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FOR THE REGIONS OF LA COUNTY

Los Angeles County
Economic Development Corporation

Redeveloping Obsolete Industrial Land with Modern Manufacturing Facilities: *The Job, Wage and Tax Implications for State and Local Government*

An LAEDC Policy Report

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Redeveloping Obsolete Industrial Land with Modern Manufacturing Facilities

Executive Summary

The shortage of modern manufacturing facilities in Los Angeles County has cost the region an opportunity to create high wage jobs estimated to be worth in excess of $700 million annually in direct wages. The vacancy rate for manufacturing space has fallen steadily from 13.1% in 1993 to less than 3% in 1999. And in the tight Central Los Angeles market, the vacancy rate for manufacturing is an even lower 2%. Land occupied by obsolete industrial buildings and low value industries could be redeveloped with modern industrial parks to help create high wage ($12-20/hr) jobs, but cities prefer retail establishments to manufacturing because the former generates more local tax revenue. The cities covet their one percentage point share of local sales tax collections because it is direct, discretionary income. Since there are few studies that explore the consequences of the local preference for retail business, this study quantifies the impact on jobs, wages and tax revenue for city and state governments of retail operations versus modern industrial parks.

Using a case study approach, alternative development scenarios were compared for two typical underutilized sites in Los Angeles County: one in Huntington Park covering 18 acres; the other a 31-acre site in the City of South Gate. The baseline current economic activity for each site is captured using a best-case scenario to ensure the estimates of the value added by redevelopment are conservative. Each site was assigned a regional shopping center for the retail option and a modern industrial park for the manufacturing alternative. The IMPLAN economic model was used to calculate the total jobs, wages and sales for each development scenario. These numbers were then used to derive the state and local taxes generated by the projects.

- **The results confirmed the basis for the local preference for retail.**
  - At the smaller site, retail generated $690,000 in local taxes annually, compared to baseline revenues of $230,000 and $220,000 for the manufacturing facility.
  - The retail advantage was even greater at the larger site: $910,000 for retail, $110,000 for the high value manufacturing, and $20,000 for the baseline.

- **The cities appear to be trading better paying manufacturing jobs for fewer, lower paying retail jobs. The retail sector also creates a lower number of additional supporting jobs.**
  - High value manufacturing facilities produces more direct jobs than retail at the smaller site (921 compared to 480) and at the larger site (2,092 vs. 820).
  - The richer multiplier for manufacturing (roughly 2.0) compared to retail (1.3) means it supports a greater number of jobs.
  - Manufacturing created 3 times as many total jobs as retail on the smaller site (1,885 vs. 624) and almost 4 times as many at the larger one (4,212 vs. 1,084).

- **Since the manufacturing facilities employ more and better-paid direct workers than retail, and because they generate more supporting jobs, manufacturing produces distinctly more state income tax.**

  The income tax disparity at the smaller site helped the manufacturing redevelopment produce $3.11 million in total annual revenue for the state, almost matching the sales tax-driven $3.24 million from retail redevelopment. Baseline state revenue was $2.78 million before redevelopment.

  At the larger site, the income tax revenue makes the manufacturing facilities *more* lucrative for the state ($6.23 million in total annual tax revenue compared to $5.23 million from retail).

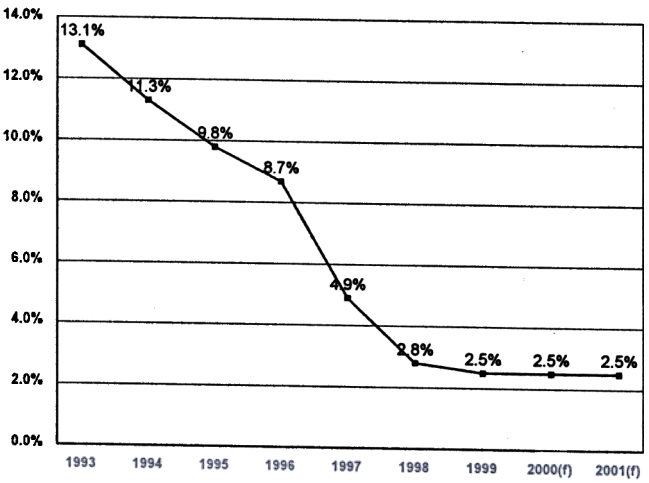
The societal benefits and public savings from moving workers up from public assistance or low "non-living" wage to middle class income jobs are beyond the scope of this study, but these unmeasured benefits would surely be significant.

Redeveloping Obsolete Industrial Land with Modern Manufacturing Facilities

Introduction

Demand for modern, efficient industrial space is strong, particularly in key logistical and manufacturing hubs. Here in Los Angeles County the vacancy rate for manufacturing space has fallen steadily from 13.1% in 1993 to less than 3% in 1999.[1] And in the tight Central Los Angeles market, the vacancy rate for manufacturing has dropped below 2%. This acute shortage of modern industrial facilities means demand has outstripped supply and the County is losing opportunities for new high wage jobs estimated to be worth in excess of $700 million annually in direct wages.[2] These jobs, unlike low wage retail work, tend to pay well and typically include benefits such as medical insurance. Yet perverse incentives created by the tax system have largely kept local governments from ameliorating the industrial facilities shortage.[3]

Figure 1
Vacancy Rate for Los Angeles Manufacturing Space, 1993-2001



It is widely accepted that when faced with the decision between immediate revenue for their budgets (from sales tax revenue) and long-term, livable-wage jobs (from manufacturing), cities prefer big-box retailers, car dealerships or other large sales-tax generators.[4] Less well understood, however, is the impact of redeveloping older industrial sites for retail instead of modern industrial uses in terms of the jobs, wages, and local and state tax revenue created.

This study use a case study approach to compare industrial and retail redevelopment of obsolete industrial facilities and underutilized land at two sites in Los Angeles County. Three alternatives – a baseline to capture current economic activity; a regional retail center; and a modern industrial park for high-value manufacturing[5] – were studied for each site. The IMPLAN (IMpact analysis for PLANning) economic model was used to calculate the total jobs, wages, and sales for each scenario and these numbers were in turn used to derive the state and local taxes generated by each project.

As expected, the cities have a strong fiscal incentive to favor retail over industrial: they receive little direct financial benefit from manufacturing, while the sales tax from retail operations produces a substantial revenue stream. The state, on the other hand, receives roughly comparable revenue streams from retail or manufacturing operations – with the edge going to manufacturing on larger sites – because manufacturing generates far more income tax for the state than a retail operation would on the same site. Manufacturing produces more income tax for the state because it generates more wages: manufacturing workers are paid more than their retail counterparts, and each manufacturing job creates more supporting indirect and induced jobs than a retail job. Thus, manufacturing facilities are important for creating high-wage jobs and produce at least as much revenue for the state as retail (if not more), yet cities facing short term financial pressures have a strong incentive to trade these good jobs for low wage retail positions and the concomitant sales tax revenue.

The report is organized as follows. Section Two explains how the sites were selected and the manufacturing and retail alternatives were developed. Section Three describes the research methodology and explains the results. Section Four concludes.

Site Selection, Development Scenarios and Tenant Selection

Site Selection

The study focuses on the Gateway Cities region of Los Angeles County because cities in this region contain much of Los Angeles County's underutilized industrial land; are located near the Ports of Los Angeles and Long Beach; and are served by rail lines and the 110 and 710 freeways and have much of the manufacturing workforce. Many of these cities also have among the lowest average family incomes in the County and would benefit significantly from the addition of well-paid manufacturing jobs. To make the retail versus manufacturing comparison as fair as possible, large enough sites were sought that would be suitable for redevelopment with either use. Obsolete and underutilized industrial facilities, however, are typically found in locations poorly suited for retail operations. Preference was given to relatively large industrial properties since an earlier study demonstrated that for smaller properties industrial and retail uses have a similar fiscal impact on cities. The study also indicated that small-scale industrial sites produced much greater economic activity than similarly sized retail operations.[6]

With the help of the Gateway City Economic Partnership, two sites were identified.[7] The

first site is an under-utilized property comprising thirty-one acres in the City of South Gate; the second is a collection of obsolete facilities on sixteen acres in the City of Huntington Park. If the streets running through the Huntington Park site were vacated, the total area available for development would be a little over eighteen acres.[8] In both cases, the cities would like to see these industrial sites redeveloped as large-scale retail properties. Kosmont Partners assessed the suitability of both sites for redevelopment based on existing land uses, overall location, general business investment factors, size of assemblage, and limited general market considerations. Overall, both sites were found to be suitable for either industrial or retail development. Demand for both uses in the area is strong, and industrial vacancies have dropped below two percent. The limitations on site development include assemblage (in the case of the Huntington Park site), and possible remediation. See Appendix 1 for a description of the factors that guide business location decisions, their applicability to the South Gate and Huntington Park sites, and a list of development hurdles.

Development Scenarios

Kosmont Partners developed three scenarios for each site – a baseline (labor-intensive and relatively low wage manufacturing); a high-value industrial park (featuring capital-intensive manufacturing); and a regional retail center. The assumptions underpinning each are discussed below and complete site plans and architectural sketches can be found in Appendix 1.

Baseline Scenario: The point of the baseline is to determine the value of the current economic activity for each site so that the incremental value added by redevelopment can be calculated. The case study approach adds tangibility to an abstract issue and creates problems in terms of data collection. Business owners are understandably reluctant to share wage, sales and other financial data, particularly with investigators seeking to demonstrate that their operations underutilize their land. The solution employed here assumes the best-possible scenario for the low-value industrial use, thereby establishing an *upper bound* on the value of current industrial uses and ensuring any redevelopment benefits will represent a *lower bound.*

First an industrial park that makes optimal use of the available land *within constraints created by local zoning laws and market conditions* was designed for each site. For the baseline scenarios, the high-value industrial park was scaled back so that it only had single-story instead of two-story structures, which better represent the existing facilities. The Huntington Park site is a 311,150 square foot light industrial tilt-up facility comprised of seven single story buildings.

The South Gate baseline is a 670,200 square foot light industrial tilt-up facility (with five typical Hi-Bay buildings with office pods, a freight warehouse and a twin tower office complex) the results of the baseline calculations were adjusted to better match the existing facilities. The (unadjusted) Huntington Park figures slightly underestimated the existing square footage because many of the structures were built before the adoption of modern building and zoning laws.[9] As a result, the site density is much higher than would be allowed today. The opposite problem was encountered at the South Gate location, which is the home of an obsolete industrial facility that is used to store pipe. The buildings occupy a little less than one-third the square footage of the baseline industrial park, so the results were scaled accordingly.[10] The pipe storage operation uses fewer people than the furniture and apparel manufacturing assumed here, so even with the scaling, the baseline is overly optimistic.

High-Value (Capital-Intensive Manufacturing) Industrial Park. The limiting factor at each site was market conditions, rather than zoning laws. Even with the tight market for industrial facilities, rents in the area made development at the scale allowed under city zoning laws unfeasible. The industrial park format was adopted because such parks are in demand, and have the advantage of separating the manufacturing facilities and attendant trucks from the surrounding community. The Huntington Park facility is similar to the baseline for the site, except that four of the seven buildings have a second level, resulting in a total of 415,700 square feet of floor space. The South Gate industrial park is essentially the same as the one used for the (unadjusted) baseline, but it has additional office space that brings the floor area up to 890,200 square feet.

Regional Retail Center. The communities surrounding the respective study sites are relatively underserved in terms of retail establishments, so a regional center would be appropriate for each city. The Huntington Park center has three major anchors, and some in-line tenant shops for a regional shopping center with 256,500 square feet of retail space and an appropriate amount of parking. The South Gate site would accommodate five anchors, along with row shops and restaurants for a regional shopping center with 437,800 total square feet.

Tenant Selection

To calculate the economic value for each scenario, tenants had to be assigned to the various buildings. This was carried out in the manner described below.

Baseline Scenario: The garment industry was selected because it is the prototypical low-wage, underutilized industrial use. Garment manufacturers often occupy older buildings that are obsolete for the use for which they were constructed. The industry is labor intensive, and it is declining in Los Angeles due to competition with ultra-low wage foreign operations. For the larger facility at South Gate, furniture manufacturing was added to the mix to avoid an unrealistically large agglomeration of garment producers. Furniture production is similar to the garment industry in that it has traditionally been a labor intensive, low wage industry in Los Angeles.[11] Both industries – apparel and furniture – are well represented by actual businesses in both Huntington Park and South Gate. The mix of apparel and furniture in the South Gate baseline scenario roughly approximates the ratio of garment to furniture production businesses in the city.[12]

High-Value (Capital-Intensive Manufacturing) Industrial Park: The goal was to select a mix of industrial users that matched as closely as possible the mix of tenants one might reasonably expect if the facility were built and leased. Accordingly, industries such as biotechnology and computer chip manufacturing that require the highest educational and skill requirements (and not coincidentally have the highest pay scale among industrial workers) were eliminated from consideration. Environmentally unfriendly, i.e. "dirty" industries were also rejected since they would probably encounter local opposition. The available labor pool, existing business clusters (from the 1996 US County Business Patterns survey), and current market conditions were used to create a list of target industries. The finalists included food processing, commercial printing, lighting and wiring, fabricated metal products, and machinery and equipment manufacturing.

For the South Gate site, each of the industries was assigned to one of the five buildings. The industries may not have the same space requirements, but the data needed to assign space based on exact square footage does not exist. For the seven buildings (of varying sizes) at the Huntington Park site, the industries were assigned based on estimates of their space requirements and the relative number of actual businesses in each industry in the city.[13] As a final check, the square footage being added with the new industrial facilities was compared to the existing total to ensure it was a reasonable addition. Each site represents less than 10% of the total available in the respective cities, which themselves represent small fractions (less than 5%) of the county totals. The sites, if built as described, would be unlikely to overwhelm the demand for the goods produced, or the supply of available workers.

