage of $74,883 compared to $59,254 for the entire city economy. The gap between DTLA and City of LA wages has increased over time. In 1994, DTLA wages were 15% higher than the city average; in 2016 DTLA wages were 26% higher.
- As such, DTLA has become an important contributor to citywide wage growth. If wages in DTLA had grown at the same rate as in the rest of the city’s economy, the city’s average wage would have been $57,695 per year instead of $59,254 in 2016.
- DTLA has become an increasingly important revenue generator for the city. Since the late 1990s, DTLA’s share of the city’s Transient Occupancy Tax (TOT) or “Hotel Tax” revenue has increased from 18% to 24%. Since the late 1990s, DTLA’s share of the city’s assessed property values increased from 5% to 7%. While since the mid-2000s, DTLA’s share of the city’s sales tax receipts increased from 19% to 23%.
- Overall, DTLA has experienced a remarkable transformation since the late 1990s. DTLA accounts for less than 1% of the city’s total land, but has seen disproportionately high growth in housing and population, compared to the rest of the city. DTLA is more important to the City of LA today than it has been for decades.
This report considers two primary ways in which DTLA’s contribution to the city’s economy has changed over the past 20 years. The first relates to DTLA’s contribution to the city’s finances.

Over the past 20 years, DTLA has become a more important source of revenue for the city. This change can be seen in relation to DTLA’s growing contribution to four key revenue sources: Business Taxes, Transit Occupancy Taxes (TOT) (“Hotel” Taxes), Assessed Property Values (which generate Property Taxes) and Sales Taxes. Together these four taxes account for around 60% of the city’s general fund revenue.

Business Taxes

- Each year, every person who engages in business within the City of Los Angeles is required to obtain a Tax Registration Certificate(s), pay the associated business tax or obtain an exemption. Business taxes account for around 10% of the city’s revenue.

- The following chart tracks the amount of business taxes generated per establishment in DTLA and the City of Los Angeles. In 2019, the average business establishment in DTLA generated around $6,000 per year in business taxes compared to around $2,500 for the entire city. This gap has increased over time.
Transient Occupancy Taxes (TOT)

- If a property is located within the City of Los Angeles and is rented out to transient occupants (such as hotels) for 30 calendar days or less, a 14% tax applies. The TOT accounts for around 5% of the city’s revenue.

- DTLA’s share of the city’s Transient Occupancy Tax (TOT) or “Hotel Tax” has increased greatly since the late 1990s, growing from 18% to 24% of the city’s total. This can be attributed to the growth of the entertainment complex in DTLA, where notable changes include the renovation of the Ace Hotel and construction of the JW Marriott Hotel in the LA LIVE complex.

- DTLA receives more than 22 million visitors per year, who generate a revenue per available room of roughly $173.
### Assessed Property Values

- Property owners are required to pay a tax based on the assessed value of their properties. These taxes are collected by the city and county. Property taxes account for about a third of the city's revenue.

- Finally, DTLA has accounted for a greater share of the city's assessed property value over time, growing from 5% to 7% of the city's total since 1998. This change can be attributed to the growth in residential and commercial properties in DTLA and a growth in the value of the properties located there.
Sales Taxes

- Sales Taxes are administered by the state and local governments. Retailers collect sales tax at the point of sale on their goods and then they send their collections to the government. Sales taxes account for about 10% of city revenues.

- Sales tax data are not available as far back as the late 1990s, but a clear trend can be detected since 2007. DTLA's contribution to the city's sales tax receipts has grown from 19% to 23% of the total since this time.

Downtown Los Angeles Sales Tax Receipts

Source: Los Angeles City Office of Finance, Analysis by Beacon Economics
• In 2016, downtown Los Angeles was home to around 215,000 private sector jobs. This represented roughly 19% of the total private sector jobs located in the city. DTLA’s share of city employment has been relatively stable since the late 1990s.

• Since 1998, the DTLA economy has added around 20,000 jobs. This represents a growth of 10.4%. Over this period, DTLA has added jobs at a much faster rate than in the rest of the city. DTLA has accounted for 34% of all jobs added to the city’s economy, which added 60,000 jobs over the period.

