

From the Pockets of Strangers

Economic Impacts of Tourism in
Los Angeles and Five Competing
Metropolitan Destinations

2006

**ECONOMIC
ROUNDTABLE**

A Nonprofit, Public Policy Research Organization

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Underwritten by LA INC.
The Convention and Visitors Bureau

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This report has been prepared by the Economic Roundtable, which assumes all responsibility for its contents. Data, interpretations and conclusions contained in this report are not necessarily those of any other organization that supported or assisted this project.

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Chapter 1

Executive Summary

Key Findings

Los Angeles is the 4th largest visitor destination in the US. Even in years of weakened demand, LA succeeds in attracting more than 23 million domestic and international visitors, as reported by CIC Research. Last year 24.2 million visited LA. And today, by the usual industry measures, the LA visitor economy is prospering. Year to date hotel occupancies in LA are higher than those in Phoenix, San Diego and San Francisco. However, hotel room revenue, while gaining strength over the past two years, still lags behind LA's competitive set in San Diego, Las Vegas, New York and San Francisco.

While the visitor industry is a key economic engine for LA, it's Lodging industry shows signs of structural weakness. Compared to the size of its visitor economy, LA's Lodging inventory is only 62 percent of the national average. Compared to other cities with which it competes for tourism spending, LA's Lodging industry serves a relatively small number of visitors given the size of our economy. Its employment and revenue are underdeveloped relative to the size of the destination.

Directly related to the underdeveloped hotel industry is the fact that LA's Lodging industry generates only 64 percent as many jobs as does the hotel industry in the national economy. Lodging wages in LA are lower than in most regions with which LA competes. The average Lodging industry worker in LA earns roughly three quarters of a living wage.

There is a clear public policy opportunity to generate higher revenue per available room and, in so doing, drive up demand for new hotel inventory along with the workers and wages to service them.

Purpose

From the Pockets of Strangers studies the economic and employment impacts of tourism in general and the Lodging industry in particular in Los Angeles County compared to five other metropolitan destinations that constitute LA's competitive set: Las Vegas, New York, Phoenix, San Diego, and San Francisco. The purpose is to inform public policy about:

1. LA's standing as a destination for visitors
2. The economic benefits of tourism for Lodging industry workers
3. Actions that can be taken to increase economic benefits from tourism

Economic Impacts of Tourism

Tourism affects every area of the economy, but its most important impact is on the Lodging industry. One of the central findings of this study is that LA fares well from the many of the less visible connections with tourism, such as film distribution, but fares comparatively poorly in the center-piece industry – Lodging.

Tourism accounted for 3.2 percent of LA's total industry output in 2002, making it a \$21 billion market and generating roughly 180,000 jobs. Between 4 and 5 percent of Los Angeles residents are employed in tourism linked jobs, putting it above the national average but below Phoenix, San Francisco and Las Vegas.

LA's highest paid jobs in major tourist-linked industries are in Air transportation and Motion picture distribution and Performing arts. The lowest paid jobs are in Food services and drinking places. The Lodging industry as a whole also pays comparatively low wages. If we look at all of the jobs generated by tourism in each region, each with its own mix of industries and living standards, we see that LA's non-hotel, tourism-linked jobs have the highest average pay of any region investigated in this study – \$36,252 in 2002.

The industry mix of LA's tourism-linked jobs differs from the overall US economy. Compared to other regions that compete for tourists as well as to the US economy, LA has a highly developed transportation infrastructure for moving large volumes of travelers, along with a highly developed cultural and recreational sector. However its Lodging industry is comparatively small. This presents an as yet unrealized opportunity for growth in consumer spending, new employment and higher tax yields for both City and State government.

Lodging Industry

Lodging is the cornerstone industry for tourism, accounting for a fifth of the total impacts of tourism in the national economy but only 7 percent in LA's economy. Key indicators of the health of this industry include the size of the room inventory, room rates, occupancy rates, and average revenue per available room.

LA has roughly 97,000 hotel and motel rooms, which comes to 1.5 rooms per \$10 million of economic output or 1.8 rooms per 100 workers in the regional economy. This is well below the national average of 2.4 rooms per \$10 million of economic output or 3.2 rooms per 100 workers in the regional economy.

From a public policy perspective, indirect business taxes (sales and room taxes) are a key benefit that local government derives from tourism. Los Angeles receives the smallest share of its total indirect business taxes from the Lodging industry of any of the six regions studied – 0.8 percent. The share of this revenue that other regions in LA's competitive set receive from Lodging ranges from 1.2 percent in New York up to 21.5 percent in Las Vegas.

LA's room rates are among the lowest for its competitive set, averaging \$110 a night so far this year, with actual revenue per available room averaging \$82 a night. When we index room rates and revenue to the cost of living in each region we see that LA receives the lowest compensation of any region in its competitive set.

Jobs in the Lodging Industry

An important public interest in Lodging is the number and quality of jobs that are provided. LA's Lodging industry provides roughly 27,000 tourism-linked wage and salary jobs, and another 10,000 jobs linked to local demand. These jobs are concentrated in Food preparation and serving occupations and Building cleaning and maintenance occupations. LA's Lodging industry creates one job for every \$78,500 dollars in annual revenue, and 34 percent of industry revenue in LA is spent on employee compensation. A typical Lodging industry worker in Los Angeles adds about \$67,000 a year in value to the industry.

When the earnings that Lodging industry workers reported in the 2000 Census are compared to the living wage (i.e., the amount a worker needs to earn to pay minimal housing, food, transportation, childcare, and medical costs) for one parent with one child we see that the average Lodging worker in Los Angeles earned a little over three-quarters of a living wage.

Lodging industry workers in Los Angeles reported working an average of 1,750 hours in 1999, one of the LA's visitor industry's best years. This was the shortest work year of any of the six regions studied. This shortfall from a full work year has the effect of reducing potential annual earnings by 16 percent. At the same wage rate, full-time work would raise earnings for the average worker up to 91 percent of the living wage. LA's unemployment rate among Lodging industry workers in 2000 was about two-thirds higher than the overall unemployment rate for the county.

A relatively small share of hotels account for most Lodging industry employment. Ten percent of establishments have 100 or more employees, but these establishments account for 67 percent of workers employed by the industry. Lodging industry wages vary considerably based on the size of establishments. Establishments with 200 or more employees paid an average of \$2,131 a month in 2002, 56 percent more than the average of \$1,364 at establishments with 10 to 19 employees.

Conclusion

LA obtains an atypically small share of employment, taxes and economic output from Lodging. LA's inventory of Lodging rooms is skewed toward low-cost markets, producing a far lower level of return for either the public or the private sector than in other regions in LA's competitive set.

A key goal for strengthening LA's Lodging industry should be to increase both the hotel room count and the average daily rate. New York provides a useful standard of comparison because, like Los Angeles, it has a very large, diverse economy and a highly heterogeneous population. Relative to its cost of living, New York's average room rate is 33 percent higher than LA's and its revenue per available room is 50 percent higher. By comparison, Lodging in LA is a low-revenue industry. Los Angeles is challenged to take actions that will:

1. Increase the number of visitors, particularly to Downtown.
2. Increase the inventory of rooms.
3. Increase occupancy rates.
4. Increase the amount of revenue per room.
5. Increase earnings of the Lodging workforce.

Who is a Tourist and What Industries Serve Tourists?

Overview

How healthy is the tourism sector in Los Angeles County compared to the five metropolitan areas that make up LA's competitive set: San Diego, San Francisco, Phoenix, Las Vegas, and New York? We analyze economic outcomes for LA in the competition for tourists and the dollars they leave behind by examining:

- The overall size of tourism-linked economic activity, including number of visitors and their contribution to the economy
- The size and revenue of the Lodging industry
- The number of jobs that are generated by the Lodging industry and the amount that workers earn

In addition to studying Los Angeles and the metropolitan regions¹ that compete with it, we also look at the Lodging industry within fifteen sub-regional markets that make up LA's Lodging market.

What is a Tourist?

Since local residents and visitors use many of the same services, the first step in isolating the economic impact of tourism is to identify tourists. The United States Bureau of Economic Analysis (BEA) defines a tourist as:²

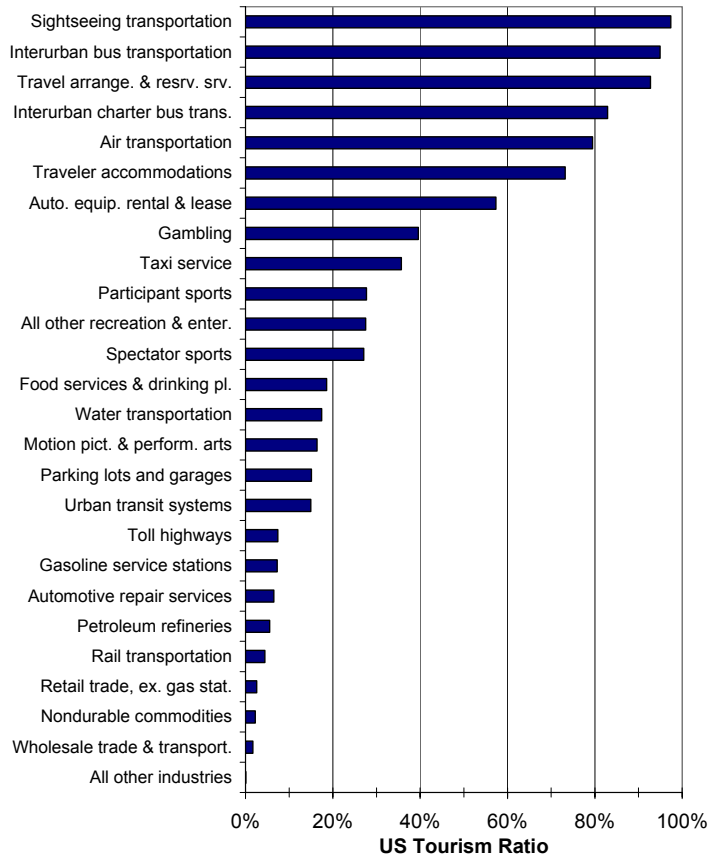
A person who travels outside of his or her usual environment for less than a year or who stays overnight in a hotel or motel. The visitor may travel for pleasure or business. Visitors exclude travelers who expect to be compensated at the location of their visit (such as migrant workers, persons traveling to new assignments, and diplomatic and military personnel traveling from their duty stations to their home countries).

The zone that demarcates people's usual environment from the wider world of tourism is the area of "normal, everyday activities," which is considered to be within 50 to 100 miles of home.

Which Industries are Impacted by Tourism?

Tourism creates economic demand within every industry sector, with widely varying impacts on different industries. The Bureau of Economic Analysis refers to this as the “tourism ratio,” and the ratios for each industry sector are shown earlier in Figure 1.³ We use these tourism ratios throughout this report for estimating the comprehensive impacts from tourism throughout the economy in each of the six regions that we study. The tourism ratios provide a consistent frame of reference for estimating the obvious as well as the difficult-to-detect effects of tourist expenditures on every industry in the economy.

Figure 1
Percent of US Industry Output and Employment Attributable to Tourism
US BEA data for the United States in 2002



At a national level, seven industry sectors receive over half of their revenue from tourism. Six of these industries are involved in moving tourists, and the seventh provides lodging for tourists. These seven tourist-dependent industries are:

1. Scenic and sightseeing transportation97%
2. Interurban bus transportation95%
3. Travel arrangement and reservation services93%
4. Interurban charter bus transportation.....83%
5. Air transportation79%
6. Traveler accommodations73%
7. Automotive equipment rental and leasing57%

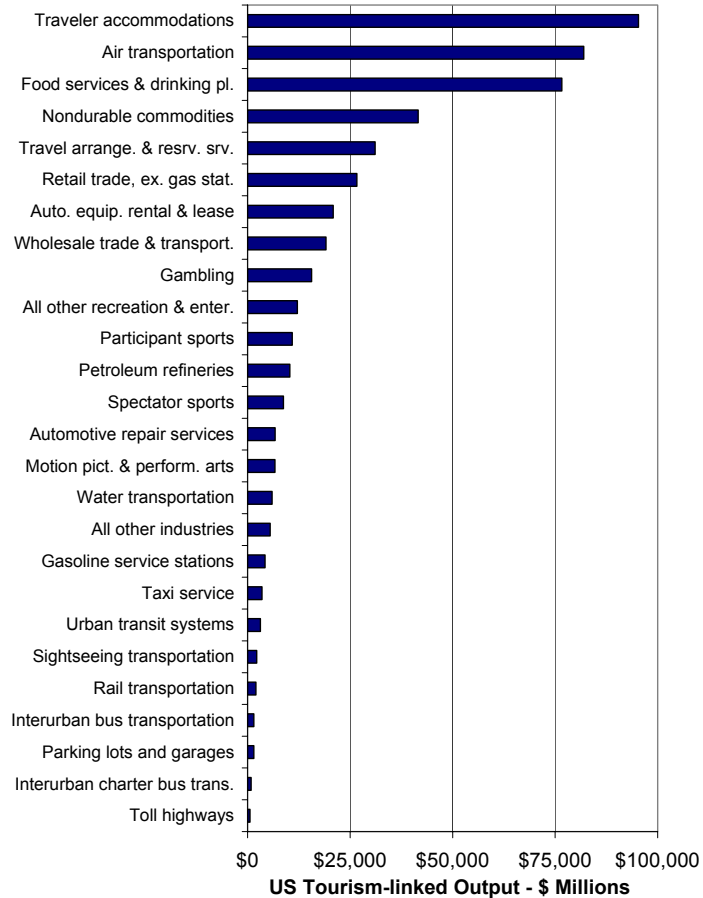
Interestingly, the BEA model shows that entertainment venues such as amusement parks and performing arts events that we often think of as tourist attractions receive most of their revenue from local residents (73 percent) rather than tourists (27 percent).

How big is Tourism in the United States?

The share of an industry's demand that comes from tourists together with the size of an industry determine the actual impact of tourism on each sector of a region's economy. Overall, tourism accounted for 2.64 percent of total US industry output and employment in 2002. The dollar value of tourism-linked output in each sector of the US economy is shown in Figure 2.⁴

Figure 2
Value of Tourism-Linked Industry Output

US BEA data for the United States in 2002; Millions of \$



The big three tourism industries in the US and the share of total US tourism output accounted for by each industry's tourism-linked output are:

- Traveler accommodations 19%
- Air transportation 17%
- Food services and drinking places 15%

Providing lodging for visitors is the most important tourism-linked activity in the US economy, followed by transporting tourists by air and feeding them.

Summary

- A tourist is someone who travels for pleasure or business 50 to 100 miles outside of his or her usual environment for less than a year or who stays overnight in a hotel or motel.
- The economic impacts of tourism extend throughout the entire economy. According to the US Bureau of Economic Analysis, tourism accounts for nearly all of the revenue received by interurban buses and travel agencies, about three quarters of the revenue received by airlines and hotels, about half of the revenue received by car rental agencies, and about one-fifth of the revenue received by restaurants.
- Overall, tourism accounted for 2.64 percent of total US industry output and employment in 2002.

Economic Impacts of Tourism in Los Angeles and Five Competing Regions

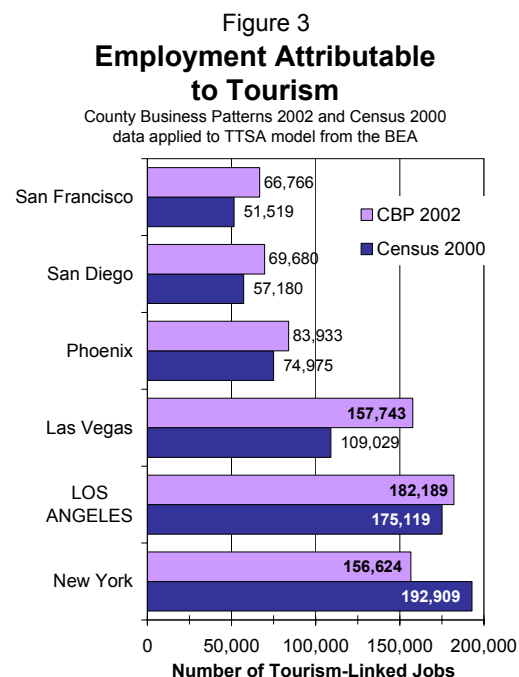
Tourism Employment

Size of the Labor Force in Tourism Jobs

How many people in Los Angeles County work in jobs created by tourism? How does the size of this labor force compare with other regions that compete with LA for tourists? We explore tourism employment from two parallel perspectives. The first uses Census data to look at residents living in each region who have tourism-linked jobs; these residents include self-employed individuals and also individuals who commute to another region for their job.⁵ The second perspective looks at payroll tax reports from tourism-linked employers located within each region.⁶ Employment reported by these employers covers only wage and salary employees, not self-employed individuals, and some of the workers they employ live outside the region and commute in to get to work.

Each of these perspectives provides useful information – Census data casts the widest net and covers more of the labor force, employer data is more precise but describes only wage and salary jobs. To illustrate how these two data sets sometimes capture different groups of workers – employer-reported data from County Business Patterns (CBP) for New York shows 1,943 wage and salary jobs in the Taxi industry, Census data shows 44,614 people working in the industry. One likely explanation for much of this difference is the presence of many self-employed taxi drivers in New York.

Tourism generates roughly 180,000 jobs in Los Angeles, as shown in Figure 3. If we look at Census data, LA has more tourism jobs than New York. If we look at employer-reported CBP data, New York has the most. Las Vegas is close behind based on CBP data, and San Francisco, San Diego and Phoenix all



have about half as many tourist-linked jobs as LA or New York. Both the CBP and Census estimates of tourism-linked employment are derived by applying the Bureau of Economic Analysis' Travel and Tourism Satellite Accounts model and its tourism ratios to the industry employment shown in Census and CBP data for each region. This model provides a consistent, research-based framework for estimating the share of employment in each industry that is attributable to tourism – for example, about three-quarters of hotel and airline jobs, half of automobile rental jobs, one-third taxi industry jobs, and one-fifth of food service jobs.

Between 4 and 5 percent of Los Angeles residents are employed in tourism-linked jobs, putting it above the national average but below Phoenix, San Francisco and Las Vegas, as shown in Figure 4. LA, San Diego and New York all derive roughly similar shares of their jobs from tourism, depending on which employment indices is given most credence. Las Vegas is in a class by itself, with over one-fifth of its wage and salary employees (shown in CBP data) holding jobs created by tourism.