Regional Retail Center: Huntington Park and South Gate are underserved by retail, and a regional center would be an appropriate addition. Kosmont Partners identified the following potential tenants: Value Plus, KV warehouse type Mart, Notricas Market (Latino super market), Super Gigante (Mexican chain grocery store), home improvement stores, junior department/general merchandise discount stores, and various local ethnic-related specialty tenants. These tenants were sorted into anchor and non-anchor groups and were assigned appropriate space in the plans described above. Square footage totals for each retail category can be found in Appendix 1.

Research Methodology and Results

Methodology

All figures presented are for ongoing operations – either existing (for the baseline) or commencing once construction is complete (for redevelopment with retail or industrial uses). Construction costs and associated job creation and tax revenues are *not* included. The IMPLAN model was used to calculate the employment, compensation and total sales for each development scenario.[14] IMPLAN uses five region-specific modules (employment, value added, output, final demand and structural matrices), each with up to 528 industry sectors. By specifying an increase in final demand for a sector or group of sectors (here the addition of new manufacturing or retail operations), the model determines the multiplier impact related to that demand increase. The appropriate level of analysis here is the County of Los Angeles, since it is expected that any economic activity will spill over local jurisdictional lines, particularly for the industrial operations.[15]

The critical assumptions are the industry codes and square footage used for each industry (based on the development scenarios and tenant selection described above), as well as the employee density – the number of square feet per employee. There is some disagreement regarding the density ratios, and a surprisingly wide range of estimates considered appropriate for each industry. California state law requires that the San Diego Association of Governments (SANDAG) figures be used when calculating impact fees for new developments, and they have been adopted for this study as well.[16]

For the tax calculations, property taxes were assessed based on the tax bills of similar developments, the existing land value, and (a very conservative) estimate of the land value after

development. Sales taxes were calculated based on estimated sales per square foot by (industrial/retail) sectors. The city's portion of the sales tax is one percentage point (of the 8.25% collected); the state gets five percentage points.[17] Huntington Park assesses a seven percent utility tax; South Gate does not. The state income taxes were calculated by applying a weighted average of 4.5% (which reflects the average rate actually paid in California) to the total wages generated by each scenario. Finally, all compensation and sales figures were calculated using the most recent data available (typically 1998), so the Consumer Price Index (CPI) was used as an inflator so that all monetary values (including taxes) would be expressed in current (Year 2000) dollars.

Results

Table 1
Job Creation by Alternative Redevelopment Uses

	Land Use	Direct	Indirect	Induced	Total	Multiplier
Site 1 Huntington Park (18 acres)	Baseline (Low Wage Manufacturing)	1,291	474	497	2,263	1.752
	Industrial Park (High-Value Manufacturing)	921	420	545	1,885	2.048
	Retail (Regional Center)	480	35	109	624	1.299
Site 2 South Gate (31 acres)	Baseline (Low Wage Manufacturing)	550	183	230	962	1.752
	Industrial Park (High-Value Manufacturing)	2,092	969	1,151	4,212	2.014
	Retail (Regional Center)	820	75	169	1,084	1.322

Selecting retail for redevelopment instead of manufacturing means an implicit trade-off between better paying manufacturing jobs and the numerous follow on jobs they create and fewer, lower paying retail jobs. The high value manufacturing facilities produce more direct jobs than retail at the smaller site (921 compared to 480) and at the larger site (2,092 vs. 820). The richer multiplier for manufacturing (roughly 2.0) compared to retail (1.3) means is evident in the columns for indirect and induced jobs. These follow-on jobs helped the manufacturing facility create 3 times as many total jobs as retail on the smaller 18-acre Huntington Park site (1,885 vs. 624) and almost 4 times as many at the larger 31-acre South Gate site (4,212 vs. 1,084).

The baseline for Huntington Park produces more jobs (partly because of the high square footage covered by buildings on the site which predate modern zoning laws) mainly owing to the labor intensity of the selected industries. Garment and furniture manufacturing, however, are among the industries most vulnerable to overseas competition (because they compete based on the wages of low skilled labor) and the jobs may not exist in L.A. in the not-too-distant future.

Table 2
Wages for Alternative Redevelopment Uses
(in Millions of Current Dollars)

	Land Use	Direct	Indirect and Induced	Total
Site 1 Huntington Park (18 acres)	Baseline (Low Wage Manufacturing)	29	31	60
	Industrial Park (High-Value Manufacturing)	36	31	67
	Retail (Regional Center)	8	4	12
Site 2 South Gate (31 acres)	Baseline (Low Wage Manufacturing)	18	9	28
	Industrial Park (High-Value Manufacturing)	70	68	138
	Retail (Regional Center)	14	8	22

The wage totals reflect the manufacturing sector's advantage over retail in terms of number of jobs created, and the average salaries those jobs offer. The disparity is immediately apparent when comparing direct wages at the Huntington Park site where industrial wages ($36 million) dwarf retail wages ($8 million). There is a similar difference at the South Gate site, which supports direct manufacturing wages of $70 million compared to $14 million for retail. When the more numerous indirect and induced jobs are included, the modern industrial park redevelopment produces five and half times the total wages of the retail option at the Huntington Park site ($67 million vs. $12 million) and six times the total wages on the larger South Gate site ($138 million vs. $22 million).

Table 3
Annual Tax Revenue from Alternative Redevelopment Uses
(in Millions of Current Dollars)

		City Government			*State Government*		
	Land Use	**Sales Tax**	**Other Taxes***	**Total**	**Sales Tax**	**Income Tax**	**Total**
Site 1 Huntington Park (18 acres)	Baseline (Low Wage Manufacturing)	0.00	0.21	0.23	0.09	2.68	2.78
	Industrial Park (High-Value Manufacturing)	0.00	0.20	0.22	0.07	3.04	3.11
	Retail (Regional Center)	0.54	0.15	0.69	2.69	0.56	3.24
Site 2 South Gate (31 acres)	Baseline (Low Wage Manufacturing)	0.00	0.02	0.02	0.00	1.22	1.22
	Industrial Park (High-Value Manufacturing)	0.00	0.10	0.11	0.00	6.23	6.23
	Retail (Regional Center)	0.85	0.06	0.91	4.30	0.99	5.23

*Includes property, business and utility taxes.

The local government preference for retail operations can be readily understood by looking at city government sales tax column. The manufacturing businesses' sales tax revenue is so negligible for the cities that rounded to the nearest million (with two decimal places) their totals are zero. Even though manufacturers tend to pay more business and utility taxes than retailers – a finding reflected in the "Other Taxes" column in Table 3 – the difference is not enough to offset the gap generated by the sales tax. At the smaller site, retail generated $690,000 in local taxes annually, while manufacturing contributed less than one-third as much at $220,000. Retail's advantage was even greater at the larger site in South Gate where the totals for city government were $910,000 for retail and $110,000 for the manufacturing park.

The retail advantage created by sales tax revenues for the cities is magnified at the state level since the state share of the sales tax is five times greater than the cities'. The state, however, also collects income taxes. Since the manufacturing facilities employ more and better-paid direct workers than retail, and because they generate more supporting jobs, manufacturing produces distinctly more state income tax. The income tax disparity is so large – the manufacturing facilities generate roughly six times more state income tax revenue than retail – that at the smaller site it helped produce $3.1 million in total annual revenue for the state, almost matching

the sales tax-driven $3.24 million from retail. At the larger South Gate site, the income tax revenue helped make the manufacturing facilities *more* lucrative for the state ($6.23 million in total annual tax revenue) than the retail operation ($5.23 million).

For the obsolete Huntington Park site, both redevelopment alternatives produced more total tax revenue for the state than the baseline estimates – adding an annual gain to the state treasury of almost one half million dollars. At the underutilized South Gate site, the state would realize an even larger annual gain from redevelopment. The retail center produces roughly $5 million more annual state tax revenue than the baseline economic activity, while the industrial park generates an additional million beyond that, for an annual total of about $6 million in additional tax revenue. Given the optimistic nature of the baseline scenario (assumes light manufacturing – garment and furniture – at a site used to store pipe) the actual annual benefit to state coffers would certainly be higher than the estimates given here.

Caveats and Implications

Redevelopment of obsolete and underutilized urban land has clear advantages. From a tax perspective, retail redevelopments help both the city and the state; while manufacturing operations primarily add to state revenues. Based on employment, however, manufacturing creates more, and better paying, jobs than retailing. Given the shortage of modern industrial space, and the strong demand for more facilities, one might expect the market to provide significant incentives for developers to redevelop obsolete and underutilized industrial properties. While job creation and tax revenue enhancement make the case for development with governments, however, they are not sufficient for developers.

New facilities will be built when developers can reasonably expect a positive rate of return on their investments, regardless of whether the end use is retail or manufacturing. There are two core obstacles to private sector redevelopment of obsolete and underutilized industrial properties: the often unknown levels of contamination and lack of clear remediation standards at older industrial sites; and the need to assemble the necessary parcels of land to create a viable massing for a successful project. These obstacles are described below.

Many of the older industrial sites prime for redevelopment are contaminated. While the potential cost of remediation is an obvious barrier, two often-overlooked issues also hinder redevelopment. First, developers are wary of acquiring land if it means also picking up the

liability for existing (and often unknown) contamination. Second, cleanup standards may be prohibitive even when the extent of the problem is clear. Restoring land to pristine condition makes sense if the land is to be used for schools or houses, but this requirement may be unnecessarily strict for an industrial operation States such as Pennsylvania allow for such distinction in end uses in terms of the stringency of cleanup standards, a move California could emulate.[18] Until the contamination issue is addressed, much potentially valuable industrial land will remain underutilized

Modern industrial facilities have a relatively large footprint. Industrial parks require significant acreage, but have the advantage of separating the manufacturing operations and any trucks from the surrounding community. Industrial sites are already in short supply, particularly larger properties of fifteen acres or more. Cobbling together smaller parcels of land in a process known as "assemblage" is time consuming, difficult and often expensive. Cities can expedite the process by exercising their powers of condemnation, but they have few monetary incentives to engage in such an arduous task – at least not for a manufacturing facility.

The state could help address the shortage of the modern industrial facilities within an up-front investment in redevelopment. Funds provided as an incentive to the cities – *not industry* – could be used to overcome some of the barriers created by brownfields and the land assemblage issues. Some of the funds, for example, could be used to help short-staffed smaller cities that lack the expertise and personnel to successfully apply for *existing* federal brownfields funds. The state's investment would be recouped and, over time, surpassed by the additional tax revenue generated by redevelopment. Simultaneously, the state would help create the type of well-paid "livable wage" jobs many of the areas with obsolete and underutilized industrial land desperately ;d.

By creating the opportunity for high value, middle-income jobs with benefits, an industrial redevelopment policy could be used to create a "move-up" strategy in the underserved urban core. The low wage industrial workforce could be trained for the new manufacturing jobs. As these workers leave their current jobs to move into better paying ones, the unemployed and underemployed could move into the resulting entry level job openings. Los Angeles County still has over 280,000 cases on general relief or CalWorks assistance at an annual cost of approximately $1.5 billion. With the current unemployment rate well under 6%, mnay of the new or vacant jobs created by the redevelopment policy could be filled by those on public assistance.

ENDNOTES

[1] The manufacturing vacancy rate is lower than the industrial vacancy rate because the latter includes warehousing and distributions facilities while the former does not. Rates quoted here are from LAEDC policy paper on "A Reindustrialization Strategy for Los Angeles County" (April 1999).

[2] Los Angeles County is the number one manufacturing center in the United States. Businesses are drawn to the region by its productive workforce, world-class transportation infrastructure, and premier design-and-build capability. Even more high wage jobs could be added but for the acute shortage of modern industrial facilities; many businesses are having problems finding sufficient space to meet their expansion needs. Moreover, much of our existing industrial base is functionally obsolete. (Older buildings lack features such as high loading bay doors that are essential for a modern manufacturing operation.) In 1996 roughly half the existing industrial buildings had been built before 1970; almost three quarters had been constructed before 1980. Current development is not keeping up with potential demand and large metro areas outside California are adding industrial facilities at three times the rate of the Los Angles area. Source: "A Reindustrialization Strategy for Los Angeles County" (April 1999).

[3] Proposition 13 (which effectively transferred control of property tax revenues from local governments to the state) and subsequent initiatives have imposed severe limitations on local governments' ability to raise taxes. Under the *situs* rule, one percentage point of the state sales tax is returned to the locality where it was collected – which translates (on average) into about twenty percent of the budget for cities in Los Angeles County. This revenue is particularly coveted because it is discretionary. Thus local governments have an incentive to pursue retail giants and other businesses that generate large amounts of sales tax. The result has been a gradual fiscalization of land use decisions wherein revenue generation weighs heavily in the choice between alternative development options.

[4] See Paul G. Lewis and Elisa Barbour, *California Cities and the Local Sales Tax*, July 1999. www.ppic.org

[5] High-value manufacturing is characterized by significant investment in plant and equipment, substantial input purchases, and high wages. These capital-intensive operations range from such "new economy" staples as chip and biotechnology production facilities to less glamorous activities including beverage bottling, commercial printing, metal stamping, and food products.

[6] A Hamilton, Rabinovitz and Alschuler (1998) study for the County of Los Angeles.

[7] The Gateway Cities Partnership, Inc., a private non-profit organization, recently completely a survey of dysfunctional properties in the region and was invaluable in assisting with site selection.

[8] The South Gate site is bounded by Firestone Boulevard on the South, Atlantic on the East, and Kauffman on the West. The site in Huntington Park is in a redevelopment zone and is made up of two areas: three blocks bounded by Santa Fe on the West, Slauson Ave. on the South, Malabar St. on the East and 56th St. on the North, plus another block bounded by 56th on the North, Malabar on the West, 57th on the South, and Pacific Blvd. on the East. The property is comprised of sixty-six parcels with thirty-five different owners.

