Beverly-Virgil
Economic Strategy

2006

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Community Redevelopment Agency
Of the City of Los Angeles

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Executive Summary

The Existing Neighborhood

The Beverly-Virgil project area does not have a well-ordered pattern of land use or a clear economic trajectory that suggests an "obvious" economic development strategy. Many parts of the project area are physically inhospitable, with intense traffic, stark security fences, and a general lack of amenities. One of the challenges for redevelopment is to make the highly developed transportation infrastructure an asset that supports growth rather than a source of blight, and in particular to use the Vermont-Beverly subway station to leverage desirable development. The residential population within the project area appears to be too sparse to participate in neighborhood planning; another challenge for redevelopment is to create future possibilities for a more cohesive community.

Industry Structure

Because of the small number of businesses in the project area this report focuses on the project area together with a surrounding one-mile zone of influence. In this larger area:

- Twenty-four of the 25 industries that produce the most economic output and add the most value, and 90 percent of business start-ups, are in the service sector.
- Service industries are growing more rapidly than the City of Los Angeles as a whole, especially nonprofits, labor unions, advocacy organizations, health care, social assistance, and professional and technical services.
- There is little evidence of competitive strength in most non-service industries, including construction, manufacturing, utilities, transportation, and wholesale trade.
- Thirteen of the 25 largest industries paid average wages of over $2,500 a month in 2002 – a more desirable wage profile than is found in many other areas of LA.
- Ten hospital-linked industries can be identified that pay living wages and are potential candidates for growth.

Informal Economy

- An estimated 41 percent of workers are employed in informal jobs. This is two and a half times greater than the rate of informal employment found in the City of LA.
- The public sector is shortchanged by $56 million annually in legally mandated social safety net costs that are not being paid for informal workers in the project area and surrounding one-mile zone of influence. In addition, roughly $10 million in sales taxes should be collected annually on purchases made by these workers.

- Recommendations are provided for curtailing the informal economy through legal enforcement, technical assistance for employers, and labor market interventions.

Strategy Recommendations

Five strategies are recommended to improve prospects for economic growth:

1. Facilitate affordable and market-rate housing to increase the housing stock.
2. Make front-loaded investments to establish public open space, enhance pedestrian areas around the transit station and mitigate negative traffic impacts.
3. Use the Vermont-Beverly station to leverage high-rise residential and mixed-use development.
4. Engage industries with a functional interest in improving the project area as first movers and anchor tenants. These include:
   a. **Public benefit organizations** that are strongly represented in the area and functionally engaged in improving social and economic conditions.
   b. **Green technology industries** that have a direct interest in the environmental improvements put forth in the Station Neighborhood Area Plan and this strategy.
5. Curtail rampant informal employment in the area that undermines wages, working conditions and public revenue.

A beginning list of 27 target industries is recommended based on projected future growth and payment of living wages. Extensive industry data sets have been developed and handed off as part of this project. These data sets are important working tools that should continue to be used to quantify and weigh the economic and labor market risks and benefits of different development options.

1. *Jewelry and silverware manufacturing*
2. *Fruit and vegetable canning*
3. *Furniture wholesale*
4. *Medical, dental, and hospital equipment and supplies wholesale*
5. *Machinery and equipment wholesale*
6. *New car dealers*
7. *Newspaper publishers*
8. *Periodical publishers*
9. *Telecommunications resellers*
10. *Mortgage and nonmortgage loan brokers*
11. *Securities, commodity contracts, and other financial investments*
12. *Portfolio management*
13. *Direct title insurance carriers*
14. *Pension funds*
15. *Lessors of nonresidential buildings*
16. *Offices of certified public accountants*
17. *Architecture and engineering*
18. *Computer systems design and services*
19. *Management consulting services*
20. *Advertising agencies*
21. *Corporate, subsidiary, and regional managing offices*
22. *Exterminating and pest control services*
23. *Technical and trade schools*
24. *Offices of physicians*
25. *Individual and family services*
26. *Community food and housing, and emergency and other relief services*
27. *Labor unions*

Existing Study Area Development

The Beverly-Virgil study area is roughly a third of a mile square, extending south and east from the intersection of Vermont and the 101 Freeway (Figure 1). This small neighborhood is intensely traversed but offers little hospitality to visitors.

Figure 1
Beverly-Virgil Project Area

Physical Characteristics

Physical characteristics include:

Figure 2
Razor Wire Fence

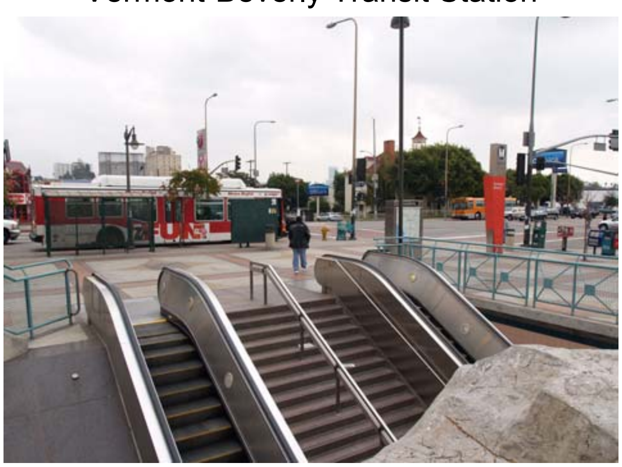


Figure 3
Vermont-Beverly Transit Station

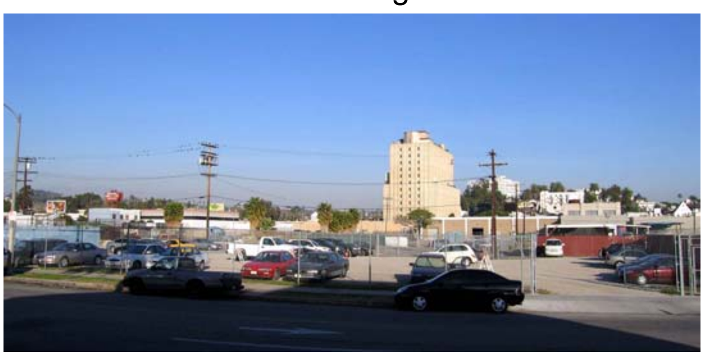
- *Intense traffic* on major streets that makes the neighborhood pedestrian- and even automobile-unfriendly. The area is bounded and traversed by the 101 Freeway and four major surface arteries (Vermont, Virgil, First, Beverly).
- *Freeway off- on-ramps* – connectors between the 101 Freeway and Vermont Avenue bring large volumes of traffic through the area.

- *Transit station and Rapid Bus stop* at Vermont and Beverly – this transit node is in the midst of aging, under-maintained, low-rise commercial structures (Figure 3).
- *Heterogeneous land uses* - it is difficult to identify a pre-dominant use or a coherent theme in land use patterns.
- *Eclectic physical anchors* – the area is defined by a high-rise storage facility, a car dealership, and a junior high school.
- *Inhospitable settings*, including dirt parking lots, empty and under-used buildings, and fences topped with razor wire (Figures 2, 4, 5).

Figure 4
Empty and Under-used Buildings

- *Absence of public open space* – Lafeyette Park, a mile south at Sixth and Hoover is the nearest public park.
- *Scarce housing* – the project area has several small residential pockets, including sections of Juanita and Oakwood avenues, all of which are zoned for and surrounded by industrial-commercial uses.

Figure 5
Dirt Parking Lot



SOCIAL CAPITAL

The goal of this strategy is to build a sustainable economy for local residents. This economic progress may require building social capital as well – that is opportunities for residents to agree upon and support a shared vision of development and economic activity in the project area. The project area has several residential pockets, including Juanita and Oakwood avenues, but there is little evidence of social infrastructure or social cohesion. It may well be that the residential population within the project area is too sparse and fragmented to participate in neighborhood planning and that one of the challenges for redevelopment is to create an environment for a more cohesive community.

In 1994, the Los Angeles Neighborhood Initiative (LANI) revitalization program was launched in neighboring Virgil Village, immediately north of the project area. The outcomes are instructive for revitalization strategies in the project area. An evaluation of the Virgil Village initiative in 2004 found that differences between the ethnically diverse immigrant shop owners and the residents caused social cleavages that hindered and finally halted the entire revitalization process. Deep distrust between local businesses and residents created a formidable obstacle against consensus building. Despite its strong stock of physical capital in the form of narrow, visually interesting streets and distinct geographic boundaries (strengths not found in the project area), Virgil Village failed to integrate these capital stocks with the social capital necessary to surmount factionalism and divisiveness. This evaluation urges policymakers to consider the interaction between social and physical capital in any future revitalization projects.[1]

STATION NEIGHBORHOOD AREA PLAN (SNAP)

The Station Neighborhood Area Plan for the Vermont/Western Transit District that was approved in 2001 identifies deficits in the Greater Beverly-Virgil Area, including lack of adequate schools, parks, police stations and libraries. The plan points out that during the Nineties the community absorbed disruption caused by the 1992 Civil Unrest, the 1994 Northridge Earthquake, and construction at Metro Red Line subway stations.[2]

The station plan calls for development that will:

1. Establish a clean, safe, comfortable and pedestrian oriented community where residents can shop and use services in the neighborhood;
2. Improve the availability and quality of affordable and market housing in Mixed Use buildings along transit corridors;
3. Provide economic and social well-being for area residents;
4. Encourage use of public transit;
5. Improve the business environment;
6. Transform neighborhood streets by planting and maintaining trees;
7. Support further development of the existing industrial area near the Beverly/ Vermont subway station to generate jobs for area residents;
8. Support the hospital core near the corner of Sunset Boulevard and Vermont Avenue to generate jobs and medical services for local residents; and
9. Support the provision of joint living and working spaces that expand the local economy and keep locally generated income within the community.

Concepts from the station plan that are particularly important for this strategy include: focusing development around the Beverly-Vermont station, creating open space and other neighborhood amenities, more housing, and creating jobs for local residents.

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[1] Mahyar Arefi, School of Planning University of Cincinnati, "Neighborhood Jump-Starting: Los Angeles Neighborhood Initiative," Cityscape: A Journal of Policy Development and Research, Volume 7, Number 1, 2004, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, pp 12-19.

[2] Vermont/Western Transit Oriented District Specific Plan (Station Neighborhood Area Plan), Ordinance No. 173,749, Effective March 1, 2001.

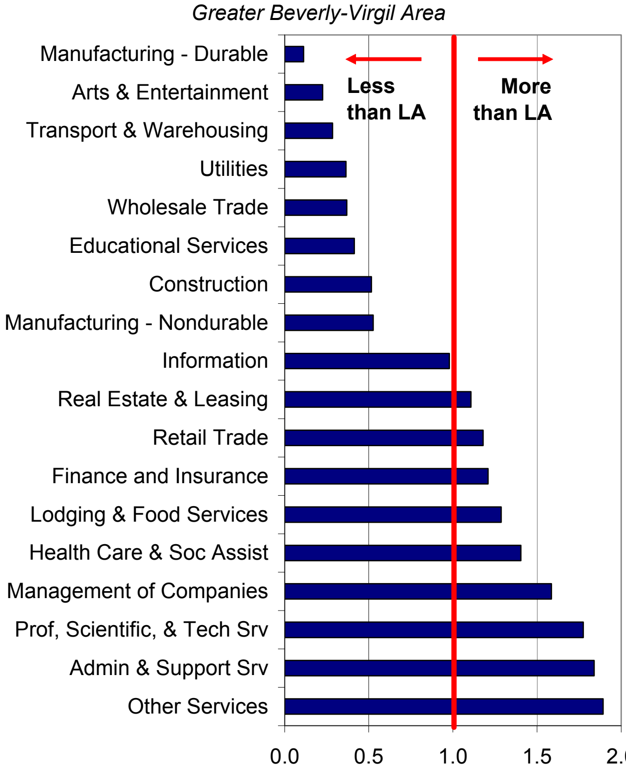
Development Scenario

In the absence of patterns of land use or economic growth in the Beverly-Virgil project area that identify what should or can define the direction of growth, this report proposes the following scenario as the basis for an economic strategy.

- Mixed-use high-rise structures will be built around the Vermont-Beverly transit station, providing both housing and contemporary office space. *What types of businesses will be feasible and desirable tenants in these buildings?*
- Interior streets of the project area will be developed with a combination of open park space and low- and mid-rise structures for housing and commercial uses. *What types of businesses will be feasible and desirable tenants in these buildings?*
- Traffic will be calmed, rerouted and buffered so as to create a pedestrian friendly environment. *What types of businesses will benefit from the highly developed transportation infrastructure that makes the project area easily accessible to businesses and consumers located throughout LA's urban center?*

Size and Diversity of Beverly-Virgil Employer Base

Figure 6
Index of Industry Concentration in Beverly-Virgil Compared to LA City
Greater Beverly-Virgil Area



There were only 42 establishments paying payroll taxes in the project area in 2002 (Table 1). This small universe of employers makes the sample too small to be reliable; it also means that data that is derived from payroll tax data must be suppressed for most industries in the project area because of confidentiality restrictions. However, inclusion of a one-mile radius zone of influence around the project area expands the number of active employers to include over 2,500 establishments, providing a more than adequate number of businesses to analyze industry conditions and trends affecting the project area. *Throughout the remainder this report our analysis combines the project area and zone of influence* to obtain a large enough sample of employers to support reliable findings. This geographic roll-up (which we call the *Greater Beverly-Virgil Area*) is also needed because of the project area lacks a distinct economic trajectory.

