

**INDUSTRIAL DEVELOPMENT  
POLICY INITIATIVE  
FOR THE  
CITY OF LOS ANGELES**

Phase 1 Report:  
**Key Industrial Land Use  
Findings and Issues**

First Quarter 2004



MAYOR'S OFFICE OF  
ECONOMIC DEVELOPMENT

JAMES K. HAHN  
Mayor

## **Acknowledgements**

This Final Phase 1 Report has been compiled by the Industrial Development Policy Initiative (IDPI) Management Team with the support of the Industrial Development Advisory Committee (IDAC) and the IDPI Professional Working Group (PWG). Many thanks are due to the members of the PWG from the following City Departments, Agencies and Bureaus who gave of their invaluable expertise, time and information to make this report possible. Special thanks to John Butcher of the City of Los Angeles Planning Department, John Chen of the Los Angeles Department of Water and Power, and Jim Lee of the Information Technology Agency for their major contributions to the Phase 1 Report.

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MAYOR'S OFFICE OF ECONOMIC DEVELOPMENT

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LOS ANGELES, CALIFORNIA 90012

JAMES K. HAHN  
MAYOR

Dear Reader:

I am pleased to present you with the enclosed “Phase 1 Report: Key Industrial Land Use Findings and Issues” of my Industrial Development Policy Initiative. This report is rich in data that tells the story of our City’s industrial land base and the issues that must be addressed to revitalize our industrial neighborhoods.

As a City that’s prepared to meet the changes and challenges facing economic development throughout our nation in the 21st century, we must be able to develop a framework for a comprehensive industrial development plan. In this Report, we’ve gathered the most current and relevant information from throughout the City to capture a picture of the industrial landscape in Los Angeles.

I’ve identified the following areas of immediate concern for the consideration of my Industrial Development Advisory Committee in policy formation:

- As the demand for land continues to increase, it is important that we protect our core industrial zoned areas while allowing or even encouraging the conversion of certain industrial land for non-industrial uses where appropriate.
- To identify a sustainable and strategic funding source to support the expansion and development of industrial uses that provide well-paying jobs for our residents.
- To reinforce the viability of our core industrial areas by continuing to address transportation infrastructure deficiencies.
- To strengthen the City’s efforts to support existing and attract new industrial businesses that reflect the changing nature of industry as well as the City’s and the region’s changing industrial base.
- To aggressively address workforce readiness and specialized training as it relates to industrial development to compete in the global workforce in quality and work readiness.

The Industrial Development Policy Initiative (IDPI) is an unprecedented proactive approach to establishing industrial development policies for the City of Los Angeles. My vision is that these policies will result in the creation, retention and expansion of quality manufacturing businesses and jobs for our local economy, as well as increased City revenues from industrial activity. The Phase 1 Report represents the first step in achieving these goals by providing a more comprehensive understanding of the issues that currently impact industrial development. Phase 2 of the IDPI is already underway and includes further research into key findings from Phase 1. Phase 2 also includes the formulation of policy recommendations through Summer/Fall 2004.

I want to thank the members of my Industrial Development Advisory Committee – Roberto Barragan, Raphael Bostic, Stephen Cauley, Timi Hallem, Jack Kyser, Mitch Menzer and Stephanie Shakofsky - for committing their time to engage in this important initiative. I also want to thank the General Managers of the City departments and their staff, and the members of the Industrial Land Use Red Team (ILURT) from the private sector who continue to provide invaluable expertise, time and energy to this process. I look forward to continuing to work with the City Council and their staff in developing appropriate industrial development policies for our city.

The City has an active role to play in industrial firms' decisions to remain, expand and locate in the City of Los Angeles. The City must maintain a jobs/housing balance for the benefit of our communities. For many of our residents, manufacturing and related industrial jobs are the stepping-stone to the middle class, to homeownership, to increased opportunities for the children of these families. It is critical that the City accept an active and effective role in encouraging industrial development and job creation. I look forward to our continued collaboration in developing meaningful policy solutions to make that happen.

Very truly yours,

A handwritten signature in black ink that reads "James K. Hahn". The signature is fluid and cursive, with a long horizontal stroke at the end.