[9] The actual square footage on the site is 387,442 – or 1.245 times more than the industrial park used to model the baseline. Results were adjusted so as not to overstate the value of redevelopment.

[10] The baseline industrial park is 670,200 square feet; the actual facilities on the site are only 175,909 square feet. Results presented later in this report reflect the lower number.

[11] Furniture making is changing in Los Angeles, however, as the lower wage component succumbs to foreign competition. The businesses that remain tend to be more upscale and include more design elements, and hence have a higher average wage than the garment industry. If anything, this should reinforce our bias towards overestimating the baseline economic activity.

[12] The approximation is rough because industries were assigned a proportion of the buildings, not the overall square footage, but the overall difference was slight.

[13] The number of businesses per industry was taken from the 1996 US County Business Patterns Survey; Jack Kyser (LAEDC's chief economist and an expert in the structure of the regional economy) and David Gudrow (president of the Small Business Manufacturers Association) were consulted on the relative space requirements for the five industries used here.

[14] Another widely-used methodology involves the RIMS II input-output model. For a comparison of IMPLAN and RIMS II, see Appendix II.

[15] Using the County level analysis has the added advantage of improving the confidence interval for the results. Generally speaking, the narrower the focus of the model, the higher the margin of error for the estimates it produces. For a discussion of conceptual issues in multiplier analysis, see Appendix II.

[16] The employee density figures (sq. ft. per employee) used in this report are as follows: furniture/fixtures, apparel/textile products: 304; food processing, commercial printing, fabricated metal products, lighting and wiring, machinery and equipment: 450; office: 285; freight warehouse: 780; retail: 534.

[17] The sales tax in Los Angeles County is 8.25%, which means that for each $100 in taxable sales, $8.25 is collected. The money is divided as follows: the state keeps $5.00; the city where the tax was collected gets $1.00; the county gets another $1.00; and the remaining $1.25 goes toward transportation.

[18] Pennsylvania's Land Recycling and Environmental Remediation Standards Act (Act 2) is a model piece of legislation that balances environmental and economic needs. Full details can be found on the Pennsylvania Department of State's website www.dep.state.pa.us. (Click on "subjects" and select Land Recycling.)

Appendix 1
Location Decision Factors,
Site Assessments and Caveats, and Scenario Plans

Business Location Factors for Industrial Development

Exhibit (1) presents a business location factors matrix for manufacturing uses published by the National Council for Economic Development. The rankings to the right of the selection factors indicate the relative importance to the manufacturing sector on a scale of 1 to 5 (with 5 being most important). The following summarizes the most important factors:

> *Access to markets where products or services are sold.* Among the subcategory factors, geographic proximity to markets and transportation of goods ranked the highest.
>
> *Access to the resources consumed in the production or creation of a product or service.* In terms of resources; energy reliability and costs, and intermediate products (subcontractors) are the most important.
>
> *Access to a suitable and cost-effective work force.* Here all matrix subcategories are critical; the need for Blue Collar and clerical workers, the appropriate skill mix, cost of Blue/Grey Collar labor, and reliability of the workforce.
>
> *Access to suitable and affordable physical facilities.* The cost and availability of space are the most important.
>
> *Access to affordable financial capital.* These site selection factors are minimally important here.
>
> *Government impacts/activities upon business operations.* The most important government related factors here are key public investments and effectiveness of the transportation systems, water and waste water systems for certain industries, and cost of doing business.
>
> *Quality of life.* For manufacturing businesses, the quality of life is less important than for other industry sectors.

The classic industrial site selection model is hierarchical in approach, with users/investors theoretically beginning the search at the highest level, i.e., region, sub-region, etc., down to the actual site. Exhibit (2) presents 40 business climate factors within eight major categories that have some impact on business investment decisions. The matrix presents the most important factors effecting business location and investment in terms of the state, metropolitan, sub-region, and city level. The point is that business climate factors apply to different scales of geography.

At the lowest level – city scale – the focus of the site search process is a critical testing at the most site specific level. The site must work with regard to market accessibility, transportation, utilities, size of land and buildings, cost and quality of real estate, and adequacy of local infrastructure systems for specific business needs. The site must perform in terms of workforce accessibility, including commuting ease for the occupations that are needed and for the owners and managers of the business. At the City/site scale, local public service delivery increases in importance--especially physical security and local regulatory policies toward business. Local government costs (personal and business taxes and fees, and infrastructure financing) are a negative issue--they are deciding variables only if they are too high compared to the quality of required services for business. As in all levels of geography, the image of a City plays an emotive role in the search process.

Business Location Factors for Retail Shopping Centers

The principal location and site-selection factors for major retail shopping centers are:

Adequate demand (number of households, daytime business population, thoroughfare traffic) within the particular market area for that facility type.

Nature and strength of demographics such as population growth, density, or income.

Opportunities resulting from underserved markets (lack of competition).

Opportunities resulting from changes in consumer shopping or buying habits.

Opportunity to offer differentiated goods (new products or delivery systems).

Suitably priced land and sized land.

Synergy from complementary uses (i.e., transit stations, government centers, entertainment destinations, etc.)

Adequate visibility (preferably freeway visibility) for regional centers.

Adequate local access and circulation.

Site Assessment: Suitability for Industrial Development

Access to Markets: On a metropolitan scale, both communities South Gate and Huntington Park, are well positioned for businesses with a Southern California-wide market. The properties are located near the center of the Los Angeles Basin. South Gate has direct freeway access, and Huntington Park has nearby access, but more circuitous.

Transportation: Both cities are connected to a well-developed freeway system for both internal travel and linkages to other areas. However, congestion and increased travel time are major constraints. Both communities are served by major transcontinental railroads. There is good public transportation provided to both localities. The metro area in which both properties area located is well served for air travel. There is also good proximity to Southern California's best deepwater ports. The Alameda Rail Corridor runs through South Gate and near the City of Huntington Park.

Access to Resources: At the site selection level, access to resources is not an issue in Los Angeles or the subject communities, with the exception of water supplies. Water supplies are a regional problem, beyond the control of these municipalities.

Space Needs: Both subject properties are located within the Vernon Industrial submarket. This submarket is one in a number of submarkets comprising the Los Angeles Industrial Market. As shown in Exhibit (3) the Vernon market contains 70 million square feet of space representing 8.28% of the total Los Angeles market. As reported by Grubb & Ellis, there is only a 1.94% vacancy. Average lease rates are the lowest within the total market at $0.38 per square foot.

Exhibit (4) presents details of the Vernon industrial submarket. The City of South Gate industrial inventory totals 9.31 million square feet within 197 buildings, and Huntington Park contains 5.31 million square feet within 123 buildings. The vacancy rate is 3.12% for Huntington Park, and 2.61% for South Gate.

Exhibit (5) presents a summary of recent industrial sales transactions over the last two years for the subject cities. The average price per square foot is $36.60, and the median is $38.96. The prices range from $7.99 to $72.35 per square foot.

Overall therefore based upon vacancy levels, there is tremendous demand for additional industrial space, and lease rates for existing space are very competitive.

Work Force: The labor force market that would serve manufacturing concerns potentially interested in locating within the subject cities are essentially the surrounding communities located within the Los Angeles sub-region. There is an abundance of Blue Collar workers residing in these nearby communities to supply the needs of the manufacturing industries being considered for this analysis such as apparel, furniture & fixtures, food processing, commercial printing, etc. In relative terms, education is less important for manufacturing jobs than other industries. The region however offers excellent vocational, trade schools, and community colleges resources for purposes of upgrading the local workforce.

Quality of Life: For potential manufacturing concerns the most important locational and investment-related factors within the "quality of life" category include affordable housing, crime and security, quality of public services, and area image. For both communities there is an extreme shortage of affordable housing. Issues of crime and security for residents and workers alike are a significant concern. Quality of public services may also be an issue given the population densities, lower income status, size of municipal budgets, and associated demand for services. For potential new investors an area's image may also be a factor, albeit minor.

Public Sector Investments: In general, levels of public investment in transportation, water treatment, and infrastructure are a major concern for potential manufacturing investors.

Public Sector Business Cost: Communities in Los Angeles County are among the most regulated in the Country from a regional perspective. Cost of doing business in one area relative to another is a very important location selection criterion. To assess the relative cost of doing business, the "Kosmont Cost of Doing Business Survey" was used.

> South Gate was ascribed single "$" symbol meaning it ranks as a very low cost city ranks relative to all California cities based upon the cost of business taxes. It also received the highest rating for level of economic development activity.
>
> Huntington Park was ascribed three "$$$" symbols meaning it is a medium cost city, and "0" for level of economic activity.

Overall therefore, the cost of doing business in these two communities would not be an impediment, all else being equal.

Site Assessment: Suitability for Retail Development

General Assessment: From a land use and physical site configuration point of view, both South Gate and Huntington Park properties seem better suited for industrial uses than shopping centers. Although retail development is feasible, both sites lack key parcels necessary to assemble prime shopping center sites. The Huntington Park site omits the Sluason/Pacific intersection that would be a prime corner with regard to retailing visibility and access. The South Gate site stops short of Atlantic Avenue, a major vehicular thoroughfare.

Retail Sales Transactions: Exhibit (6) presents retail sales transactions for the Huntington Park and South Gate communities based upon data from COMPS Infosystems for 1998/99. The average price per square foot is $76.48, the median is $66.00, and the range is from $36.24 to $177.39 per square foot.

Key Relative Retail Indicators

	Per Outlet Sales Rank	Population Rank	Household Size	Population Density P/Sq. Mile	Total Retail Sales Per Household
Huntington Park	353	106	4.400	20,759	$19,431
South Gate	283	61	4.183	12,587	$14,948
LA County			3.11	2,392	$19,030

Source & notes: California Retail Survey, 2000 Edition.

1) Outlets rank is a statewide ranking based upon the total retail outlets in the City ranging from 1 to 468, as compared with all other California cities.
2) Population rank is a statewide ranking based upon the total retail outlets in the City ranging from 1 to 468 (i.e., Los Angeles is number 1).

Both subject sites are sufficiently large to accommodate regional serving retail uses. Regional serving uses typically trade within a 2 to 5 mile radius depending upon competition, natural barriers, population density, demographics, access, etc. Within a 2 to 5 mile trade area radius from the subject properties, the area is presently underserved in various retail categories. In addition, the population densities and household sizes of communities within this trade area are extremely high, and hence very favorable to retail developers and tenants. There is also a trend among retailers to return to the underserved and by-passed urban retail or ethnic markets. The greatest impediment to more retail development in these communities is not the lack of market support, but related to the lack of adequately sized and located land.

Development Caveats

Potential barriers to developing a new retail or industrial center at the Huntington Park and South Gate sites are listed below.

A financial feasibility analysis was not conducted for either site. On the basis of such an investment analysis, the findings could result in a no-go decision for either site.

Based upon the industrial use history for each site, there are likely to be soils contamination issues resulting in unknown costs of remediation.

In addition to typical acquisition costs, both sites may require the use of condemnation. The public acquisition and condemnation process including relocation brings significant additional land burden costs.

Ultimate decisions to develop either site could be highly influenced by public business and development incentives to induce a desired development.

The level of extraordinary cost resulting from soils remediation, condemnation and the like, and the potential offsets resulting from public financial assistance could have an impact upon the resulting future economic and fiscal revenues from operations. Depending upon the level of potential financial subsidies, the net economic result could be reduced until a repayment level is reached.

Exhibits

Exhibit (1)
Business Locational Factors Matrix for Manufacturing

Business Factor Category	Ranking
Access to Markets	
Geographic Proximity	
Transportation Services-People	
Transportation Services-Goods	5
Communications Services	3
Access to Resources	
Energy Reliability	5
Energy Cost	5
Water Cost	4
Raw Materials	3
Intermediate Mfg. Products	5
Business / Prof. / Tehcnical Services	2
Work Force	
Blue Collar and Clerical Availability	5
Skill Mix in Local Force	5
Effective Cost of Blue / Grey Collar Workers	5
Reliability	5
Space	
Availability	5
Cost	5
Financial Capital	
Seed	0
Debt Venture	
Government Impacts	
Secondary Education Quality	2
Higher Education Quality	
Transportation Infrastructure / Commuting	5
Water & Waste Water Systems	5
Business Incentives	2
Regulatory Policies	5
Worker Protection / Ins. Costs	5
Business Taxes	5
Personal Taxes	
Quality of Life	
Cost of Living	2
Housing Quality / Costs	1
Personal / Property Security	3
Climate and Physical Environment	2
Recreation and Cultural Opportunities	1

SOURCE: National Council for Urban and Economic Development; Kosmont Partners

Exhibit (2)

Business Climate Factors Affecting Scales of Geography

	State Level	Metro Area	Metro Subregion	City Level
ACCESS TO MARKETS				
Geographic Proximity	X	X	X	X
TRANSPORATION				
Interstate	X	X	X	X
Rail	X	X	X	X
Air	X	X	X	X
Water Transportation	X	X	X	X
Telecommunications	X	X	X	X
ACCESS TO RESOURCES				
Intermediate Manufactured Goods	X	X		
Raw Materials	X	X		
Electricity		X	X	X
Natural Gas				XX
Water Availability	X	X		
Business Support Services	X	X		
SPACE NEEDS				
Land Availability		X	X	X
Space Availability		X	X	X
Cost of Space		X	X	X
Quality of Space		X	X	X
Construction Cost		X		
WORK FORCE				
Unskilled / Semi-Skilled		X	X	X
Skilled Sub-Professionals		X	X	X
Professional & Technical		X	X	X
Effective Cost of Labor		X		
Labor-Management Environment	X	X		
EDUCATION				
Secondary Education	X		X	X
Vocational Training		X	X	
Higher Education	X	X		
QUALITY OF LIFE				
Housing Quality		X	X	X
Housing Cost		X	X	X
Non-Housing Living Costs	X	X		
Physical Environmental & Climate	X	X		
Cultural / Recreational Opportunities		X		
Physical Security		X	X	X
Public Services Delivery	X	X		X
Area Image	X	X	X	X
PUBLIC SECTOR INVESTMENTS				
Commuting Ease		X	X	X
Water Treatment				X
Infrastructure Adequacy		X	X	X
PUBLIC SECTOR BUSINESS COSTS				
Regulatory Policies	X	X		X
Unemployment Insurance Costs	X			
Workers Compensation Costs	X			
Local Infrastructure Financing				X
Business Taxes	X			X
Personal Taxes	X			X