Figure 4
Percent of Jobs Derived from Tourism

County Business Patterns 2002 and Census 2000
data applied to TTSA model from the BEA

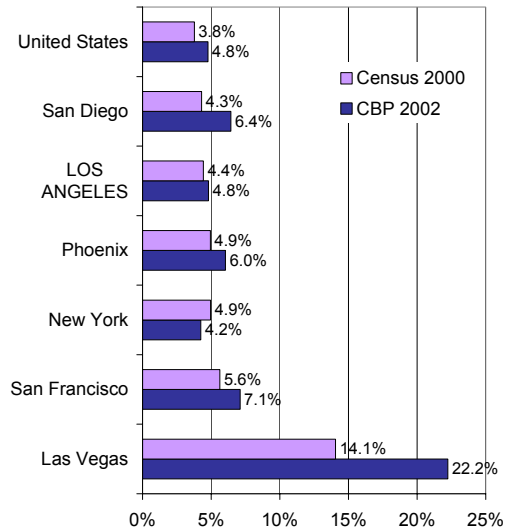
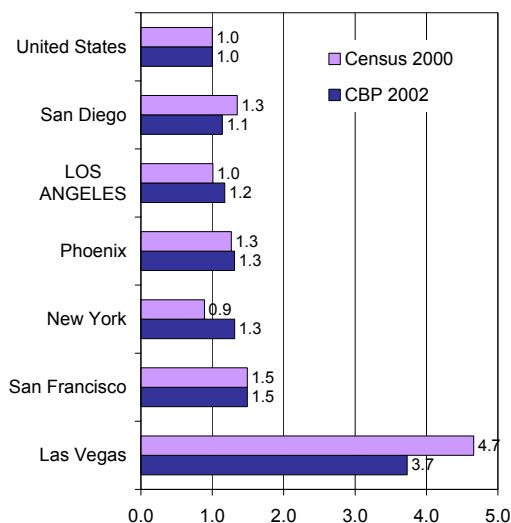


Figure 5

Location Quotient for Tourism Employment

County Business Patterns 2002 and Census 2000
data applied to TTSA model from the BEA (US = 1.0)



The Location Quotient provides a slightly different way of looking at the relative concentration of tourism workers in each of the metropolitan areas. This index represents the ratio of an area's proportion of workers in tourism-linked jobs to the US proportion. Values greater than 1.0 indicate that a region has an above-average level of tourism workers. Tourism-linked employment in Las Vegas is roughly 4 times higher than the US average, and Los Angeles is only slightly above the US average, as shown in Figure 5. New York and Phoenix have roughly the same share of tourism jobs as LA, while San Francisco has substantially more.

Wages for Tourism Jobs

If we look at all of the jobs generated by tourism in each region, each with its own mix of industries and living standards, we see that LA's wage and salary jobs generated by tourism (shown by CBP data) pay the highest of any region investigated in this study - \$36,252 in 2002, as shown in Figure 6. If we look at earnings reported in Census data, which includes self-employed individuals, San Francisco ranks the highest, followed by New York and then Los Angeles – at \$33,311 in 1999.

Industries that Provide Tourism Jobs

The industry mix of LA's tourism-linked jobs differs from the overall US profile in several significant respects, as

Figure 6
**Average Annual Wages in
Tourism-Linked Jobs**

County Business Patterns 2002 and Census data for 1999 earnings applied to TTSA model from the BEA

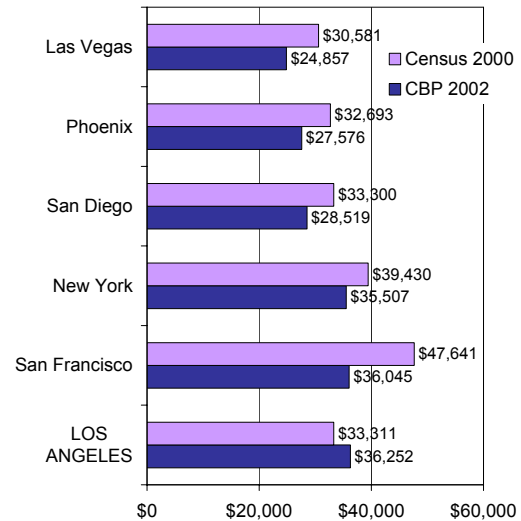


Table 1

Percent of Total Labor Force in Tourism-linked Jobs in Each Industry

2000 US Census 5% PUMS household-reported employment and County Business Patterns (CBP) 2002 employer-reported employment; BEA tourism ratios used to estimate the share of tourism-linked employment in each industry

Industry	Las Vegas		Los Angeles		New York		Phoenix		San Diego		San Francisco		United States	
	Cen. 2000	CBP 2002	Cen. 2000	CBP 2002	Cen. 2000	CBP 2002	Cen. 2000	CBP 2002	Cen. 2000	CBP 2002	Cen. 2000	CBP 2002	Cen. 2000	CBP 2002
Traveler accommodations	7.1	16.9	0.6	0.7	0.7	0.8	1.2	1.2	1.2	1.7	1.3	1.8	0.8	1.1
Food services & drinking pl.	1.1	1.5	0.9	1.2	0.8	1.0	1.0	1.4	0.9	1.6	1.0	1.4	0.9	1.4
Air transportation	0.6	0.7	0.5	0.8	0.4	0.8	0.9	1.0	0.3	0.2	1.1	1.9	0.4	0.5
Rail transportation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water transportation	-	0.0	0.0	0.1	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bus, charter, transit system	0.2	0.2	0.2	0.1	0.9	0.1	0.1	0.1	0.2	0.1	0.3	0.1	0.2	0.1
Taxi service	0.2	0.3	0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Sightseeing transportation	0.0	0.1	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Auto. eqp. rental & lease	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Automotive repair srv.	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1
Parking lots and garages	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Travel arrange. & resrv. srv.	0.3	0.5	0.3	0.3	0.3	0.3	0.4	0.6	0.3	0.3	0.4	0.4	0.2	0.2
Motion pic & performing arts	0.0	0.1	0.4	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0
Spectator sports, gambling	3.8	1.2	0.8	0.4	0.7	0.4	0.6	0.5	0.7	1.5	0.7	0.4	0.5	0.4
Petroleum refineries	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
Wholesale trade & trans. srv.	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Gas srv. stations	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Retail trade Ex. gasoline	0.3	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
All Other Industries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Tourism Laborforce	14.1	22.2	4.4	4.8	4.9	4.2	4.9	6.0	4.3	6.4	5.6	7.1	3.8	4.8

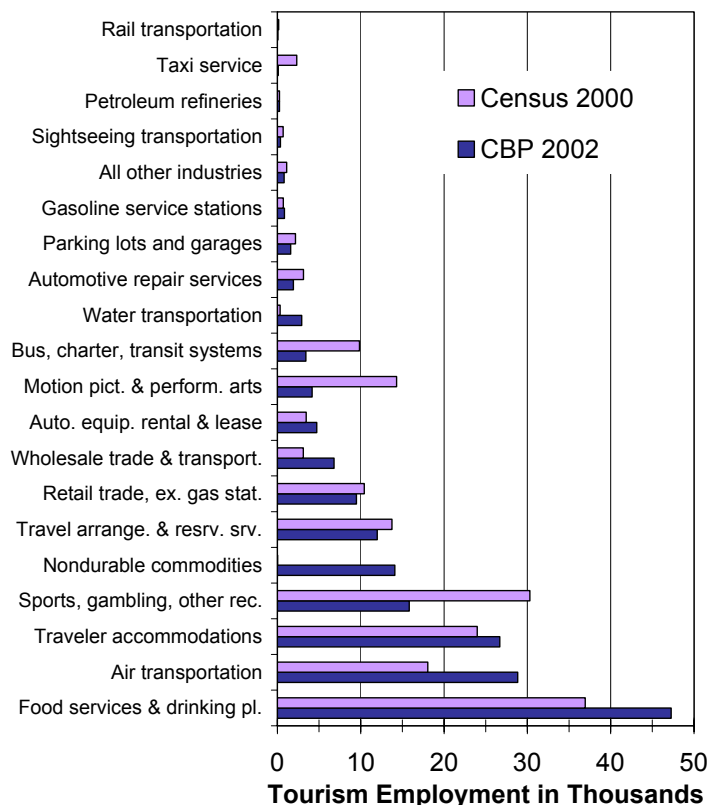
shown in Table 1. This table shows the result of applying BEA tourism ratios to total employment in each industry, and calculating the share of each region's total employment that is accounted for by tourism-linked jobs. LA stands apart based on the low share of its labor force employed in tourism-linked jobs in the Lodging industry (Traveler accommodations), which accounts for a smaller share of total employment in LA than in any competing region or the US as a whole. Second, the residential labor force (Census 2000 data) employed in what might be termed the cultural and entertainment sector, made up of motion picture exhibition, performing arts, spectator sports, gambling, theatre performances, concerts, and museums, is highly developed in Los Angeles and second only to Las Vegas in its share of the overall labor force. These industries often serve as the objects of tourism raising the question of whether LA has fully leveraged the tourism potential of its cultural and entertainment sector.

When we look at employer-reported wage and salary employment (CBP), New York and Los Angeles have the smallest percentages of their employment derived tourism of the six regions studied, with LA's share the same as the national average. This is partly a result of the size and diversity of these two metropolitan economies. Despite their high profile as destinations, the sheer size of their economies makes tourism a smaller share of overall economic activity. A somewhat larger percent of employment in Phoenix, San Diego and San Francisco is attributable to tourism, and in Las Vegas tourism is clearly the engine that drives the overall economy.

Employment is more spread out among the industries in the remaining metropolitan areas. In most regions, four industries account for the majority of employment. They include Traveler accommodations, Food service and drinking places, Air transportation,

Figure 7

LA Employment Attributable to Tourism



and Spectator-participant sports, gambling and other recreation. Bus, charter, transit transportation industries employ 18 percent of tourism-linked workers in New York. This uniquely high proportion is probably due to the very high densities of settlement found in that metropolitan area and the overall dependence of both residents and visitors on some sort of public or commercial transportation services.

Los Angeles has the lowest concentration of workers in the Traveler accommodations industry of any of the areas studied. This is surprising since Los Angeles has some of the highest concentrations of workers in the Motion pictures and performing arts and the Spectator-participant sports, gambling and other recreation industry industries. These industries often serve as the objects of tourism (e.g. sporting events, shows, theatre performances).

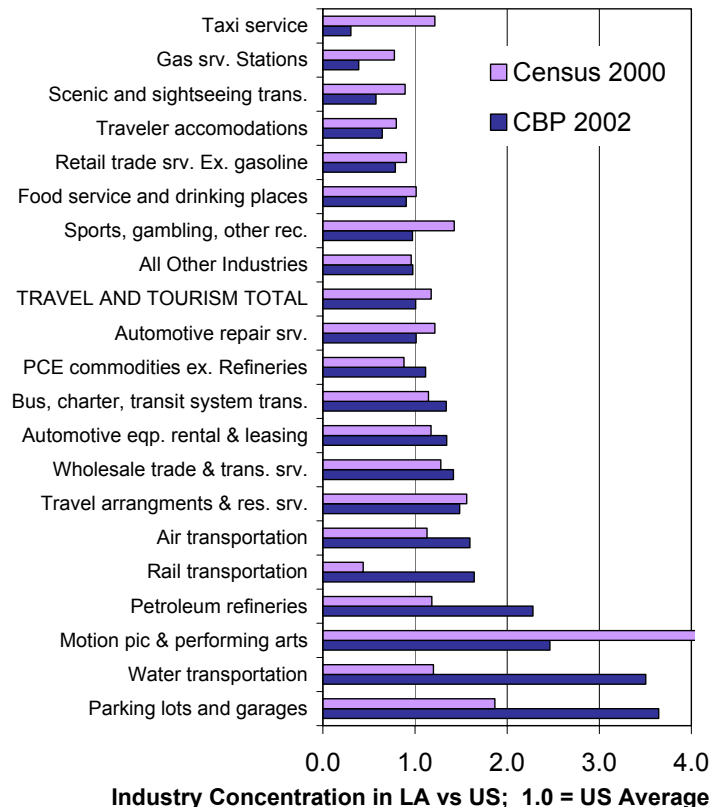
LA's Tourism-Linked Industries

After applying the BEA tourism model to LA's industry structure we see that the largest number of tourism linked jobs is in Food service establishments, fol-

lowed by Air transportation in employer-reported (CBP) data or Sporting and recreational venues in resident-reported (Census) data, as shown in Figure 7. The Lodging industry (Traveler accommodations) is ranked third or fourth, depending on the data source, providing roughly 25,000 tourism-linked jobs. The reader is reminded that the BEA model attributes 73 percent of Lodging industry employment to tourism, meaning that total LA employment in the Lodging industry is about one-third larger than the tourism-linked lodging employment shown in Figure 7.

Figure 8

Location Quotient for LA vs US Tourism Employment



The industry location quotients for tourism-linked jobs in LA that are shown in Figure 8 provide an index of the share of LA's employment in each industry compared to the share of the US labor force in the same industry. The BEA tourism model removes movie production and leaves only movie distribution in the Motion pictures and performing arts sector, but LA's concentration of tourism jobs in this sector is still far greater than the national average. Other major industries that have relatively high concentrations of tourism employment include Air transportation, Travel arrangements and reservation services, and (in Census data) Spectator-participant sports, gambling and other recreation. As pointed out before, the Traveler accommodations industry is under-developed in Los Angeles compared to the US.

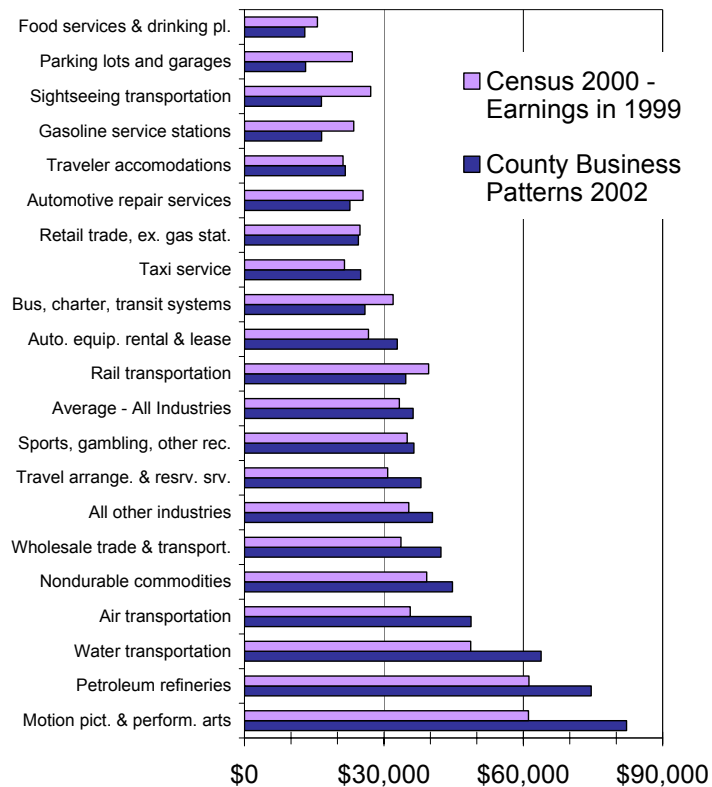
Earnings in LA's Tourism-Linked Jobs

Average annual earnings of LA workers in tourism jobs are broken out by industry in Figure 9. The lowest paid jobs are in Food services and drinking places. The Lodging industry also pays comparatively low wages. The highest paid jobs in major industries are in air transportation and Motion pictures and performing arts.

Earnings levels are affected by a variety of factors, including establishment size and the extent to which workers are able to obtain full-time work. These factors are explored for the Lodging industry in a following chapter.

Figure 9

Average Annual Earnings in LA's Tourism-Linked Jobs



Ranking Tourism in LA and Competing Regions based on Economic Impacts

All Tourist-Linked Industries

How significant is the contribution of tourism to the economies of Los Angeles and the five regions that are its primary competitors for tourists? We can answer this question by using an input-output model of each region's economy to identify the impacts of tourism.⁷ We again use the BEA tourism ratios to produce these estimates, applying the percent of each industry's economic output that the BEA estimates is the result of economic demand generated by tourists to the total economic output of each industry in each region. This procedure enables us to estimate the total economic output attributable to tourism each region.

Figure 11

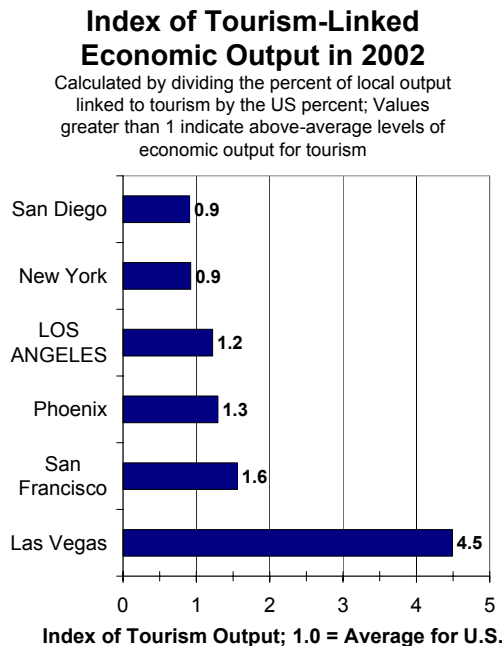
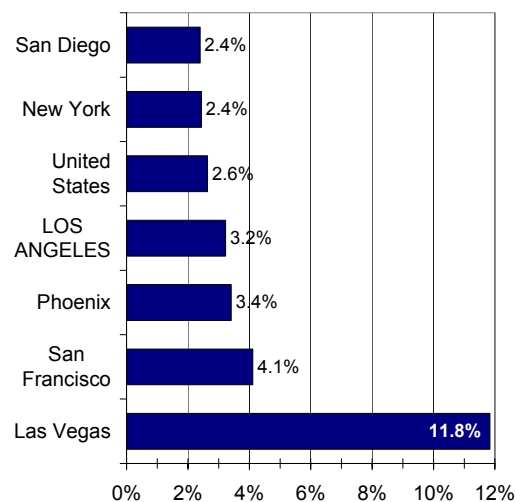


Figure 10

Percent of Economic Output from Tourism in 2002

IMPLAN 2002 data and input-output model for each region; Bureau of Economic Analysis 2002 data for the US



Tourism accounted for an estimated 3.2 percent of Los Angeles' total economic output in 2002, as shown in Figure 10. This was higher than the estimated share of tourism-linked output and employment in San Diego and New York, but lower than in Phoenix and San Francisco, and much lower than in Las Vegas.

Overall, an estimated 2.6 percent of US economic output in 2002 was driven by tourism, and this national average is used to create the index of tourism impacts shown in Figure 11. Tourism contributed 20 percent more than the national average to LA's economy, 30 percent more to Phoenix's economy, 60

percent more to San Francisco's economy, and 350 percent more to Las Vegas' economy.

Tourism is estimated to have generated more than \$21 billion in output in LA's economy in 2002, as shown in Figure 12. This is the greater than the tourism-driven economic output in any of the other five regions that are LA's primary competitors for tourists. Measured by total dollars, LA's tourism sector is quite large. Compared to the US economy as a share of economic activity, LA's tourism sector is slightly larger than average.