JAMES K. HAHN  
Mayor

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**Introduction**

**Executive Summary**

**Key Facts**





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## Introduction

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The central focus of the Mayor's Industrial Development Policy Initiative (IDPI) is to inform policy-makers and recommend policies that will increase industrial development, thus creating quality jobs for local residents and increasing the City's tax revenue base. Numerous market forces and public policies have interacted to reduce industrial development and manufacturing in the City of Los Angeles. These private market and public policy forces are regional, national and even global; and some are clearly beyond the ability of the City to influence. However, the thrust behind the IDPI is the belief that informed intervention by the City of Los Angeles is possible and necessary for the benefit of its residents.

The purpose of the Mayor's Industrial Development Policy Initiative (IDPI) is to adopt policies that will:

- **Encourage industrial economic activity in the City of Los Angeles**
- **Retain and optimize the use of the City's industrial zoned land**
- **Increase the number of quality jobs available to local residents**
- **Increase the City's revenues from industrial activity**

The City of Los Angeles can play a significant role in supporting its industrial economy and strengthening the quality and productivity of its industrial zoned land. The City's tax and regulatory policies, economic incentive programs, and priorities for expenditure on capital infrastructure and city services all play a role in this arena. The Mayor's Industrial Development Policy Initiative seeks to provide answers on how the City government can most effectively support its existing and future industrial development.

In February 2003, the Mayor appointed an **Industrial Development Advisory Committee** to provide professional advice and counsel throughout the IDPI process and make final policy recommendations to the City Council and the Mayor. The Committee is comprised of the following experts on diverse aspects of industrial development:

**Roberto Barragan,**  
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The IDPI includes a team from the Mayor's Office of Economic Development, the Community Redevelopment Agency and a Principal Consultant. The day-to-day work of this team is supported by professionals in the City departments, agencies and bureaus, Council Offices and members of the private sector, all of whom provide vital information and insight on industrial issues.

The IDPI Work Plan is comprised of the following three phases:

**Phase 1** organizes and evaluates data currently available on the City's industrial zoned land and identifies key issues for further consideration. Phase 1 began in January 2003 and was completed in September 2003.

**Phase 2** includes further research on and consideration of issues identified during Phase 1 and initiates the policy formulation process. Phase 2 extends through the first half of 2004.

**Phase 3** concludes with formal recommendation of policies to the City Council and the Mayor for their consideration. Phase 3 is scheduled for completion in 2004.



The results of Phase 1 are the subject of this report. Phase 1 was comprised of the following tasks:

- a. Organization, analysis and synthesis of data on industrial activity in the City of Los Angeles. Specifically, the data focused on the *description, condition, performance* and *trends* of the City's industrial zoned land.
- b. Analysis of existing public and private sector studies and documents on the City's industrial land, businesses and overall activity.
- c. Research, analysis and synthesis of the industrial development policies and programs of a select group of local and national cities.

Phase 1 included a Mayor's Industrial Development Workshop, an all-day internal city meeting held on May 29, 2003 in which the General Managers of participating City departments, agencies and bureaus and the IDPI Management Team presented their findings to the Mayor's Industrial Development Advisory Committee, Council Offices and the Mayor.<sup>1</sup> The Workshop resulted in the production of an IDPI Reference Notebook containing the information presented at the Workshop and supplemental information provided by the City departments, agencies and bureaus. The Mayor's Industrial Development Workshop, the IDPI Reference Notebook, research on national and local city industrial development policies and this Phase 1 Report constitute the output of Phase 1 of the Industrial Development Policy Initiative.