When we combine all of the disparate businesses in the Greater Beverly-Virgil Area and compare them to the businesses that make up the City of Los Angeles, we see that the area has a discrete profile (Figure 6). Industries that are more strongly represented in the Greater Beverly-Virgil Area than in the City of Los Angeles include:

- Unions and social advocacy organizations (Other services)
- Administrative and support services (temp agencies)
- Professional, scientific, and technical services
- Regional managing offices
- Health care and social assistance
- Lodging and food services
- Finance and insurance
- Retail trade

Table 1

4,857 Past and Current Beverly-Virgil Establishments

	Study Area	1-Mile Zone of Influence	*TOTAL*
Number of Establishments			
Active in 2002	42	2,541	***2,583***
Active '96-'01, Closed 2002	30	2,244	***2,274***
Number of Jobs			
2002 Employment	1,355	25,467	***26,822***
Number of Industries			
2-Digit Sectors	18	23	***23***
3-Digit Subsectors	26	76	***76***
4-Digit Industry Groups	44	202	***203***
5-Digit NAICS Industries	49	383	***358***
6-Digit US Industries	52	462	***468***

Nonprofits, advocacy organizations, health care, social assistance, and professional and technical services are concentrated in the area.

Compared to the City of Los Angeles, the Greater Beverly-Virgil Area is under-developed and lacks competitive strength in:

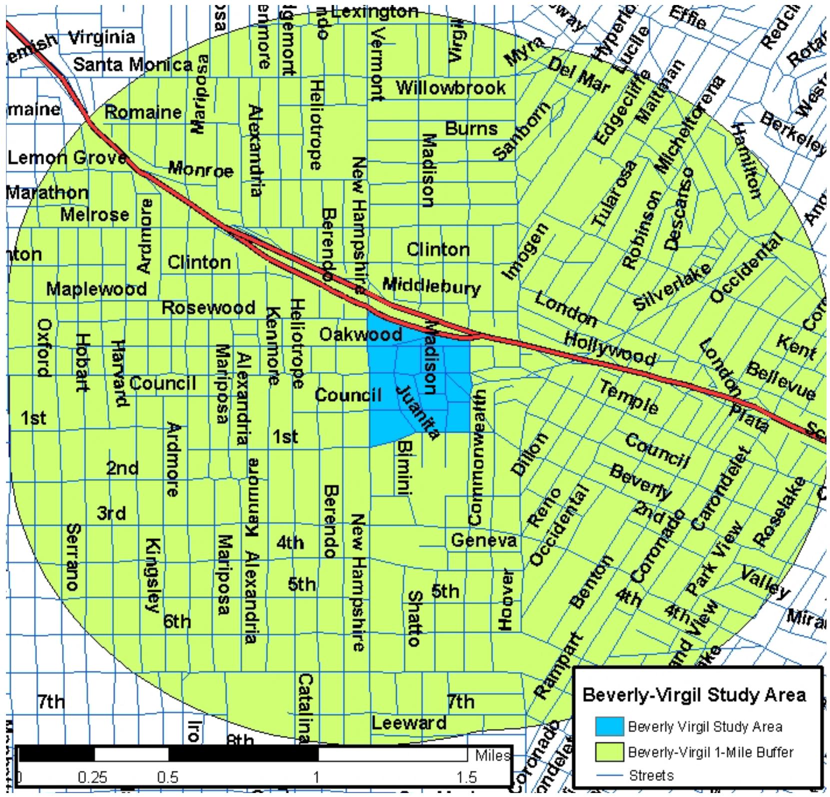
- Manufacturing
- Arts, entertainment and recreation
- Transportation and warehousing
- Utilities
- Wholesale trade
- Educational services
- Construction.

Zone of Influence

A "zone of influence," extending one mile in each direction around the study area was delineated to capture surrounding employers and identify business trends in the

Greater Beverly-Virgil environment that shape industry development possibilities in the project area. The map in Figure 7 shows the Greater Beverly Virgil Area.

Figure 7
Beverly-Virgil Project Area and 1-Mile Zone of Influence



Key Findings

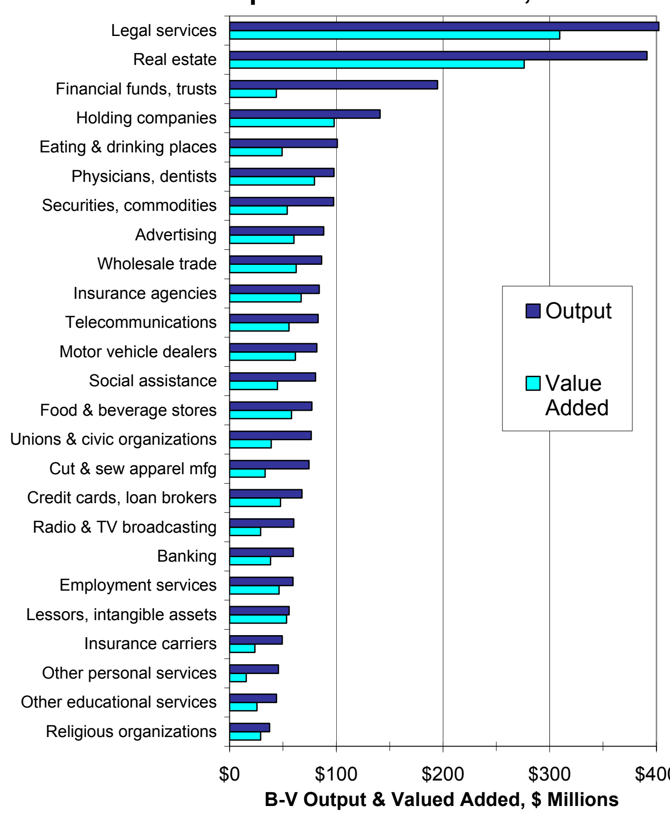
- The project area does not have a well-ordered pattern of land use or a clear economic trajectory that suggests an "obvious" economic development strategy.
- Many parts of the project area are physically inhospitable, with intense traffic, stark security fences, and a general lack of amenities.
- The area has a highly developed transportation infrastructure that brings many commuters each day and offers ready access to downtown and Hollywood.
- The residential population within the project area appears to be too sparse to participate in neighborhood planning; one of the challenges for redevelopment is to create a more cohesive community.
- Over a third of wage and salary jobs in the Study Area are in automobile dealerships.
- The area is more conducive to growth of service industries than the City of Los Angeles as a whole, especially nonprofits, advocacy organizations, health care, social assistance, and professional and technical services.
- The area lacks competitive strength in most non-service industries, including construction, manufacturing, utilities, transportation, and wholesale trade.
- The optimal development scenario calls for identifying industries that are feasible and desirable tenants for:
  - New high-rise, mixed-use development around the Vermont-Beverly transit station.
  - New low- and mid-rise mixed-use residential developments with inviting open space around them in the interior of the project area.

Chapter 3

Value of Industry Transactions and Business Survival

What industries bring capital into the Greater Beverly-Virgil Area? How much money do they bring in? Financial transactions are the lifeblood of businesses and in turn determine how many workers are needed and how much they are paid. Using an input-output economic model of Los Angeles County,[1] we can estimate the dollar value of total industry transactions in the Greater Beverly-Virgil Area, including informal economic activity,[2] and the amount of annual sales revenue required to create an additional job in each industry.

Figure 8
Beverly-Virgil Industries with the Greatest Output and Value Added, 2002



Output and Value Added by Industry

The total output of the Greater Beverly-Virgil Area in 2002 is estimated to have been $3.5 billion (Figure 8). Out of this amount the sales of five industries brought the greatest amount of money (*output*) to the area:

- Legal services $402M
- Real estate offices $391M
- Financial funds, trusts $195M

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[1] Information about financial transactions in the Beverly-Virgil study and buffer areas was derived from economic impact estimates for Los Angeles County produced using IMPLAN input-output software and 2002 data. 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. Estimates for the Beverly-Virgil area were derived by using this area's share of Los Angeles County wage and salary employment to estimate the area's share of the county's economic activity.

[2] Our method of using IMPLAN economic estimates for Los Angeles County to estimate economic activity in the Beverly-Virgil area resulted, in the analysis discussed in this chapter, in attributing the average level of informal employment found in Los Angeles County (which the Economic Roundtable estimates to be 15%) to the Corridor. As discussed in a later chapter, we estimate that the level of informal employment in the Beverly-Virgil area is substantially higher than the county average.

- Regional offices and holding companies $141M
- Eating & drinking places $101M

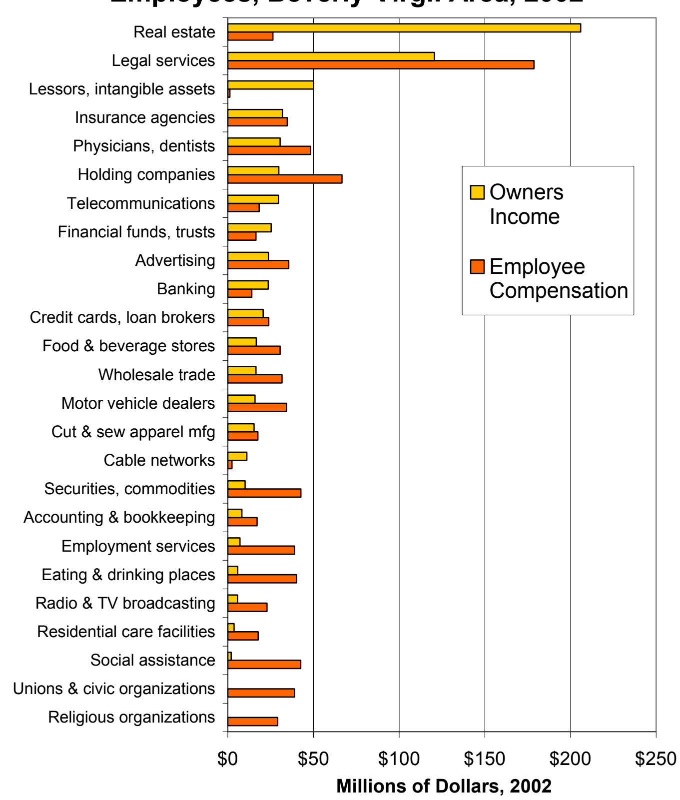
Industry output includes the value of products and services from outside the LA area that are purchased by employers in the Greater Beverly-Virgil Area and included as part of their products and services. We can see the amount of value created within the Greater Beverly-Virgil Area by looking at the *value added* by each industry. Area industries are estimated to have created roughly $2.2 billion in added value in 2002. Out of this amount, the five industries that added the most value were:

- Legal services $309M
- Real estate $276M
- Holding companies $97M
- Physicians, dentists $80M
- Insurance agencies $67M

Twenty-four of the twenty-five industries shown in Figure 8 that produce the most economic output and add the most value in the Greater Beverly-Virgil Area are in the service sector. Within this sector the three driving industry clusters are:

1. *Professional and technical services*, especially legal services: 18 percent of all output and 21 percent of all value added
2. *Finance and insurance*: 16 percent of all output and 14 percent of all value added
3. *Health and social assistance*: 7 percent of all output and 8 percent of all value added

Figure 9
Industry Compensation to Owners and Employees, Beverly-Virgil Area, 2002



COMPENSATION TO EMPLOYEES AND OWNERS

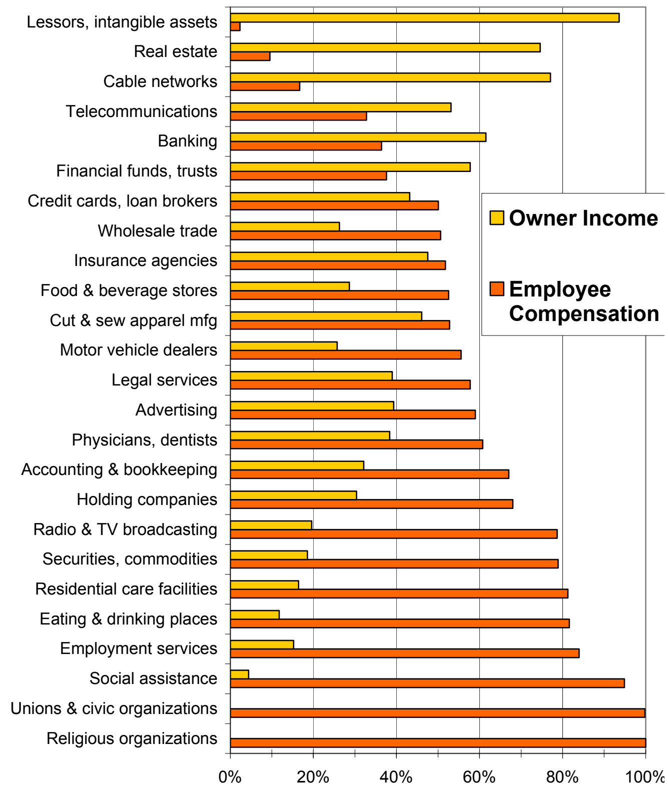
How much compensation is generated by industries in the Greater Beverly-Virgil Area and who receives it? Employees are estimated to have received roughly $1.2 billion in compensation in 2002. The five industries that generated the greatest amount of annual payroll for employees (Figure 9) were:

- Legal services $179M
- Holding companies $67M
- Physicians, dentists $48M
- Securities, commodities $43M
- Social assistance $43M

Owners (proprietors and shareholders) received slightly less income than employees – an estimated $0.87 billion in 2002. The five industries that generated the greatest amount of annual income for owners were:

- Real estate $206M
- Legal services $121M
- Lessors, intangible assets $50M
- Insurance agencies $32M
- Physicians, dentists $31M

Figure 10
Employee and Owner Compensation as a Percent of Value Added Locally



A key purpose of most public economic development programs is to improve the economic status of low and moderate income workers, so it is useful to know what share of compensation paid out by industries typically goes to owners and what share goes to employees (Figure 10). The five industries in which the greatest share of locally added value goes to employees are:

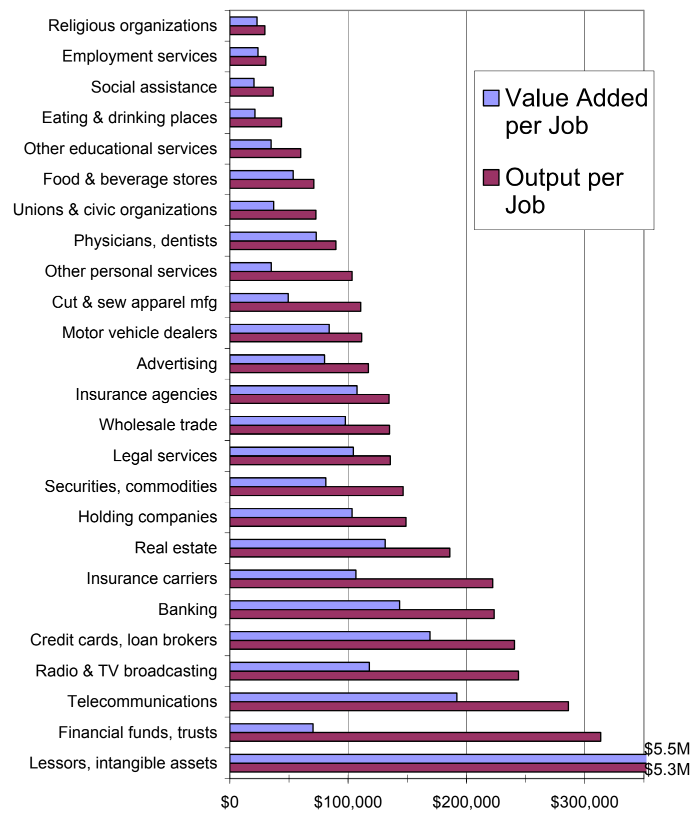
- Religious organizations 100%
- Unions 100%
- Social assistance 95%
- Employment services 84%
- Eating & drinking places 82%

The five industries in which the greatest share of added value goes to proprietors and shareholders are:

- Lessors, intangible assets 94%
- Cable networks 77%
- Real estate 75%
- Banking 62%
- Financial funds, trusts 58%

In summary, most compensation to both employees and owners in the Greater Beverly-Virgil Area is generated by service sector industries. An within the service sector, labor intensive industries such as religious organizations, unions and social service agencies pass on the largest share of locally created value to employees. Capital-intensive industries such as lessors of intellectual property, cable television networks and real estate management companies pass on the largest share of locally created value to owners.

Figure 11
Amount of Output and Value Added per Year Required to Create One Job



Revenue Required to Create a Job

There is wide variation between industries in the amount of business activity required to sustain a job, as shown in Figure 11. Labor-intensive employers such as churches, social service agencies and restaurants spend most of their revenue on employees while capital- and asset-intensive businesses such as broadcasting and telecommunications spend a substantial share of their revenue on costs other than labor. At the low end of the continuum, religious organizations employ one person for every $29,618 in annual revenue, or every $22,983 in value added by an employer. At the high end, telecommunications companies and financial trusts require roughly $300,000 in annual sales to create one job, and lessors of intangible assets such as music or television shows require over $5 million in annual sales to create a job.

Survival of Start-up Businesses

An average of 93 businesses paying wage and salary benefits start up each quarter in the Greater Beverly-Virgil Area, as shown in Figure 12. The number of business start-ups in an average year is equivalent to about 15 percent of the total number of wage and salary establishments in the area.

We broke out 2,142 businesses that started up in the Greater Beverly-Virgil Area from 1997 through 2002 by their industry sector, as shown in Figure 13. The five leading industries, accounting for 57% of all new business start-ups, were:

- Professional, scientific and technical services 14%
- Lodging and food services 14%
- Retail trade 10%
- Wholesale Trade 10%
- Other services (personal, civic, repair, and religious services) 10%

We looked at the five-year survival rate for business start-ups in the Area, from the beginning of 1997 through the 3rd

Figure 13
Industry Distribution of Start-up Firms
Beverly-Virgil Study-Buffer Area, 1997-2002

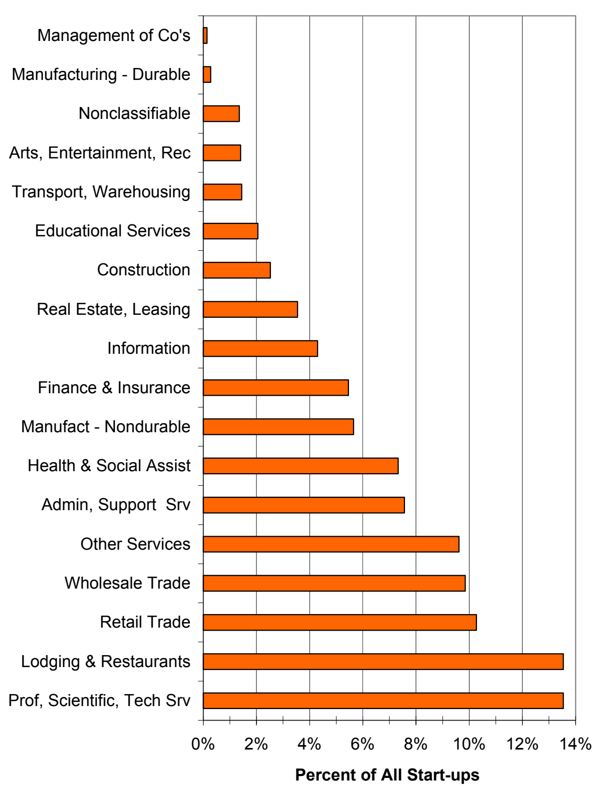
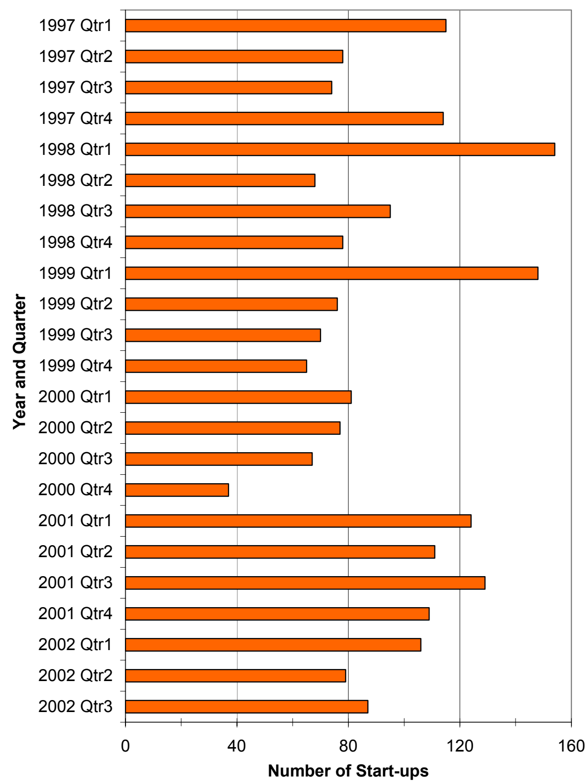


Figure 12
Number of Start-ups by Quarter in Beverly-Virgil Study and Buffer Areas, 1997-2002



quarter of 2002 (Figure 14), and found that:

89% were in business 1 year later
72% were in business 2 years later
50% were in business 3 years later
36% were in business 4 years later
30% were in business 5 years later

We then broke out the 5-year survival rates by industry, as shown in Figure 15. After 5 years, the industries with the highest survival rates in the Greater Beverly-Virgil Area are:

- Real estate and leasing 67%
- Professional, scientific and technical services 47%

- Health care & social assistance 38%

The industries with the lowest survival rates are:

- Finance and insurance 17%
- Lodging and food services 19%
- Administrative & support srv 21%

In summary, business start-ups reflect the overall industry structure of the Greater Beverly-Virgil Area, with 90 percent of start-ups coming from the service sector, particularly professional and technical services. The annual number of start-ups is equivalent to 15 percent of all of the businesses in the study area, but only 30 percent are still in business five years after their launch date.

Figure 15
Survival Rate for Major Industry Sectors in the Beverly-Virgil Study and Buffer Areas

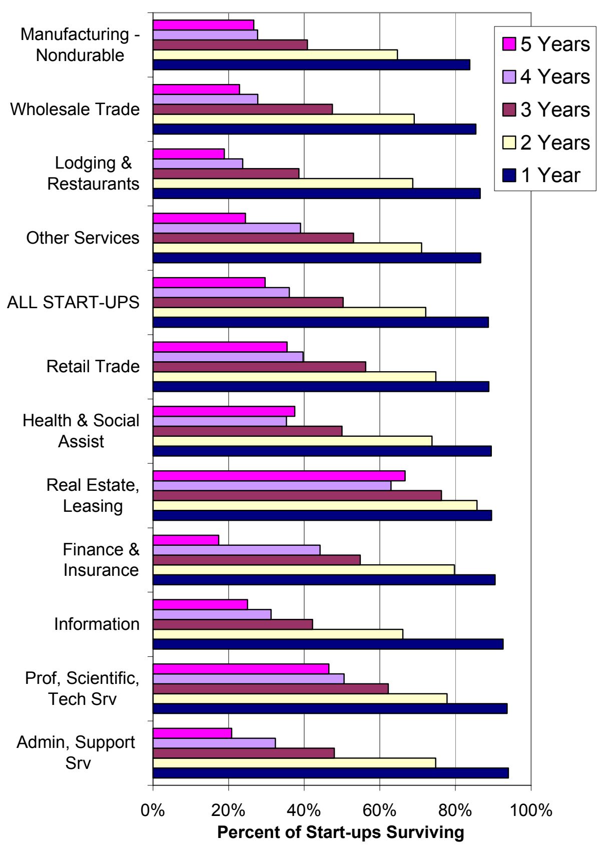
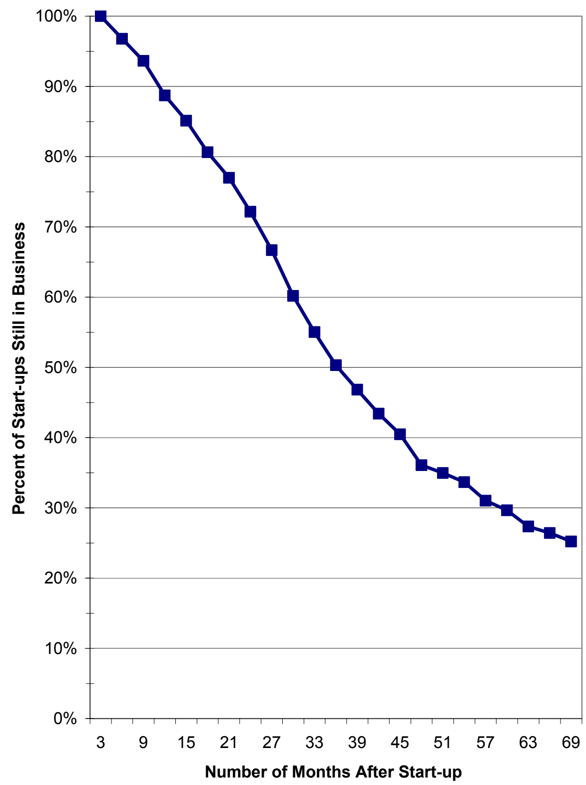


Figure 14
Survival Rate for Start-up Businesses, Beverly-Virgil Study and Buffer Areas, 1997-2002



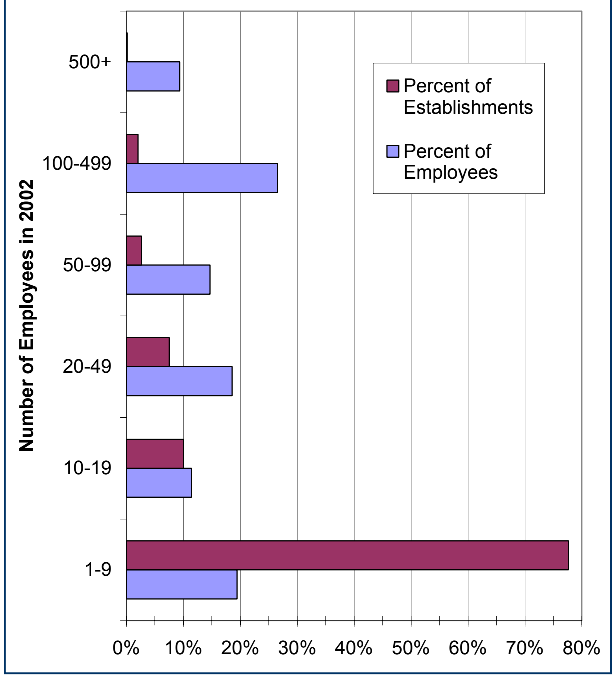
Size Distribution of Employers

Compared to the City of Los Angeles, small businesses account for an above average share of jobs in the Greater Beverly-Virgil Area. This size distribution can be seen in Figure 16. Eighty-eight percent of establishments have less than 20 employees, and these establishments account for 31 percent of jobs. Five percent of establishments in the area have 50 or more employees, and only 0.1 percent has 500 or more employees. But this small group of medium and large establishments accounts for 51 percent of all jobs. Even with the atypically high concentration of small firms, a small number of comparatively large employers provide a large share of jobs in the area.