Figure 12

Dollar Value of Tourism

IMPLAN 2002 data and input-output model for each region; Bureau of Economic Analysis satellite industry sectors used to define tourism

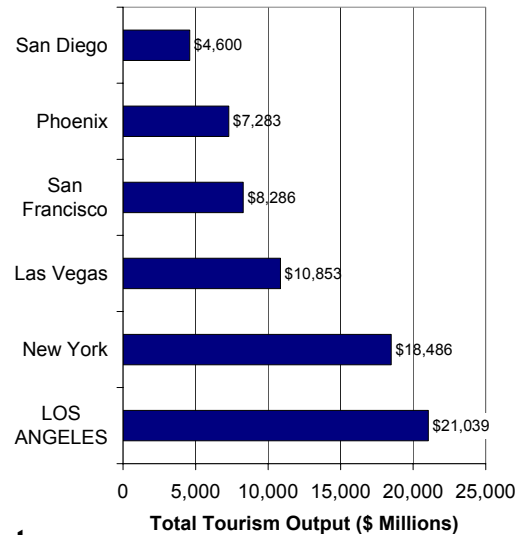
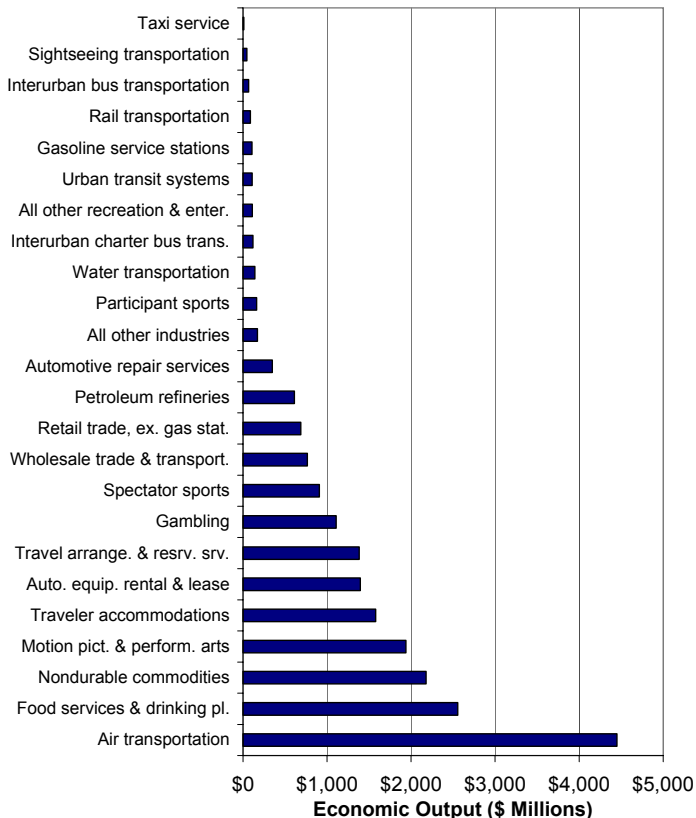


Figure 13

Los Angeles Economic Output Linked to Tourism in 2002

IMPLAN 2002 data and input-output model; BEA satellite industry sectors used to define tourism



Compared with competing regions as a share of economic activity, LA's tourism sector may have the potential to grow even more and support expansion of LA's \$652 billion economy.

Which industry sectors in Los Angeles benefit most from tourism? The estimated economic output (in millions of dollars) linked to tourism in each sector of LA's economy in 2002 is shown in Figure 13. The five industry sectors that are estimated to receive the most revenue from tourism are:

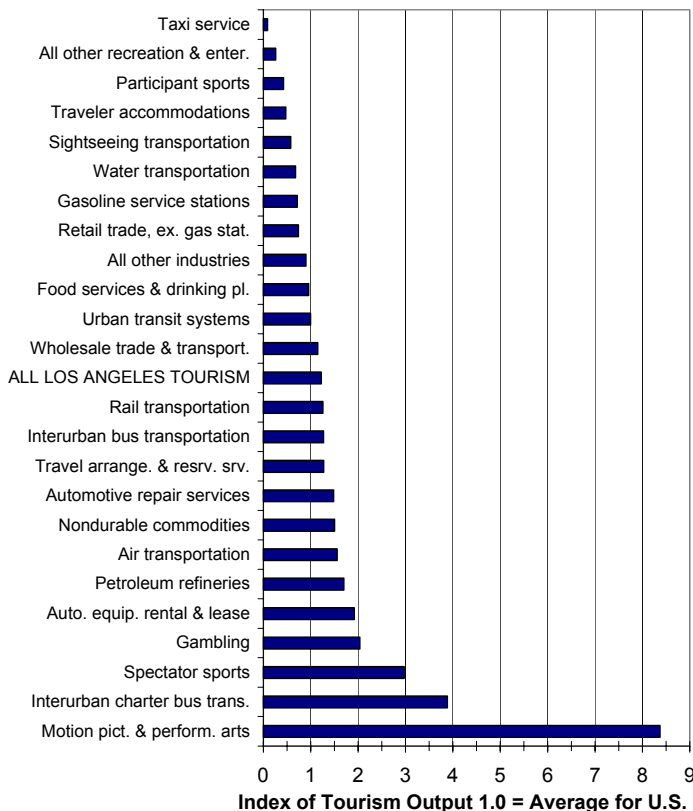
1. Air transportation\$4,450,000,000
2. Food services and drinking places\$2,555,000,000
3. Industries producing nondurable personal consumption expenditure (PCE) commodities, excluding petroleum refineries.....\$2,179,000,000
4. Motion picture and video distribution and Performing arts.....\$1,940,000,000
5. Traveler accommodations\$1,578,000,000

How do the impacts of tourism on LA's economy compare to the role of tourism in the national economy? It is noteworthy that hotels and motels (i.e., traveler accommodations) have a second-tier role in LA's tourism hierarchy, ranking just ahead of automobile rentals and travel agencies. The impact of tourism on LA's industries compared to the same industries in the US economy is shown by the industry indexes in Figure 14. Index values greater than 1 indicate that an industry has

Figure 14

Index of LA Economic Output in Tourism-Linked Industries

Calculated by dividing the percent of LA's output linked to tourism by the US percent; Data is for 2002



above-average tourism linkages compared to the US economy, and values below 1 indicate below-average linkages. The index value for Traveler accommodations is 0.47, indicating that LA's hotels and motels make a proportionate contribution to the local economy that is only 47 percent as much as their contribution to the national economy.

Areas where Los Angeles generates above-average levels of tourism revenue include motion picture exhibition and distribution, performing arts and spectator events, and a variety of transportation services including air-lines. Detailed information for LA and the five competing regions about

tourism-linked economic output in each industry sector and the significance of that output as a share of total regional output is shown in Table 2.

Table 2

Economic Output from Each Industry Sector Attributable to Tourism in 2002, and Tourism-Linked Output as a Percent of Total Regional Output

Output is shown in millions of dollars; Industry definitions and tourism ratios use to estimate industry linkages to tourism are from the US BEA Satellite Industry Accounts for 2002; Output derived from IMPLAN input-output model and 2002 data

Tourism Sector	Las Vegas		Los Angeles		New York		Phoenix		San Diego		San Francisco		United States	
	Tour. Output	% of Total	Tour. Output	% of Total	Tour. Output	% of Total	Tour. Output	% of Total	Tour. Output	% of Total	Tour. Output	% of Total	Tour. Output	% of Total
Traveler accommodations	7,455	8.1	1,578	0.2	2,807	0.4	924	0.4	939	0.5	1,208	0.6	95,314	0.5
Food services & drinking pl.	550	0.6	2,555	0.4	2,103	0.3	974	0.5	860	0.4	781	0.4	76,624	0.4
Air transportation	691	0.8	4,450	0.7	4,590	0.6	2,255	1.1	299	0.2	3,602	1.8	81,998	0.4
Rail transportation	3	0.0	89	0.0	16	0.0	4	0.0	10	0.0	0.3	0.0	2,036	0.0
Water transportation	0.1	0.0	141	0.0	168	0.0	13	0.0	4	0.0	25	0.0	5,950	0.0
Interurban bus transportation	6	0.0	67	0.0	252	0.0	26	0.0	143	0.1	10	0.0	1,516	0.0
Interurban charter bus trans.	52	0.1	119	0.0	282	0.0	14	0.0	92	0.0	56	0.0	876	0.0
Urban transit systems	44	0.0	109	0.0	411	0.1	36	0.0	26	0.0	43	0.0	3,122	0.0
Taxi service	194	0.2	11	0.0	18	0.0	2	0.0	46	0.0	16	0.0	3,521	0.0
Sightseeing transportation	102	0.1	45	0.0	65	0.0	8	0.0	52	0.0	88	0.0	2,232	0.0
Auto. equip. rental & lease	323	0.4	1,396	0.2	525	0.1	627	0.3	260	0.1	286	0.1	20,874	0.1
Automotive repair services	51	0.1	348	0.1	134	0.0	137	0.1	126	0.1	91	0.0	6,723	0.0
Travel arrange. & resrv. srv.	296	0.3	1,382	0.2	1,118	0.1	544	0.3	272	0.1	477	0.2	31,110	0.2
Motion pict. & perform. arts	86	0.1	1,940	0.3	692	0.1	72	0.0	64	0.0	153	0.1	6,646	0.0
Spectator sports	42	0.0	909	0.1	1,221	0.2	206	0.1	114	0.1	133	0.1	8,761	0.0
Participant sports	21	0.0	162	0.0	239	0.0	71	0.0	61	0.0	74	0.0	10,879	0.1
Gambling	549	0.6	1,108	0.2	332	0.0	368	0.2	293	0.2	179	0.1	15,587	0.1
All other recreation & enter.	7	0.0	111	0.0	191	0.0	19	0.0	52	0.0	50	0.0	12,125	0.1
Petroleum refineries	8	0.0	611	0.1	1	0.0	1	0.0	1	0.0	6	0.0	10,303	0.1
Nondurable commodities	121	0.1	2,179	0.3	1,742	0.2	359	0.2	429	0.2	548	0.3	41,573	0.2
Wholesale trade & transport.	69	0.1	766	0.1	667	0.1	258	0.1	141	0.1	131	0.1	19,139	0.1
Gasoline service stations	31	0.0	106	0.0	24	0.0	47	0.0	36	0.0	27	0.0	4,267	0.0
Retail trade, ex. gas stat.	127	0.1	687	0.1	651	0.1	256	0.1	220	0.1	244	0.1	26,631	0.1
All other industries	24	0.0	172	0.0	237	0.0	64	0.0	59	0.0	59	0.0	5,496	0.0
Grand Total	10,853	11.8	21,039	3.2	18,486	2.4	7,283	3.4	4,600	2.4	8,286	4.1	493,305	2.6

Notes:

1. Because of data limitations, BEA sectors for Parking lots and garages, and Toll highways are not shown in this table.
2. *Nondurable commodities* is a large group of industries labeled by BEA as: Industries producing nondurable personal consumption expenditure (PCE) commodities, excluding petroleum refineries.

Expenditures to Promote Travel and Tourism

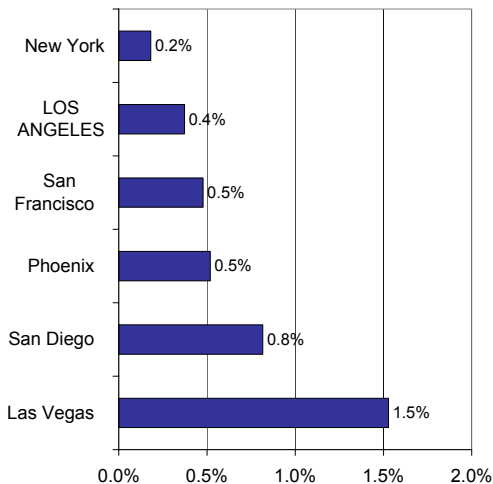
A final perspective on the relationship of tourism to the regional economies within LA's competitive set is the amount of public money spent on promoting tourism. Annual public outlays are:

Las Vegas	\$155,034,000
Los Angeles	\$7,466,000
New York	\$6,615,000
Phoenix	\$6,351,795
San Diego	\$9,976,300
San Francisco	\$7,510,600

Source: LA Convention & Visitors Bureau

Figure 16
Public Expenditures to Promote Tourism as Percent of Lodging Industry Output

Output data: IMPLAN 2002
Public promotional expenditures: LA INC.

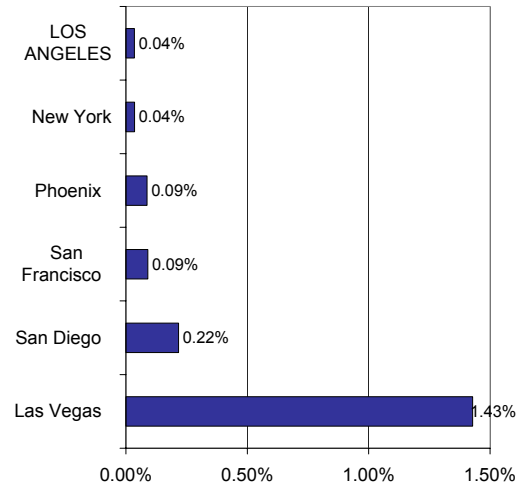


expenditure represents 0.04 percent of its tourism-linked output, which is slightly lower than that of New York, and substantially lower than that of the other four competing regions.

Viewed as a percent of Lodging industry output (Figure 16), LA's public

Figure 15
Public Expenditures to Promote Tourism as Percent of Total Tourism Output

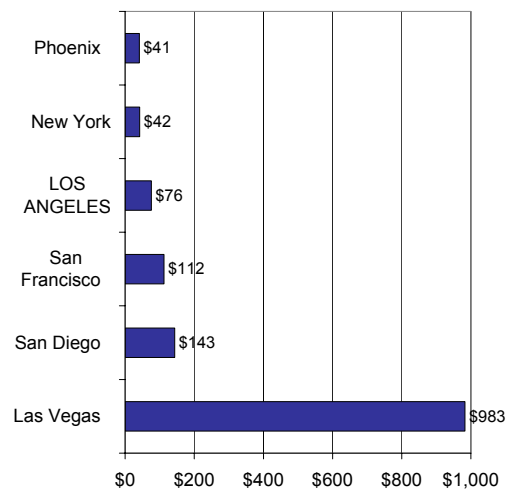
Output data: IMPLAN 2002
Public promotional expenditures: LA INC.



LA's expenditure to promote tourism as a percent of economic output from tourism is the lowest in its competitive set, as shown in Figure 15. LA's public

Figure 17
Public Dollars Expended to Promote Tourism per Wage and Salary Tourism Job

Employment data: County Business Patterns 2002
Public promotional expenditures: LA INC.



expenditure is 0.4 percent of industry output, which is higher than that of New York, but less than that of San Francisco, Phoenix, and San Diego, and much less than Las Vegas' 1.5 percent.

Viewed in relation to the total number of tourism-linked jobs in each region, LA's annual public expenditure comes to \$76 per worker, which is slightly higher than Phoenix's \$41 and New York's \$42, but below the other competing regions, with Las Vegas spending \$983 per tourism job to promote tourism. Promotional outlays indexed against tourism-linked employment can be seen in Figure 17.

Summary of Findings

Findings from this analysis of tourism-linked employment include:

- Tourism generates roughly 180,000 jobs in Los Angeles.
- Between 4 and 5 percent of Los Angeles residents are employed in tourism linked jobs, putting it above the national average but below Phoenix, San Francisco and Las Vegas.
- If we look at all of the jobs generated by tourism in each region, each with its own mix of industries and living standards, we see that LA's wage and salary jobs generated by tourism pay the highest of any region investigated in this study - \$36,252 in 2002
- If we look at earnings reported in Census data, which includes self-employed individuals, San Francisco ranks the highest, followed by York and then Los Angeles – at \$33,311 in 1999.
- The industry mix of LA's tourism-linked jobs differs from the overall US profile, the Lodging industry accounts for a smaller share of total employment in LA than in any competing region or the US as a whole, but the cultural and entertainment sector is highly developed in Los Angeles.
- The largest number of tourism-linked jobs in Los Angeles is in Food service establishments, followed by Air transportation, Sporting and recreational venues, and then the Lodging industry.
- The Lodging industry provides roughly 25,000 tourism-linked jobs.
- The lowest paid tourism-linked jobs are in Food services and drinking places. The Lodging industry also pays comparatively low wages. The highest paid jobs in major industries are in air transportation and Motion pictures and performing arts.

Findings from an analysis of economic output generated by tourism include:

- Tourism accounts for 3.2 percent of LA's economic output, making it a \$21 billion industry.
- When we compare tourism output to the five regions that are LA's primary competitors for tourists we see that LA is above the national average but below Phoenix, San Francisco and Las Vegas.
- LA's biggest tourism industry is Air transportation, which produces roughly three times as much tourism revenue as its Lodging industry.

Findings from an analysis of public outlays to promote tourism include:

- The \$7,466,000 in public funds that LA spends annually to promote tourism is the lowest in its competitive set if indexed against total output from the tourism sector, and next to the lowest if indexed against Lodging industry output. When indexed against the number of tourism-linked jobs in each region, LA is in the lower half of its competitive set.

Key finding:

- LA has a highly competitive infrastructure for supporting tourism, in terms of both attractions and transportation services, but compared to other cities derives a less-than-competitive level of visitor outlays from this infrastructure.

Chapter 4

Health of the Lodging Industry

Economic Impacts of Lodging

We turn now to look at the Lodging industry, looking both at the roughly three-quarters of the industry supported by tourism as well as the robustness of the entire industry. The percent of total economic output in each region that is derived from tourists' use of hotels and motels in 2002 is shown in Figure 18.⁸ We see that tourist-linked Lodging in LA generates 0.2 percent of the region's total economic output, less than half of the national average of 0.5 percent, and far behind its 8.1 percent share of Las Vegas' economy.

Figure 19

**Indirect Business Taxes
Generated by Tourists at
Hotels and Motels in 2002**
Sales and other taxes collected from individuals
by the lodging industry

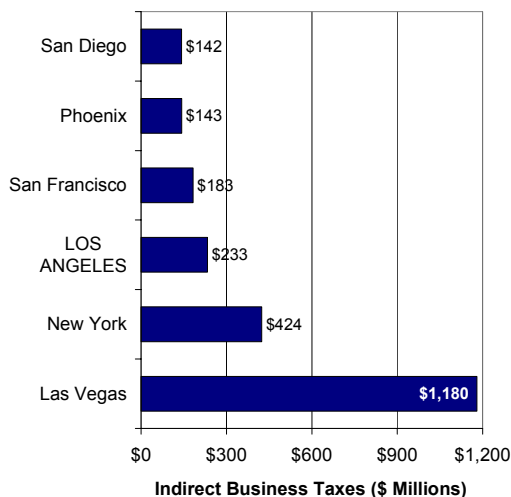
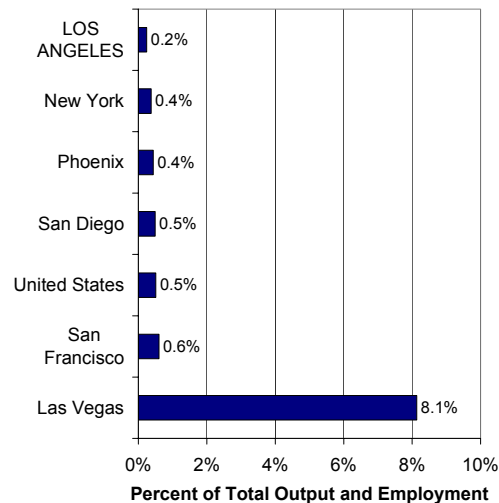


Figure 18

**Percent of Total Economic
Output and Employment
Derived from Tourists' Use
of Hotels and Motels in 2002**



The dollar value of indirect business taxes⁹ (sales and room taxes) generated by the Lodging industry in LA and the five competing regions in 2002 is shown in Figure 19. From a public balance sheet perspective, indirect business taxes are a key benefit that local government derives from tourism. Local government typically receives the total amount of hotel taxes, which are reported to be the fourth-largest source of revenue for San Diego's general fund.¹⁰ And in California, roughly one-eighth of sales tax revenue is returned to local governments on a point-of-sale basis.