This Phase 1 Report is organized into three parts, as follows:

### **Part I Key Findings: The City of Los Angeles' Industrial Land Base**

- **The City of Los Angeles in a Regional Context**
- **Economic Value of the City's Industrial Land Base**
- **Infrastructure Issues Affecting Industrial Land Development**
- **Utilization, Regulatory and Environmental Issues Affecting Industrial Land**
- **Issues Affecting the Redevelopment and Revitalization of Industrial Land**

### **Part II. Summary of Industrial Development Policies in Selected Cities**

### **Part III. Key Policy Implications of Phase 1 Findings**

<sup>1</sup> The information presented at the May 29 Workshop may be found on the Mayor's web site at [www.lacity.org/mayor/moed/idpi](http://www.lacity.org/mayor/moed/idpi)

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## Executive Summary

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The Mayor's Industrial Development Policy Initiative (IDPI) is an unprecedented pro-active approach to identifying the issues that impact industrial development in the City of Los Angeles and developing solutions to address them. It is incumbent upon the leadership of the City to sustain and strengthen its industrial base and the jobs it provides for its residents. At a minimum, the City can make more efficient and productive use of its industrial land. On a broader level, City leaders can develop policies that encourage businesses, developers and other investors to locate and expand in the City.

The use of data and facts is vital to the evaluation of sound policy recommendations. Thus, Phase 1 of the IDPI focused on collecting, analyzing, and interpreting data that reflects the current state of the City of Los Angeles' industrial economy and identifies key issues impacting industrial development.

The data and analysis undertaken during Phase 1 of the Mayor's Industrial Development Policy Initiative uncovered a number of key industrial development issues, including:

- **Industrial Land Use Conversion and Availability**, including the increasing use of industrial zoned land for non-industrial activity, industrial uses in non-industrial zones, and underutilized vacant industrial land.
- **Infrastructure Challenges**, primarily goods movement constraints.
- **The Changing Industrial Base of the City**, including the erosion of industrial economic activity.
- **Workforce Development Issues** related to work readiness and skills training.
- **Environmental Challenges**, including barriers associated with contaminated sites and environmental justice issues.

Each of these issues poses key policy questions that are being studied and discussed during Phase 2 of the IDPI.

### ***Industrial Land Use Conversion and Availability***

- ***Policy Consideration: How should the City of Los Angeles manage conversion and underutilization of industrial zoned land?***

Phase 1 findings include the following four broad conclusions regarding the industrial land base of the City of Los Angeles:

- 1. A significant amount of the City's industrial zoned land has been, and continues to be, converted to non-industrial uses.***
- 2. A significant amount of vacant and underutilized industrial parcels exists in industrial districts throughout the City.***
- 3. It is interesting to note that a significant amount of industrial uses, as defined by the County Assessor, exists on the City's non-industrial zoned land.***
- 4. Land assembly and current land use characteristics are prime impediments to industrial development.***

As of 2002, of the City's estimated 19,045 acres of industrial zoned land, approximately 4,922 acres or about 26% of the total has been converted over time to non-industrial uses. Of these conversions, 10.0% has been converted to institutional uses, 8.1% to retail uses, 4.1% to residential uses and 3.2% to commercial uses, as measured by acres occupied. Also, over 27% of the industrial zoned land in the six Community Redevelopment Agency (CRA) project areas with the most industrial zoned land has been converted to non-industrial uses (a total of 1,173 acres). These areas are typically the oldest industrial areas in the City, evidencing a wide range of blighting conditions as set forth in the State of California Community Redevelopment Law.

New construction permits for industrial zones indicate that an even larger amount of industrial zoned land is being converted to non-industrial uses, exhibiting an accelerating trend of this process. Market forces and a permissive zoning code and entitlement process are the prime drivers of this conversion. Land that is converted to non-industrial uses is assessed, on average, at a value that is 29% higher for non-industrial uses than for industrial uses, with retail and commercial use representing 2 to 2.5 times the average assessed values of prior industrial uses.

In addition to the City's 19,045 acres of industrial zoned land, preliminary analysis also shows that apparently 7,272 acres of non-industrial zoned land is being used for some type of industrial activity, according to County Assessor definitions. The County Assessor designates uses for tax purposes while the City of Los Angeles classifies uses into "zones" for land use regulation purposes. A graphics operation, for example, may be considered "industrial" by the County Assessor, but because it has minimal impacts, it can coexist with commercial uses and is considered "commercial" by the City's zoning code.

Finally, preliminary findings indicate that as many as 1,786 acres of industrial zoned land throughout the City may be vacant.