It may be that the high rate of immigrant entrepreneurial activity and business start-ups in the Study Area accounts for its atypically high concentration of small employers.

Figure 16

Distribution of Establishments and Jobs by Establishment Size Class in the Beverly-Virgil Study and Buffer Areas, 2002



Key Findings

- Twenty-four of the twenty-five industries shown that produce the most economic output and add the most value in the Greater Beverly-Virgil Area are in the service sector.
- Most compensation to both employees and owners in the area is generated by service sector industries.
- Ninety percent of business start-ups come from the service sector.
- The annual number of start-ups is equivalent to 15 percent of all of the businesses in the area, but only 30 percent are still in business five years later.
- The Greater Beverly-Virgil Area has an atypically high concentration of small businesses, but even so, 5 percent of establishments with 50 or more employees, account for 51 percent of all jobs. These large employers merit special attention from the City of Los Angeles.

Chapter 4

Industries and Employers

Jobs

Lawyers' offices provided more jobs in the Greater Beverly-Virgil Area than any other industry, followed by Employment services (temp agencies), and then Labor unions. Individual and family service agencies are the eighth largest employer. Automobile dealers are an important industry within the study area and the eleventh largest employer in the Greater Beverly-Virgil Area, as shown in Figure 17.

The highest *rate* of job loss from 1996 through 2002 was in Religious organizations, followed by Vocational rehabilitation services and Printing, as shown in Figure 18. The highest *rate* of job growth was found in Social advocacy organizations (closely related to unions, but a different industry category), followed

Figure 17
25 Industries with the Most Jobs in Beverly-Virgil Study and Buffer Areas - 2002

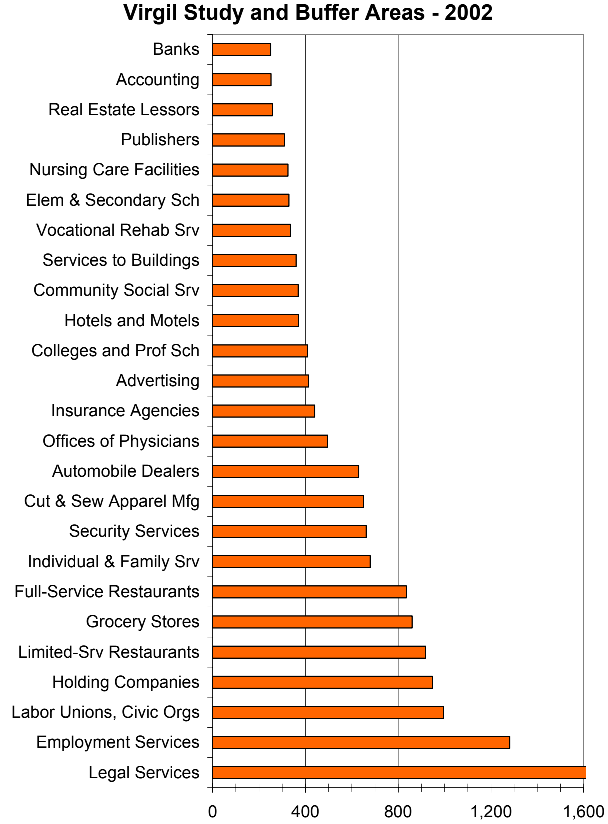
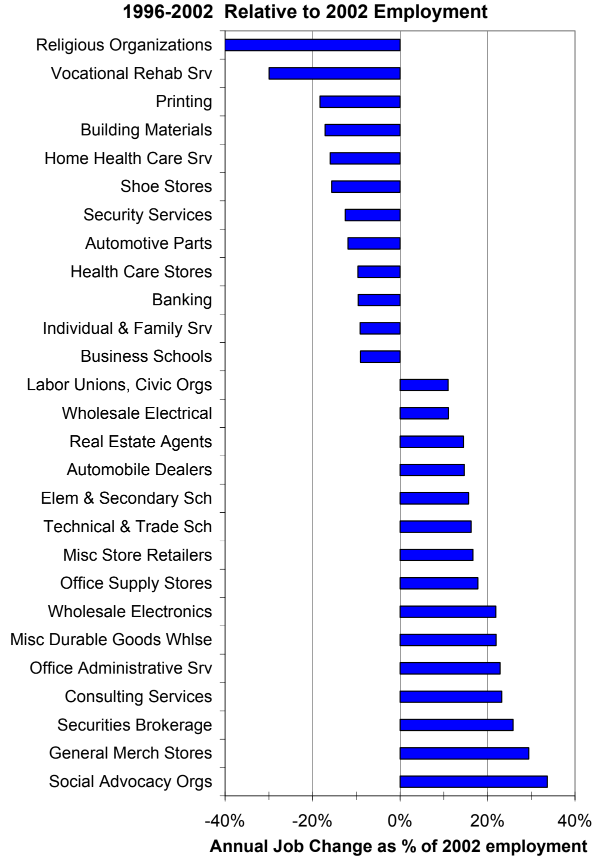


Figure 18
Industries in with the Greatest Annual Job Change 1996-2002 Relative to 2002 Employment



by General merchandise stores, Securities brokerages, and Consulting services.

The greatest *number* of new jobs was created by Labor unions, followed by automobile dealers, and restaurants (Figure 19).

WAGES

Professional services industries form a distinct high-wage group, ranging from average monthly wages of $4,757 in Legal Services up to $5,932 in Advertising, as shown in Figure 20. Thirteen of the 25 largest industries in the Greater Beverly Virgil Area paid average wages of over $2,500 a month in 2002. Overall, 53 percent of jobs in these large industries paid more than $2,500 a month – a more desirable wage profile than is found in many other areas of Los Angeles.

Figure 20
Average Monthly 2002 Wages in the 25 Biggest Industries in the Greater B-V Area
(2002 employment in parenthesis following industry title)

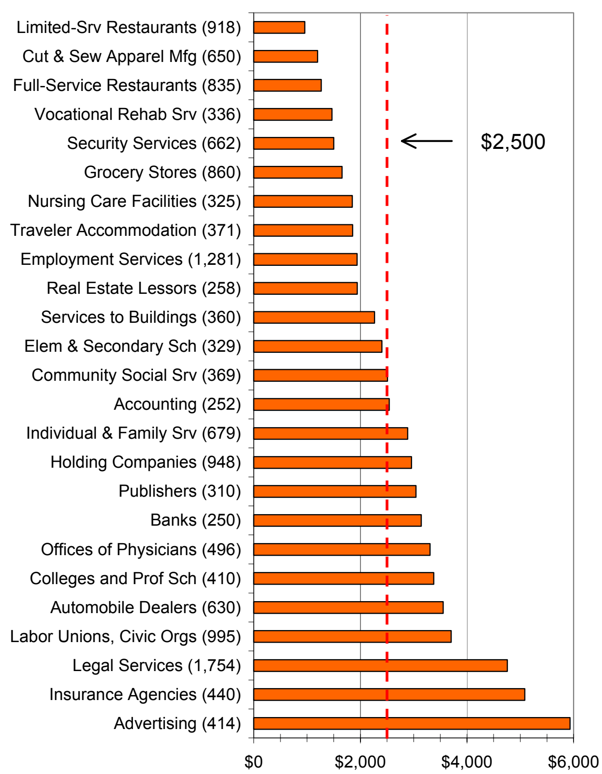
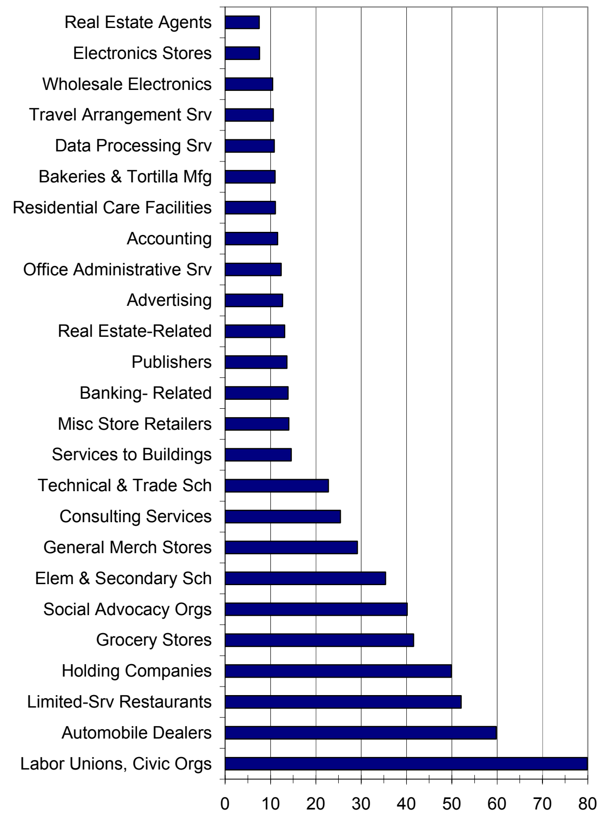


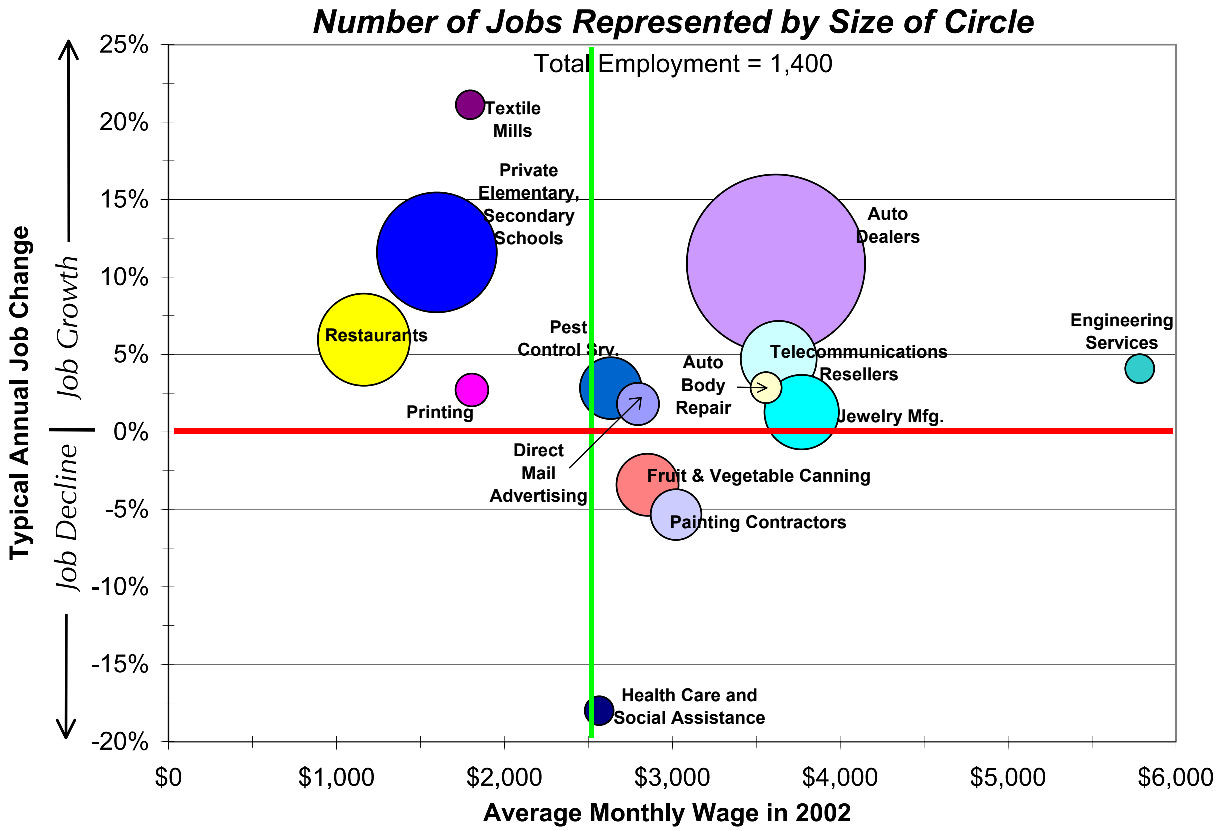
Figure 19
25 Industries with the Greatest Average Annual Job Growth 1996-2002



INDUSTRY OVERVIEW

An overview of industry growth or decline, employment size, and wage levels in firms located within the Beverly-Virgil Project Area is provided in Figure 21, with the same overview provided for the Greater Beverly-Virgil Area in Figure 22.