Exhibit (3)

Los Angeles County Industrial Market

Submarket	Building SF	Vacancy Rate %	Absorption SF	Construction SF	Lease Rate $/SF/MTH
Glendale	71,035,505	3.27%	(131,239)	1,361,244	$0.63
Commerce	79,433,500	3.01%	1,019,205	1,657,666	$0.42
Vernon	70,423,544	1.94%	54,778	399,183	$0.38
Los Angeles	126,701,266	3.24%	(492,109)	334,489	$0.39
Mid-Counties	98,463,529	3.14%	1,342,028	1,354,561	$0.47
San Fernando Valley	79,022,820	3.87%	(128,104)	403,684	$0.68
San Gabriel Valley	121,804,194	2.47%	1,272,711	2,397,875	$0.49
South Bay	203,706,912	3.20%	1,752,178	1,066,793	$0.53
Los Angeles County	**850,591,270**	**3.04%**	**4,689,448**	**8,975,495**	**$0.50**

SOURCE: CB Richard Ellis 4Q1999; Kosmont Partners

Exhibit (4

Vernon IndustrialSub-Market

City	Building Count	% of LA County	SF	% of LA County
Cudahy	40	0.22%	1,539,279	0.18%
Huntington Park	123	0.67%	5,319,179	0.63%
Maywood	34	0.19%	1,055,842	0.12%
South Gate	197	1.08%	9,319,586	1.10%
Vernon	954	5.21%	53,189,658	6.25%
Total Vernon Sub-Market	1,348	7.36%	70,423,544	8.28%
Total Los Angeles County	18,314	100.00%	850,591,270	100.00%

City	SF Available 10,000 - 99,999	% of LA County	100,000 +	% of LA County	Total	% of LA County	Availability Rate
Cudahy	49,504	0.16%			49,504	0.11%	3.22%
Huntington Park	165,820	0.55%			165,820	0.37%	3.12%
Maywood	65,200	0.22%			65,200	0.15%	6.18%
South Gate	243,430	0.81%			243,430	0.55%	2.61%
Vernon	1,543,873	5.12%	535,065	3.69%	2,078,938	4.66%	3.91%
Total Vernon Sub-Market	2,067,827	6.85%	535,065	3.69%	2,602,892	5.83%	3.70%
							5.25%

City	Activity 10,000 - 99,999	% of LA County	100,000	% of LA County	Total	% of LA County
Cudahy						
Huntington Park						
Maywood						
South Gate	159,482	2.48%			159,482	1.62%
Vernon	643,775	10.02%			643,775	6.54%
Total Vernon Sub-Market	803,257	12.51%			803,257	8.16%
					9,839,640	100.00%

SOURCE: CB Richard Ellis 4Q1999; Kosmont Partners

Exhibit (5)

Huntington Park and South Gate
Industrial Sale Transactions

Number	Map Pg. No.	Land Use	Site Address	Recording Date	Sq. Ft.	Year Built	Sales Price	$/ Sq. Ft.
	705-F6	Multi-Tenant Industrial Building	5580-560 Imperial Hwy	02/20/98	32,400	1958	$730,000	$22.53
2	674-H5	Single Tenant Industrial Building	2027 Laura Ave.	11/18/98	14,900	1967	$680,000	$45.64
3	705-E3	Single Tenant Industrial Building	5040 Firestone Blvd.	01/29/98	8,120	1962	$587,500	$72.35
4	674-H7	Single Tenant Industrial Building	1961 Hawkins Cir.	01/27/99	10,506	1985	$535,000	$50.92
5	705-F5	Single Tenant Industrial Building	10110 Miller Way	06/30/98	16,720	1952	$500,000	$29.90
6	675-B6	Single Tenant Industrial Building	6301 Maywood Ave.	08/05/99	14,600	1948	$425,000	$29.11
7	704-J3	Single Tenant Industrial Building	8730 Santa Fe Ave.	09/02/99	8,930	1946	$395,000	$44.23
8	674-H6	Single Tenant Industrial Building	2055 Randolph St.	10/29/98	27,800	1954	$385,000	$13.85
9	674-J5	Multi-Tenant Industrial Building	2465 E. Slauson Ave.	05/26/99	10,850	1922	$375,000	$34.56
10	705-C6	Single Tenant Industrial Building	10640 Garfield Ave.	04/06/98	7,500	1964	$329,000	$43.87
11	705-F5	Industrial Shop	10008 Miller Way	06/30/98	40,100	1961	$320,500	$7.99
12	674-H5	Single Tenant Industrial Building	2417-2419 E. 54th St.	05/22/98	6,900	1989	$314,640	$45.60
13	674-J5	Single Tenant Industrial Building	2549 E. 55th St.	04/23/98	8,060	1970	$305,000	$37.84
14	705-E5	Single Tenant Industrial Building	5224 Tweedy Blvd.	03/11/98	13,500	1952	$300,000	$22.22
15	674-J5	Single Tenant Industrial Building	2518 E. 53rd St.	12/01/98	7,360	1962	$295,000	$40.08
16	705-E5	Single Tenant Industrial Building	5218 Tweedy Blvd.	04/16/98	16,310	1952	$275,000	$16.86
17	704-H2	Auto Salvage Yard	8122-8124 Alameda St.	01/27/99	5,990	1957	$270,000	$45.08
18	704-J5	Single Tenant Industrial Building	2905-2923 Century Blvd.	02/18/98	4,628	1958	$260,000	$56.18
19	705-A2	Single Tenant Industrial Building	8174 State St.	01/26/98	12,183	1938	N/A	N/A
	Totals				267,357		$7,281,640	
	Averages				14,071		$404,536	36.60
	Median				10,850		$352,000	38.96

Sources: COMPS Info. Systems; Kosmont Partners

Exhibit (6)

Huntington Park and South Gate
Retail Sale Transactions

Number	Map Pg. No.	Land Use	Site Address	Recording Date	Sq. Ft.	Year Built	Sales Price	$/ Sq. Ft.
	705-C4	Drug Store	9715-9723 Otis St.	12/31/98	23,034	1968	$3,050,000	$132.41
2	705-A4	Neighborhood/Community Center	3215 S. Tweedy Blvd.	09/14/99	35,220	1956	$2,950,000	$83.76
3	705-G4	Strip Center	5831 Firestone Blvd.	03/19/98	24,000	1987	$1,700,000	$70.83
4	705-A3	Strip Center	9201-9231 Long Beach Blvd.	07/01/98	11,605	1991	$1,218,000	$104.95
5	705-B1	Strip Center	7400-7420 State St.	03/12/99	13,500	1933	$1,200,000	$88.89
6	674-H6	Strip Center	5936-5978 Santa Fe. Ave.	11/13/98	26,700	N/A	$1,150,000	$43.07
7	674-J7	Storefront	7026 Pacific Blvd.	07/07/98	4,600	1937	$816,000	$177.39
8	735-H1	Supermarket	13050 Paramount Blvd.	10/30/98	18,090	1965	$800,000	$44.22
9	704-J3	Auto Service Center	2500 Firestone Blvd.	10/26/99	13,546	1991	$750,000	$55.37
10	705-E5	Auto Service Center	10312 Atlantic Ave.	04/06/98	7,818	1964	$650,000	$83.14
11	675-A6	Strip Center	6361 Gentry St.	06/26/98	5,275	1991	$425,000	$80.57
12	704-J2	Storefront	8317 Long Beach Blvd.	07/30/98	5,331	1946	$310,000	$58.15
13	675-B6	Supermarket	3238 E. Gage Ave.	07/08/99	4,905	1958	$300,000	$61.16
14	705-D4	Storefront	4455-4459 Tweedy Blvd.	06/17/99	7,589	1947	$275,000	$36.24
15	705-D3	Restaurant	4680 Firestone Blvd.	08/20/99	4,846	1953	$275,000	$56.75
16	735-G2	Restaurant	13621 Garfield Ave.	11/09/99	2,520	1952	$266,000	$105.56
17	705-A2	Free Standing Retail Building	8430-8434 State St.	08/25/99	4,704	1919	$263,636	$56.05
18	674-H6	Retail Store/ Auto Parts	6003 Santa Fe Ave.	07/16/98	6,563	1946	$250,000	$38.09
19	674-J6	Storefront	6361-6365 Pacific Blvd.	06/12/98	21,180	1937	N/A	N/A
20	674-H7	Strip Center	1957-2029 E. Florence Ave.	07/23/98	38,000	1989	N/A	N/A
	Totals				279,026		$16,648,636	
	Averages				13,951		$924,924	76.48
	Median				9,712		$700,000	66.00

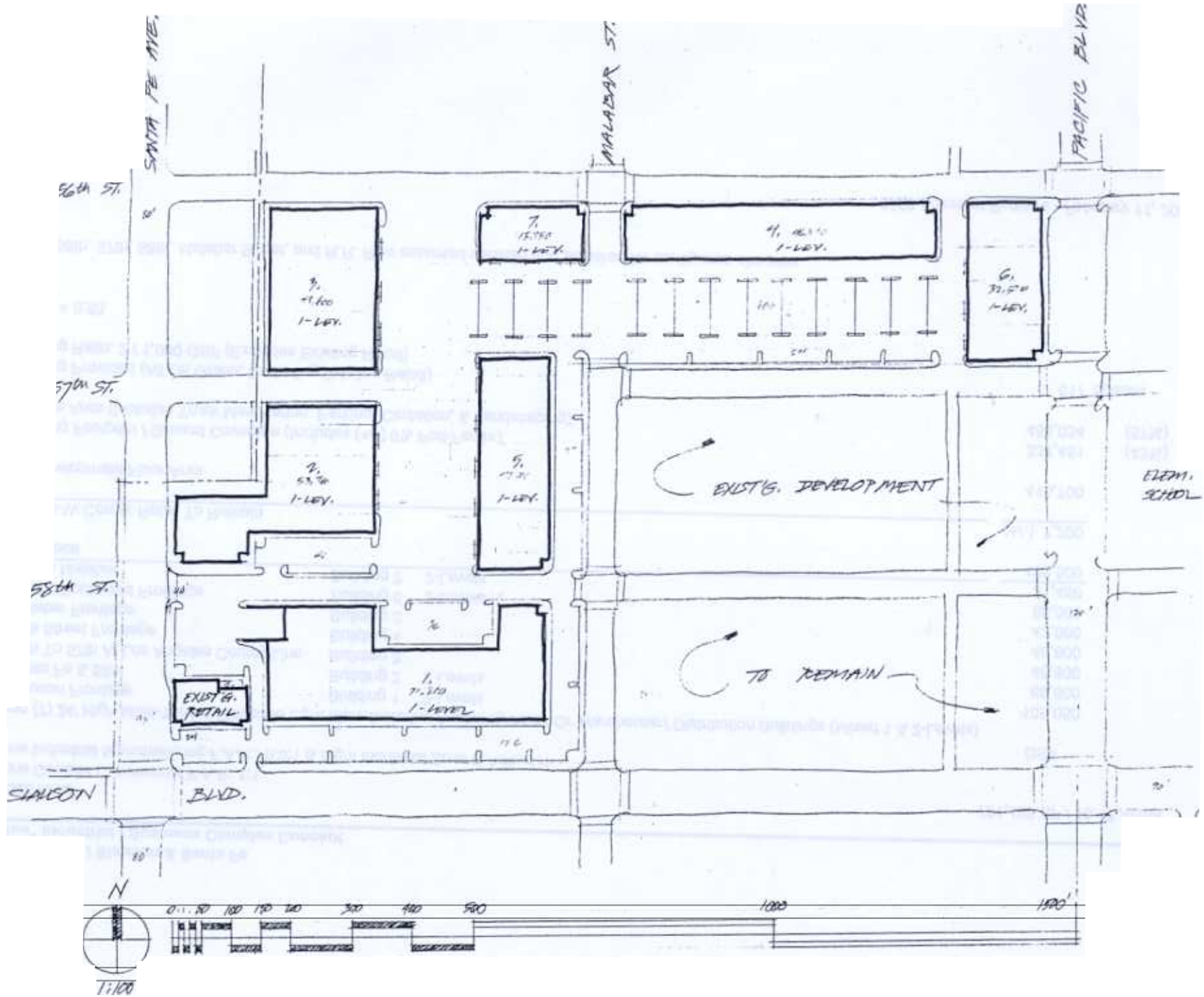
Sources: COMPS Info. Systems; Kosmont Partners

Site Plans and Architectural Sketches

Huntington Park / Slauson & Santa Fe
Light Industrial / Business Complex Concept

Gross Site Area*		791,485 SF / 18.17 Acres	
C-G Zone General Commercial F.A.R: 1:1			
M-2 Zone Industrial Manufacturing F.A.R.: 0.5:1 & Light Industrial Zone F.A.R.: 1:1			
		GSF	
Seven (7) 24' High Multi-Tenant / Divisible Light Manufacturing And / Or Warehouse / Distribution Buildings (All 1-Level)			
Slauson Frontage	Building 1	71,800	
Santa Fe & 58th	Building 2	53,700	
56th To 57th At Los Angeles County Line	Building 3	48,600	
56th Street Frontage	Building 4	46,800	
Malabar Frontage	Building 5	42,000	
Pacific Boulevard Frontage	Building 6	32,500	
56th & Malabar	Building 7	15,750	
Sub-Total		311,150	
Existing S-W Corner Retail To Remain		(+/-) 7,200	
Total Development Floor Area		337,451	
Building Footprint / Ground Coverage (Includes (+/-) 6% Pad Factor)		337,451	(43%)
Vehicle Area (Includes Truck Manuvering, Parking, Cirulation, & Landscaping)		454,034	(57%)
Parking Provided (All On Grade; Excluding Existing Retail)		580 Spaces	
Parking Ratio: 1.9 / 1,000 GSF (Excludes Existing Retail)			
F.A.R = 0.40			

*Portions of 56th, 57th, 58th, Malabar Street, and R.R. Row assumed vacated and acquired for contiguous site area.