### ***Infrastructure Challenges***

- ***Policy Consideration: How should the City of Los Angeles better manage goods movement?***

The most serious infrastructure issues currently limiting industrial activity are constraints in goods movement in the roadways and rail freight systems. If not addressed, these issues will negatively impact future industrial development and raise further environmental justice concerns.

The citywide 2003 Infrastructure Report Card prepared by the Bureau of Engineering gave streets and highways an overall grade of D+, an evaluation that carries with it an estimated system upgrade cost of \$1.5 billion for re-pavement and \$0.7 billion for congestion reduction over the next ten years. Forty-four percent of the intersections studied had traffic flow rated “D” or “F”.

Goods movement by truck, a fundamental element in the health of the Los Angeles economy, is experiencing increasing challenges, including:

- Freeway access delays
- Industrial site access delays
- Inadequate loading and unloading facilities
- Through traffic congestion
- Delays at railroad crossings
- Difficult left and right turns at intersections

Freight movement of goods, also a core component of the Los Angeles area economy, is facing growing challenges connected to the growth of population and trade in the region. These challenges include congestion, environmental issues and safety and security.

### ***The Changing Industrial Base of the City***

- ***Policy Consideration: How can the City of Los Angeles best address economic trends and industry-specific issues to encourage industrial development?***

Over the last twenty years the City of Los Angeles has lost a large number of industrial jobs and businesses. During the past ten years, 229,000 manufacturing jobs have been lost in Los Angeles County due to local, regional and international market forces. In 2000, the City employed nearly 60% of the County’s manufacturing workforce; thus, it can be inferred that the City has borne a significant share of the manufacturing job loss in Los Angeles County.

Several City entities, including the Mayor’s Office of Economic Development (MOED), the Community Development Department (CDD), the Department of Water and Power (DWP), the Los Angeles World Airports (LAWA), the Harbor Department and the Community Redevelopment Agency (CRA/LA) undertake various activities designed to encourage existing industrial businesses to remain in Los Angeles. These departments and agencies have also tried to attract new businesses in industries that have been identified as growth industries for the local economy. For instance, CDD focuses its assistance on ten industries identified by a 1997 Report, “Economic Recovery Action Plan for Specific Growth Industries”, which was commissioned by the previous administration. This report



identifies the ten industries below as likely candidates to lead the City's recovery from the economic challenges resulting from the Northridge earthquake, defense-industry downsizing and real estate losses:

- Apparel Design/Manufacturing Distribution
- Auto Design
- Bio-medical Technology
- Distribution/Logistics
- Entertainment/Motion Picture/TV Production
- Food Production/Manufacturing
- International Trade
- Metal Fabrication
- Tourism
- Toy Design/Distribution

The Los Angeles County Economic Development Corporation has also conducted studies regarding growth industries that it considers to have high growth potential. These are:

- Motion Pictures
- Transportation
- Printing, Publishing and Allied Industries
- Motor Freight Transportation and Warehousing
- Transportation by Air
- Water Transportation
- Local/Suburban Transit, Interurban Highway

The IDPI will provide recommendations on how the City can play a constructive role in attracting such industries.

### ***Workforce Development Issues***

- ***Policy Consideration: How should the City of Los Angeles better impact workforce readiness to encourage industrial development?***

The City and County of Los Angeles remain strong manufacturing centers and employ a significant number of workers, yet the challenge for the City is to prepare its workforce for growth industries that demand higher skills. In the City of Los Angeles, each of the following industries employs 2% or more of the City's workforce; collectively, these industries represent over 50% of the City's manufacturing workforce. Manufacturing, wholesale trades and motion picture production together employ 28.5% of the City's total manufacturing workforce.

- Wholesale trade for durable and non-durable goods
- Motion picture production
- Apparel manufacturing
- Printing, publishing and allied products
- Transportation, communication & utilities

Small businesses provide the bulk of industrial employment in the City of Los Angeles, with 54% of all manufacturing workers employed in companies of 250 or fewer employees. Furthermore, almost 31% of all industrial workers are employed in businesses with fewer than 100 employees.