Los Angeles receives the smallest share of total indirect business taxes from the Lodging industry of any of the six regions studied: 0.8 percent. In contrast, New York receives 1.2 percent, Phoenix 1.4 percent, San Diego 1.7 percent, San Francisco 2 percent, and Las Vegas 21.5 percent, as shown in Figure 20.

Another important public benefit of the Lodging industry is creation of jobs. In Figure 21 we see how much revenue was required to create one Lodg-

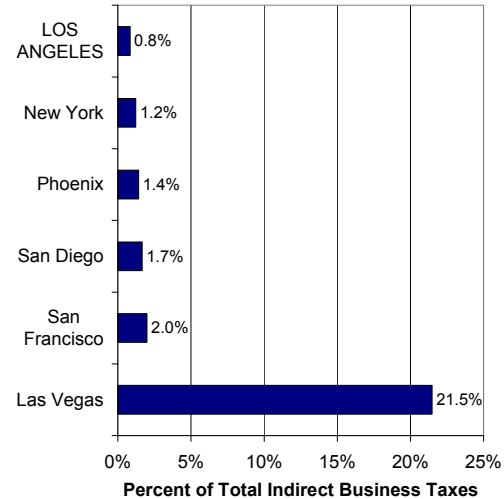
Figure 21
**Amount of Revenue to
Create 1 Job in the Traveler
Accommodations Industry**

Total annual output divided by average monthly employment; Revenue per job shown in \$1,000s; Data is for 2002



Thirty-four percent of Lodging industry revenue in LA is spent on employee compensation, the smallest share in LA's competitive set, as shown in Figure 22. Employees receive the largest share in Las Vegas – 39 percent.¹¹ One possible explanation for this spread might be differences in worker productivity, although as we see in Figure 23, a typical

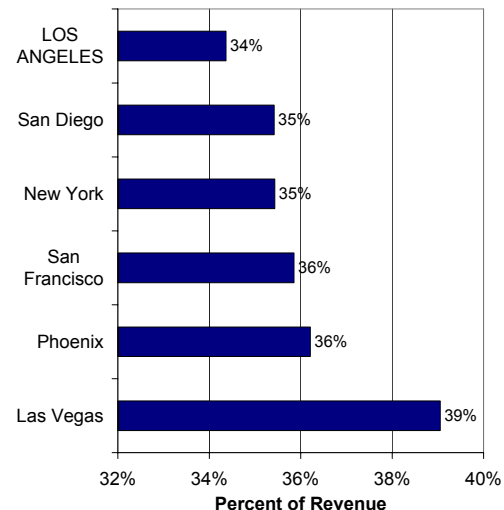
Figure 20
**Percent of Total Indirect
Business Taxes Generated
by Tourists at Hotels and
Motels in 2002**



ing industry job in each of the six regions studied for this report. Los Angeles was very close to the national average, with one job for every \$78,500 dollars of revenue for the Lodging industry.

Figure 22
**Percent of Lodging Industry
Revenue Paid Out for
Employee Compensation**

Employee compensation direct effects, IMPLAN 2002



Lodging industry worker in Los Angeles adds about \$67,000 a year in value to the industry, substantially more than the national average of \$49,000, and more than workers in San Diego or Phoenix, but less than workers in Las Vegas, San Francisco and New York. Productivity differences do not by themselves explain differences in outlays for labor costs.

Within LA's competitive set, there is a five percentage point spread in the share of Lodging industry revenue going to workers, although the spread drops to two percentage points if we leave out Las Vegas. These differences are comparatively small given the imprecision inherent in input-output modeling (which was used to produce this data).

Still, given that Lodging is a two to three billion dollar industry in LA (depending on whether we accept the lower estimates of IMPLAN and Smith Travel Research or the higher estimate of PKF Consulting), a one-percent difference in the share of industry revenue going to workers represents \$20 to \$30 million in annual employee compensation, or \$600 to \$800 per worker each year. This pattern of comparatively low compensation appears to reflect LA's lodging profile, discussed later in this chapter, as a low-revenue industry in a high-cost region.

Figure 24
**Percent of Commodities
Used by the Hotel and Motel
Industry that are Produced
within the Region**

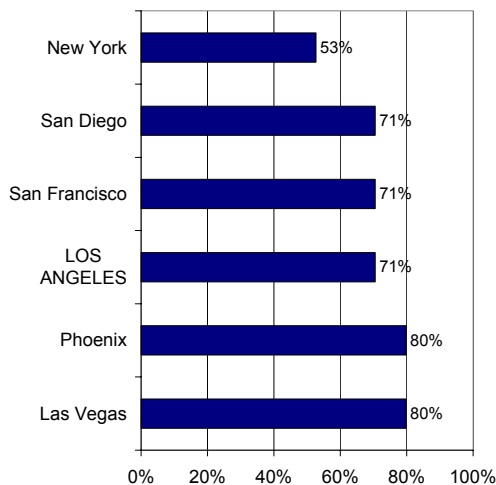
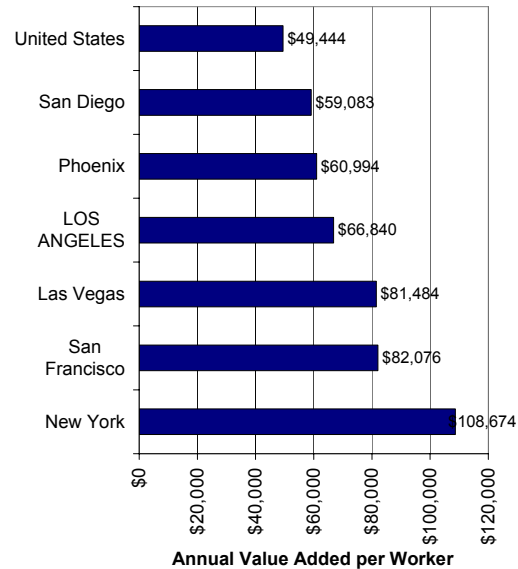


Figure 23

**Value Added per Worker in
the Lodging Industry in 2002**



LA's Lodging industry has strong linkages with local suppliers, with 71 percent of all hotel and motel commodities supplied by vendors located within the county, as shown in Figure 24.¹² This is much better than the Lodging industry in New York, which obtains only 53 percent of its commodities from local vendors, but less than Phoenix or Las Vegas,

where 80 percent of commodities are purchased from local suppliers.

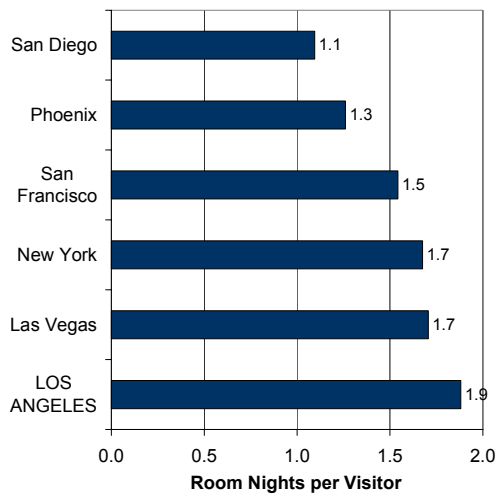
Overnight Visitors

Los Angeles, New York and San Diego all receive roughly the same number of domestic overnight visitors, with Phoenix and San Francisco each in progressively lower niches, and Las Vegas in a class by itself, receiving roughly twice as many visitors as LA, as

Figure 26

Ratio of Annual Occupied Rooms to Annual Overnight Visitors in 2004

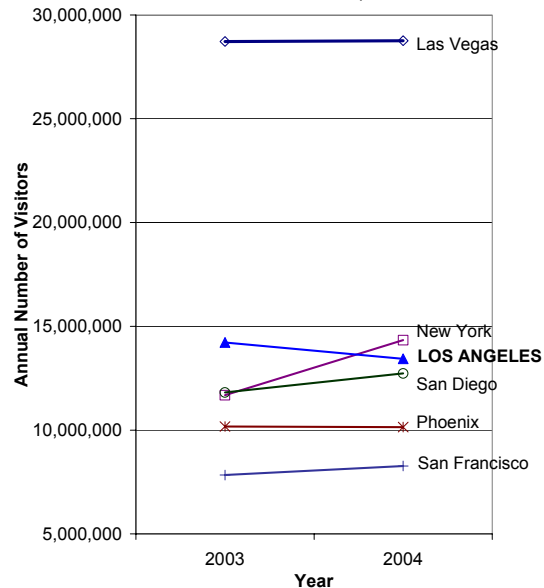
TIA TravelScope-number of overnight visitors; Smith Travel Research-number of rooms and occupancy rate



It is worth noting that a second source of visitor data, CIC Research, shows higher visitor counts and the number of domestic overnight visitors to LA increasing rather than decreasing from 2003 to 2004, going up from 19.4 million to 20.0 million. With international visitors added in, CIC shows 23.3 and 24.3 million total visitors to LA, respectively, in 2003 and 2004.¹⁴

Figure 25
Domestic Overnight Trips (Person Trips) per Year

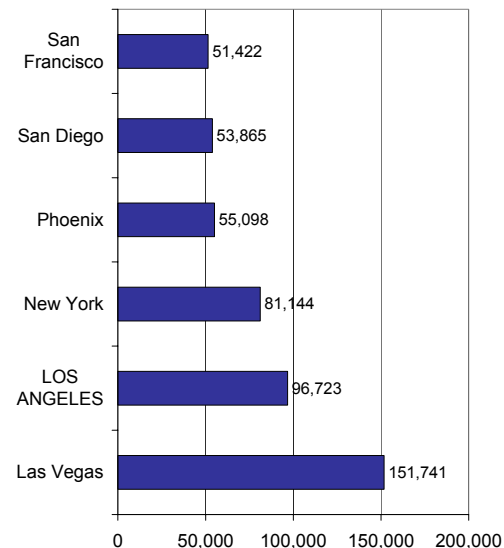
Source: TIA TravelScope



shown by TIA Travel Scope data in Figure 25.¹³ Overall, LA is in third place within its competitive set, having fallen below New York in 2004, with about 14 million visitors a year.

Figure 27
Number of Hotel and Motel Rooms in 2005

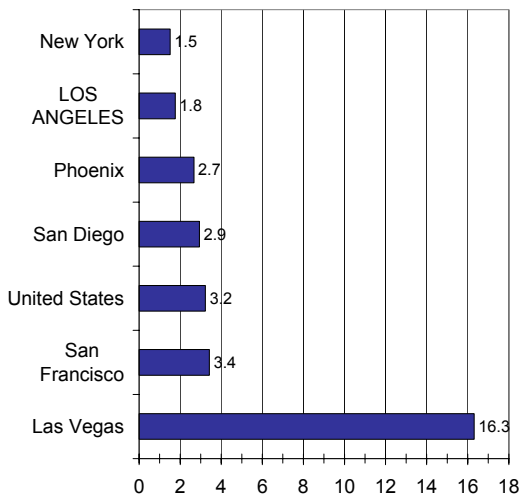
Smith Travel Research data



When we look at the number of visitors LA received in 2004 in relation to the number of nights that hotel and motel rooms were occupied in 2004, it appears that LA's visitors stay longer than visitors to other cities that compete with LA for tourists. Of course not all visitors stay in hotels or motels, but if we divide the total nights that rooms are occupied in LA by the total number of overnight visitors, as shown in Figure 26, we see an average of 1.9 room-nights per visitor in LA, compared to only 1.1 room-nights per visitor in San Diego.

Figure 29
Number of Hotel and Motel Rooms per 100 Workers in the Regional Labor Force

Smith Travel Research - rooms in 2005
BEA and IMPLAN - number of workers in 2002

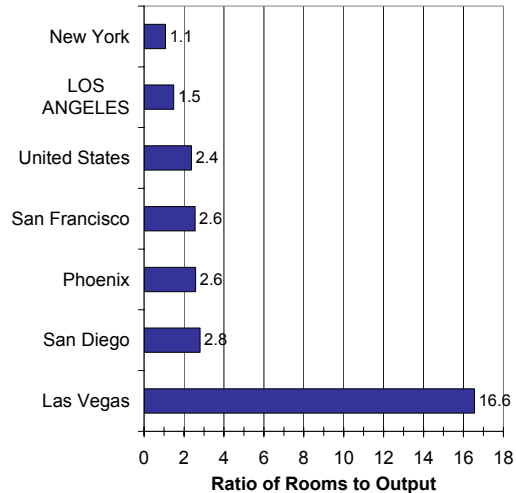


shown in Figure 27. New York trails with about 81,000 rooms, and Las Vegas leads with about 152,000 rooms.

Is LA's inventory of lodging rooms large or small compared to the size of its economy? If we look at rooms in relation to regional economic output (Figure 28) we see that LA has 1.5 rooms per \$10

Figure 28
Number of Hotel and Motel Rooms per \$10 Million of Regional Economic Output

Smith Travel Research - rooms in 2005
BEA and IMPLAN - Output in 2002

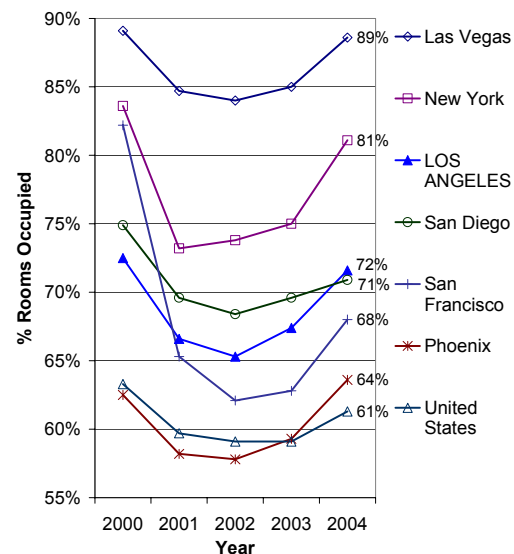


Hotel and Motel Rooms

Los Angeles has roughly 97,000 hotel and motel rooms, the second highest number in its competitive set, as

Figure 30
Occupancy Rate for Hotel and Motel Rooms

Smith Travel Research



million of regional economic output. This puts LA ahead of New York but well below the national average of 2.4 rooms, and below the rest of its competitive set, which range from 2.6 rooms in San Francisco up to 16.6 rooms in Las Vegas per \$10 million of output.

When we index the number of rooms against the size of the regional labor force (Figure 29) we see a similar result. LA leads New York with 1.8 rooms per 100 workers, but is below the rest of its competitive set and well below the national average of 3.2 rooms per 100 workers.¹⁵

The number of visitors coming to LA is below the national average and below most regions in its competitive set, relative to the size of its economy. This may be typical for a large metropolitan economy but it clearly indicates that LA is not a first-tier tourist destination.

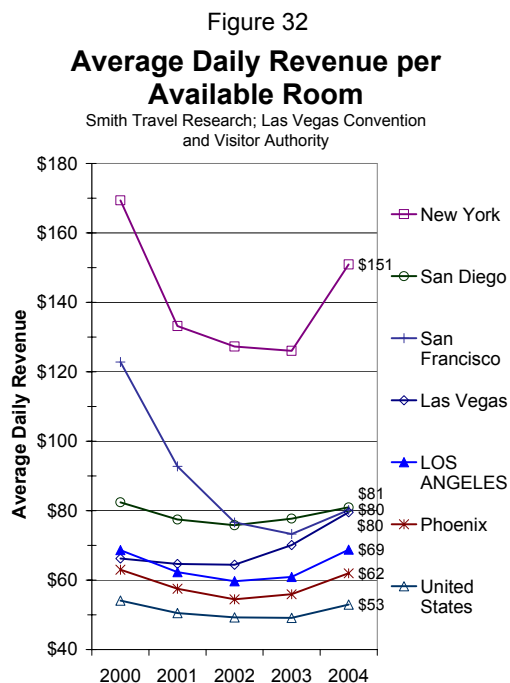
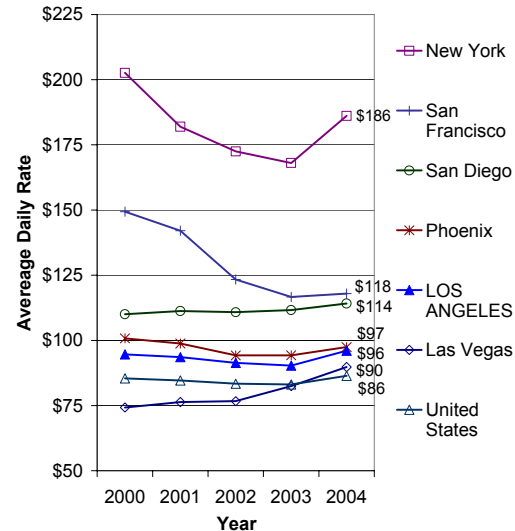


Figure 31
Average Daily Hotel and Motel Room Rates

Smith Travel Research; Las Vegas Convention and Visitor Authority



Occupancy and Revenue

The 2001 terrorist attack on New York and the recession that followed reduced tourism throughout the US. Occupancy rates for Lodging industry rooms dropped in every region, as shown in Figure 30, with LA dropping from 72 percent in 2000 to 65 percent in 2002, and climbing back up to 72 percent in 2004.

LA's room rates are among the lowest for its competitive set, averaging \$96 dollars a night in 2004, slightly above the \$90 rate in Las Vegas and the \$86 average for the US, as shown in Figure 31. New York's rates are by far the highest, averaging \$186 in 2004.

Actual revenue per room is the result both of room rates and the number of nights the average room is occupied. New York again leads by this measure, averaging \$151 per night for every room in its inventory. LA is next to the bottom for its competitive set, averaging \$69 but above the national average of \$53 in nightly revenue for every room in the US, as shown in Figure 32.

How successful is LA at adding value to the regional economy through its Lodging industry? One way benchmarking revenue from hotel and motel rooms is to index this revenue against each region's cost of living index, as published by the Department of Commerce. For example, in 2004, LA's index was 148.8, and if we divide this into LA's average daily room rate of \$96.05 we get an index value of 0.65; if we divide it into LA's average daily revenue per room of \$68.77 we get an index value of 0.46, as shown in Figure 33.

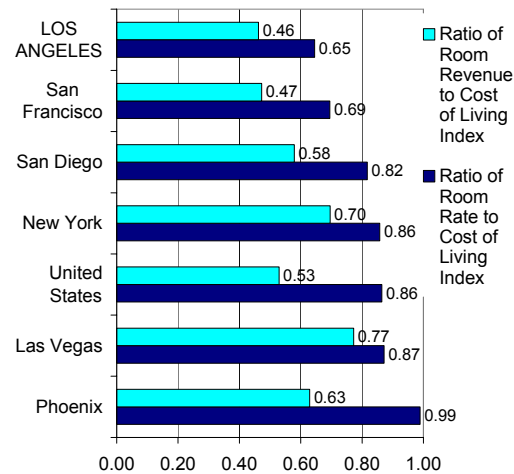
The 2003 Cost of Living Index for the regions in LA's competitive set range from a high of 217.0 for New York to a low of 98.5 for Phoenix.¹⁶ Using this Index as a benchmark for measuring average room rates (the average asking price for rooms) and average room revenue (actual revenue from occupied rooms averaged over all rooms) against the cost of living in each region, we see that LA fares more poorly than any other region in its competitive set as well as more poorly than the US average.