Figure 21
Jobs and Wages in Beverly-Virgil ***Project Area*** Industries
Employment and Wages in 2002, Job Change from 1996 to 2002



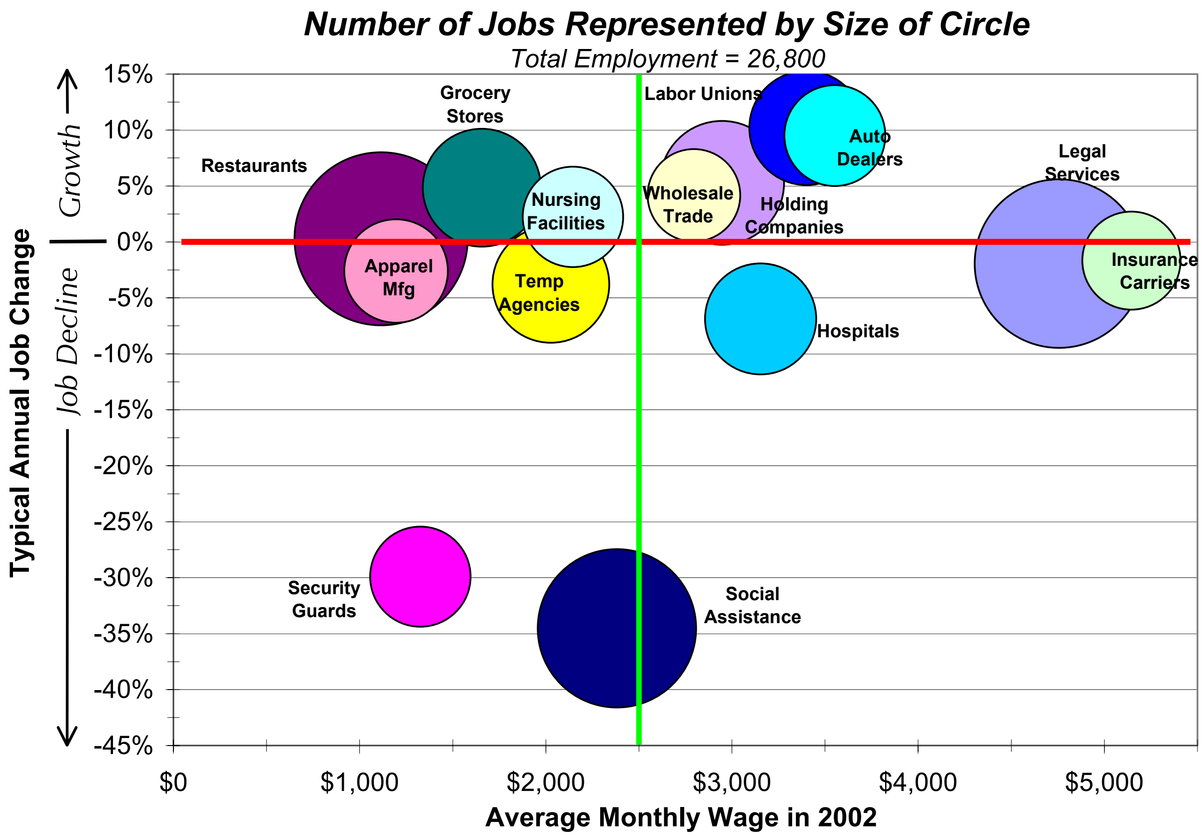
The most inviting targets shown in Figures 21 and 22 are industries that are growing (i.e., above the "0" line on the left axis) and pay at least $2,500 a month (shown on the bottom axis). The project area (Figure 21) has 7 industries in the upper right quadrant that both pay living wages and are growing:

- Automobile Dealers
- Telecommunications Resellers
- Engineering Services
- Auto Body Repair
- Pest Control Services
- Direct Mail Advertising
- Jewelry Manufacturing

Another 3 industries are in the bottom right quadrant, meaning that they pay living wages but have declining employment:

- Fruit & Vegetable Canning
- Painting Contractors
- Health Care & Social Assistance

Figure 22
Jobs and Wages in Industries in the ***Greater Beverly-Virgil Area***
Employment and Wages in 2002, Job Change from 1996 to 2002



When we expand our review to include the 1-mile buffer zone around the project area (Figure 22), five other industries show up in the upper right quadrant, which identifies industries that are growing and paying living wages:

- Labor Unions
- Wholesale Trade
- Publishing
- Offices of Physicians
- Regional Holding Companies and Managing Offices

Ranking Industries

Forty-two industries have a strong presence (1 percent or more of employment) in the Greater Beverly-Virgil Area, and are growing or paying living wages. Table 3 groups these industries into seven tiers based on their likelihood of continuing to grow and create good jobs for residents. Table 2 explains the filtering criteria, which are based on:

- Employment growth

Table 2

Identifying the Most Promising Industries for Beverly-Virgil

Applied to industries with 1%+ of total employment that pay living wages or have growing employment. Each higher tier incorporates the criteria of preceding tiers.

	Criteria for Inclusion in Tier
1	Projected to have employment growth in LA County 2006-2012
2	Location Quotient of 1.1+ compared to LA City
3	35%+ of jobs are accessible to entry-level workers based on requiring <1 year of training
4	Average monthly wage of $2,500+ in the Greater Beverly-Virgil Area in 2002
5	Average monthly wage in 2002 below $2,500, but grew $50+ each year from 1996 to 2002
6	Stable or growing employment in Greater Beverly-Virgil Area 1996-2002
7	Declining employment but monthly wage is $2,500+

- Wage level
- Accessibility to entry-level workers
- Local competitive advantage as evidenced by local concentration

The data tools developed for this project include additional measures of industry viability and benefits, including economic, employment and tax multipliers, that can be used to explore rankings that emerge from alternative filtering criteria. It should also be noted that the sequence in which the filters are applied affects the outcomes. Using the filtering criteria described above, and beginning with the lowest ranked industry tier, our findings about industries in each of the seven tiers shown in Table 3 include:

Tier 7, Living wages but declining employment:

- These industries provide many of the living wage jobs in the Beverly-Virgil area; it is important to preserve them when possible. Nonprofit, community benefit employers such as the Individual and family service industry pay living wages, are potential employers for local residents, and are projected to grow regionally. **It may be possible to create a niche for nonprofit industries in the project area.**
- Professional schools already have a presence in the project area, across from the Vermont-Beverly transit station, which creates locational advantages for this industry in the project area. It may be possible to encourage growth of these establishments, particularly if the project area becomes more pedestrian friendly.

Tier 6, Stable or growing employment, but not living wages:

- These industries offer solid growth prospects but are not leading candidates for subsidies or incentives because of their low wages. All but one of these thirteen industries, Travel and reservations services, are projected to continue growing.

Tier 5, Stable or growing employment and monthly wage increased $50+ annually

- Further wage progress in the Nursing and residential care industry, which has a significant presence in the Beverly-Virgil area should be encouraged.

Table 3

Ranking of Industries in the Greater Beverly-Virgil Area

NAICS Code	Industry Title	Avg. Mthly. Employ-ment 2002	Typical Annual Job Chg '96-'02	Job Chg as % of 2002 Employ.	Average Monthly Wage 2002	Yrly Chg in Mthly Wage '96-'02	LQ re LA City	% of Jobs <1 Yr Trng	Projected LA Co Emp Chg 2006-12
TIER 1: PROJECTED TO HAVE EMPLOYMENT GROWTH IN LOS ANGELES COUNTY 2006-2012									
441	Motor Vehicle and Parts Dealers	655	42	6%	3,486	101	2.9	77%	14%
551	Holding Companies	948	50	5%	2,960	-21	1.6	40%	9%
56171	Exterminating & Pest Control Srv	186	0	0%	3,125	-48	10.2	91%	9%
62111	Offices of Physicians	496	5	1%	3,307	-175	1.1	38%	34%
6242	Community & Relief Srv	369	6	2%	2,508	40	6.7	42%	9%
TIER 2: LOCATION QUOTIENT OF 1.1+ COMPARED TO LOS ANGELES CITY									
33991	Jewelry & Silverware Mfg	88	1	1%	3,772	140	2.2	58%	-14%
5111	Publishers	310	14	4%	3,042	25	2.5	36%	-7%
TIER 3: 35%+ OF JOBS ARE ACCESSIBLE TO ENTRY LEVEL WORKERS *(Require <1 Year of Training)*									
423	Wholesalers, Durable Goods	198	13	6%	3,189	-4	0.3	*72%*	-1%
54121	Accounting, Bookkeeping Srv	252	12	5%	2,541	-94	0.9	41%	9%
TIER 4: STABLE OR GROWING EMPLOYMENT AND AVERAGE MONTHLY WAGE IS $2,500+									
517	Telecommunications	246	24	10%	2,666	-318	1.5	24%	-11%
523	Securities & Investments	215	7	3%	3,335	25	1.0	29%	8%
5413	Architectural & Eng Srv	129	2	2%	3,528	-272	0.9	12%	9%
5416	Mgmnt, Sci & Tech Consulting	201	25	13%	4,392	-4	1.3	17%	30%
54181	Advertising Agencies	333	14	4%	6,371	55	3.5	32%	14%
81393	Labor Unions	808	82	10%	3,401	-293	17.0	27%	9%
TIER 5: STABLE OR GROWING EMPLOYMENT AND MONTHLY WAGE INCREASED $50+ ANNUALLY									
623	Nursing & Residential Care	624	14	2%	2,146	71	1.6	68%	21%
TIER 6: STABLE OR GROWING EMPLOYMENT									
311	Food Manufacturing	236	13	6%	1,545	-21	0.7	69%	0.2%
445	Food and Beverage Stores	960	39	4%	1,648	10	1.8	86%	25%
452	General Merchandise Stores	188	36	19%	1,051	10	0.7	96%	19%
518	Internet Service Providers	194	18	9%	1,894	-13	3.6	14%	9%
531	Real Estate	519	12	2%	2,036	0	1.5	46%	18%
5615	Travel & Reservation Srv	242	11	4%	2,035	28	3.2	22%	-12%
56172	Janitorial Services	150	12	8%	1,291	-11	1.0	91%	9%
61111	Private Elem & Second Sch	329	35	11%	2,402	41	0.2	29%	38%
62121	Offices of Dentists	231	3	1%	2,146	-4	1.7	85%	35%
6244	Child Day Care Services	162	0	0%	1,950	47	1.5	11%	39%
722	Restaurants and Bars	1,849	5	0%	1,115	20	1.2	74%	23%
8111	Automotive Repair	211	4	2%	1,578	-55	1.2	39%	3%
81331	Social Advocacy Orgs	243	40	17%	1,155	-138	6.2	50%	9%
TIER 7: DECLINING EMPLOYMENT, BUT MONTHLY WAGE OF $2,500+									
23	Construction	358	-20	-6%	2,603	11	0.5	38%	11%
424	Wholesalers, Nondurable	243	-1	-0.4%	2,574	-10	0.3	78%	14%
446	Health & Drug Stores	226	-27	-12%	2,552	68	1.4	86%	11%
48-49	Transport & Warehousing	362	-15	-4%	2,564	55	0.3	87%	10%
515	Broadcasting	217	-18	-8%	3,864	-239	1.2	13%	9%
522	Banking & Related Activities	504	-14	-3%	2,847	-40	1.0	53%	16%
524	Insurance Carriers, Brokers	595	-10	-2%	5,146	-22	1.3	34%	9%
5411	Legal Services	1,754	-34	-2%	4,757	49	3.2	17%	9%
61131	Colleges & Prof Schools	410	-23	-6%	3,376	103	0.5	24%	35%
62161	Home Health Care Services	242	-54	-22%	2,747	58	2.9	37%	32%
622	Hospitals	761	-52	-7%	3,154	-55	0.6	39%	10%
6241	Individual & Family Services	679	-77	-11%	2,885	100	2.6	47%	46%
8132	Grantmaking & Giving Srv	209	-20	-9%	3,535	137	0.8	32%	9%
Total B-V Study & Buffer Areas		**26,822**	**-627**	**-2%**	**2,717**	**47**			

Tier 4, Stable or Growing employment and average monthly wage of $2,500+

- This tier includes a number of professional service organizations, and also Labor unions. The Engineering services industry already has a presence in the project area and may be a candidate for growth. **Attractive office space near the transit station** might be marketable to these firms.

Tier 3, 35%+ of Jobs are Accessible to Entry Level Workers

- The most promising industry in this tier is Accounting and bookkeeping, which is projected to continue growing. Wholesale durable goods are projected to decline.

Tier 2, Location quotient of 1.1+ compared to Los Angeles City

- Both industries in this tier are projected to decline, although Jewelry and silverware manufacturing has a comparatively strong presence in the project area. **This is the most promising manufacturing industry identified in the area.** City contacts with local jewelry manufacturing businesses are needed to determine whether the industry has a future in the area.

Tier 1, Projected to have employment growth in Los Angeles County 2006-2012

- Motor vehicle dealers and Pest control already have a presence in the project area. Improvement of neighborhood conditions may also make it possible to attract **Physicians offices near the transit station** and **Community and relief services as part of the recommended nonprofit niche.**

POTENTIAL ECONOMIC DEVELOPMENT LINKAGES WITH HOSPITALS

To explore the feasibility of the recommendation in the city's Station Neighborhood Area Plan to create employment linkages with the hospital cluster near Sunset Boulevard and Vermont Avenue we identified the industries that supply goods and services to hospitals, as shown in Figure 23.

Figure 23
Industries Supplying Hospitals

The 30 industries shown in Figure 23 supply 70 percent of the goods and services purchased by hospitals. Many of these industries are present in the Beverly-Virgil area.

The Beverly-Virgil area has 25 industries (listed in Table 5) that produce goods and services purchased by hospitals. Thirteen of these industries meet the minimum criteria for inclusion in Table 2, and 8 of the industries are in Tiers 1 through 4, indicating that they pay living wages. Three additional industries (indicated by ✓) pay living wages and are also are potential candidates for locating in a revitalized project area.