A challenge for the future, if the City is to remain a global competitor, is to address workforce readiness and specialized training as it relates to industrial development. The City of Los Angeles administers a variety of programs and has access to quality educational institutions that may be better leveraged to address this challenge. The K-12 public educational system may provide an opportunity to prepare the local workforce for contemporary manufacturing jobs by including operation of machinery, industrial processes and other industrial skills in the curricula. The City of Los Angeles, along with major cities in the United States, cannot compete against low cost labor available in other countries. Therefore, the challenge facing the City and the City's labor pool is to compete through workforce quality and work readiness.

### ***Environmental Challenges***

- ***Policy Consideration: How can the City of Los Angeles support the development of contaminated sites and address environmental justice issues?***

There are physical and social environmental challenges facing industrial development in the City of Los Angeles. Brownfields are contaminated sites that create barriers to new investment and reuse. From a social perspective, environmental justice concerns demand that we address the consequences of overall pollution on neighborhoods.

Brownfields represent a number of barriers to development. The City of Los Angeles Brownfields Program aims to reduce the uncertainty associated with contamination mitigation and the liability issues that property owners and developers must deal with. Other cities in the U.S. have gone to the extent of preparing Phase I and Phase II studies and making these available to developers (as has Los Angeles). Still other cities have gone so far as to take control of Brownfield sites, conduct mitigation and convey the sites to developers. A few cities have even created eco-industrial parks or have begun to implement eco-industrial practices where waste products are recycled and alternative energy sources are utilized.

Environmental justice issues are highly relevant in discussions of industrial development, given the history of the disproportionate impact that industrial activity has had on lower-income communities. The burdens of industrial uses on such communities include pollution, poor air quality, transportation-related impacts, soil toxicity, odors, blight and noise. At the same time, environmental justice issues can inhibit industrial development if industrial firms turn away from established communities to avoid near-by residential areas.

### ***Industrial Development Policy Framework***

The Mayor's Industrial Development Advisory Committee is using an initial Policy Framework to guide its discussion of industrial policy considerations for the City of Los Angeles. The main policy categories within this framework are:

***Development and Development Assistance***

***Financial Assistance and Incentives***

***Regulatory Policies***

***Infrastructure Improvements***

***Targeted Business Assistance***

***Brownfields and Industrial Ecology***

***Marketing Industrial Sites, Districts and City***

***Workforce Development Programs***

***Regional Cooperation for Economic Development***

This Policy Framework was developed based on research conducted on the existing industrial development programs and policies of selected cities. Eight major national cities and six local cities were studied in order to gain a broader understanding of how other municipalities address industrial development issues. The cities studied are:

*National Cities:*

Philadelphia	Phoenix
Chicago	Las Vegas
Baltimore	Seattle
San Jose	Houston

*Local Cities:*

South Gate	Vernon
City of Industry	Hawthorne
Commerce	Ontario

This policy review will serve to inform the Mayor's Office of Economic Development, the Mayor's Industrial Development Advisory Committee and other stakeholders of how similar challenges to industrial development have been handled elsewhere in the United States, which have helped to put industrial properties back into productive economic use.

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## Key Facts About the City of Los Angeles' Industrial Economy

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### **A. Industrial Land Use and Development**

1. Industrial zoned land in the City of Los Angeles (excluding the Port and LAX) equals 19,045 acres.
  - 8% of the city's land.
2. The largest land uses on industrial zoned land are:
  - Industrial uses
    - Light manufacturing (28%)
    - Warehousing (12%)
    - Heavy manufacturing (7%)
  - Non-industrial uses
    - Institutional (10%)
    - Retail (8%)
    - Residential (4%)
3. There may be as much as 1,700 acres of vacant industrial land in the City, equal to 9.4% of total industrial zoned land.
4. A significant amount of industrial zoned land is used for non-industrial purposes.
  - 74% for industrial uses (14,124 acres)
  - 26% for non-industrial uses (4,922 acres)
5. The city has a significant amount of industrial uses on non-industrial zoned land.
  - 7,272 acres (3%) of the City's non-industrial zoned acreage is used for industrial purposes.
    - This amount represents almost 35% of the City's total industrial defined activity.
6. A significant amount of industrial zoned land (4792 acres) is located within the 34 redevelopment areas of the City, with considerable blight and decay.
  - 25% of the City's industrial land
  - Of the 5,296 industrial buildings in CRA/LA areas, 47% need rehabilitation.
7. A significant amount of the City's industrial land is problematic to develop because of environmental contamination.