New York provides a useful standard of comparison for room rates because, like Los Angeles, it has a very large, diverse economy and a highly heterogeneous population. Relative to its cost of living, New York's average room rate is 33 percent higher than LA's and its room revenue is 50 percent higher.

When we look at LA's room inventory relative to the size of its economy and labor force, we see that the inventory is proportionately smaller than in the United States as a whole or in any other metropolitan area in its competitive set except New York. When we look at LA's room rates and revenue relative to its cost of living we see that LA is next to the lowest within its competitive set, with indexed

Figure 33
**Ratio of Room Rates and
Room Revenue to the Cost
of Living in Each Region**

US Dept. of Commerce Cost of Living Index 2003;
Smith Travel Research & Las Vegas Convention &
Visitor Authority Room Rates & Revenue 2004



room rates and revenue about half of what they are in New York. As we discuss in Chapter 6, there is significant variation in the economic profile of hotels within Los Angeles County based on their size and location, but compared overall to other cities it competes with for tourists, LA's Lodging industry is comparatively small and comparatively low-revenue.

To summarize these comparisons, four of the five metropolitan areas in LA's competitive set have more rooms relative to the size of their economies: San Francisco 72 percent more, Phoenix 74 percent more, San Diego 89 percent more, and Las Vegas 1017 percent more. And four of the areas obtain significantly higher room revenue than LA relative to their cost of living: San Diego 25 percent higher, Phoenix 36 percent higher, New York 50 percent higher, and Las Vegas 67 percent higher. Based on these comparisons, LA's Lodging industry serves neither a high-volume nor a high revenue flow of visitors.

Summary of Findings

Findings about economic output from the Lodging industry include:

- Tourists' use of lodging facilities provides only 0.2 percent of LA's economic output, less than half of the national average and far less than in the other cities that compete with LA for tourists.
- The comparatively high level of Air transportation output shown previously along with the comparatively low level of Lodging industry output suggests that Los Angeles often serves as a way station on tourists' travel path to other cities rather than a destination for tourists who stay in local lodging.
- Tourist-linked Lodging in LA generates 0.2 percent of the region's total economic output, less than half of the national average of 0.5 percent.
- LA receives the smallest share of total indirect business taxes from the Lodging industry of any of the six regions studied – 0.8 percent.
- LA's Lodging industry creates one job for every \$78,500 dollars in annual revenue.
- A typical Lodging industry worker in Los Angeles adds about \$67,000 a year in value to the industry.
- Thirty-four percent of Lodging industry revenue in LA is spent on employee compensation, the smallest share in LA's competitive set.
- A one-percent difference in the share of industry revenue going to workers represents \$20 to \$30 million in annual employee compensation, or \$600 to \$800 per worker each year.

- LA's Lodging industry has strong linkages with local suppliers, with 71 percent of all hotel and motel commodities supplied by vendors located within the county.

Findings about the number of overnight visitors include:

- Los Angeles is third within its competitive set in terms of the number of overnight visitors, having fallen below New York in 2004, with about 14 million visitors a year.
- It appears that LA's visitors stay longer than visitors to other cities in its competitive set, with a ratio of 1.9 nights of room occupancy for every overnight visitor to LA.

Findings about the number of hotel and motel rooms include:

- Los Angeles has roughly 97,000 hotel and motel rooms, which comes to 1.5 rooms per \$10 million of economic output in the region or 1.8 rooms per 100 workers in the regional labor force.
- Relative to the size of its economy, Los Angeles has fewer hotel and motel rooms than any of the cities in its competitive set except New York, and is well below the national average of 2.4 rooms per \$10 million of economic output or 3.2 rooms per 100 workers in the total labor force.

Findings about Lodging industry occupancy and revenue include:

- LA's room rates are among the lowest for its competitive set, averaging \$96 dollars a night in 2004.
- LA is next to the lowest for its competitive set in actual revenue per room, averaging \$69 per night.
- When we look at LA's room rates and revenue relative to its cost of living we see that LA receives the lowest level of compensation of any region in its competitive set.

Chapter 5

Lodging Industry Work Force

One of the most important public benefits provided by an industry is employment of local residents. Compared to other regions, how successful is LA's Lodging industry in providing sustaining employment for residents?¹⁷ We explore this question by using a type of data from the 2000 Census that allows us to see employment outcomes of individual residents, including their industry, occupation, earnings, employment status, and hours worked.¹⁸

Geographic Concentration

How does the share of Los Angeles' labor force that finds Lodging industry jobs compare to the national average, and to the five comparison metropolitan areas? We can answer this question using two types of information. Census data gives us information about all of the workers living in each region at the time of the 2000 Census who were currently employed and identified their employer as a lodging establishment. Our

Figure 34
Location Quotient for Lodging Industry Employment

Data for Employer Labor Force from County Business Patterns 2002 and for Residential Labor Force from Census 2000

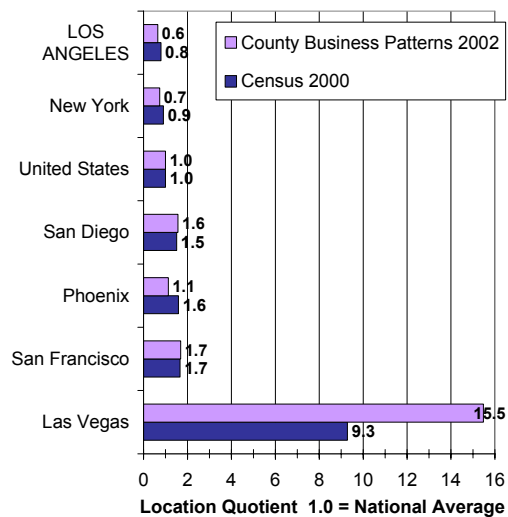


Table 3
Employment in the Lodging Industry

US Census PUMS data for currently employed persons at the time of the 2000 Census and County Business Patterns data for establishment employment in 2002

Metro Area	Census 2000		County Business Patterns 2002	
	Lodging Industry Employment	Percent of Total Employment	Lodging Industry Employment	Percent of Total Employment
Las Vegas	75,570	9.75%	164,231	23.15%
LOS ANGELES	32,765	0.83%	36,478	0.96%
New York	36,726	0.94%	40,490	1.10%
Phoenix	25,223	1.66%	23,413	1.68%
San Diego	20,950	1.58%	25,340	2.34%
San Francisco	15,986	1.74%	23,668	2.52%
United States	1,368,815	1.05%	1,681,120	1.50%

second source of data is County Business Patterns 2002, which gives us information reported by all of the Lodging industry employers located in each region.¹⁹ This information is shown in Figure 34 and Table 3.²⁰

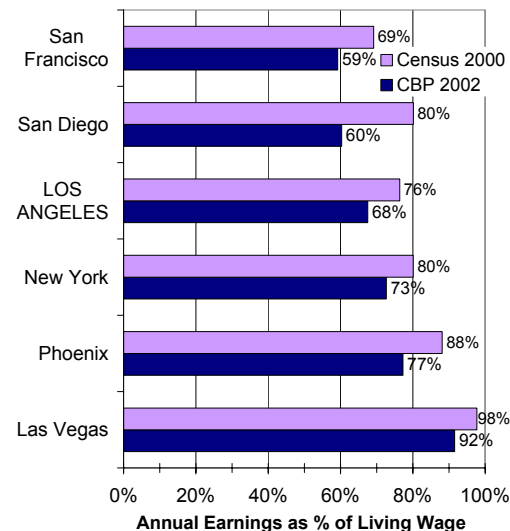
The share of each region's labor force that finds jobs in the Lodging

industry compared to the overall US share is shown by the location quotient values in Figure 34.²¹ Values greater than 1 represent above-average concentrations of Lodging industry employment and values below 1 represent below-average concentrations.

Measured by employment, LA's Lodging industry was only 79 percent as fully developed as in the overall US economy based on information reported by residents in the 2000 Census, and only 64 percent as fully developed as the US based on information reported by employers in 2002. The regions competing with LA for tourists all generate a larger share of employment through the Lodging industry than Los Angeles. The share of employment provided by the Lodging industry in Phoenix, San Diego and San Francisco is double the share in LA, and Las Vegas generates roughly a fifth of its jobs through the Lodging industry (including hotel-casinos).²²

Figure 35
Lodging Industry Wages as a Percent of the Living Wage

1999 earnings reported in Census 2000 PUMS 5%;
2002 earnings reported in County Business Patterns



Sustainable Earnings

Industry Earnings

What are the average annual earnings in the Lodging industry and how do these earnings compare to living wage benchmarks for each region? How much do workers in different occupations within the Lodging industry earn?

Table 4
Average Earnings in the Lodging Industry

Metro Area	1999 Earnings Reported in the 2000 Census			County Business Patterns 2002	
	Average Earnings	1999 Living Wage	% 1999 Living Wage	Average Earnings	% 2002 Living Wage
New York	\$29,565	\$36,899	80%	\$29,071	73%
Las Vegas	\$27,011	\$27,641	98%	\$27,849	92%
San Francisco	\$26,573	\$38,431	69%	\$25,459	59%
San Diego	\$23,285	\$29,055	80%	\$20,067	60%
LOS ANGELES	\$22,343	\$29,258	76%	\$21,674	68%
Phoenix	\$22,270	\$25,273	88%	\$21,485	77%

By "living wage" we refer to the minimum earnings needed to meet basic family costs such as housing, food, childcare, transportation, and health care in different regions of the US. This benchmark is not linked to

living wage ordinances, but rather to the wages needed to maintain a minimal standard of living for a family based on the cost of living in different regions. In this report our benchmark is the cost for a family with just one parent and one child. The Economic Policy Institute calculated the living wage for regions throughout the United States, and is the source of living wage benchmarks for the six regions studied in this report.²³

We can explore the overall level of earnings in the Lodging industry through the earned income that Lodging industry workers reported in the 2000 Census as well as through payroll tax reports from Lodging industry employers. Census earnings, which represent the total earnings of individual workers, are shown in Figure 35 and Table 4.²⁴ Similarly, employer wages for the jobs they provide are also shown in Figure 35 and Table 4. Since some people hold multiple jobs, the employer-reported wages from County Business Patterns tend to be lower than the worker-reported earnings from Census data, so our comments focus on Census earnings, which provide the most complete picture of the earned income of Lodging industry workers.

LA's Lodging workers have the second lowest earnings out of the six regions, even though LA has the third-highest cost of living, as shown in Table 4. Earnings in LA are \$7,000 lower than in New York, \$5,000 lower than in Las Vegas, and \$4,000 lower than in San Francisco. When compared to the living wage benchmark, LA's wages are next to the lowest out of the six regions. The average Lodging industry worker in Los Angeles earned roughly three-quarters of a living wage.

Table 5
Major Occupations in the Lodging Industry, 2000
Workers employed in the lodging industry at the time of the 2000 Census

Occupational Earnings

Lodging industry employment is concentrated in food preparation and serving occupations and building cleaning and maintenance occupations, as shown Table 5.²⁵ Forty-four percent of

Census Occupation	Las Vegas	Los Angeles	New York	Phoenix	San Diego	San Francisco
Lodging Managers	1,709	2,401	1,931	1,635	1,275	1,143
Security Guards & Related	2,278	459	552	404	276	-
Cooks	2,569	1,287	1,044	1,031	774	903
Food Preparation Workers	1,930	199	688	342	178	120
Bartenders	1,998	589	409	370	305	-
Waiters & Waitresses	4,267	2,555	2,198	1,298	1,147	842
Food Servers, Non-restaurant	1,753	877	405	540	285	392
Dining Attendants & Food Prep	1,771	892	447	618	330	201
Janitors & Building Cleaners	1,946	1,668	1,999	639	816	865
Maids & Housekeeping Cleaners	10,442	5,995	8,572	3,134	3,437	2,811
1st-Line Mgrs. of Gaming Wkrs.	2,025	-	-	-	-	-
Gaming Services Workers	5,406	-	-	-	-	-
Baggage Porters, Bellhops	1,830	693	1,611	351	544	692
Cashiers	3,814	-	-	-	232	-
Hotel, Motel, & Resort Desk	3,536	2,259	1,829	2,005	1,411	1,463
Reservation & Transportation	1,492	640	504	1,141	607	431
Total Workers	75,570	32,765	36,72	25,223	20,95	15,986

Lodging industry workers in the six study areas were employed in these two job families. When we look at the average annual earnings of workers in the largest occupations, shown in Table 6,²⁶ we see that Lodging managers in 4 of the 6 regions (excluding Los Angeles and San Francisco), along

Table 6
Average Annual Earnings in the Lodging Industry, 1999

Workers employed in the lodging industry at the time of the 2000 Census						
Census Occupation	Las Vegas	Los Angeles	New York	Phoenix	San Diego	San Francisco
Lodging Managers	\$36,399	\$25,911	\$58,435	\$35,536	\$52,291	\$37,123
Reservation & Transportation	\$22,359					
Bartenders	\$26,192					
Waiters & Waitresses	\$27,519	\$20,900	\$34,550	\$16,069	\$17,831	
Food Servers, Non-restaurant	\$24,068					
Cooks	\$22,548	\$21,678				
Security Guards & Related	\$25,959					
Baggage Porters, Bellhops	\$26,116		\$25,569			
Dining Attendants & Food Prep	\$17,990					
Hotel, Motel, & Resort Desk	\$19,627	\$13,999	\$25,100	\$14,679	\$15,290	\$18,348
Food Preparation Workers	\$22,105					
Janitors & Building Cleaners	\$20,121	\$13,862	\$22,415			
Maids & Housekeeping Cleaners	\$21,030	\$15,180	\$22,091	\$9,855	\$11,287	\$18,623
Cashiers	\$18,896					
1st-Line Mgrs. of Gaming Wkrs	\$33,274					
Gaming Services Workers	\$31,444					

with Las Vegas workers in two gaming occupations earned a living wage, as denoted by the shaded cells. Workers in all other occupations and regions earned less than a living wage.

Employee Benefits

Wage levels do not tell the complete story of employee compensation, which also includes employee benefits such as health insurance and retirement funds. Health and retirement benefits typically cost between \$2 and \$5 an hour depending on the type of coverage. Unfortunately, data about the number of Lodging industry workers in each region who receive these benefits is not available. However, anecdotal information suggests that Los Angeles workers are less likely to receive these benefits than workers in New York, San Francisco, or Las Vegas.

Full Employment

Are Lodging industry employees typically able to obtain a full year of work? What is the unemployment rate among Lodging industry workers? We can explore both of these questions using Census data. In the year preceding the Census, 1999, Lodging industry workers in Los Angeles worked an average of 1,750 hours, the shortest work year of any of the six study regions, as shown in Figure 36.²⁷ This

represents 84 percent of a full work year for Los Angeles workers. At the high end, Lodging industry workers were on the job an average of 1,900 hours in Las Vegas, representing 91 percent of a full work year.

The shortfall from a full work year has the effect of reducing potential annual earnings in Los Angeles by 16 percent. If the average worker had a full-time, year-around work schedule, instead of a 1,750 hour schedule, and still received the same Lodging industry wage, his or her earnings in 1999 would have been \$26,556 instead of \$22,343. This would have raised the worker's earnings up to 91 percent of the living wage.

When we look at the unemployment rate for Lodging industry workers at the time of the 2000 Census we see the lowest rate in San Francisco, 3.7 percent; the second highest rate in Los Angeles, 8.7 percent; and the highest rate in San Diego, 9.5 percent, as shown in Figure 37.²⁸ LA's Lodging industry unemployment rate

was about two-thirds higher than the overall unemployment rate for the region – a pattern also seen in all of the other regions except Las Vegas.

Figure 37

**Unemployment Rate for
Lodging Industry Workers
and Total Labor Force**

US Census & Bureau of Labor Statistics, March 2000

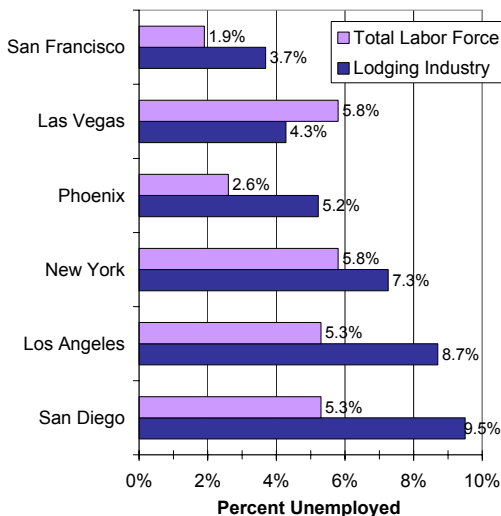
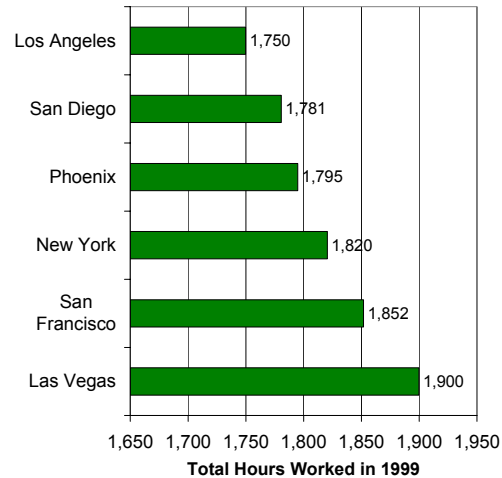


Figure 36

**Hours Worked in 1999 by
Persons Employed in the
Lodging Industry at the time
of the 2000 Census**

Data from Census 2000 PUMS 5% sample



Summary of Findings

- Measured by employment, the Lodging industry generates a smaller share of jobs in LA's economy than it does in the national economy - only 79 percent as many jobs based on information reported by residents in the 2000 Census, and only 64 percent as many jobs based on information reported by employers in 2002.

- When the earnings that Lodging industry workers reported in the 2000 Census are compared to the living wage for one parent with one child in each region we see that workers typically earned from 69 to 98 percent of the living wage. The average Lodging industry worker in Los Angeles earned a little over three-quarters of the living wage.
- Lodging industry employment is concentrated in food preparation and serving occupations and building cleaning and maintenance occupations. Workers in these occupations in all six study regions earned less than the living wage.
- Lodging industry workers in Los Angeles reported working an average of 1,750 hours in 1999, the shortest work year of any of the six study regions. This shortfall from a full work year has the effect of reducing potential annual earnings by 16 percent. At the same wage rate, full-time work would raise earnings for the average worker up to 91 percent of the living wage.
- LA's Lodging industry unemployment rate in 2000 was about two-thirds higher than the overall unemployment rate for the region – a pattern repeated in all of the other regions except Las Vegas.