Light Industrial / Business Complex: Huntington Park Site

Huntington Park / Slauson & Santa Fe
"Hi-Value" Industrial / Business Complex Concept

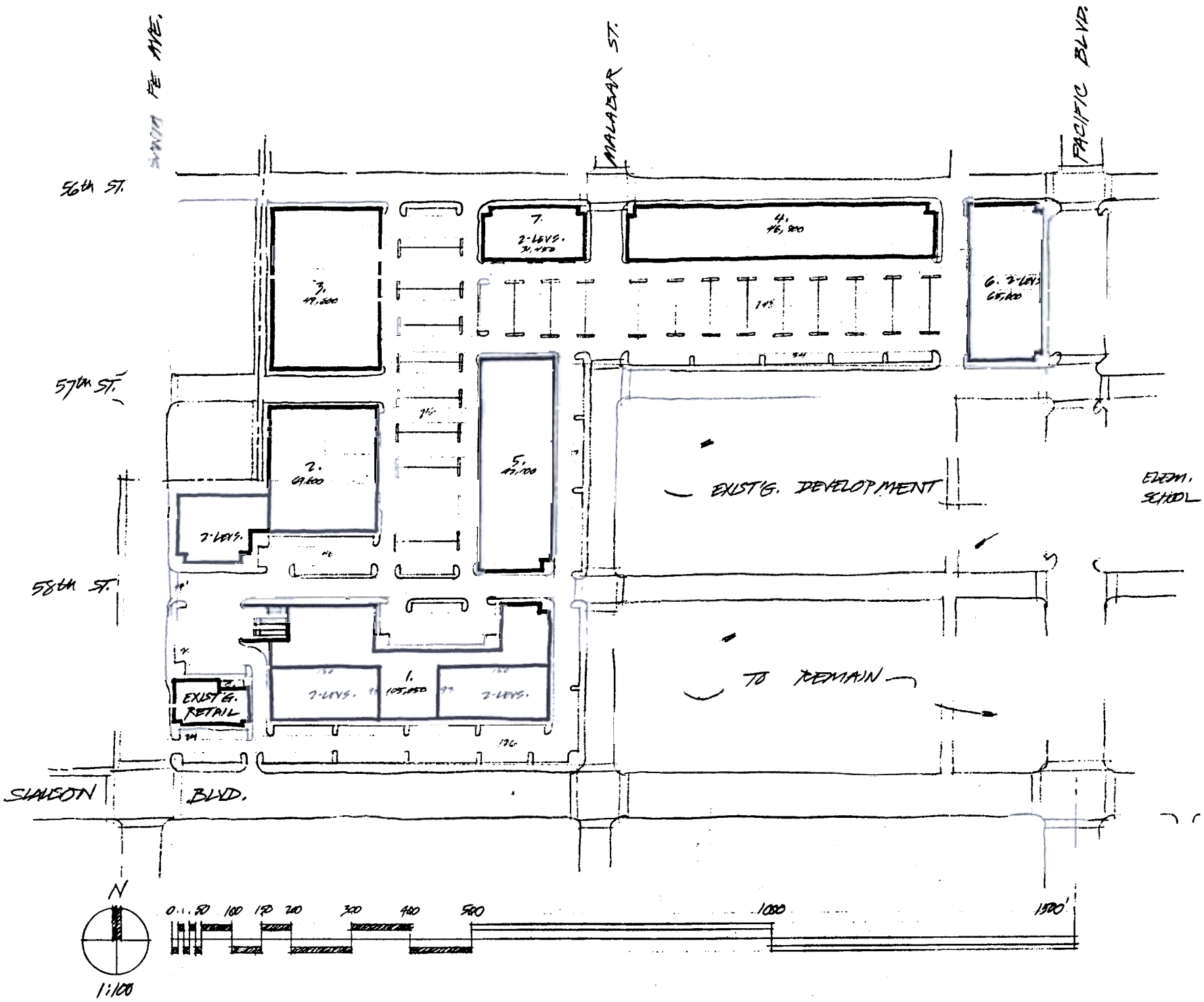
Gross Site Area* 791,485 SF / 18.17 Acres
C-G Zone General Commercial F.A.R: 1:1
M-2 Zone Industrial Manufacturing F.A.R.: 0.5:1 & Light Industrial Zone F.A.R.: 1:1

			GSF	
Seven (7) 24' High Multi-Tenant / Divisible Light Manufacturing Assembly And / Or Warehouse / Distribution Buildings (Mixed 1 & 2-Levels)				
Slauson Frontage	Building 1	2-Levels	105,050	
Santa Fe & 58th	Building 2	2-Levels	69,600	
56th To 57th At Los Angeles County Line	Building 3		48,600	
56th Street Frontage	Building 4		46,800	
Malabar Frontage	Building 5		42,000	
Pacific Boulevard Frontage	Building 6	2-Levels	65,000	
56th & Malabar	Building 7	2-Levels	31,450	
Sub-Total			408,500	
Existing S-W Corner Retail To Remain			(+/-) 7,200	
Total Development Floor Area			415,700	
Building Footprint / Ground Coverage (Includes (+/-) 6% Pad Factor)			337,451	(43%)
Vehicle Area (Includes Truck Manuvering, Parking, Cirulation, & Landscaping)			454,034	(57%)

Parking Provided (All On Grade; Excluding Existing Retail) 817 Spaces
Parking Ratio: 2 / 1,000 GSF (Excludes Existing Retail)

F.A.R = 0.53

*Portions of 56th, 57th, 58th, Malabar Street, and R.R. Row assumed vacated and acquired for contiguous site area.

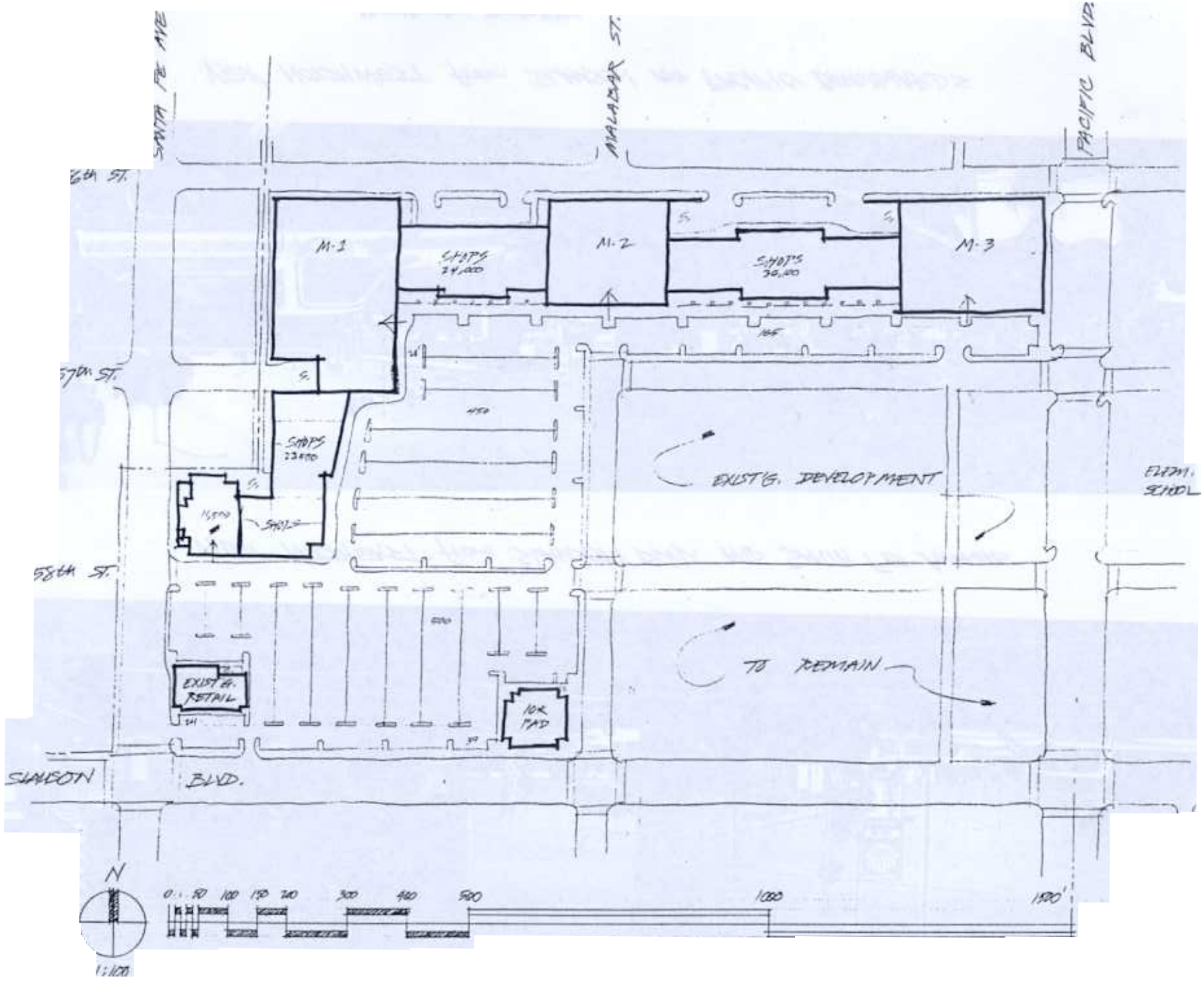


"Hi-Value" Industrial / Business Complex: Huntington Park Site

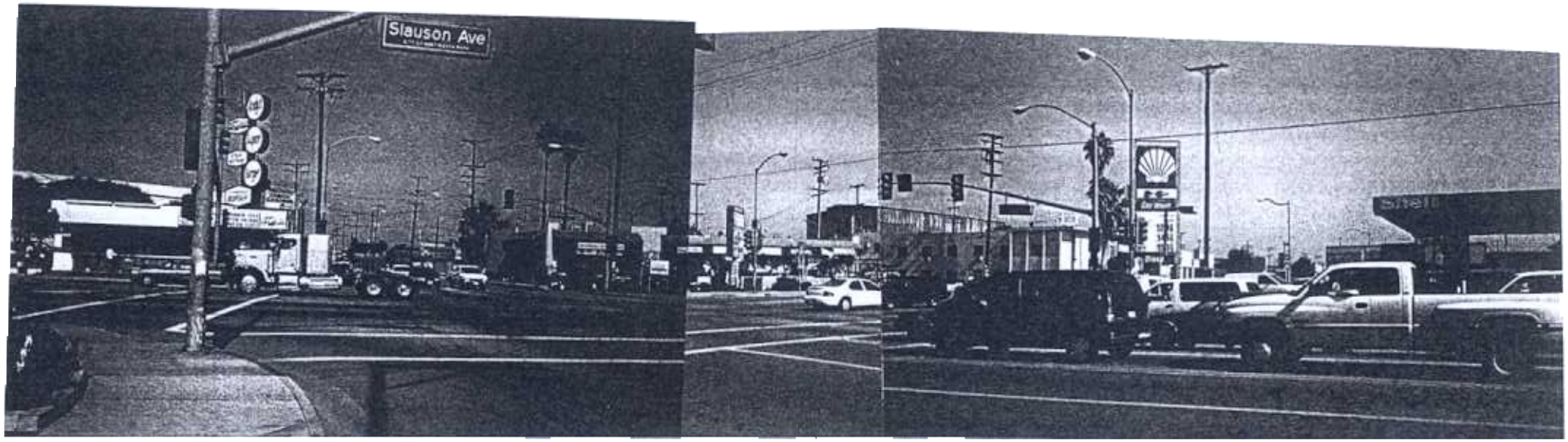
Huntington Park / Slauson & Santa Fe
Retail "Power Center" Concept

Gross Site Area*	791,485 SF / 18.17 Acres	
C-G Zone General Commercial F.A.R: 1:1		
M-2 Zone Industrial Manufacturing F.A.R.: 0.5:1 & Light Industrial Zone F.A.R.: 1:1		
Major Anchor Stores	GSF	
M-1 All One Level	65,000	
M-2	36,000	
M-3	43,200	
Sub-Total Anchors	144,200	
In-Line Tenant shops	83,600	
Specialty Shop S-W Santa Fe Frontage	11,500	
Pad At Slauson / Malbar Frontage	10,000	
Sub-Total Retail Center	249,300	
Existing S-W Corner Retail To Remain	(+/-) 7,200	
Total Development Floor Area	256,500	
Building Footprint / Ground Coverage (Includes (+/-) 6% Pad Factor)	264,258	(33%)
Vehicle Area (Includes Parking, Circulation, Service, & Landscaping)	527,227	(67%)
Parking Provided (All on Grade; Excludes Existing Retail)	1,200 Spaces	
Parking Ratio: 4.8 / 1,000 SF GLA (Excludes Exisiting Retail)		
F.A.R. = 0.32		