The 10 hospital-linked industries that pay living wages and are potential candidates for locating in the Beverly-Virgil project area are:

- Commercial printing (*declining employment*)
- Telecommunications
- Data processing services
- Securities, investments
- Automobile sales, leasing and service
- Accounting and bookkeeping
- Architecture and engineering
- Computer systems services
- Management consulting
- Advertising and related services
- Management of companies

Table 4

Labor Force Size and Tier of Beverly-Virgil Area Industries that Supply Hospitals

Industries Supplying Goods & Services to Hospitals	Percent of Hospital Purchases	B-V Tier	B-V Area Jobs in 2002
Building maint & repair	0.5%		358
Commercial printing	0.4%	✓	83
Medical inst mfg	1.4%		32
Air transportation	0.3%		142
Truck transportation	0.3%		46
Couriers & messengers	0.3%		61
Telecommunications	0.4%	4	246
Data processing services	0.3%	✓	181
Securities, investments	2.6%	4	215
Insurance carriers	0.6%	7	595
Real estate	8.8%	6	519
Automotive equip & srv	0.3%	1	24
Legal services	1.6%	7	1,754
Accounting & bookkeeping	0.1%	3	252
Architecture & engineering	0.1%	4	129
Computer systems srv	0.4%	✓	56
Management consulting srv	1.4%	4	201
Advertising & related srv	0.3%	4	414
Management of companies	1.7%	1	948
Office administrative srv	0.6%		87
Employment services	1.7%		1,281
Business support services	0.7%		162
Investigation & security	0.2%		662
Services to buildings	0.9%	6	360
Food services & drinking	1.1%	6	1,849

The recommended next steps are to:

1. Explore marketing office space in a revitalized project area to firms in these ten industries.

2. Investigate the commodities and services needed by hospitals near the Beverly-Virgil area and support development of business relationships with local firms that are potential vendors.

KEY FINDINGS

1. The highest *rates* of job loss from 1996 through 2002 in the Greater Beverly-Virgil Area were in Religious organizations, Vocational rehabilitation services, and Printing.
2. The highest *rate* of job growth was in Social advocacy organizations, followed by General merchandise stores, Securities brokerages, and Consulting services.
3. The greatest *number* of new jobs was created by Labor unions, followed by Automobile dealers, and Restaurants.
4. Professional services industries pay the highest wages
5. Thirteen of the 25 largest industries paid average wages of over $2,500 a month in 2002 – a more desirable wage profile than is found in many other areas of Los Angeles.
6. The project area currently has seven industries that are growing and paying living wages: Automobile dealers, Telecommunications resellers, Engineering services, Auto body repair, Pest control services, Direct mail advertising, and Jewelry manufacturing.
7. Five additional industries show up in the Greater Beverly Virgil Area as growing and paying living wages: Labor unions, Wholesale trade, Publishing, Offices of physicians, and Regional holding companies.
8. Forty-two industries meet the criteria of providing 1 percent or more of jobs in the Greater Beverly-Virgil Area, and growing or paying living wages.
9. Recommendations for helping the most promising industries grow include:
   a. Create a niche for nonprofit industries in the project area.
   b. Build mixed use structures that include professional office space near the transit station and adjacent to redeveloped public open space to house professional services tenants.
   c. Explore the feasibility of jewelry and silverware manufacturing as a manufacturing presence in the project area.
10. Ten hospital-linked industries that pay living wages and are potential candidates for locating in the Beverly-Virgil project area. Recommended next steps for these industries are:
    a. Explore marketing office space in a revitalized project area to firms in these ten industries.
    b. Investigate the commodities and services needed by hospitals near the Beverly-Virgil area and support development of business relationships with local firms that are potential vendors.

Chapter 5

Occupations Found in Key Industries

Biggest Occupations

The 30 largest occupations in the Greater Beverly-Virgil Area account for 45 percent of all jobs. Five occupations each account for 2 percent or more of wage and salary jobs:

- Office Clerks 3.4%
- Cashiers 2.6%
- Security Guards 2.5%
- Retail Salespersons 2.0%
- Executive Secretaries 2.0%

Figure 24
Estimated 2002 Employment in the 30 Largest Beverly-Virgil Occupations

Essential Skills

Twenty-four of the occupations shown in Figure 24 are found in service industries. The skills workers need for entry-level service jobs are illustrated by this list of the most critical competencies for Retail salespersons:[1]

- Active Listening
- Mathematics
- Speaking
- Social Perceptiveness
- Critical Thinking
- Writing
- Judgment and Decision Making
- Instructing
- Reading Comprehension
- Time Management
- Negotiation
- Active Learning
- Learning Strategies
- Service Orientation

[1] US Department of Labor, Employment and Training Administration, O*NET Occupational Information System, v. 9.0.

Occupational Wages

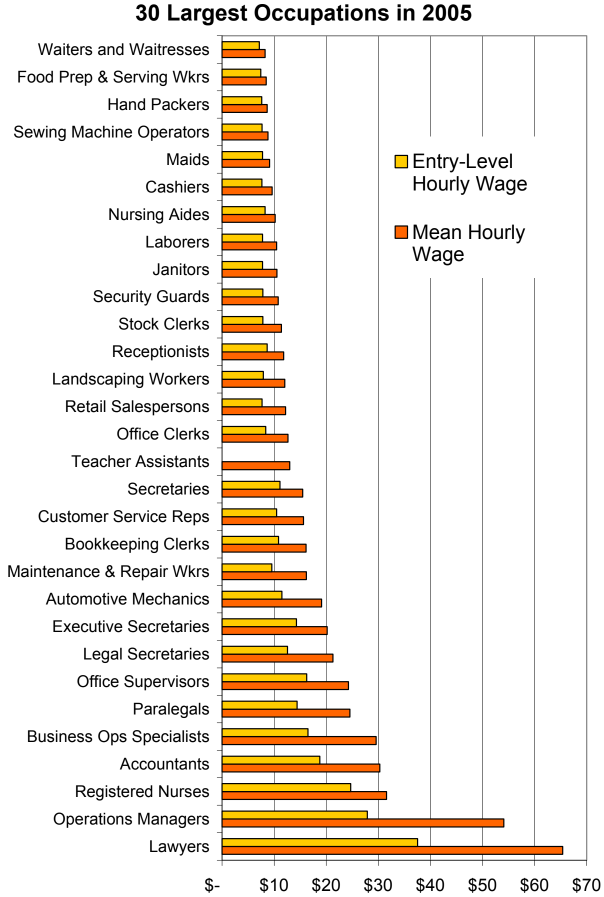
The average entry-level hourly wage in the Greater Beverly-Virgil Area in 2002 for a job covered by payroll taxes was $12.94 an hour. The median hourly wage was $19.82. Entry level and median wages for the 30 largest occupations are shown in Figure 25.

Using the benchmark of $25,000 in annual earnings as a living wage in 2002, the hourly wage for achieving this annual income would be about $12.50 an hour.

Sixteen of the largest occupations paid average wages that exceeded the living wage threshold. These occupations and the average wage for them are as follows:

- Lawyers $65.38
- Operations Managers $54.08
- Registered Nurses $31.57
- Accountants $30.30
- Business Operations Spec. $29.56
- Paralegals $24.55
- Office Supervisors $24.27
- Legal Secretaries $21.29
- Executive Secretaries $20.18
- Automotive Mechanics $19.10
- Maintenance & Repair Wk $16.19
- Bookkeeping Clerks $16.14
- Customer Service Reps $15.64
- Secretaries $15.48
- Teacher Assistants $13.01
- Office Clerks $12.67

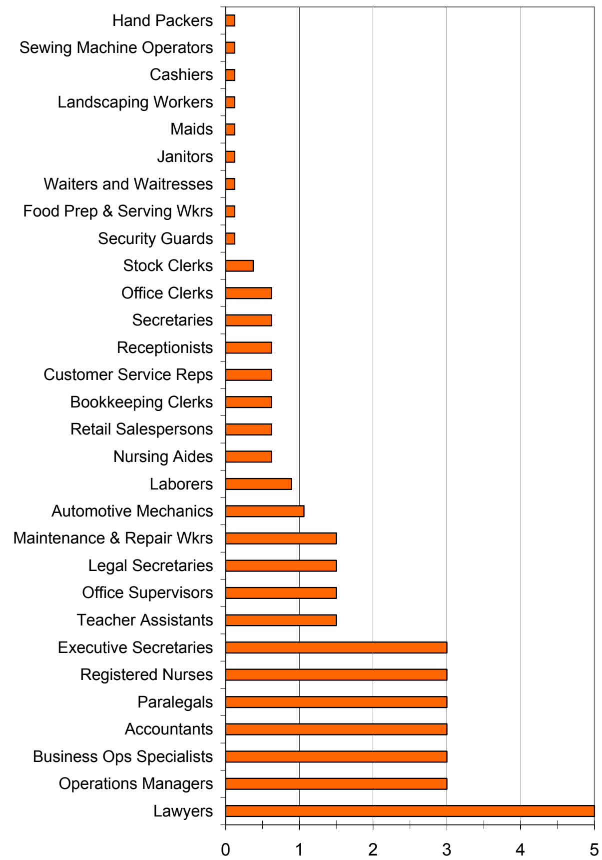
Figure 25
Entry-Level and Average Hourly Wages in the 30 Largest Occupations in 2005



Training Time

The average job in the Greater Beverly-Virgil Area requires slightly less than one year of training. Lawyers have the longest training of any major occupation – approximately five years to become proficient in the occupation, as shown in Figure 26.

Figure 26
Years of Training Typically Required for the 30 Largest Occupations



Twenty-seven percent of wage and salary jobs are in the lowest skill category – requiring less than 3 months of training. These include:

- Security Guards
- Food Prep and Serving Workers
- Waiters and Waitresses
- Janitors
- Maids
- Landscaping Workers
- Cashiers
- Sewing Machine Operators
- Hand Packers

None of these occupations typically pays a living wage, even to experienced workers. Many residents of the Study Area need to improve their general level of education as well as acquire new vocational skills in order to compete for living wage jobs. For example, Bookkeeping clerks, Customer service representatives and Secretaries all typically need over half a year of training to become proficient in their occupations – assuming that they have the basic language and computational skills required for their jobs.

Key Findings

- Most jobs in the Study Area are in Service sector occupations.
- Clerical, retail and food service occupations figure prominently in the local labor market.
- Low-skill jobs in the Study Area, as throughout the City, typically do not pay a living wage.
- At least half a year of training is typically required to become proficient in living-wage jobs found in the study area – assuming that the job seeker has good basic educational skills.

Chapter 6

Informal Labor Force

Overview of LA's Informal Economy

We define the informal labor market as jobs that are otherwise legal but are not properly reported, taxed or effectively regulated.[1] Any under-the-table or off-the-books cash payment for work is part of the informal economy.

The informal economy creates three very serious problems that are important for local policy makers and planners:

1. Informal jobs can give rise to abuses by employers who fail to respect the basic rights of workers.
2. Informal employers shortchange the public sector because they do not pay social safety net benefits to protect workers, and often do not pay sales or income taxes.
3. Informal employers gain an unfair competitive advantage over employers who obey labor laws.

The informal labor market emerges out of the convergence of economically desperate workers, many of whom are recent immigrants, and employers who are willing to disobey state and national labor laws in order to reduce their business costs. Business costs are reduced through lower labor costs and also through avoidance of taxes and regulations (Payroll taxes, OSHA, Environmental reviews, Permits), giving them unfair advantage over other businesses that comply with the law.

Both immigrant and native-born workers are found in the informal economy, but economic desperation is most widespread among immigrants, particularly recent and undocumented immigrants, so these are the workers most frequently found in informal jobs.

Much of the evidence for informal employment is circumstantial, for example, it can be estimated through anomalies in the number of workers reported by employment data sets. These estimates of informal employment in the Greater Beverly-Virgil Area are based on discrepancies between the number of workers reported by employers through payroll taxes and the number of individuals who report being employed in household surveys.

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[1] This analysis of informal employment in the Greater Beverly-Virgil Area draws on work done by the Economic Roundtable for the LA Economy Project that is presented in a report released in 2005 and titled, "Hopeful Workers, Marginal Jobs" that is available from the Roundtable web site: www.econonicrt.org.

Another type of evidence is the economic desperation of workers. Figure 27 shows that in Los Angeles County from 2000 to 2004:

- Working age population grew 4.9%
- Average monthly number of jobs of all types declined 1.1%
- LA County residents who report holding jobs declined 0.3%
- Payroll tax jobs reported by employers declined 2.3%

LA has seen steady growth in the size of its labor force but more than a decade of stagnation in the number of jobs in the formal economy. This means that for a growing number of workers the only jobs to be found have been in the informal economy. LA's informal economy has been the source of most net job growth over the past decade.

Figure 27

Los Angeles County Labor Force

Working age (16-64) population Calif. Dept. Finance; Monthly jobs US Bureau of Economic Analysis; Monthly employment Current Population Survey; Monthly wage and salary jobs Calififornia Employ. Dev. Dept.