Chapter 6

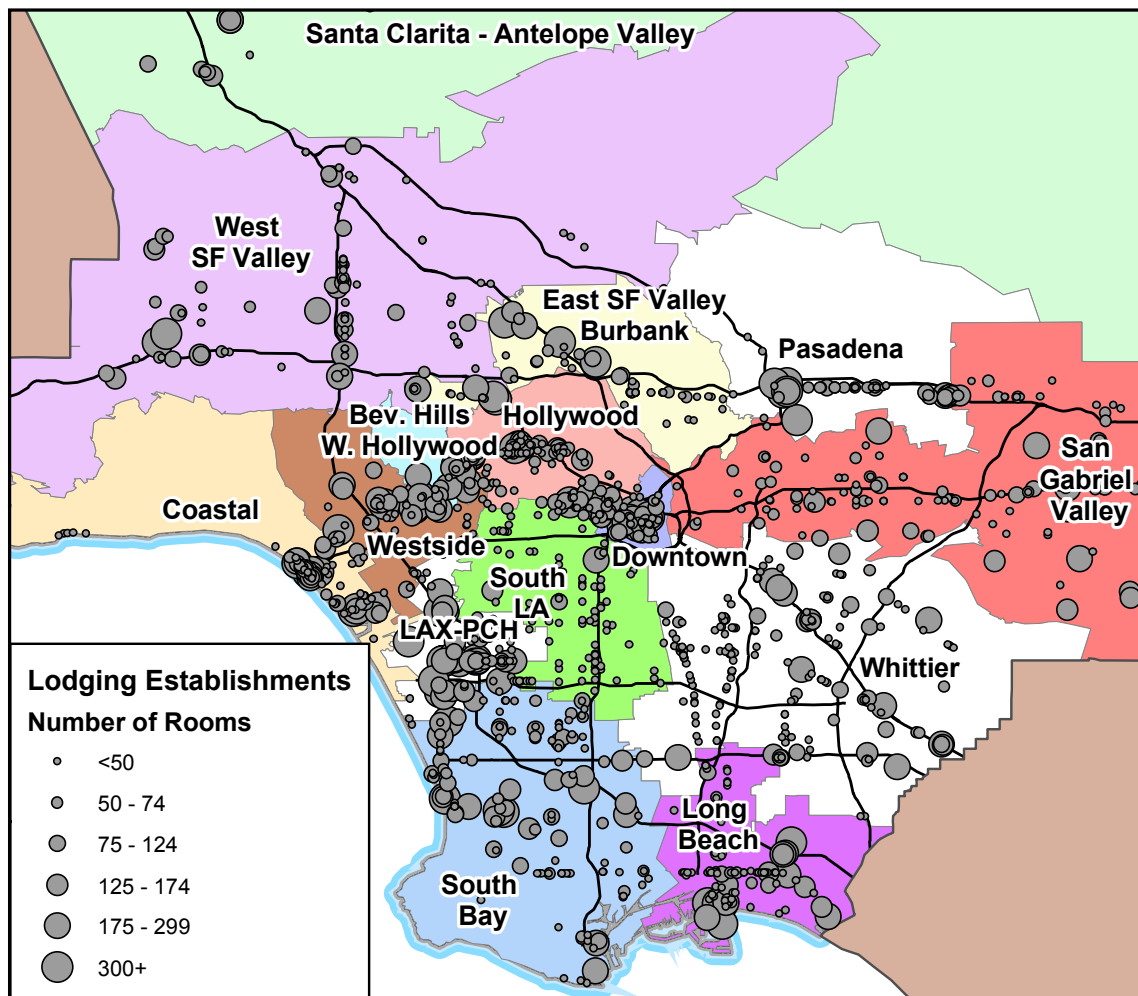
The Lodging Industry in Los Angeles

How many jobs and what level of wages does the Lodging industry provide in different areas within Los Angeles County? What are the room rates and occupancy levels of hotels and motels in different areas?

We explore these questions using Lodging industry data and definitions of sub-county Lodging markets provided by PFK Consulting. These Lodging markets are shown in the map below in Figure 38, with LA's Lodging establishments overlaid in varying sizes of dots representing the number of rooms at each location.

Figure 38

Map of Lodging Establishments by Number of Rooms



The map shows LA's Lodging industry concentrated a sprawling arc shaped like a backwards question mark that begins downtown, swings up into West Hollywood and Beverly Hills, extends down into West LA and Santa Monica, and ends with a leg reaching from the airport into the South Bay. We have broken out information about LA's Lodging establishments in fifteen sub-county Lodging markets identified by PKF Consulting to assess local industry conditions.²⁹

CITY OF LOS ANGELES

1. Downtown
2. East San Fernando Valley
3. Hollywood
4. Los Angeles International Airport (LAX) - Pacific Coast Highway
5. South Los Angeles
6. Westside
7. West San Fernando Valley

BALANCE OF LOS ANGELES COUNTY

8. Antelope and Santa Clarita valleys
9. Beverly Hills - West Hollywood
10. Coastal (Malibu, Santa Monica, Venice, and Marina Del Rey)
11. Long Beach
12. Pasadena
13. San Gabriel Valley
14. South Bay
15. Whittier and the I-5 Corridor

We ask the reader to note that PFK Consulting, our preferred data source for sub-county Lodging data, uses a different sample of Lodging establishments to produce its reports than Smith Travel Research, our preferred data source for the county-level Lodging data used in previous chapters to compare LA to other regions in its competitive set. These differences result in a slightly more upbeat picture of LA's Lodging industry from PFK, with occupancy rates for LA County 2 to 4 percentage points higher than those reported by Smith Travel Research, average room rates \$20 to \$25 higher, and average revenue per available room \$15 to \$20 higher. Each data set provides a credible frame of reference for comparing Lodging industry conditions in different areas, but taken together they demonstrate that there is a margin of uncertainty about actual outcomes in the industry.

Lodging Industry Size and Revenue

The average number of rooms available in each of PFK's LA market areas in 2004, and the average number occupied each night are shown in Figure 39. Down-

town LA had 9,100 rooms, with 5,600 or 62 percent occupied on a typical night. The swath of LA that includes Hollywood, West Hollywood, Beverly Hills, and West LA had 13,300 rooms, with 10,000 or 75 percent occupied. And the beach zone that includes the Coastal area, the airport and Pacific Coast Highway area, and the South Bay had 28,500 rooms, with 22,200 or 78 percent occupied.

This arc of hotels and motels reaching from downtown to the beach and extending into the South Bay, that we described earlier as resembling a backwards question mark, accounts for over half of the Lodging accommodations in Los Angeles County. Downtown accounts for one-in-eleven available

Figure 39
Average Daily Inventory of Rooms in
LA's Lodging Markets in 2004

Source: PKF Consulting, LA INC.

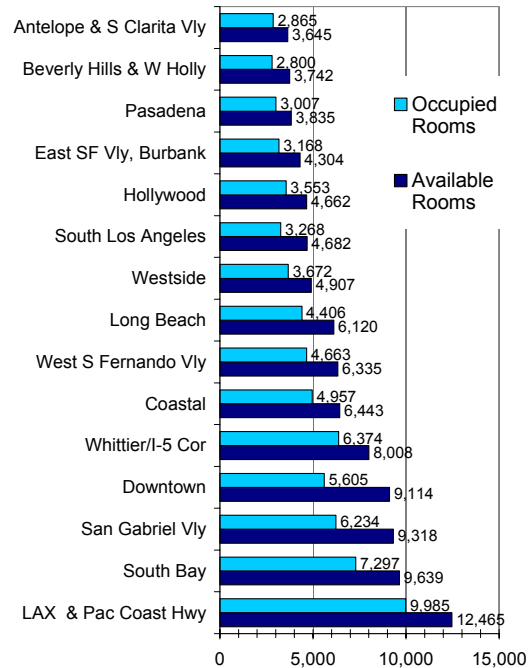
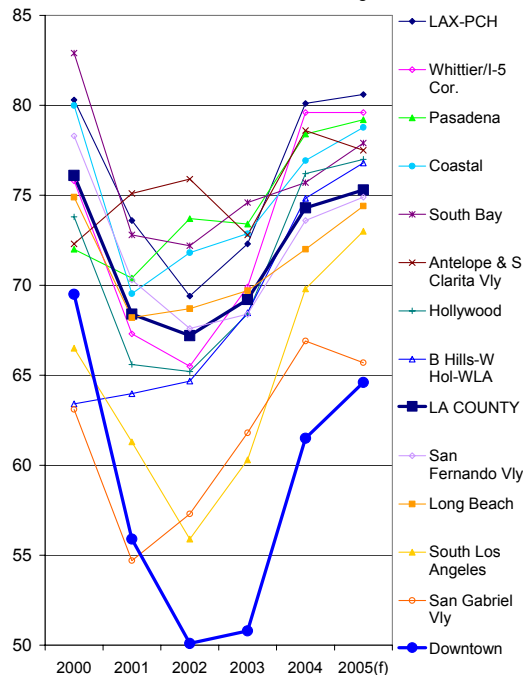


Figure 40
Average Percent of Rooms Occupied
in LA's Housing Markets

Source: PKF Consulting



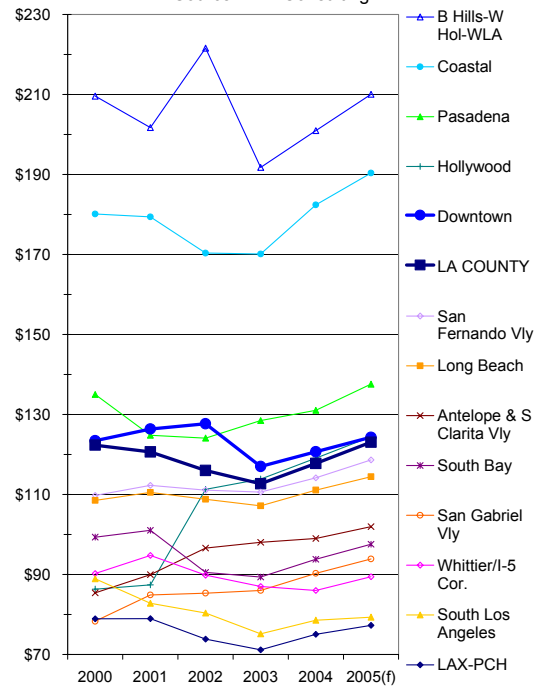
rooms and one-in-thirteen occupied rooms. In contrast, the coastal stretch extending from Malibu to the South Bay accounts for more than one-in-three available and occupied rooms. Based both on number of available rooms and occupancy rates it is reasonable to conclude that Downtown Los Angeles is a second or third tier destination for business and vacation visitors to LA.

When we look at rooms occupied as a percent of rooms available we see that Downtown Los Angeles noticeably trailed other areas of LA, with a gap that widened after 2001. This gap reflects the post-9/11 downturn in business travel, as well as the fact that in 2002 the convention centers in both San Diego and Anaheim were fully operational after being off-line for renovation and expan-

sion. Occupancy rates from 2000 through 2005 can be seen in Figure 40, where rates for Downtown and LA County are highlighted to stand out from the spaghetti effect of trend lines from the other sub-county market areas.³⁰ Downtown had an occupancy rate of 61 percent in 2004 and a rate of 65 percent forecast for 2005, the lowest of any LA market area. The International Airport and Pacific Coast Highway area had the highest rates, 80 percent in 2004 and 81 percent forecast for 2005, followed by hotel properties in the Whittier, Pasadena, Coastal, and South Bay areas.

LA's lodging markets show substantial variation in room rates. Average daily rates in the International Airport area are 37 percent of the price in Bev-

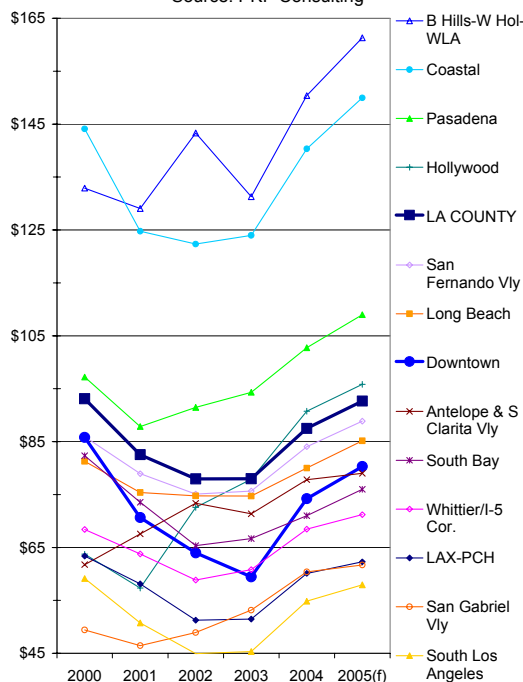
Figure 41
Average Daily Room Rates in
LA's Lodging Markets
Source: PKF Consulting



erly Hills and West Hollywood, as shown in Figure 41. Rates have remained relatively stable over the past four years, with decline in nearly all areas after 2001 and recovery in all areas in 2004 and 2005. Downtown is in the middle of the range, with an average rate of \$121 a night in 2004.

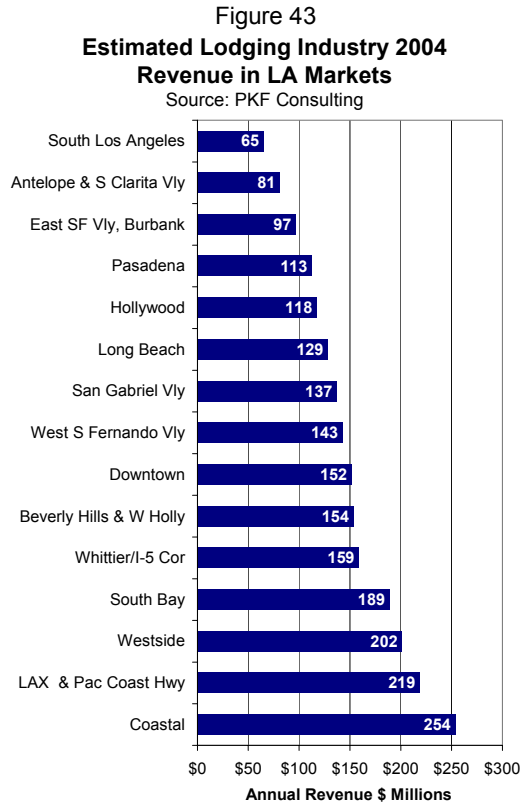
Average daily revenue for rooms reflects the effect of occupancy rates on room rates. The Beverly Hills-West Hollywood and Coastal areas stand above all of the other areas, with average room revenue increasing sharply to \$161 and \$150 a night, respectively, in 2005, as shown in Figure 42. The Downtown area reached \$80 in 2005. The lowest room revenue is in South Los Angeles, \$58 a night.

Figure 42
Average Daily Revenue per Room in
LA's Lodging Markets
Source: PKF Consulting

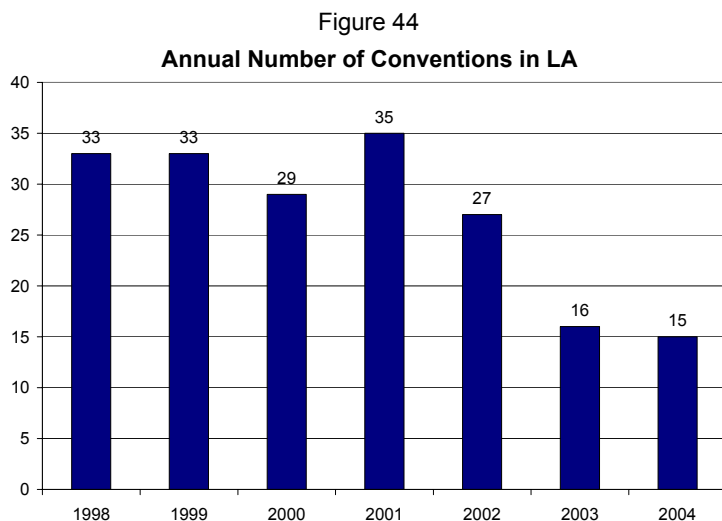


One perspective on the average revenue in 2004 of \$74 for rooms in Downtown Los Angeles is that it was half of the \$151 average 2004 revenue for rooms in New York.

We can use this Lodging industry data to estimate the amount of revenue generated by LA's Lodging industry in each market area, bearing in mind the possibility that data from PKF Consulting may produce high-end estimates. When we multiply the average number of rooms occupied each day by average daily revenue per room, and then multiply this amount by the number of days in the year we get the annual revenue levels shown in Figure 43. The Coastal area is estimated to generate the most revenue - \$254 million in 2004, followed by the Airport and Pacific Coast Highway area - \$219 million, and then the Westside - \$202 million. Downtown Lodging establishments are estimated to have generated \$152 million in 2004.



Convention Visitors



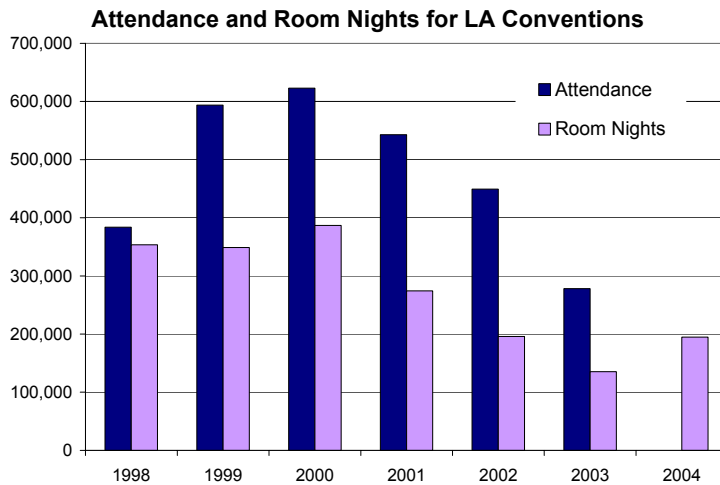
Conventions dramatically boost the number of high-outlay visitors in Downtown LA. These outlays include high-end lodging and meals, transportation services and retail shopping. The annual number of conventions held in Los Angeles in 2003 and 2004 was half the number held

from 1998 through 2001, as shown in Figure 44.

Of course, the key factor for bringing visitors' dollars into LA's economy is not the number of conventions, but rather the number of visitors and the length of time they spend here. The number of convention attendees and the number of room nights they spent in LA peaked in 2000,

as shown in Figure 45. This high volume of visitors was probably influenced by the fact that Anaheim's convention center was off line for renovation in 1998 and 1999, and San Diego's center was off-line from 1999 through 2001. The average annual number of room nights in 2002 to 2004 was only 48 percent as much as the average for 1998 to 2000. This suggests that LA has had only modest success competing with nearby convention centers since they reopened. It may also help explain the comparatively low occupancy rates in Downtown hotels over the past three years.