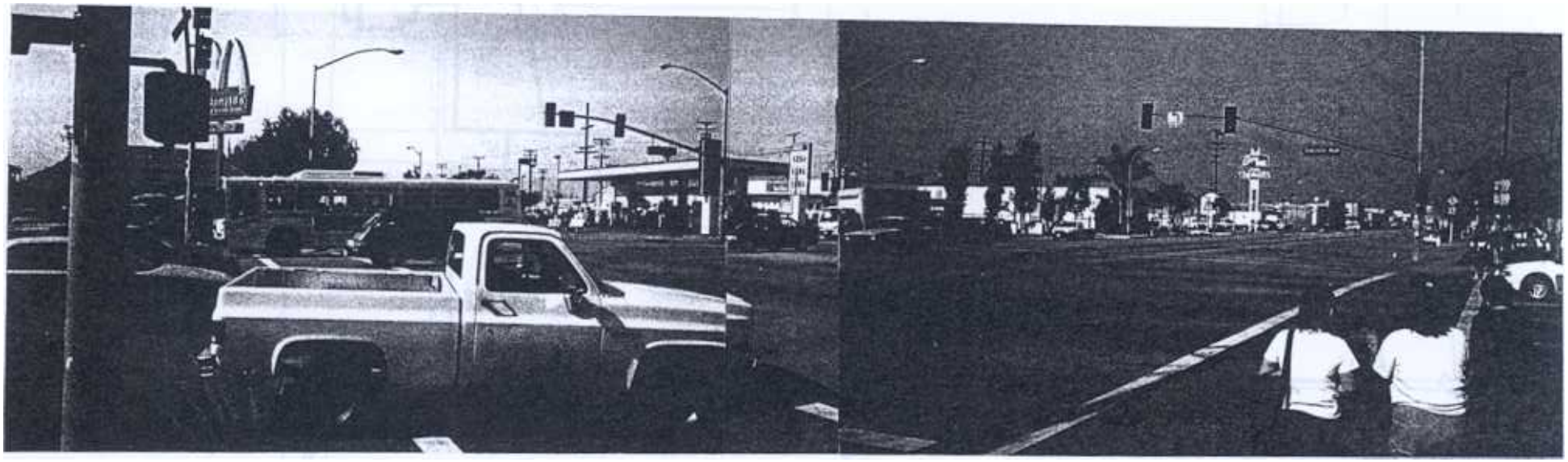
*Portions of 56th, 57th, 58th, Malabar Street, and R.R. Row assumed vacated and acquired for contiguous site area.



Retail "Power Center" Complex: Huntington Park Site

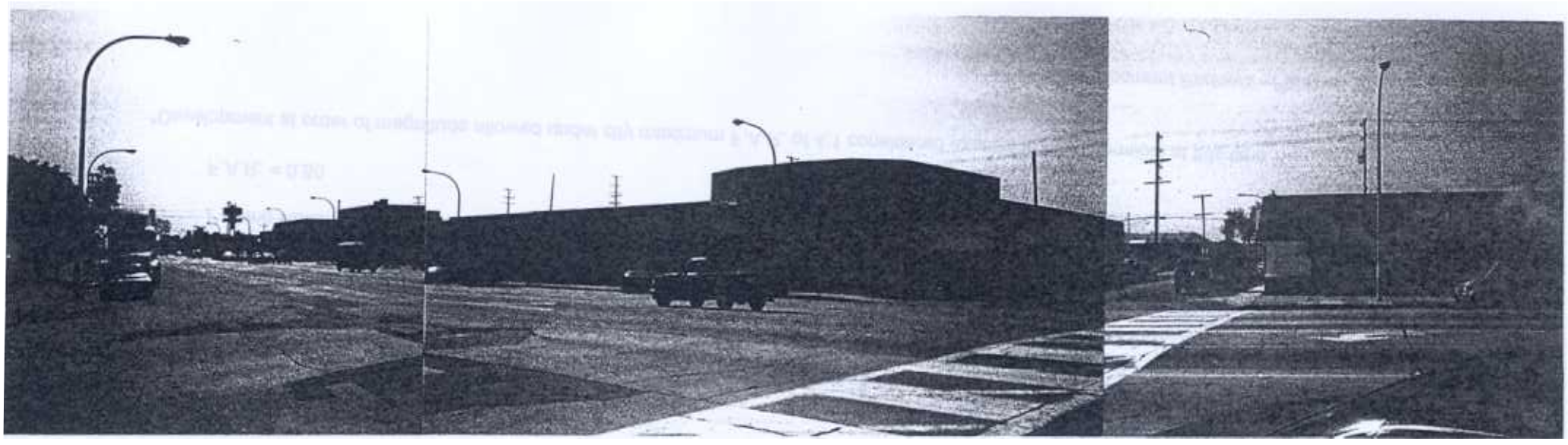


VIEW NORTHEAST from SLAUSON BLVD. AND SANTA FE AVENUE

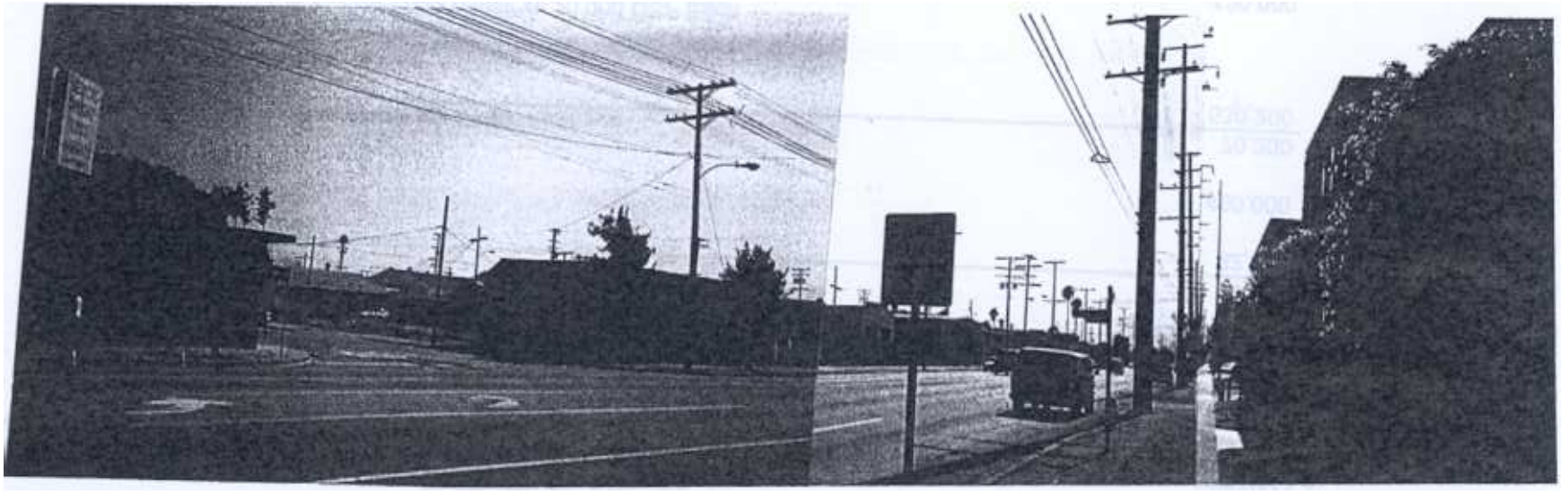


VIEW NORTHWEST from SLAUSON AND PACIFIC BOULEVARDS

Huntington Park Site



VIEW SOUTHWEST from PACIFIC BOULEVARD AND 56th STREET



VIEW SOUTHEAST from SANTA FE AVENUE AND 56th STREET

Huntington Park Site

South Gate / Atlantic Avenue
Light Industrial / Business Complex Concept

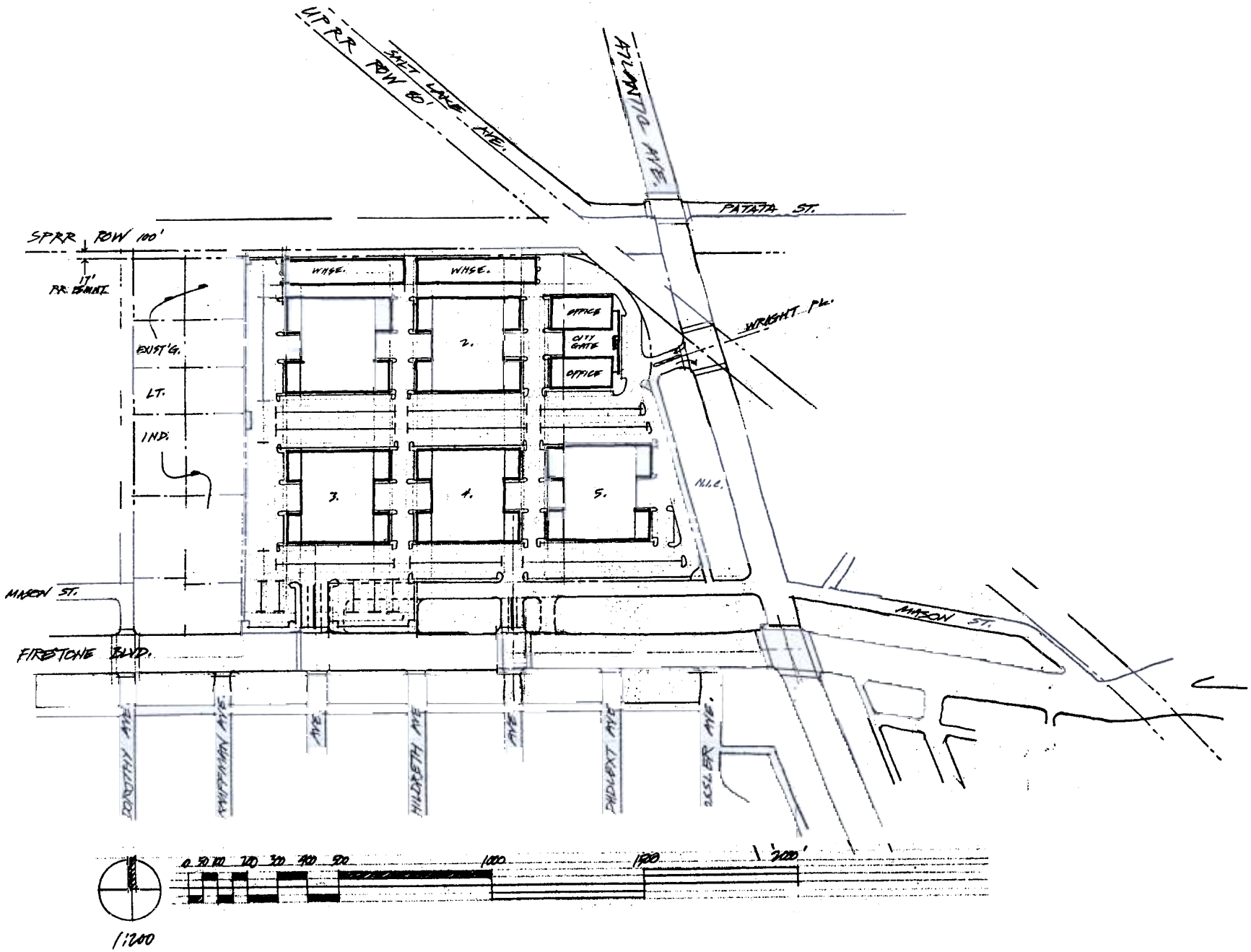
Gross Site Area — 1,350,360 SF / 31 Acres
M3 Zone F.A.R.: 4:1 = 5,401,440 SF Max Allowed*

	GSF	
Typical (30') Hi-Bay Building 240' x 300'	72,000	
120' Back To Back Lease Depth w/ 100' Truck Doors Each		
(4) Office Pods @ 5,000 Each	20,000	
Typical Unit Floor Area	92,000	
Sub-Total x 5 Units	460,000	
Freight Warehouse At North SPRR 90' x 780'	70,200	
Sub-Total	530,200	
Citygate N-E Corner Twin Office Buildings		
Administration / Multi-Tenant Floor Plates @ 20,000 GSF Each		
x (2) = 40,000 SF / Floor x 3 Floors	120,000	
+ (1) Level Base Commons Building	20,000	
Sub-Total Citygate Towers	140,000	
Total Development Floor Area	670,200	
Typical Unit Footprint / Ground Cover: 92,000 x 5	460,000	
Warehouse Footprint	70,200	
Citygate Office Footprint	60,000	
Total Building Ground Cover	590,200	(44%)
Total Vehicle Area (Including Parking, Circulation, & Landscaping)	760,160	(56%)

Parking Provided: (+/-) 2,172 Spaces
Parking Ratio: 3.2 Spaces / 1,000 GSF (Including Trucks & Compacts - All On Grade)

F.A.R. = 0.50

*Development at order of magnitude allowed under city maximum F.A.R. of 4:1 considered excessive and infeasible at this time.