8. A paradox exists in industrial land development in Los Angeles.
  - Industrial vacancy rates throughout the County and City are currently in the 2 to 4% range and have been in that range since the late 1990s, in spite of the loss of manufacturing jobs and businesses.
    - Rents for industrial space have remained relatively flat for almost a decade.
    - Prices for industrial zoned land have been increasing, which has made many industrial development projects financially infeasible.

### **B. The Industrial Base of the City of Los Angeles**

1. The City's six largest industries, which represent over 50% of the City's industrial workforce, are:
  - Wholesale trade, durables: 60,964 workers; 12%
  - Wholesale trade, non-durables: 44,143 workers; 9%
  - Motion picture production: 43,793 workers, 9%
  - Apparel manufacturing and design: 40,882 workers, 8%
  - Printing and allied products: 40,446 workers, 8%
  - Transportation, communication & utilities: 35,787 workers, 7%
2. Small businesses provide the bulk of industrial employment in the City.
  - 54% of industrial workers are employed in firms of 250 or fewer employees.
  - 31% of industrial workers are employed in firms with fewer than 100 employees.
3. The Los Angeles Economic Development Corporation (LAEDC) projected seven industrial SIC codes with high growth potential.
  - The Motion Picture industry was ranked first with over \$3.2 million in annual business tax revenue.
  - Transportation Services ranked second providing almost \$1.9 million.
  - Printing, Publishing and Allied Industries ranked third with over \$1.1 million.

**C. Employment and Business Changes**

1. From 1997 to 2000, the County experienced a net loss of 309 manufacturing establishments.
  - Transportation equipment down 8.2%
  - Machinery down 5.6%
  - Printing and related industries down 4.9%
  - Computer and electronics down 4.7%
2. The largest job losses occurred in transportation equipment.
  - Transportation equipment down 14.5%
    - These losses are associated with the reduction of airline orders and the closure of major airline manufacturers.
3. The only major job gainers were the food industry and the miscellaneous category.
4. The only major increase in number of establishments and firms was among furniture and related products firms (+38.3%).
  - This industry did not gain or lose jobs, suggesting decentralization into smaller specialty firms.
5. The Metro Los Angeles industrial region contains over half of the City's industrial employment at 53.8%.
  - Nearly 87% of all City employment in Apparel Manufacturing is located in the Metro L.A. region.
    - The apparel industry has the greatest concentration of firms and employment among industrial sectors.
6. The second largest concentration of industrial employment is located in the West San Fernando Valley at 15%.

**D. Infrastructure**

1. An Infrastructure Report Card prepared by the City's Bureau of Engineering of the Department of Public Works gave the City's infrastructure an overall grade of C+.
2. The most serious infrastructure limitations on industrial activity are constraints on goods movement and the City's roadways and area rail freight systems.
3. The Bureau of Engineering Report Card graded all components within the city's infrastructure.
  - The DWP's overall power system infrastructure rating is a "B."
  - The DWP's overall water system infrastructure rating is a "C."
  - The Bureau of Sanitation's wastewater treatment system rating is a "B+."
  - The Bureau of Sanitation's wastewater collection system rating is a "B+."
  - The Bureau of Sanitation's stormwater infrastructure condition rating is a "C+."

**E. Industrial Tax Revenues**

1. Citywide revenues generated in 2002 from all property, utility, sales and business taxes totaled \$1.7 billion.
  - Industrial sources account for \$219.4 million or 12.9% of total city revenues. Of these industrial revenues:
    - Property tax = 18.1%
    - Utility user tax = 46.4%
    - Business tax = 17.2%
    - Sales tax = 18.3%

**F. Construction and Conversion**

1. Industrial construction within the City's industrial zones totaled \$769 million from 1997 to 2002, representing less than 49% of building permit valuations. Of these:
  - Warehouse = 36%
  - Manufacturing = 22%
  - Garage/Storage = 21%
  - Misc. Industrial/Other = 21%
2. Within the City's industrial zones, non-industrial use permit valuations totaled \$807 million from 1997 to 2002.
  - Slightly over 51% of the value of permits issued in those zones were for non-industrial uses during that period.
    - 33% of permits were for commercial uses
    - 14% retail uses
    - 3% residential uses
    - 2% institutional uses
3. Construction in the City's Industrial Regions was greatest in the Harbor Region in 2001.
  - Over 51% of industrial construction, 1.4 million sq. ft., was developed in the Harbor Region.