Figure 45

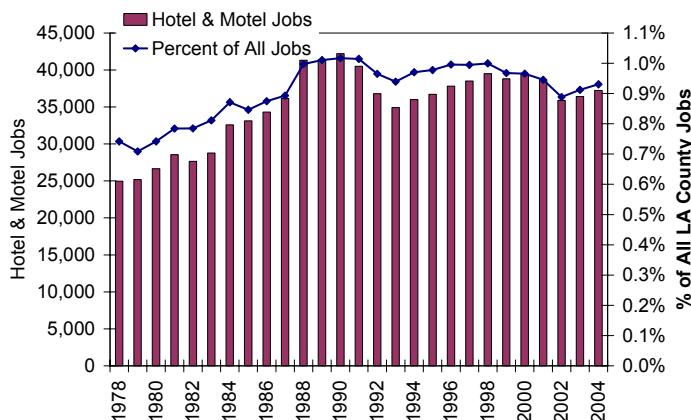


If attendance at LA conventions in 2004 had reached the annual average for 1998 to 2000, Downtown area hotels would have had another 168,000 room nights of occupancy, generating an additional \$20 million in annual Lodging industry revenue alone. In addition to increased transient occupancy and sales taxes, the

public sector would have benefited from much higher convention center revenue.

Figure 46
**LA County Wage and Salary Jobs
in Hotels and Motels 1978-2004**

Source: ES-202: 1978-1989, SIC 7011; 1990-2004, NAICS 7211



Employment

Roughly 1 percent of LA's labor force works in the Lodging industry. Employment peaked in 1990 with about 42,000 workers who made up 1 percent of LA's wage and

salary labor force, as shown in Figure 46. About a fifth of these jobs were lost in the 1990 aerospace recession, with a gradual recovery bringing employment up to 39,000 workers in 1998. Roughly 3,000 jobs were lost in the 2001 recession and the post-9/11 downturn in travel. The recovery has again been gradual, with about half of the lost jobs returning by the end of 2004.

When we look at Lodging industry workers as a share of the total wage and salary labor force employed in each area of LA, the pattern shown in Figure 47 emerges.³¹ Six areas have above-average concentrations of local jobs in the Lodging industry: 6.1 percent of people with jobs in Beverly Hills and West Hollywood are employed at Lodging establishments, 3.9 percent in the Coastal area, 2.7 percent in the Airport and Pacific Coast Highway area, 1.8 percent in the Westside, 1.5 percent in Long Beach, and 1.5 percent in Pasadena.

Figure 47
Percent of Jobs in Each Area
Provided by Lodging
Los Angeles County ES-202 data 2002

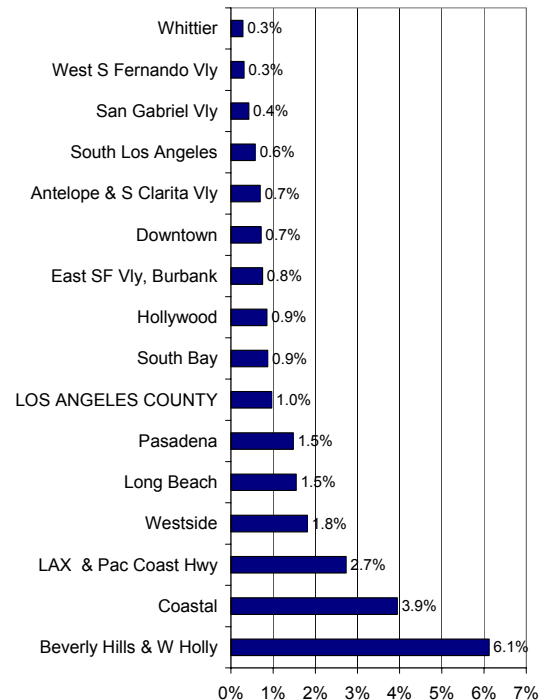
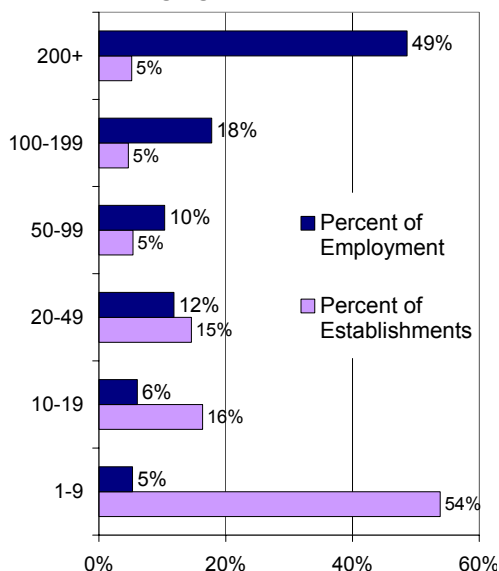


Figure 48
Number of Jobs by Size of
Lodging Establishment



It is also informative to look at the Lodging industry by size class of establishments, because as we will shortly see, this affects wage levels. Seventy percent of LA's Lodging establishments have fewer than 20 employees, but these small establishments account for only 11 percent of Lodging industry jobs, as shown in Figure 46. On the other hand, 10 percent of establishments have 100 or more employees, but these establishments account for 67 percent of workers employed by the industry. A relatively small share of hotels account for most Lodging industry employment.

Another window into employment conditions within LA's Lodging industry market areas is the unemployment rates reported in the 2000 Census by residents who worked in this industry, as shown in Table 7.³² This information is from workers who live in the market area, but some may work in a hotel or motel outside their area of residence.

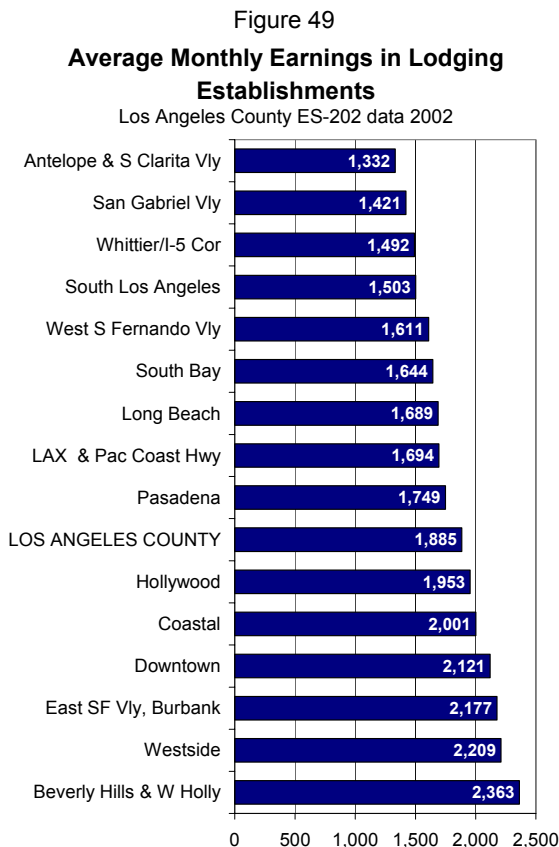
We see the lowest unemployment rate, 4 percent, among Lodging industry workers living in

Table 7
Employment and Unemployment Among Lodging Industry Workers in Los Angeles County, 2000

Source: US Census 2000 PUMS 5% Sample

Area	Currently Employed	Currently Unemployed	Employment Rate	Unemployment Rate
East San Fernando Vly	1,778	83	96%	4%
LAX, PCH, South Bay	5,396	284	95%	5%
Pasadena	940	58	94%	6%
LA COUNTY	11,462	676	94%	6%
Coastal, Bev Hills, West	2,539	180	93%	7%
Westside	809	71	92%	8%
San Gabriel Valley	3,330	310	91%	9%
South Los Angeles	5,251	500	91%	9%
Whittier, I-5 Corridor	2,834	287	91%	9%
Long Beach	1,876	207	90%	10%
Hollywood	1,543	173	90%	10%
West San Fernando Vly	2,998	339	90%	10%
Downtown	1,488	182	89%	11%
Antelope & S Clarita Vly	1,156	275	81%	19%

Residents reporting themselves to be Traveler Accommodations workers and identifying themselves as currently employed or unemployed at the time of the 2000 Census.



the East San Fernando Valley-Burbank-Glendale area, followed by 5 percent unemployment in the Airport-Pacific Coast Highway-South Bay Area. The highest unemployment rate, 19 percent, was found among workers living in the Antelope and Santa Clarita Valleys, followed by an 11 percent unemployment rate among workers living Downtown. These unemployment rates are for the time of the Census in April 2000. It is likely that these unemployment rates increased following the 9/11 downturn in travel.

Earnings

Looking now at wages reported by employers, we see that the average monthly wages reported for jobs in

Lodging establishments countywide in 2002 were \$1,885 a month, as shown in Figure 49. The highest wages were paid by Lodging establishments in Beverly Hills and West Hollywood - \$2,363, followed by the Westside - \$2,209, then the East San Fernando Valley-Burbank-Glendale area - \$2,177, with Downtown wages fourth highest at \$2,121 a month.

The lowest wages were found in the Antelope and Santa Clarita valleys - \$1,332, with the San Gabriel Valley next to the lowest at \$1,421, and the Whittier-I-5 Corridor area third from the bottom at \$1,492 a month.

There is over a thousand dollars a month spread between the average wages paid to workers in the Antelope and Santa Clarita valleys compared to workers in Beverly Hills and West Hollywood. Two of the factors that explain wage differences are level of unionization, which we do not explore in this report, and size of Lodging establishments, which we explore below.

Figure 50
Average Monthly Wages for Lodging Industry Jobs by Establishment Size
Los Angeles County 2002, ES-202 data

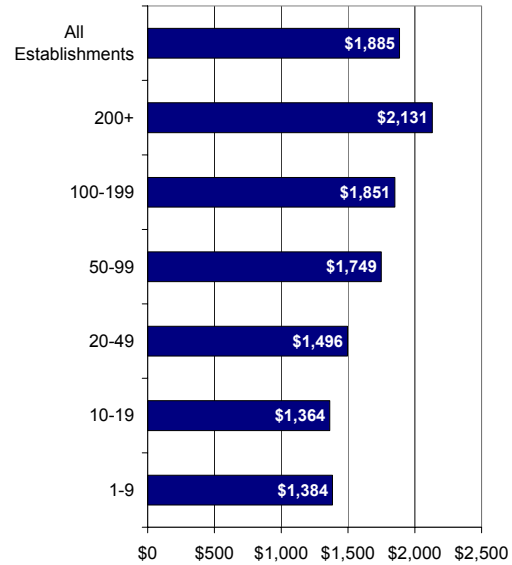


Table 8

Monthly Lodging Industry Earnings in 2002 by Geographic Area and Establishment Size

Area	Employment Size Category						Total
	1-9	10-19	20-49	50-99	100-199	200+	
Beverly Hills & W Holly	3,995	1,761	1,655	2,070	2,170	2,494	2,363
Westside	2,682	2,045	2,122	1,689	2,018	2,329	2,209
East SF Vly, Burbank	1,220	1,258	1,564	s	2,477	2,274	2,177
Downtown	1,309	1,318	1,303	1,671	s	2,305	2,121
Coastal	1,733	1,402	1,692	s	1,797	2,345	2,001
Hollywood	1,425	1,575	1,799	2,728	s	s	1,953
LOS ANGELES COUNTY	1,384	1,364	1,496	1,749	1,851	2,131	1,885
Pasadena	1,116	1,110	1,217	1,689	s	1,993	1,749
LAX & Pac Coast Hwy	1,807	1,375	1,466	1,480	1,640	1,768	1,694
Long Beach	945	1,210	1,413	1,455	s	1,798	1,689
South Bay	1,359	1,258	1,712	1,775	1,700	1,699	1,644
West S Fernando Vly	1,156	1,948	1,455	s	s	s	1,611
South Los Angeles	1,163	1,042	1,323	1,590	s	s	1,503
Whittier/I-5 Cor	1,263	1,163	1,276	1,666	s	s	1,492
San Gabriel Vly	978	1,171	1,352	1,673	s	s	1,421
Antelope & S Clarita Vly	1,195	1,320	1,140	s	s	s	1,332

"s" indicates data suppression due to small sample of employers

Lodging industry wages vary considerably based on the size of establishments, as shown in Figure 50. Establishments with 200 or more employees paid an average of \$2,131 a month in 2002, 54 percent more than the average of \$1,384 paid by establishments with fewer than 10 employees.

When we breakout establishments by size as well as geographic area, as shown in Table 8, we can filter out the effect that a large number of small establishments has on average wages in some areas. Larger establishments pay higher average wages. The overall trend is for progressively higher wages as establishments increase in size. Countywide, establishments with 50 to 99 employees pay average wages that are 24 percent higher than those with 1-9 employees, and establishments with over 500 employees pay average wages that are 62 percent higher. This holds true across LA. The size of an establishment has more impact on wages than its location.

Area Profiles

CITY OF LOS ANGELES

Downtown Los Angeles

Downtown is home to the market's largest hotels. Downtown was heavily impacted by the post-9/11 downturn in travel and renewed competition from the San Diego and Anaheim convention centers, resulting in low occupancy rates. Downtown is home to the Convention Center and a growing tourism complex extending from the Staples Center sports arena to expanding nightlife in the Historic District, major cultural sites on Grand Avenue, and the network of Union Station/Chinatown/ Olvera Street attractions. It has the fourth-largest room inventory, the lowest occupancy rate, slightly above-average room rates, a below-average share of local jobs in Lodging, and the second highest unemployment rate and fourth-highest wages for Lodging workers.

East San Fernando Valley, Burbank, Glendale

The East San Fernando Valley-Glendale-Burbank area has the fourth smallest room inventory, the third lowest Lodging industry revenue, below-average concentration of local workers in Lodging jobs, the lowest unemployment rate for Lodging industry workers, and the third-highest wages for Lodging industry workers.

Hollywood

Hollywood has the fifth-smallest inventory of rooms, above-average occupancy and room rates, above average unemployment and slightly above-average wages for Lodging industry workers.

Los Angeles International Airport (LAX)-Pacific Coast Highway

The LAX area is the region's other hub for large hotels, located mainly on Century Boulevard, just East of the airport. This area has benefited from the high volume of domestic and international travel through LAX, both those who are

tourists in LA, as well as those just passing through. This area has the largest room inventory, highest occupancy rate, the second-highest Lodging industry revenue in the county, the lowest room rates in the county, and an above-average concentration of local jobs in Lodging but below-average wages.

South Los Angeles

South Los Angeles has the third-lowest occupancy rate, second lowest room rate, lowest average daily revenue per available room, lowest revenue from Lodging, fourth-smallest share of local jobs in Lodging, and fourth-lowest wages for Lodging industry workers.

Westside

The West LA hotel market has seen significant recent expansion and renovation. The limited convention center and meeting space there competes with Downtown LA for some events. West LA has the ninth largest inventory of rooms but the third highest revenue of Lodging in the county, an above average concentration of local jobs in Lodging, and the second highest wages in the county for Lodging workers.

West San Fernando Valley

The San Fernando Valley hotel properties are concentrated in the Universal City area and the West Valley. It has below-average occupancy and room rates, the second-lowest share of the local labor force employed in Lodging, and the third-highest unemployment rate and fifth-lowest wages for Lodging workers.

BALANCE OF LOS ANGELES COUNTY

Antelope and Santa Clarita valleys

The Antelope and Santa Clarita Valleys have the smallest inventory of rooms, above-average occupancy rate, below-average room rate, the second lowest revenue from Lodging, the fifth-smallest share of local jobs in Lodging, and the highest unemployment rate and the lowest wages for Lodging workers.

Beverly Hills and West Hollywood

Beverly Hills and West Hollywood have the highest room rates, slightly above-average occupancy rates, the highest average daily revenue per available room, the highest concentration of local jobs in the Lodging industry, and the highest average wages for Lodging industry workers.

Coastal

Beach community lodging properties are typically smaller than in Downtown LA, but capture a significant amount of travel and tourism business due to their

close-to-the coast amenities. These communities have the second-highest concentration of local jobs in Lodging of any area of the county, high occupancy rates, the second-highest room rates and average daily revenue per available room, the highest Lodging industry revenue in the county, and pay somewhat above-average wages to Lodging workers.

Long Beach

Long Beach has the fourth-lowest occupancy rate, below-average room rates and revenue per available room, an above-average concentration of local workers in Lodging jobs, above average unemployment, and below-average wages for Lodging industry workers.

Pasadena

The Pasadena-Arcadia area has the third-smallest room inventory, third-highest occupancy and room rates, third-lowest unemployment rate, and slightly below-average wages for Lodging industry workers.

San Gabriel Valley

The San Gabriel Valley has the third-largest room inventory, second-lowest occupancy rate, third lowest room rate, third-lowest concentration of local workers in Lodging industry jobs, above-average unemployment rate, and the second-lowest wages for Lodging industry workers.

South Bay

The South Bay has the second largest room inventory in the county, high occupancy rates, below-average room rates, the fourth-highest Lodging industry revenue, an average concentration of local jobs in Lodging, and below-average wages for these workers.

Whittier/I-5 Corridor

The Whittier-Interstate 5 Corridor area has the fifth-largest room inventory, second-highest occupancy rate, third-lowest room rate, lowest share of local workers employed in Lodging jobs, and the third-lowest wages for Lodging industry workers.

Summary of Findings

- Downtown LA was particularly hard hit by the post-9/11 downturn in travel and renewed competition from the San Diego and Anaheim convention centers, with occupancy rates dropping to 50 percent in 2002 and reaching only 61 percent in 2004.

- Downtown accounts for one-in-eleven available rooms and one-in-thirteen occupied rooms, making it a second or third tier destination for business and vacation visitors to LA.
- A relatively small share of hotels account for most Lodging industry employment. Ten percent of establishments have 100 or more employees, but these establishments account for 67 percent of workers employed by the industry.
- Lodging industry wages vary considerably based on the size of establishments. Establishments with 200 or more employees paid an average of \$2,131 a month in 2002, 56 percent more than the average of \$1,364 at establishments with 10 to 19 employees.

Endnotes

¹ We use the geographic definitions established by Smith Travel Research. The counties that make up the six metropolitan areas studied in this report are:

LAS VEGAS

Mohave County, AZ

Clark County, NV

Nye County, NV

LOS ANGELES

Los Angeles County, CA

NEW YORK

Bronx County, NY

Kings County, NY

New York County, NY

Putnam County, NY

Queens County, NY

Richmond County, NY

New York continued:

Rockland County, NY

Westchester County, NY

PHOENIX

Maricopa County, AZ

Pinal County, AZ

SAN DIEGO

San Diego County, CA

SAN FRANCISCO

Marin County, CA

San Francisco County, CA

San Mateo County, CA

² Peter D. Kuhbach, Mark A. Planting, and Erich H. Strassner, *Survey of Current Business*, "U.S. Travel and Tourism Satellite Accounts for 1998–2003," U.S. Bureau of Economic Analysis, September 2004, p. 45.

³ Information about US tourism-related output, employment, the tourism ratio for each industry sector, and the definitions of industry sectors is from the Industry Economics Division (IED), Bureau of Economic Analysis BE-51, U.S. Department of Commerce. The files used for this report contain data from the 1998-2003 U.S. Travel and Tourism Satellite Accounts (TTSA's) as published in "U.S. Travel and Tourism Satellite Accounts for 1998-2003," SURVEY OF CURRENT BUSINESS (Sept 2004). This article provides further information about the definitions and conventions used in the travel and tourism satellite accounts and can be downloaded from the publications tab on the BEA web site, www.bea.gov.