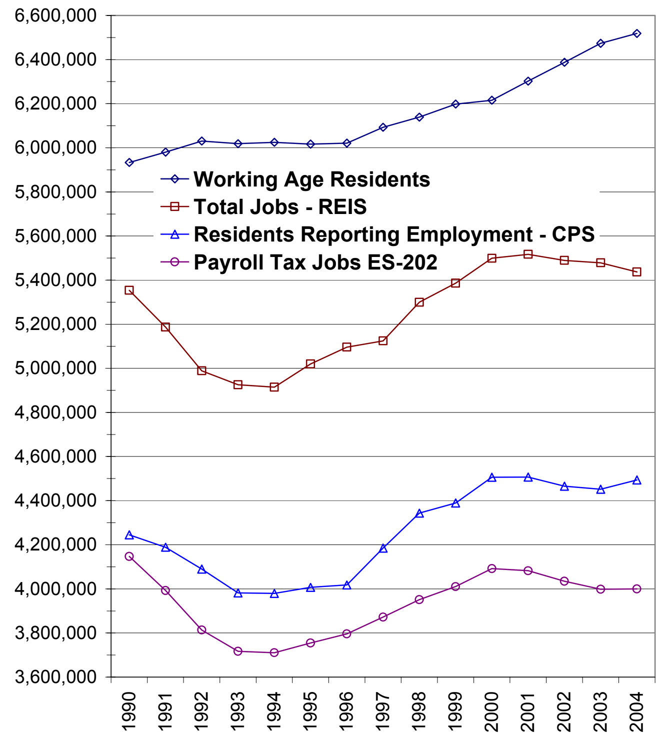


Table 5

Estimated Informal and Undocumented Workers in the City of Los Angeles

	2000	2004
Informal Workers		
Workers in Formal Economy (ES-202)	1,585,500	
Mid-Range Estimate of Informal Workers	289,700	303,800
Total Formal and Informal Workers	1,875,200	
Informal Workers as % of Total Workers	15.4%	**16.4%**
Undocumented Workers		
Total Non-citizen Population	1,000,000	
Non-citizen Workers	459,000	
Percent State-Level Employed Non-Citizen	18%	
Projected Undocumented Population	382,700	
Projected Employed Undocumented Workers	187,300	
Undocumented as % of Informal Workers	**64.7%**	

We estimate that on a typical day in the City of Los Angeles in 2004, over 16 percent of the City's workers were employed in the informal economy, and that nearly two-thirds of these informal workers were undocumented immigrants, as shown in Table 5.

As these estimates suggest, LA's informal workers tend to be found in the same places as its recent immigrants. This

Table 6
Estimated Informal Employment in the Greater Beverly-Virgil Area

Area	Step 1: Employed Undocumented Workers = 19% of Noncitizen Population	Step 2: Informal Documented Workers = 6.5% of ES-202 Employment	Step 3: Total Informal Employment = Sum of Undocumented and Documented Informal Workers	Step 4: Informal Workers as Share of Labor Market = Informal Workers / (Informal Workers + Wage and Salary Workers)
Beverly-Virgil Study Area	800	100	900	40%
Beverly-Virgil Buffer Area	15,700	1,600	17,400	41%
Beverly-Virgil Study and Buffer Areas	16,500	1,700	18,300	41%

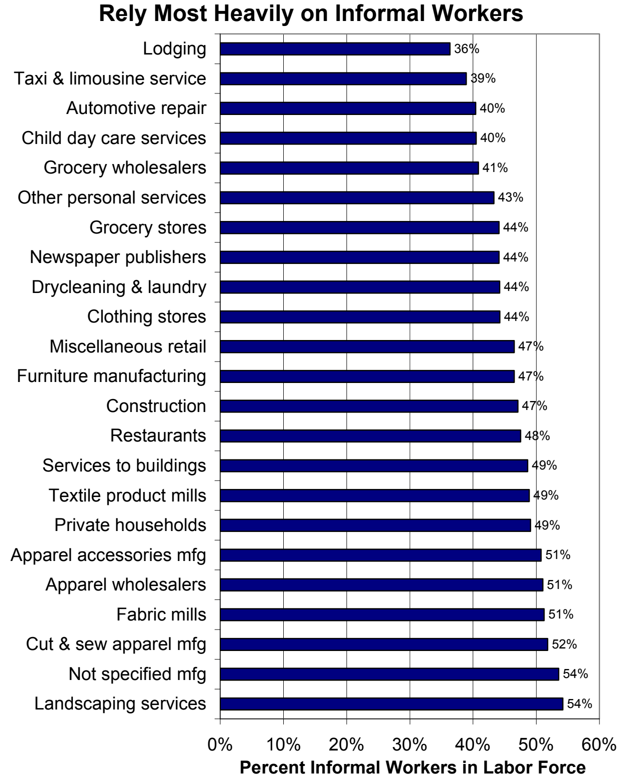
means that as one of LA's immigrant gateways and as the home to a large population of recent immigrants, there is good reason to anticipate a significant level of informal employment in the Greater Beverly-Virgil Area.

ESTIMATED INFORMAL EMPLOYMENT IN THE GREATER BEVERLY-VIRGIL AREA

The informal labor force is made up of both undocumented and documented workers. Based on our previous analysis of informal employment in the city and county, we estimate that the number of undocumented workers in informal jobs is equivalent to 19 percent of the noncitizen population. We also estimate that the number of documented workers in informal jobs is equivalent to 6.5 percent of the formal labor force. Our steps in applying these ratios to the Study Area population and labor force are shown in Table 6.

We estimate that 41 percent of workers in Greater Beverly-Virgil Area are employed in informal jobs. This rate of informal employment is two and a half times greater than the rate found in the City of Los Angeles.

Figure 28
Beverly-Virgil Area Industries Estimated to Rely Most Heavily on Informal Workers



Jobs Held by Informal Workers

We estimate that over half of the Greater Beverly-Virgil Area workers in Landscaping services, Cut and sew apparel manufacturing, Fabric mills, Apparel wholesalers, and Apparel accessories manufacturing are employed informally. All twenty-

Table 7

Industry Occupation Matrix for Informal Workers in the Greater Beverly-Virgil Area

Percent of informal labor force estimated to work in each industry-occupation combination

	INDUSTRY																	
OCCUPATION	Construction	Apparel mfg	Apparel acc. mfg	Other mfg	Apparel whlse.	Grocery stores	Clothing stores	Real estate	Security services	Building services	Landscaping Srv	Hospitals	Child care	Lodging	Restaurants	Other personal Srv	Priv. households	TOTAL PERCENT
Nursing Aides												0.7					0.1	1.2
Security Guards	0.1					0.1		0.1	0.7	0.1								1.0
Head Cooks															1.0			1.0
Cooks						0.1						0.1	0.1	0.1	**3.5**			**4.0**
Food Prep Wkrs						0.3								0.1	0.7			1.2
Waiters														0.1	1.4			1.7
Dishwashers						0.1									1.1			1.2
Janitors						0.3	0.1	0.3	0.1	**2.6**	0.1	0.1		0.1	0.9		0.1	**5.8**
Maids								0.1		1.1	0.1	0.1		0.6			**4.9**	**7.0**
Grounds Wkrs											0.9						0.1	1.1
Child Care Wkrs													1.8				0.9	3.0
Retail Supervisors						0.4	0.3								0.1			1.6
Cashiers						0.6	0.1								1.8	0.2		**4.3**
Retail Sales							0.9											3.0
Sales Reps		0.1		0.1	0.5													1.5
Shipping Clerks		0.2		0.1	0.1		0.1											0.9
Carpenters	1.2											0.1						1.4
Const. Laborers	**2.0**																	2.2
Painters	1.4																	1.5
Production Sups		0.1	0.1	0.3														1.0
Sewing Mach Ops		**3.8**	1.0	0.1	0.2		0.1											**6.4**
Equipment Ops	0.1	0.3	0.1	0.4														1.6
Truck Drivers	0.1		0.1	0.1	0.1	0.3									0.6			2.7
Parking Attendants								0.1						0.1		0.7		0.9
Hand Laborers		0.1	0.1	0.1		0.3				0.1								1.4
Hand Packers		0.1				0.1				0.1					0.1			1.0
TOTAL	**6.5**	**6.2**	2.1	1.5	1.5	3.5	1.8	1.1	0.9	**4.4**	1.1	1.8	1.9	2.0	**13.3**	1.3	**6.2**	100

Note: Matrix shows only the largest industry-occupation combinations, accounting for 60% of total employment.
Source: Industry and occupation data for employed noncitizen residents in PUMA 06414 from the Census 2000 5% Public Use Microdata Sample.

three industries shown in Figure 28 are estimated to employ over one-third of their workers on an informal basis. A matrix showing the percent of total informal employment within the Study Area estimated to be found within each industry-occupation combination is shown in Table 7. The five most prominent industry-occupation combinations and the estimated percent of informal workers in each combination are as follows:

- Maids in Private households 4.9%
- Sewing machine operators in Apparel manufacturing firms 3.8%
- Cooks in Restaurants 3.5%
- Janitors employed by Building service companies 2.6%
- Laborers working for Construction companies 2.0%

COST OF INFORMAL EMPLOYMENT

We estimate that informal workers in the Greater Beverly-Virgil Area had an annual payroll of roughly $219 million, and that ***the public sector is being shortchanged by $56 million each year in legally mandated social safety net costs*** that are not being paid for these workers, as shown in Table 8. In addition, we estimate that these workers should pay roughly ***$10 million in sales taxes*** on their purchases, much of which may not be paid because many local retailers appear not to be reporting or paying sales taxes.

The pervasiveness of informal employment in the Study Area makes it very difficult for legitimate employers to comply with labor laws and tax requirements. It is necessary to curtail and prevent these practices in order for city residents to work in safe and fair conditions and for the public sector to obtain necessary revenue for funding essential public services.

Table 8
Estimated Unpaid Payroll Taxes for Informal Workers in the Beverly-Virgil Study and Buffer Areas

Study Area	1-Mile Zone of Influence	Greater Beverly-Virgil Area Total	Safety Net Factor
900	17,400	18,300	*Estimated Number of Informal Workers*
12,000	12,000	12,000	*Average Annual Wages per Informal Job*
10,760,620	208,598,728	219,359,349	*Total Annual Payroll*
1,334,317	25,866,242	27,200,559	*Unpaid Social Security Taxes*
312,058	6,049,363	6,361,421	*Unpaid Medicare Taxes*
126,975	2,461,465	2,588,440	*Unpaid State Disability Insurance*
290,537	5,632,166	5,922,702	*Unpaid Unemployment Insurance Taxes*
677,919	13,141,720	13,819,639	*Unpaid Workers Compensation Insurance*
2,741,806	53,150,956	55,892,762	*Total Unpaid Social Safety Net Costs*

Annual taxable purchases as a percent of annual payroll	53%
Annual purchases subject to sales taxes by informal workers	$115,481,938
Estimated annual sales tax revenue that should be paid	**$9,815,965**

KEY FINDINGS

Based on the findings presented in this chapter and the importance of protecting workers from predatory employment conditions and of collecting much needed public revenue, we recommend the following actions:

Enforcement

1. Require businesses receiving CRA subsidies or assistance to certify that all employment will by in compliance with national, state and city labor laws (CRA).
2. Fine informal employers enough to be felt by their businesses, but not so much as to close them down, and provide technical assistance for helping these employers come into compliance with labor, tax and business licensing laws (LA City).
3. Hold prime contractors accountable for the labor practices of their subcontractors (CRA).
4. Educate community organizations, union members, and mainstream employers so that they can recognize and report violations of labor and tax laws, thereby curtailing unscrupulous employment practices that create substandard working conditions and undercut legitimate businesses in LA (LA City).
5. Make all levels of government, legitimate businesses, unions, and community organizations partners in ensuring the rule of law and fair competition in the labor market. The City Attorney and District Attorney should augment state enforcement of labor laws by providing prosecutorial follow-through for complaints filed by community organizations and businesses, and for citations issued by the State of California (LA City).
6. Prohibit or debar contractors with labor code violations from bidding on projects in redevelopment areas (CRA).

Business Assistance

7. Street vendors and other immigrants who own small businesses are highly entrepreneurial and strong believers in capitalism. Collaborate with these entrepreneurs to find creative ways of channeling their energy so that they can both grow and strengthen the economy in redevelopment areas (CRA).
8. De-criminalize, promote and regulate street vending as a legitimate and valuable entrepreneurial activity (LA City).
9. Provide incentives and technical assistance to induce informal employers to move into the formal economy (CRA)

Labor Market Conditions

10. Since lack of childcare pushes some women into informal jobs such as home-based piecework, use childcare as a tool for helping women move into the formal

economy. One tool for achieving this objective is to provide economic development assistance to support growth of home based childcare (CRA).

11. Establish and enforce a minimum wage in redevelopment project areas so that people who work can rise out of poverty, and so that employers will not be able to gain a cost advantage over competing law-abiding employers by under paying their workers (CRA).
12. Promote project labor agreements and community benefit agreements that establish pathways for workers to access quality jobs and that help small and informal businesses enter the formal economy and more directly benefit from community investment and development (CRA).
13. Support education reform to improve school performance and ensure effective educational and economic integration of immigrant residents (LA City).
14. Voice local support for federal adoption of just citizenship and naturalization policies that treat immigrant workers fairly (LA City).