**G. Challenges to Industrial Development**

1. Issues that affect the redevelopment and revitalization of industrial land include:
  - Land availability and cost
  - Building and site limitations
  - Basic infrastructure and access/capacity limitations
  - Brownfields uncertainties
  - Entitlement process in the City of Los Angeles vs. elsewhere
  - National and global economic influences
2. A common challenge in encouraging new private investment is land assembly.
  - Parcel sizes are often too small to develop individually.
  - Negotiating with multiple owners can make land assembly time-consuming and/or cost-prohibitive.







PART I  
**Key Findings:  
The Industrial Land Base  
of the City of Los Angeles**

CHAPTER 1  
**The City of Los Angeles  
in a Regional Context**





## The City of Los Angeles in a Regional Context

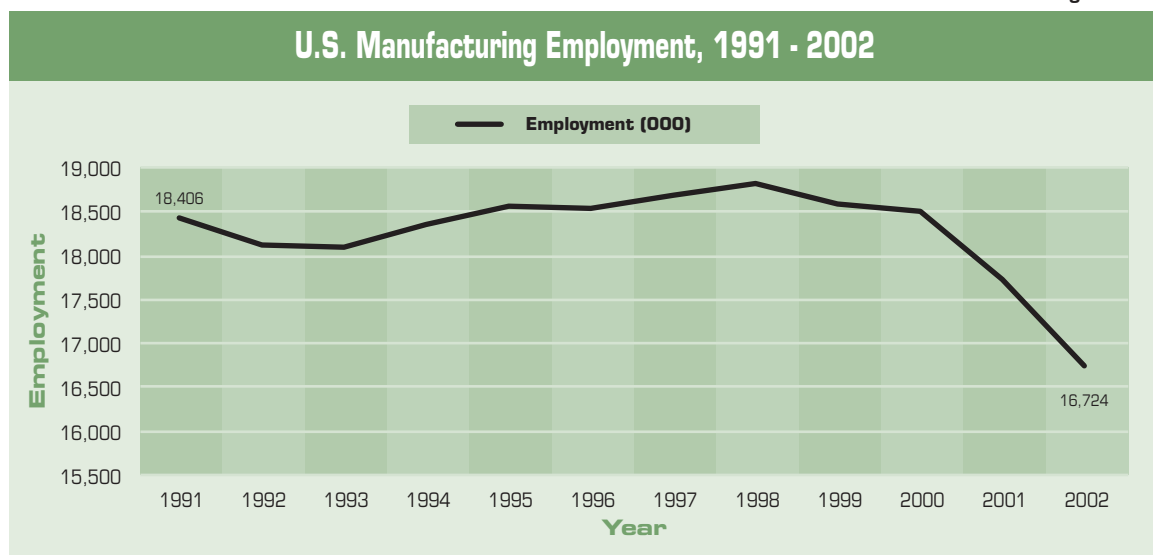
### 1A. Profile of the Los Angeles Industrial Economy 1B. Profile of the City's Industrial Regions and Zoning

Regional, national and global market forces impact the economy of the City of Los Angeles. Thus, the City's industrial base must be understood within this larger context. This chapter provides a general overview of the manufacturing industry of Los Angeles in a national, regional and local context. Furthermore, the geographic distribution and characteristics of industrial land use within the City are delineated.