Light Industrial / Business Complex: South Gate Site

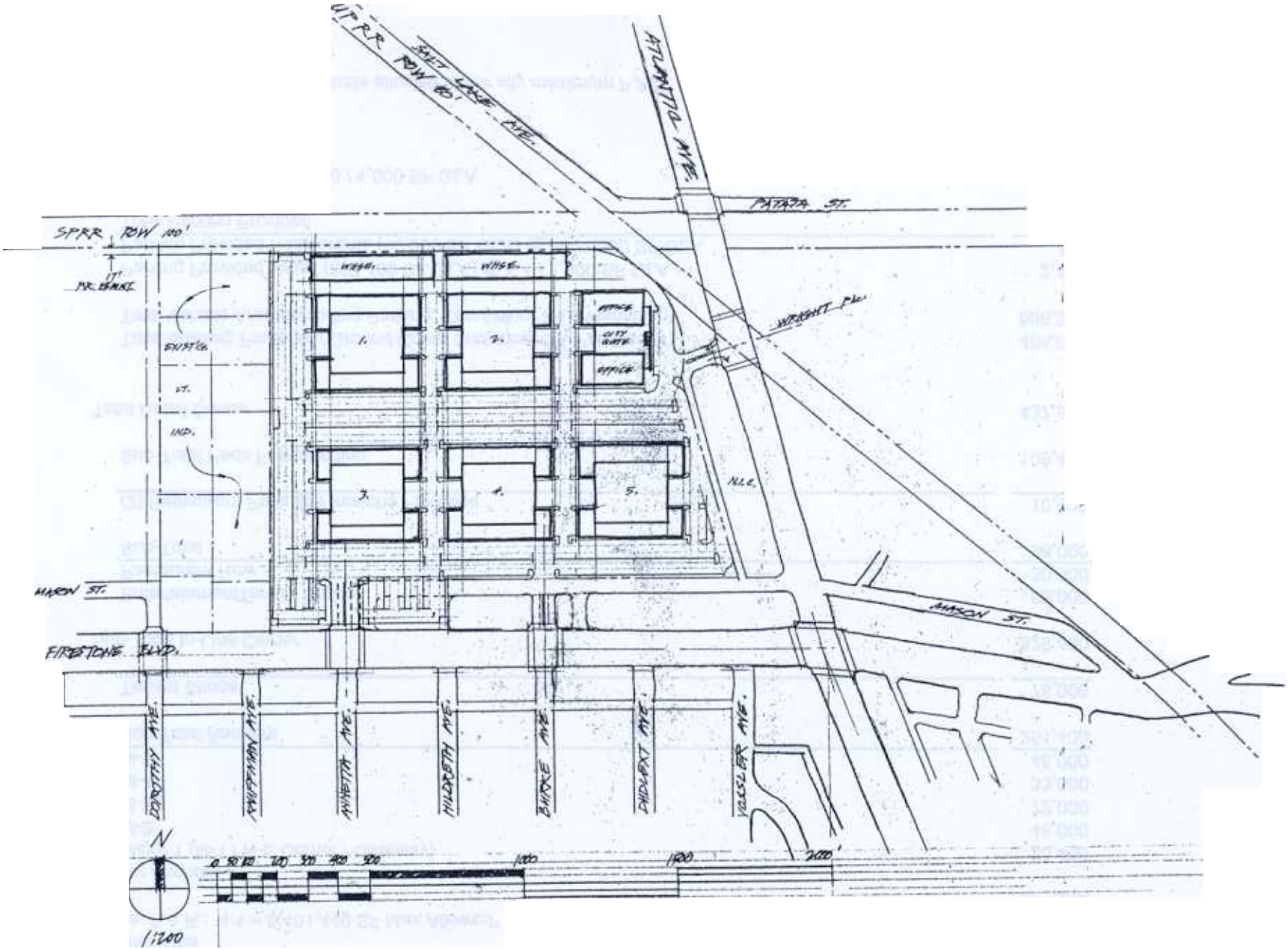
South Gate / Atlantic Avenue
"Hi-Value" Industrial / Business Complex Concept

Gross Site Area	1,350,360 SF / 31 Acres	
M3 Zone F.A.R.: 4:1 = 5,401,440 SF Max Allowed*		
	GSF	
Typical (30') Hi-Bay Building 240' x 300'	72,000	
(4) 2-Level Office Pods w/ Vertical Circulation @ 10,000 Each	40,000	
(2) Upper Level Office Operations Center Overlook Hi-Bay @ 12,000 Sf Each	24,000	
Typical Unit Floor Area	136,000	
Sub-Total x 5 Units	680,000	
Freight Warehouse At North SPRR 90' x 780'	70,200	
Sub-Total	750,200	
Citygate N-E Corner Twin Office Buildings		
Administration / Multi-Tenant Floor Plates @ 20,000 GSF Each		
x (2) = 40,000 SF / Floor X 3 Floor	120,000	
+ (1) Level Base Commons Building	20,000	
Sub-Total Citygate Towers	140,000	
Total Development Floor Area	890,200	
Typical Unit Footprint / Ground Cover: 92,000 x 5	460,000	
Warehouse Footprint	70,200	
Citygate Office Footprint	60,000	
Total Building Ground Cover	590,200	(44%)
Total Vehicle Area (Including Parking, Circulation, & Landscaping)	760,160	(56%)

Parking Provided: (+/-) 2,172 Spaces
Parking Ratio: 2.4 Spaces / 1,000 GSF (Including Trucks & Compacts - All On Grade)

F.A.R. = 0.66

*Development at order of magnitude allowed under city maximum F.A.R. of 4:1 considered excessive and infeasible at this time.

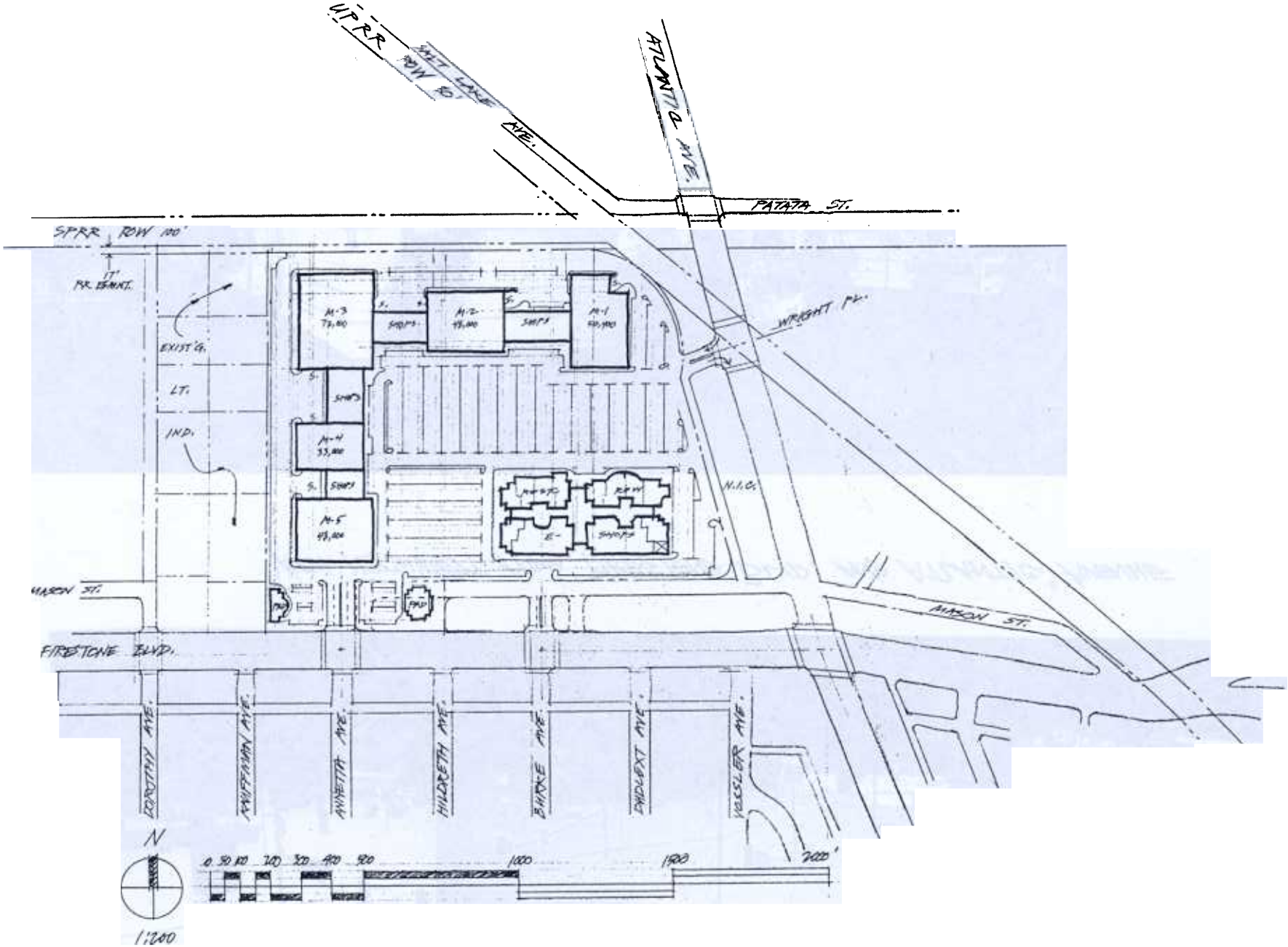


"Hi-Value" Industrial / Business Complex: South Gate Site

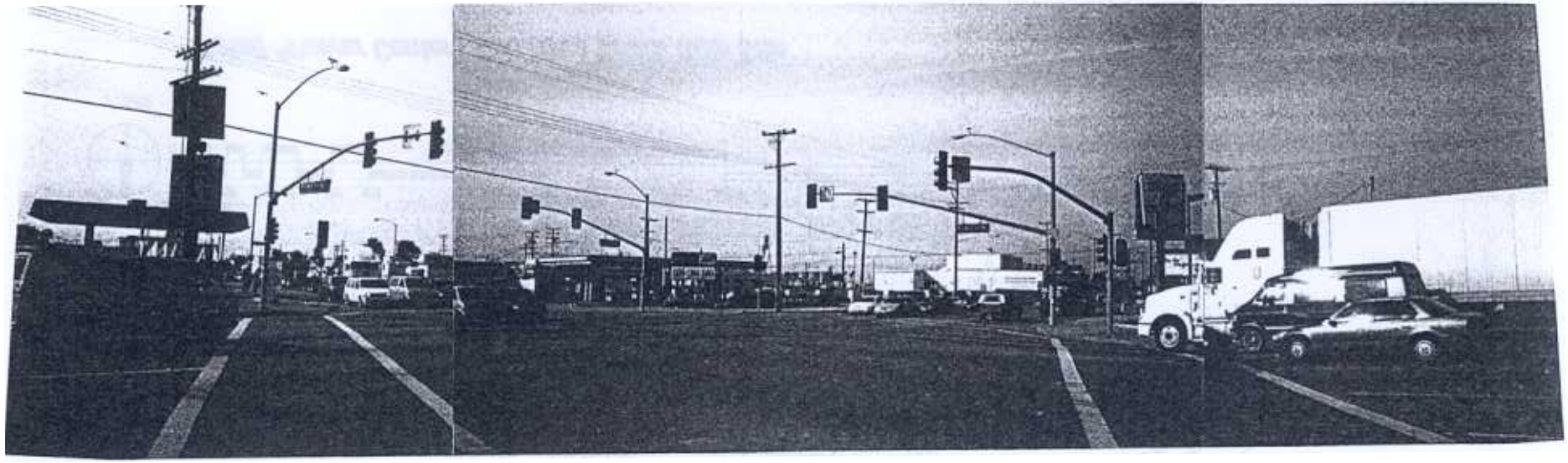
South Gate / Atlantic Avenue
Retail "Power Center" Concept

Gross Site Area	1,350,360 SF / 31 Acres	
M3 Zone F.A.R.: 4:1 = 5,401,440 SF Max Allowed*		
	SF GLA	
Power Anchors		
Major 1 (M-1 / N-E Corner / Gateway)	50,400	
M-2	48,000	
M-3	72,000	
M-4	33,000	
M-5	48,000	
Sub-Total Anchors	251,400	
Tenant Shops	78,000	
Sub-Total In-Line Center	329,400	
EntertainmentTenant Shops	68,000	
Restaurant Row	30,000	
Sub-Total		
(2) Restaurant Pads @ Firestone Frontage	10,400	
Sub-Total Pads Freestanding	108,400	
Total Retail Center	437,800	
Total Building Footprint / Ground Cover (Including 6% Pad Factor)	464,068	(34%)
Total Vehicle Area (Including Parking, Circulation, & Landscaping)	886,292	(66%)
Parking Provided Retail (397,400 SF GLA) @ 5.4 / 1,000 SF GLA	2,128	
Parking Provided Restaurants (40,000 SF GLA) @ 10 /1,000 SF GLA	404	
Total Parking Provided	2,532 Spaces	
Overall Parking Ratio: 5.8 / 1,000 SF GLA		
F.A.R.= 0.32		

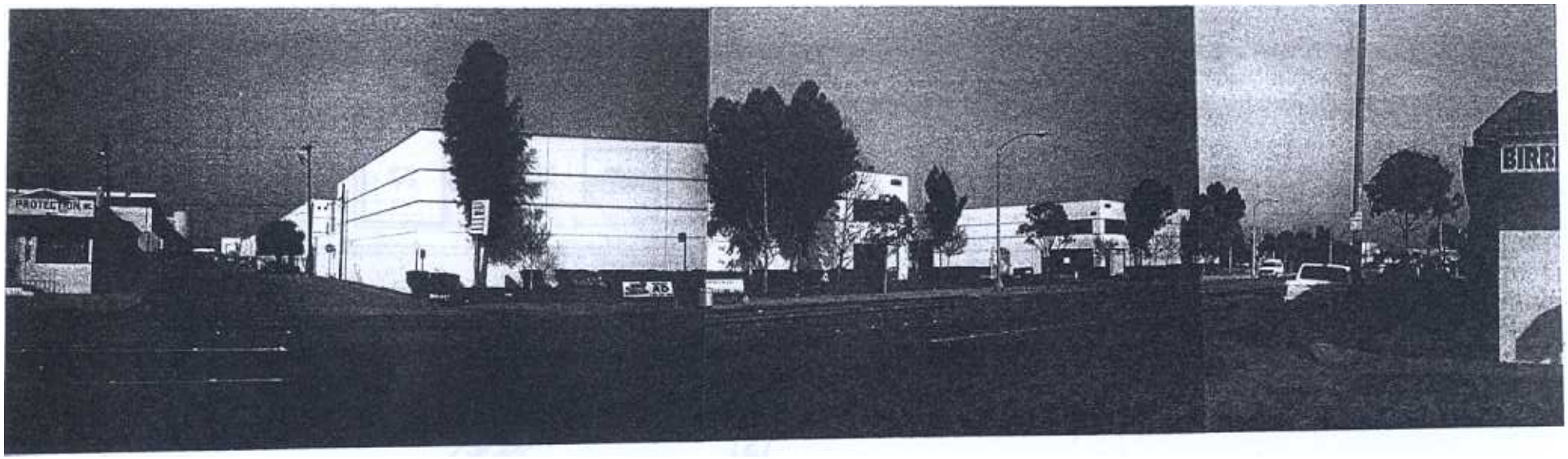
*Development at order of magnitude allowed under city maximum F.A.R. of 4:1 considered excessive and infeasible at this time.