Chapter 7

Tract and Zoning Analysis

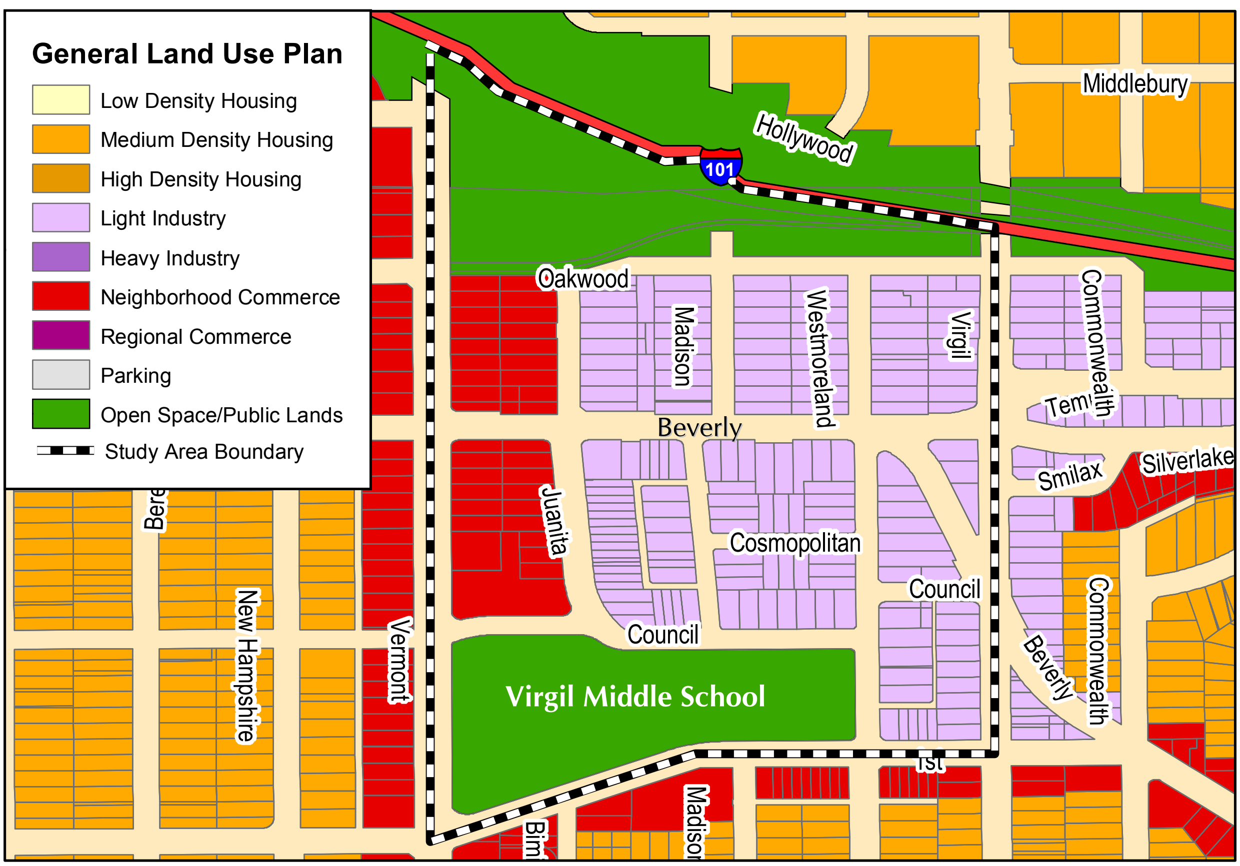
LAND USE OVERVIEW

The General Plan land use designation for most privately owned parcels in the CRA/LA Beverly-Virgil Study Area is "Light Industrial," although actual uses include a variety other activities such as single- and multi-family dwellings, retail stores, restaurants, homeless services, automobile repair and sales, pest control, and towing. General Plan designations for the area's 4,023,077 square feet, shown in Figure 29, are as follows:

- Open Space/Public Lands 2,554,276 square feet (63%)
- Light Industry 949,038 square feet (24%)
- Neighborhood Commerce 519,763 square feet (13%)

Figure 29

General Plan Land Use Designation of Tracts in the CRA/LA Beverly-Virgil Study Area



ZONING SUMMARY

Aside from land classified as Public Facilities, which includes Virgil Middle School and the Hollywood Freeway, most of the remaining land in the CRA/LA Beverly-Virgil Study Area is zoned industrial (Table 9).

Table 9
Breakout of Land Area by Zoning Classification

Zoning Class	Zoning Title	Area (Sq. Ft.)	Percent
PF	Public Facilities	2,550,610	64%
M1	Limited Industrial	825,592	21%
C2	Commercial	442,708	11%
MR1	Restricted Industrial	93,076	2%
R4	Multiple Dwelling	30,087	1%
CM	Commercial Manufacturing	15,032	< 1%
Total		**3,957,105**	**100%**

TRACT ANALYSIS

In addition to land use designation, tract size can also influence businesses' ability to hire new workers and expand. Redevelopment makes it possible to create parcels that are adequately sized and configured to support desired new land uses. We explored the data needed to analyze the relationship between tract size and establishment size and growth rates in different industries, which would make it possible to identify tract size characteristics associated with growing and/ or large employers in different industries.

This preliminary exploration of available data determined that it is possible to integrate establishment data showing rates of employment growth or decline at specific locations with land use data showing parcel characteristics such as size and existing developments. In order to carry out such an analysis it is necessary to obtain and integrate the following electronic data files:

1. Establishment employment data showing size and rates of growth or decline
2. Parcel files showing parcel boundaries
3. Assessor information showing building square footage
4. Assessor information showing linked parcels with unitary developments

Based on our preliminary analysis it appears possible to integrate these different data sets and to investigate the relationship between jobs change trends in establishments and the size of the tracts they are located on. This analysis should make it possible to identify the size of parcels needed to support optimal business growth in different industries.

KEY FINDINGS

- The most common General Plan designation for land in the Beverly Virgil Study Area (aside from "Open Space") is Light Industrial, with covers 949,038 square feet, or 24 percent of the project area.
- The area may well have more land zoned for Light Industrial use than is likely to occupied for this use by establishments paying living wages.
- There are a number of vacant industrial structures in the Project Area that may well be candidates for conversion to office space.
- It appears desirable to increase the amount of land zoned for housing.
- Reconnaissance of the area revealed a variety of land uses, including substantial numbers of residences, that do not comply with the General Plan land use or zoning codes.
- Additional useful information can be produced to show how big parcels need to be to support desired new types of development. This analysis will require integration of four data sets: establishment employment trends, parcel boundaries, building square footage, and linked parcels.

Chapter 8

Economic Development Strategy for the Beverly-Virgil Project Area

Strategy Overview

This strategy for the Beverly-Virgil Project Area is based on five revitalization recommendations that will improve the prospects for economic growth.

1. Make front-loaded investments to establish public open space, enhance pedestrian areas around the transit station and mitigate negative traffic impacts, thereby creating an appealing and environmentally sustainable neighborhood in what is now a largely barren and inhospitable traffic thoroughfare.
2. Use the extraordinary public transportation hub created by the convergence of the Vermont-Beverly station, the Rapid Bus Stop, the 101 Freeway, and major surface arteries to leverage concentrated high-rise residential mixed use development adjacent to the Vermont-Beverly station. **The transit station is a key asset for leveraging growth**.
3. Solicit industries with a functional interest in improvement of the Beverly-Virgil Area as first movers and anchor industries for the project area. These include:
    a. **Public benefit organizations** that are strongly represented in the Greater Beverly-Virgil Area and are functionally engaged in improving social and economic conditions in the area. These industry cluster include:
        i. Social assistance (including Individual and family services and Emergency and relief services)
        ii. Community advocacy organizations
        iii. Labor unions
    b. **Green technology industries**[1] that have a direct interest in the environmental improvements recommended in the Station Neighborhood Area Plan and this strategy. *Green technology provides a focus for building a high-value industry cluster***,** and because environmental improvements appear to be a necessary precondition for redevelopment, this is an opportunity to turn necessity into an asset. Potential targets in green technology include:
        i. Wholesale suppliers of environmental equipment and materials
        ii. Architecture and engineering

[1] Recommendations about green technology industries draw on the Economic Roundtable's recently completed analysis, *Jobs in LA's Green Technology Sector,* which is available at: http://www.economicrt.org/

iii. Computer systems design
iv. Scientific and technical consulting

4. Encourage affordable and market-rate housing to increase the housing stock and residential population of the area, and to lay the foundation for building social capital and community cohesion in the area.
5. Discourage rampant informal employment in the area that undermines wages, working conditions and public revenue. Introduce incentives, technical assistance and regulatory enforcement to induce informal employers to move into the formal economy.

TARGET INDUSTRIES

This analysis of economic conditions and trends in the Beverly-Virgil Project Area identifies specific industries as targets for attraction and growth. Criteria include:

1. High concentration in the surrounding area
2. Projected future growth
3. Living wages

Recommended target industries are listed below along with their location quotient (*LQ*) for the Greater Beverly-Virgil Area relative to LA City, indicating the strength of their foothold in the area.[2]

Agriculture, Mining, Utilities, Construction

- No target industries are identified in these sectors

Manufacturing

There is very little manufacturing activity in or around the project area. The following two manufacturing industries are present and pay living wages. They should be approached individually to assess their prospects for retention and growth:

- Jewelry and silverware manufacturing *LQ 2.6*
- Fruit and vegetable canning *LQ 3.1. This industry has experienced minor job loss.*

Wholesale Trade

There are three small growing wholesale industries that paying living wages in the Greater Beverly Virgil Area. These industries benefit from good transportation access and these establishments should be approached to assess their prospects for retention and growth:

[2] A location quotient of 1.0 indicates that the Greater Beverly-Virgil Area has the same share of its labor force employed in the industry as the City of Los Angeles. A value of 0.9 or less indicates that Beverly-Virgil has a below-average share of its labor force employed in an industry and may well not have competitive strength for attracting employers in that industry. A value of 1.1 or more indicates that Beverly-Virgil has an above-average share of its labor force employed in an industry and may well have competitive strength for attracting employers in that industry.

- Furniture wholesale *LQ 0.8*
- Medical, dental, and hospital equipment and supplies wholesale *LQ 1.5. This industry is linked to the nearby hospital cluster.*
- Machinery, equipment, and supplies wholesale *LQ 0.4*

Retail Trade

Expansion of retail trade will accompany development of the project area and expansion of the residential population, but most retail industries do not pay living wages and are not high value targets for economic development. The following industry is an exception. It has a strong presence in the project area, is growing, and pays living wages:

- New car dealers *LQ 4.3. This industry is dependent on low land costs. Redevelopment may increase land values in the area and eventually cause this industry to relocate*

Transportation and Warehousing

- No target industries are identified in this sector

Information

Three small industries are growing and paying living wages:

- Newspaper publishers *LQ 4.0*
- Periodical publishers *LQ 1.2*
- Telecommunications Resellers *LQ 0.9*

Finance and Insurance

Finance and insurance industries have a strong presence on Wilshire Boulevard; it is possible that establishments in this sector might choose to locate in newly developed high-end office space located near the Vermont-Beverly station. Five industries in this sector are growing and paying living wages in the Greater Beverly-Virgil Area:

- Mortgage and nonmortgage loan brokers *LQ 1.1. This industry is beginning to see declining employment as homes sales and refinancing fall off.*
- Securities, commodity contracts, and other financial investments *LQ 1.0*
- Portfolio management *LQ 1.9*
- Direct title insurance carriers *LQ 10.9. This industry is likely to decline when the housing market declines.*
- Pension funds *LQ 10.4*

Real Estate and Leasing

As new development occurs there will also be an opportunity to have property owners locate buildings on development sites. The following industry is growing and paying living wages (note: residential property leasing and management typically does not pay a living wage):

- Lessors of nonresidential buildings *LQ 2.1*

Professional, Scientific and Technical Services

- Offices of certified public accountants *LQ 1.4*
- Architectural, engineering, and related services *LQ 0.9*
- Computer systems design and related services *LQ 0.4*
- Management consulting services *LQ 1.3*
- Advertising agencies *LQ 3.5*

Management of Companies and Enterprises

- Corporate, subsidiary and regional managing offices *LQ 1.6. This industry is likely to locate near financial services and professional services establishments.*

Administrative and Support and Waste Management and Remediation Services

- Exterminating and pest control services *LQ 10.2. This industry has a strong presence in the project area but expansion may be incompatible with revitalization goals,*

Educational Services

One educational industry is growing and paying living wages in the Greater Beverly-Virgil Area, and derives significant advantages from being located near bus and rail transit stops:

- Technical and trade schools *LQ 9.8*

Health Care and Social Assistance

Three industries in this sector have a strong presence and pay living wages; two of these industries are growing:

- Offices of physicians *LQ 1.1*
- Individual and family services *LQ 2.6. This industry has a strong presence in the Greater Beverly-Virgil Area but has lost jobs even though it is projected to grow countywide; this trajectory should be reversed if possible because it is an important social and labor market asset for the project area.*
- Community food and housing, and emergency and other relief services *LQ 6.7*

Arts, Entertainment and Recreation

- No target industries are identified in this sector

Accommodation and Food Services

- No target industries are identified in this sector

Other Services

- Labor unions *LQ 17.0. Union offices are an important presence in the Greater Beverly-Virgil Area and are a high-value employer.*

Hospital Linkages

The ten industries that have strong hospital linkages, pay living wages and are growing in the Greater Beverly-Virgil Area are all included in the list of target industries above. We recommend making individual contacts with nearby hospitals to explore potential linkages, including development of sites within the project area for off-site activities, for example, medical billing or specialized outpatient services that pay living wages.

Working Tools

Users of this data should bear in mind that this recommended list of target industries is not engraved in stone. Establishment wages and growth trends vary widely within industries. Industries with low average wages and overall job decline may include atypical establishments that pay living wages and have solid growth prospects, similarly, industries with high average wages and overall growth may include establishments that pay marginal wages and are in decline.

Economic objectives not specifically addressed in this report may emerge as important considerations as this project moves forward. For example, when subsidies for specific businesses are considered, issues of business survival rates, local tax impacts, and employment multipliers may take on added significance. Extensive industry data sets and filtering tools have been developed as part of this project. These data sets can and should be used to quantify and weigh these risks and benefits.

These data sets are important working tools for assessing the economic and labor market impacts different development options. It is recommended that:

- These data tools be updated on a continuing basis
- CRA staff be provided with training and support in using this data