• Beyond its importance to total citywide job growth, DTLA has been a significant contributor to the employment growth of a number of industries within the city. Most notably, DTLA has account for:
  - 40% of the city’s employment growth in the Arts and Entertainment Industry
  - 64% of the employment growth in the Construction Industry
  - 40% of the employment growth in the Management of Companies and Enterprises Industries
  - 43% of the employment growth in the Professional, Scientific and Technical Services Industries

• At the same time, DTLA has been a leading contributor of citywide job losses in the finance and insurance industry, where DTLA accounted for 65% of all citywide job losses in the sector, and transportation and warehousing, where DTLA accounted for all of the city’s job losses in the sector.
Employment Statistics for DTLA and City of LA

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<tr>
<td>Accommodation</td>
<td>24,414</td>
<td>12,078</td>
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<td>Admin Support</td>
<td>11,760</td>
<td>2,606</td>
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<td>Agriculture</td>
<td>8</td>
<td>-10</td>
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<td>Arts/Ent.</td>
<td>10,043</td>
<td>6,418</td>
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<td>Construction</td>
<td>2,309</td>
<td>681</td>
<td>1,057</td>
<td>64%</td>
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<td>Education</td>
<td>5,638</td>
<td>4,292</td>
<td>19,367</td>
<td>22%</td>
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<tr>
<td>Finance/Insurance</td>
<td>22,187</td>
<td>-5,252</td>
<td>-8,071</td>
<td>-65%</td>
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<td>Health Care</td>
<td>14,214</td>
<td>4,640</td>
<td>34,803</td>
<td>13%</td>
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<tr>
<td>Information</td>
<td>4,795</td>
<td>-853</td>
<td>1,120</td>
<td>-0.43%</td>
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<tr>
<td>Management</td>
<td>8,000</td>
<td>3,830</td>
<td>9,600</td>
<td>40%</td>
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<tr>
<td>Manufacturing</td>
<td>10,676</td>
<td>-24,694</td>
<td>-103,011</td>
<td>-24%</td>
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<td>Mining</td>
<td>192</td>
<td>107</td>
<td>230</td>
<td>306%</td>
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<tr>
<td>Other Services</td>
<td>11,726</td>
<td>704</td>
<td>230</td>
<td>306%</td>
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<td>Prof,Sci,Tech.</td>
<td>32,835</td>
<td>7,590</td>
<td>17,783</td>
<td>43%</td>
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<tr>
<td>Real Estate</td>
<td>5,443</td>
<td>182</td>
<td>5,824</td>
<td>3%</td>
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<td>Retail Trade</td>
<td>14,548</td>
<td>5,250</td>
<td>20,094</td>
<td>26%</td>
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<td>Transp./Warehouse</td>
<td>4,429</td>
<td>-1,298</td>
<td>-851</td>
<td>-153%</td>
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<td>Utilities</td>
<td>1,356</td>
<td>922</td>
<td>1,545</td>
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<td>Wholesale Trade</td>
<td>30,041</td>
<td>3,020</td>
<td>-2,832</td>
<td>52%</td>
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<td>Total All Industries</td>
<td>214,584</td>
<td>20,224</td>
<td>60,021</td>
<td>34%</td>
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</table>

Source: County Business Patterns, Analysis by Beacon Economics

- Downtown is home to a disproportionate share of many of the city's key industries. The chart below reveals DTLA's share of city employment across major industry sectors. The chart reveals that 20% of all of the city's employment is located in downtown, but DTLA is home to a greater share of the city's employment in the following industries:
  - Art and entertainment (25%)
  - Finance and Insurance (45%)
  - Management of Companies and Enterprises (28%)
  - Professional, Scientific and Technical Services (30%)
  - Wholesale Trade (34%)

- For the most part these are relatively high paying industries that generate wealth for the city's economy. Typically these industries thrive in vibrant, dense environments where face-to-face interaction and information is still a core input to business operations.

- DTLA is also home to a large share of mining and utilities industries, but these are relatively small industries, employing fewer than 1% of workers citywide.
The following chart compares the importance of each major industry to the DTLA and City of Los Angeles’ economies.