Retail "Power Center" Complex: South Gate Site

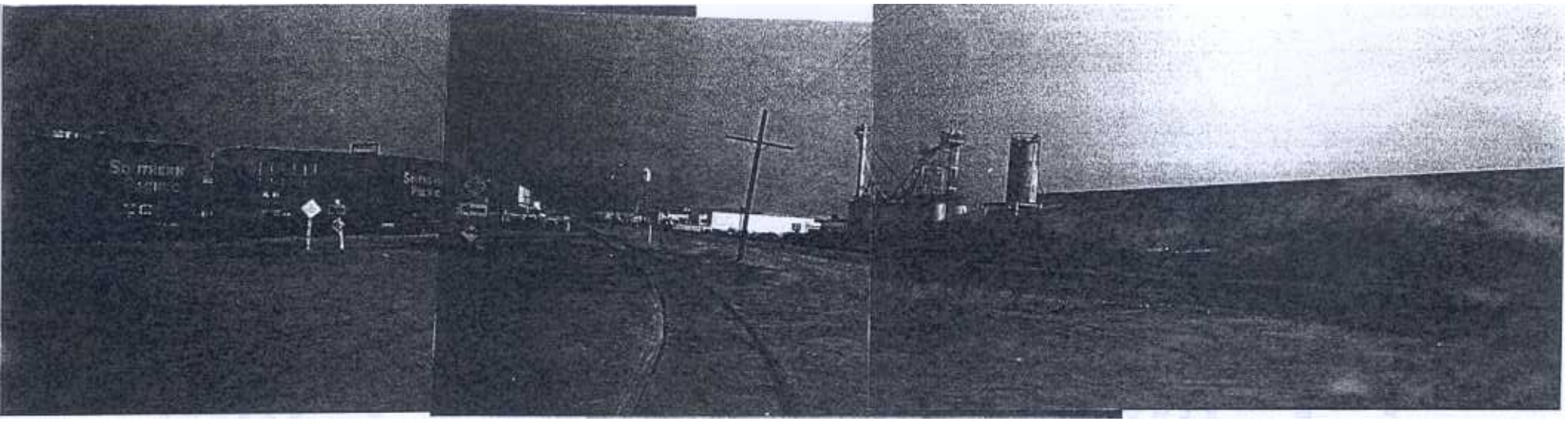


VIEW NORTHWEST from FIRESTONE BLVD. AND ATLANTIC AVENUE

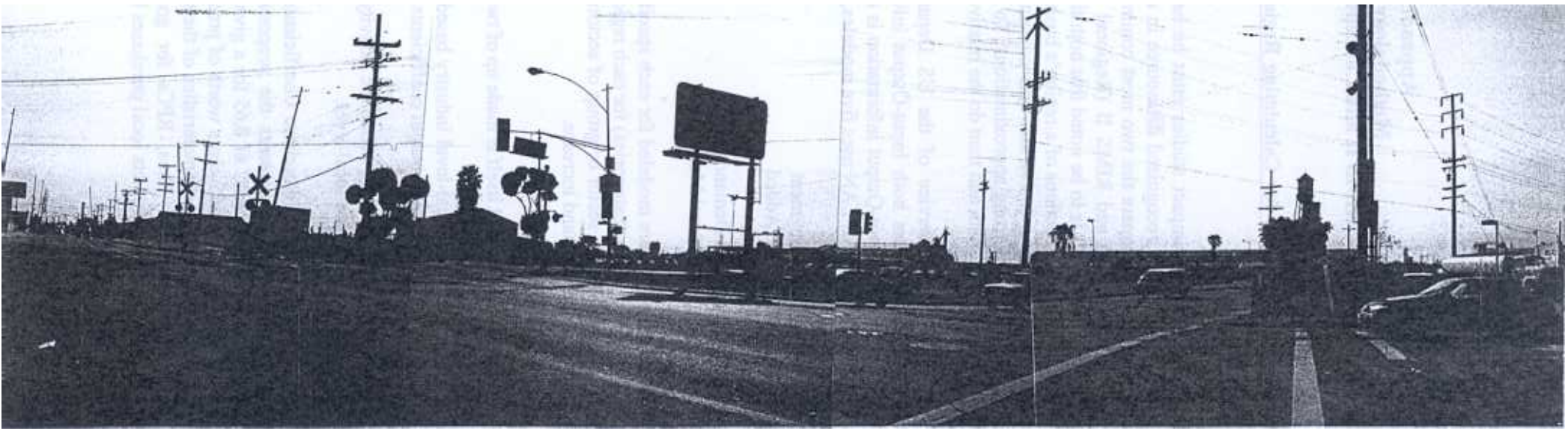


VIEW NORTHEAST from FIRESTONE BOULEVARD AND DOROTHY STREET

South Gate Site



VIEW SOUTHEAST from INDEPENDENCE STREET AND P RIGHT OF WA,



VIEW SOUTHWEST fro. ATLANTIC AVENUE AND PATA, A STREET

Appendix 2
Methodology Notes:
IMPLAN versus RIMS II and Conceptual Issues in Multiplier Analysis

Estimation Methodologies for Calculating Regional Economic Impacts: A Comparison of IMPLAN and RIMS II

Regional economic impact studies must be based on solid concepts and carefully crafted methodologies based on recognized datasource in order to be convincing. The purpose of this note, therefore, is to compare the two most commonly used methodologies- IMPLAN (Impact analysis for PLANning) and RIMS II (Regional Input-output Modeling System II) –from a theoretical perspective. It is to be noted that both these techniques are non-survey based. Survey methods, in which cross-sections of a region's businesses are asked to detail their operations, are more accurate but very expensive and time consuming. Non-survey methods attempt to obtain reasonably accurate data using approximations. To compare these two methodologies I will first briefly describe both of them and then do the relative comparison.

IMPLAN: The Forest Service of the US Department of Agriculture originally developed IMPLAN. IMPLAN uses both Input-Output information at the production level and final-demand analysis. The Input-Output information is derived from the Department of Commerce's Input-Output accounts. IMPLAN uses five modules, which are:

1. Employment
2. Value Added
3. Output
4. Final Demands
5. Structural Matrices

These five modules are modeled for each specific region (say a county or a state). There are up to 528 industry sectors (categories) for each region. By specifying an increase in final demand (exogenous demand) to a sector or group of sectors, the user is able to determine the multiplier impact related to that demand increase.

The IMPLAN model itself is made up of two major sections. These are

A national-level industry based technology matrix, which is used to derive input-output coefficients

2 Estimates of economic activity by industry sector on the national, state, and local level.

IMPLAN uses Regional Purchase Coefficients (RPCs) to translate national data down to regional level. The RPC represents the proportion of local demand purchased from local producers. For example, an RPC of 0.65 for a given commodity means that for each $1 of local demand for that commodity 65 cents worth of products will be purchased from local producers. This method is based on the characteristics of the region and describes the actual trade flows of the region mathematically. Thus, RPCs for goods-producing sector are generated by an econometric equation that predicts local purchases based on regional characteristics. Explanatory

variables might be "agglomeration economies, relative wages, weight-value ratios" and other variables. To calculate the RPC's for the service sectors, IMPLAN uses the interstate trade flow matrices of the MRIO model (U.S. Department of Health and Human Services) and estimated regional demand. State value added-to-earnings ratios are used to estimate industry supply at the county level, while demand then is estimated with the input-output table.

IMPLAN generates two types of multipliers for employment, output, value added, personal income and total income. Type I multipliers and Type II multipliers where the difference between the two is the induced consumption effect. In other words, population responds proportionately to changes in employment and the changes in population in turn are used to calculate changes in consumer spending.

RIMS II: Developed by the Bureau of Economic Analysis within the Department of Commerce, RIMS II is a model based on US Input-Output tables. The Input-Output tables are compiled using government census data along with many other government and private sources. However, despite the large amount of data used, this is not considered a survey type model.

RIMS II uses a location quotient (LQ) method in order to customize the national technical coefficients to the regional level. Lacking data on an industry's share of output sold within a region and outside, location quotients are the most common nonsurvey method of allocation. The procedure is straightforward conceptually. Using employment as the key variable the following is estimated for each industry:

Percent of A Region's Export Employment in Industry *i*	=	Percentage of Total Regional Employment in Industry *i*	Percentage of Total National Employment in Industry *i*

Stated arithmetically, if industry *i* in a region represents 15 percent of total employment, but only 10 percent in the nation the difference (5 percent) when multiplied by total regional employment is estimated to be engaged in exports to other regions. This follows from several assumptions: a) The nation neither exports nor imports on a net basis; b) worker productivity is the same in the region and the nation, c) consumption of employees in the region is the same as in the nation. These assumptions, of course, have been questioned and in part, the criticisms can be met by modifying the above equation and incorporating terms for the regional / national labor productivity and consumption ratios and a national net export / output ratio.

Comparison of IMPLAN and RIMS II: Use of the location quotient method assumes that local demand is satisfied first, with the remainder of an industry's output attributed to exports. However, use of location quotients will overestimate multipliers in RIMSII if cross hauling exists (trade in goods substantially identical, such as books) since the exports will be underestimated. In an empirical study by Dan Rickman and R. Keith Schwer, it was found that RIMSII multipliers were smaller for all categories than IMPLAN generated multipliers.

However, both the models seem to have given reasonable estimates for multipliers for all industrial sectors. Also both the models are based on credible government data sources although from different agencies. Both the models are based on the same input output logic developed by the nobel-laureate economist Wassily Leontief (Professor Emeritus Harvard University). Given that both the models are static in nature, and produce reasonable results, it is up to the researcher to decide which model to use. Given the flexibility of the IMPLAN software in changing RPCs and to build up the initial impact scenario (unlike RIMSII) it would not be unreasonable to prefer IMPLAN. But still it does not relieve the practitioner the burden of applying common sense in utilizing this software.

Conceptual Issues In Multiplier Analysis

Economic impact studies must be based on solid concepts, carefully crafted methodologies and sound data in order to be convincing. The purpose of this note is to flesh out the issues that would be relevant for retooling industrial land for alternate use. The issues are as following:

1. What is the size of the impacted region and the possibilities for substitution of economic activities within that region? As in international trade, regions specialize in the production of those commodity and services where they have a comparative advantage. The smaller the region the greater the likelihood of dependence on other regions when it comes to the purchase of inputs. Thus, considerable "leakages" will accompany the production process and only a fraction of the income received from production will accrue to the region where it originated. Leakages include the purchase of inputs for production from other regions (backward linkages) and expenditures by income recipients on goods and services purchased in other regions (forward linkages). The relative importance of these types of leakages will strongly influence the regional economic impact of an injection of income or investment associated with a particular sector or industry.

2. Which industries are initially affected? In this study, it will be those based identified in the site selection process for each scenario. None of the proposed uses would overwhelm the existing business base. (See Appendix 1)

3. What matters next is whether the industry that is substituted for the current existing industry is justifiable. For example, if the high tech industry that replaces the existing low value added sector needs specialized labor, which is not available locally, then that activity has an initial start-up problem. Suppose this obstacle is overcome by bringing a skilled labor force into the area from an adjoining county. This assumes there is no poaching on other regions labor supply. This means that they have an excess supply of people (this reduces unemployment in the other area) or, even, better, the people needed come from out of state (a much preferred scenario as it entails in migration that is good for multipliers' indirect effects). In this situation both, the state and local governments will welcome the industry (note we are assuming pro-growth counties of Southern California) as it adds to the tax base of both the state and the county. If people needed for the inception of the industry were commuting to the area to work, but were living elsewhere, then this is a case of leakage which reduces the multiplier for that area, thus implying that the county or the city may not experience the full benefits. However, this scenario still increases the state tax base. Note that in the case where the commuting workforce/people were gained at the expense of other businesses, this scenario is again revenue neutral to the state but not to the adjoining county. Hence, we can have three types of situations: (a) people live and work in the same area (net in migration), (b) people come form adjoining region but not at the expense of other businesses, and (c) where it is at the expense of others. These carry implications for the revenue collection of the state and the county. And the best-case scenario is the one that entails net in migration of skilled labor force from outside the state.

4. Some of the benefits of a high tech business are non-pecuniary in nature. Property values can increase if an area gets developed for high-end businesses. This is a positive aspect. On the negative side this type of business is also more vulnerable to market conditions especially the health of the stock market unlike the low tech retail sector. Thus, there is a tradeoff between risk and return which has to be kept into mind.

5. The financing of the high tech sector is also an issue. The high initial fixed cost of financing these projects coupled with a revenue stream that exists more in the future rather than immediately for the low-tech sector can make the cost of equity aspect of the project quite critical.