The following table provides the crosswalk between BEA Travel and Tourism Satellite Accounts and NAICS industry codes that are used for reporting many types of industry data, as well as the tourism ratio for each BEA sector. The tourism ratios were downloaded from the Bureau of Economic Analysis Satellite Industry Accounts Data, Travel and tourism data files, Annual estimates, 1998-2003, http://www.bea.doc.gov/bea/dn2/tourism_data.htm#ttidf

Industries in the Travel and Tourism Satellite Accounts and Tourism Ratio
TTSA Industries 2002 NAICS codes

[illegible]

BEA TTSA Industry Sectors	Tourism Ratio	Corresponding NAICS Codes												
		Code 1	Code 2	Code 3	Code 4	Code 5	Code 6	Code 7	Code 8	Code 9	Code 10	Code 11	Code 12	Code 13
Urban transit systems & other transportation	0.1495	4851	48532	4859	4884									
Taxi service	0.3570	48531												
Scenic & sightseeing transportation	0.9740	487												
Automotive equipment rental & leasing	0.5735	5321												
Automotive repair services	0.0650	8111												
Parking lots & garages	0.1512	81293												
Toll highways	0.0739	n.a.												
Travel arrangement & reservation services	0.9273	5615												
Motion pictures & performing arts	0.1637	51213	7111	7115										
Spectator sports	0.2708	7112	7113	7114										
Participant sports	0.2770	71391	71392	71394										
Gambling	0.3956	7132												
All other recreation & entertainment	0.2749	1142	51912	71121	7121	7131	7139							
Petroleum refineries	0.0555	32411												
Industries producing nondurable PCE* commodities, excluding petroleum refineries	0.0225	111	112	113	11411	212	22133	31	32	33	511	512	56142	811
Wholesale trade & transportation services	0.0171	42	48											
Gasoline service stations	0.0727	4471												
Retail trade services, excluding gasoline service stations	0.0257	44	45											
All other industries	0.0004													

*PCE = Personal Consumption Expenditures

⁴ The BEA sector labeled “Nondurable commodities” in Figures 1 and 2 is a large group of industries producing “nondurable personal consumption expenditure (PCE) commodities, excluding petroleum refineries.”

⁵ The Public Use Microdata Sample (PUMS) from the 2000 Census is the source of data used to obtain information about residents of Los Angeles County who are employed in tourism-linked jobs. This data is in the form of a sample of individual responses to the long-form Census questionnaire. Each individual response is weighted based on its representativeness of the overall population, making it possible to expand this data to represent the total population. The following PUMS data sets were used:

- 1% sample for all data points that reference U.S. totals
- 5% sample for all data points that reference states, metro areas, and any sub-national geography

Age:

Generally for any industry or occupation, PUMS only reports workers 16 years and older. However, to be sure that we only captured working age people, we sub-set the PUMS data to include only people who are sixteen years of age or older. There is no upper limit applied to the working age for PUMS data, thus the data includes anyone working in an industry or occupation even if they are past retirement age.

Record Counts:

In order to produce data that is reliable we established the following minimum thresholds for data that is included in this report:

Employment:

Minimum 10 records (unweighted records) for measures of employment or unemployment.

Wage-Salaries, Weeks worked 1999, Hours worked 1999, Hourly wages 1999:
Minimum 50 records (unweighted records) for any of these measures.

Industry and Occupation:

For industries and occupations, PUMS reports the industry or occupation in which the respondent last worked, even if they are currently unemployed. Thus, we made the following assumptions:

- a. If a person reported being employed, then we assumed that the industry or occupation they reported is the industry or occupation in which they are currently employed.
- b. If a person reported being unemployed, we assumed that the industry or occupation they reported represents the industry or occupation from/ in which they were unemployed. Thus, we can identify industry and occupation unemployment rates as well as employment rates.

To assign 1999 wage and salary incomes to an industry or occupation, we assumed that for employed people, their current occupation or industry was the same in 1999. For people that reported being currently unemployed or out of the labor market we assumed that the industry or occupation they reported represents the industry and occupation in which they worked in 1999 if they report a wage-salary income for 1999.

⁶ Employer-reported employment data is from County Business Patterns. The US Census Bureau, in addition to creating the census of population and housing every ten years, also releases a census each year of all business establishments with one or more paid employees. This series, called the County Business Patterns, details number of business establishments, their industry classification (NAICS), their amount of employment, their 1st quarter and annual payroll, and a breakdown of each industry by employment size of the establishments. The data in this section is drawn from the most recent year of this county-level data set, 2002. This data set excludes self-employed people, domestic service workers, railroad employees, agricultural production workers, most government employees, and employees on ocean-borne vessels. County Business Patterns provides the most detailed public domain data set available describing regional employment by industry, but there are at least three characteristics of this data that can produce different employment estimates than we get from Census data. First, County Business Patterns (CBP) describes jobs, not people; some people hold more than one job, potentially making CBP estimates higher than Census estimates. Second, CBP excludes self-employed individuals as well as individuals in the informal economy, potentially making CBP estimates lower than Census estimates. Third CBP describes jobs located in a region, regardless of where the workers live, whereas Census data describes workers living in a region, regardless of where their job is located. Depending on whether a region is a net importer or net exporter of workers, this difference can lead to higher employment estimates in either CBP or Census data.

⁷ Information about the economy of each region was produced using IMPLAN input-output software to create a model of the economy of each region, using 2002 IMPLAN data for each county within each region. IMPLAN is an economic impact assessment software system created by the Minnesota IMPLAN Group. The IMPLAN system serves three functions: 1) data retrieval, 2) data reduction and model development, and 3) impact analysis. The IMPLAN database consists of two major parts: 1) a national-level technology matrix and 2) estimates of sectorial activity for final demand, final payments, industry output and employment for each county in the U.S. along with state and national totals. Input-output accounting describes commodity flows from producers to intermediate and final consumers. Using county-level data provided by IMPLAN it is possible to estimate each industry's: total purchases of commodities and services, employment, compensation to employees and owners, value added, indirect tax payments, and imports. Purchases for final use (final demand) drive the model, and the Bureau of Economic Analysis tourism ratios (shown in Figure 1) provide a basis for estimating the share of each industry's output that is linked to tourism.

The IMPLAN models created for each of the six regions studied in this report provide information about 509 sectors of the economy, showing linkages between each sector. In three instances the IMPLAN sectors roll up industries within two or more different BEA tourism sectors. In those instances we used 2002 County Business Patterns employment data for each of the six regions to disaggregate IMPLAN data by estimating

the proportions of the IMPLAN sector that corresponded to each BEA sector. These estimates are shown below.

Breaking Out IMPLAN Industry Sectors to Correspond with BEA Satellite Industry Accounts

All Data is for 2002; Disaggregation is based on County Business Patterns employment data

Tourism Ratio	BEA Satellite Industry Account	NAICS Code	NAICS Title	Las Vegas	Los Angeles	New York	Phoenix	San Diego	San Francisco
<i>Disaggregation of IMPLAN sector 395, Transit and ground passenger transportation, which includes Interurban bus transportation, Interurban charter bus transportation, Urban transit systems, and Taxi service</i>									
14.95%	Urban transit systems and other transportation	4851	Urban transit	32.5%	74.9%	80.8%	83.0%	86.0%	70.2%
		48532	systems, Limousine						
		4859	service, and Other ground passenger transportation						
94.94%	Interurban bus transportation	48521	Interurban bus transportation	0.7%	7.3%	7.8%	9.5%	0.9%	2.5%
35.70%	Taxi service	48531	Taxi service	59.8%	3.1%	1.4%	1.5%	6.0%	10.9%
82.92%	Interurban charter bus transportation	48551	Interurban charter bus transportation	7.0%	14.7%	10.0%	5.9%	7.1%	16.4%
<i>Disaggregation of IMPLAN sector 397, Scenic and sightseeing transportation and support, which includes Scenic and sightseeing transportation as well as support activities for transportation</i>									
97.40%	Scenic and sightseeing transportation	487	Scenic & sightseeing transportation	28%	1%	3%	1%	11%	9%
1.71%	Wholesale trade and transportation services	488	Transportation support activities	72%	99%	97%	99%	89%	91%
<i>Disaggregation of IMPLAN sector 418, Motion picture and video industries, which includes motion picture production as well as distribution.</i>									
16.37%	Motion pictures and performing arts	51213	Motion Picture and Video Exhibition	74.6%	9.4%	29.5%	84.5%	60.2%	27.3%
2.25%	Industries producing nondurable PCE commodities, excluding petroleum refineries	512	Balance of Motion picture and sound recording industries	25.4%	90.6%	70.5%	15.5%	39.8%	72.7%

⁸ Lodging industry data is derived from IMPLAN sector 479, which includes NAICS 72111, Hotels and motels, and NAICS 72112, Casino hotels.

⁹ Indirect business taxes are paid by individuals to businesses, and then passed on to the government by businesses. These taxes include sales, excise and hotel room taxes.

¹⁰ Jane Engle, "It's Taxation without Representation for Hotel Occupants," Los Angeles Times, August 22, 2004.

¹¹ An alternative way of looking at the share of industry returns that go to workers is to compute employee compensation as a percent of added value created by the industry in each region. In the IMPLAN model, value added is the sum of employee compensation, proprietor income (income received by individual owners), other property income (income received by corporations), and indirect business tax (taxes collected by the business establishment). The table below shows the share of value added that goes to employees

and owners (proprietors and corporations) in each region. The story is much the same as shown in Figure 22, where employee compensation is shown as a share of industry output (which includes the value of goods and services purchased from elsewhere). Lodging industry workers in Los Angeles receive the smallest share of locally added value, and owners the largest share, of any of the six regions studied.

Metropolitan Area	Employee Compensation as % of Value Added in 2002	Owner Income as % of Value Added in 2002
Las Vegas	46%	35%
Los Angeles	40%	41%
New York City	42%	40%
Phoenix	43%	39%
San Diego	42%	40%
San Francisco	42%	39%

¹² This is the Regional Purchase Coefficient (RPC) from the IMPLAN model for each region. An RPC represents the proportion of the total supply of a good or service required to meet a particular industry's intermediate demands and final demands that are produced locally. For example, an RPC value of 0.8 for the commodity "fish" means that 80 percent of the demand for fish (by fish processors, fish wholesalers, foreign exports, and others) are provided by local fishermen. The remainder, 20 percent, is imported.

¹³ This information is from TIA TravelScope, which conducts a monthly survey of U.S. households and captures trip information for up to three trips per month. This data is then weighted and projected to reflect the demographics of the U.S. population. To collect these data, TravelScope uses a mail panel of U.S. households operated by National Family Opinion (NFO) Research, Inc. Each month, a representative sample of 25,000 households are mailed a questionnaire that asks the total number of trips of 50 miles or more away from home and/or overnight trips taken in the previous month by all members of the household. TIA obtains responses from an average of 5,000 traveling households each month.

¹⁴ Each of the six cities, including LA, uses outside contractors to generate visitor estimates. For example, LA and San Diego contract with CIC Research. Due to different methodologies and data sources employed by each of the cities and our need for a consistent frame of reference to use in comparing cities, we opted to use visitor counts generated by TIA TravelScope in this study, although the number of visitors they report is lower than counts reported by each of the six cities we analyze.

¹⁵ This ratio of hotel and motel rooms to labor force size uses Bureau of Economic Analysis data for total employment, including self-employed persons.

¹⁶ The Cost of Living Index is from the US Department of Commerce, Census Bureau, *Statistical Abstract of the United States 2005-2005*, Table 701. The Index measures the relative price levels for consumer goods and services for a mid-management standard of living. The nationwide average equals 100, and each Index is read as a percent of the national average. The Index for each region in 2003, the most recent year for which data are available, was as follows: Las Vegas 103.0, Los Angeles 148.8, New York 217.1, Phoenix 98.5, San Diego 139.8, San Francisco 169.8, United States 100.0.

¹⁷ The lodging industry includes NAICS 7211, Traveler accommodations (i.e., hotels and motels), and NAICS 7212, RV parks & recreational camps. Nationally, 98% of lodging industry employment is in NAICS 7211 and 2% is in NAICS 7212.

¹⁸ The Public Use Microdata Sample (PUMS) from the 2000 Census is the source of data used to obtain information about residents of Los Angeles County who are employed in the lodging industry. A preceding endnote describes the conventions for using PUMS data in this report.

¹⁹ There are several noteworthy differences in these two data sets. First, Census data is for people who live in each metropolitan area, but may commute out of the area for their job, whereas County Business Patterns data is for establishments located in each area, but the workers employed at these establishments may live outside the metropolitan area. Second, Census data includes all people who report that they had earned income, including people who were self-employed or who worked in the informal economy, whereas County Business Patterns data reports only wage and salary employees, that is employees whose employers paid payroll taxes for them. And third, Census data is for the year 2000, with annual earnings reported to the Census covering the preceding year, 1999, whereas the most recent year of County Business Patterns data, 2002, was used for this report. The September 11, 2001 terrorist attack occurred between these two dates, reducing tourism in many regions.

²⁰ It should be noted that the lodging industry employment figures shown in Table 3 include all employment in this industry, rather than just the 73% of employment that is tourism-linked as was shown in earlier chapters.

²¹ The percent of each metropolitan area labor force employed in the lodging industry is divided by the percent of the US labor force employed in this industry to calculate the location quotient (see Table 3 for these percents).

²² In Table 3, only 9.75% of residents report being employed in the lodging industry, but lodging industry employers report providing 23.15% of all wage and salary employment in Las Vegas. Part of this discrepancy appears to be that many people who describe themselves in the Census as working in the gambling industry are actually employed by establishments classified as NAICS 72112, Casino hotels. Another part of the discrepancy is explained by the fact that the overall population of workers responding to the Census includes self-employed people and government employees, who are not reported in County Business Patterns data, resulting in a somewhat smaller share of the overall labor force being employed in the lodging industry that is shown by County Business Patterns.

²³ The Economic Policy Institute's living wage budgets can be downloaded from: http://www.epinet.org/content.cfm/datazone_fambud_budget. These family budgets are for the year 1999. For a full explanation of the methodology used, see Appendix A in *Hardships in America*.

²⁴ Census data is from the PUMS 2000 5% sample, showing workers currently employed in the Lodging industry at the time of the Census in 2000. County Business Patterns earnings are employer reported data for 2002. The living wage standards are from the Economic Policy Institute and are for one parent with one child in 1999. The estimate of the percent of the living wage that is provided by Lodging industry earnings reported in County Business Patterns 2002 incorporates estimated changes in the living wage in each region from 1999 to 2002, based on changes in the Consumer Price Index for each region.

²⁵ Table 5 shows workers employed in the Lodging industry at the time of the 2000 Census. Data is from the PUMS 5% sample. Employment data is suppressed if there were fewer than 10 PUMS records for a data point; a typical PUMS record represents 20 individuals, signifying that most blank cells represented fewer than 200 workers. All occupations representing at least 2% of Lodging industry employment in at least one of the six areas studied are shown in Table 5.

²⁶ Table 6 shows workers employed in the Lodging industry at the time of the 2000 Census. Data is from the PUMS 5% sample. Earnings data is suppressed if there were fewer than 50 PUMS records for a data point; a typical PUMS record represents 20 individuals, signifying that most blank cells represented fewer than 1,000 workers.

²⁷ Total hours worked in 1999 were estimated by multiplying the number of hours per week typically worked by the number of weeks worked during the year, for workers employed in the Lodging industry at the time of the 2000 Census. Data is from the Census 2000 PUMS 5% sample.

²⁸ The Lodging industry unemployment rate was derived from Employment Status Recode variable in PUMS 5% sample: Unemployed / (Employed + Unemployed). The metropolitan area unemployment rate for the total labor force is from Bureau of Labor Statistics report: "Metropolitan Area Employment and Unemployment: April 2000."

²⁹ LA Inc, the Convention and Visitors Bureau, provided the following breakout of ZIP codes estimated to correspond with each PFK Consulting region, and used to define Lodging industry markets in this report:

Antelope and Santa Clarita Valleys

91321 91350 91351 91354 91355 91381 91384 93243 93510 93532 93534 93535 93536 93543 93544
93550 93551 93552 93553 93560 93563 93591

Beverly Hills and West Hollywood

90069 90210 90211 90212

Coastal

90263 90265 90272 90290 90292 90401 90402 90403 90404 90405 90704 90707 90291 90293

Downtown

90012 90013 90014 90015 90017 90021 90071

East San Fernando Valley, Burbank, Glendale

90041 90042 90065 91020 91201 91202 91203 91204 91205 91206 91207 91208 91501 91502 91504
91505 91506 91521 91522 91523 91604 91608

Hollywood

90004 90020 90026 90027 90028 90029 90036 90038 90039 90046 90068

LAX, Pacific Coast Highway

90045 90230 90232 90245 90301 90302 90304 90305

Long Beach

90802 90803 90804 90805 90806 90807 90808 90810 90813 90814 90815 90822 90831 90840

Pasadena

91001 91006 91007 91011 91024 91101 91103 91104 91105 91106 91107 91108 91109 91123

San Gabriel Valley

90031 90032 90033 90063 91010 91016 91030 91702 91706 91711 91722 91723 91724 91731 91732
91733 91734 91740 91741 91744 91745 91746 91748 91750 91754 91755 91759 91765 91766 91767
91768 91769 91770 91773 91775 91776 91780 91789 91790 91791 91792 91801 91803

South Bay

90078 90247 90248 90249 90250 90251 90254 90260 90266 90274 90275 90277 90278 90501 90502
90503 90504 90505 90506 90510 90710 90717 90731 90732 90744 90745 90746 90747

South Los Angeles

90001 90002 90003 90005 90006 90007 90008 90010 90011 90016 90018 90019 90037 90043 90044
90047 90056 90057 90059 90061 90062 90089 90303

West San Fernando Valley

91040 91042 91046 91214 91301 91302 91303 91304 91306 91307 91311 91316 91324 91325 91326
91330 91331 91335 91340 91342 91343 91344 91345 91352 91356 91361 91362 91364 91367 91371
91401 91402 91403 91405 91406 91411 91423 91436 91601 91602 91605 91606 91607

Westside

90024 90025 90034 90035 90048 90049 90064 90066 90067 90073 90077 90095

Whittier, I-5 Corridor

90022 90023 90040 90058 90201 90220 90221 90222 90240 90241 90242 90255 90262 90270 90280
90601 90602 90603 90604 90605 90606 90631 90638 90639 90640 90650 90660 90670 90701 90703
90706 90712 90713 90715 90716 90723

³⁰ Occupancy rates, room rates, and average daily revenue per room from 2000 through 2005, shown in Figures 40-42, are not available for West LA or the East San Fernando Valley-Burbank areas in this data series.

³¹ Although similar to County Business Patterns data in that it shows employer-reported wage and salary employment by place of employment, this data is from the ES-202 files of the California Employment Development Department's Unemployment Insurance program.

³² This data is from the Census 2000 PUMS 5% Sample, which is reported for Public Use Microdata Areas (PUMAS) that typically have populations of about 150,000 residents. PUMA boundaries do not coincide exactly with Lodging market boundaries established by PKF Consulting for its Lodging industry data, although it is possible to identify clusters of PUMAS that correspond roughly with most of the PKF boundaries. In some instances PKF areas have been combined to create a better match with PUMA boundaries.