- Finance and insurance, Professional, Scientific and Technical Services and Wholesale trade are each larger shares of the DTLA economy than they are for the rest of the city.

- By contrast, Retail Trade, Manufacturing and Health Care make up a larger share of the city’s economy than is the case for DTLA.
Wages

- In 2016, employers paid an average wage of $74,883 in DTLA compared to $59,254 for the entire city.

- The gap between DTLA and City of LA wages has increased over time. In 1994, DTLA wages were 15% higher than the average city wage; in 2016 DTLA wages were 26% higher the city’s average.

### Annual Average Private Wage: City of Los Angeles vs Downtown

![Graph showing the comparison between Downtown and City of Los Angeles wages from 1994 to 2016.](image)

Source: County Business Patterns, Analysis by Beacon Economics
• Jobs in DTLA account for a larger share of city payroll today than was the case in the 1990s. Since 1994, payroll in DTLA has grown from 22% to 24% of the city’s total payroll. This has meant that the performance of the DTLA economy has been a driver of citywide wage growth over this period.

• Over the period 1994-2016, the wages paid in DTLA increased by 105% (practically doubling). Over this same time frame, wages in the City of LA increased by 87%.

• The performance of the DTLA economy has been a major contributor to citywide wage growth. Without the performance of DTLA, wages in the City of LA would have increased by only 83%, meaning that citywide wages would have stood at $57,695 per year instead of $59,254 in 2016. In other words, had wage growth in DTLA grown at the same rate as in the rest of the city, citywide average wages would have been over $1,500 lower per year in 2016.
Establishments

- There were nearly 1,000 more business establishments in DTLA in 2016 than in 1994.

- At the same time, DTLA’s share of the city’s total business establishments has fallen. Since DTLA has added relatively more jobs than in the rest of the city, this simply means that the business establishments in DTLA employ more workers on average than in the rest of the city.

- The biggest growth in business establishments in DTLA occurred in the Wholesale Trade, Professional, Scientific and Technical Services, Retail and Accommodation industries, while the number of manufacturing business establishments declined by 1,000. This change in manufacturing establishments is indicative of broader trends in the national economy whereby automation and globalization have contributed to the industry’s contraction in high cost areas.

Establishment Change by Sector 1998-2016

Source: County Business Patterns, Analysis by Beacon Economics
The chart below tracks the importance of small businesses to the DTLA economy. Small businesses are defined as those establishments that have 50 employees or fewer.

Over the period 1994-2016, around 1,900 additional small business establishments emerged in the DTLA economy.

These businesses account for the overwhelming majority of establishments in the DTLA economy. In 2016, small business accounted for 95% of all establishments in DTLA.
Overall, DTLA has experienced a remarkable transformation since the late 1990s. DTLA is more important to the City of Los Angeles today than it has been for decades. This change can be observed along a variety of metrics. First, since the 1990s DTLA has accounted for 34 percent of all private jobs added to the city’s economy. Second, DTLA is increasingly a home to the city’s highest paying jobs. In 2016, DTLA employers paid an annual average wage of $74,883 compared to $59,254 for the entire city economy. The gap between DTLA and City of LA wages has increased over time. In 1994, DTLA wages were 15% higher than the city average; in 2016 DTLA wages were 26% higher. Third, DTLA has become an increasingly important revenue generator for the city. Since the late 1990s, DTLA’s share of the city’s Transient Occupancy Tax (TOT) or “Hotel Tax” revenue has increased from 18% to 24%. Since the late 1990s, DTLA’s share of the city’s assessed property values increased from 5% to 7%. While since the mid-2000s, DTLA’s share of the city’s sales tax receipts increased from 19% to 23%. As the center of the city’s economy, DTLA warrants the attention it has received from the city’s policymakers.
Employment figures for Downtown Los Angeles and the City of Los Angeles were derived from the Census’ ZIP Codes Business Patterns data, which provide annual statistics for businesses at the zip code level. To estimate industry-level employment, we employ the same framework outlined in Glaeser (2001). For the City of Los Angeles we relied on a balanced panel of zip codes, and for Downtown Los Angeles the following were used:

The following zip codes are used to define DTLA: 90012, 90013, 90014, 90015, 90017, 90021, 90071.

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