#### 1A. Profile of the Los Angeles Industrial Economy

According to the United States Bureau of Labor Statistics, on a national level the United States has continued to lose manufacturing jobs and businesses over the past ten years. The nation lost approximately 1.7 million manufacturing jobs from 1991 to 2002, a loss of nearly 10% of the nation's manufacturing workforce. Recent figures show that this trend is accelerating. **Figure 1.1**, *U.S. Manufacturing Employment, 1991 – 2002*, captures the trend graphically. The trend has resulted from a combination of changes in technology, reorganization of industry and capital and the flow of workers across national boundaries.

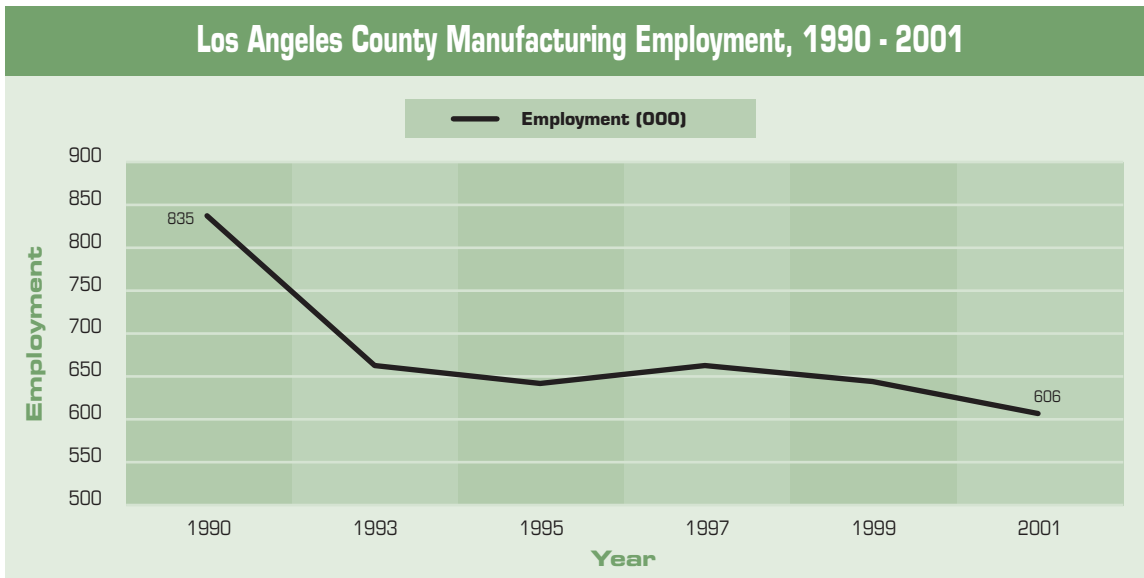
Figure 1.1



Source: United States Department of Labor, Bureau of Labor Statistics

On a regional level, manufacturing employment in the County of Los Angeles dropped from 835,000 in 1990 to 606,000 in 2001, a loss of 229,000 jobs or 27% of the manufacturing workforce. The largest drop, 174,400 jobs, occurred between 1990 and 1993. From 1993-2003 all manufacturing employment in the County of Los Angeles declined by 13.4% from 660,200 to 571,700 jobs. With the job loss multiplier effect, the associated job loss impact on the region’s economy is compounded several times over. According to the City of Los Angeles’ Community Development Department, the City has shared the national and regional trend.

Figure 1.2



Source: "Manufacturing in the Los Angeles Five-County Area", Los Angeles County Economic Development Corporation

Notwithstanding the loss of manufacturing jobs in the local economy, Los Angeles County and the City of Los Angeles continue to be powerhouses of manufacturing activity in the global marketplace. As of 2001, Los Angeles County was on par with Chicago on a national level as one of the largest manufacturing areas in the nation, each with over 600,000 workers. As demonstrated in **Table 1.1**, *Top 12 Major Manufacturing Centers in the U.S., 1993 – 2001*, manufacturing employment in Los Angeles County is 15.8% of the total manufacturing employment of the twelve largest manufacturing centers in the U.S. It is two to three times as large as the manufacturing employment of many major metropolitan areas, including New York, Philadelphia and Dallas. The overall trend in the twelve largest manufacturing centers has also been downward in the last ten years, with an up-tick during the boom years of the late 1990s and a downturn thereafter.

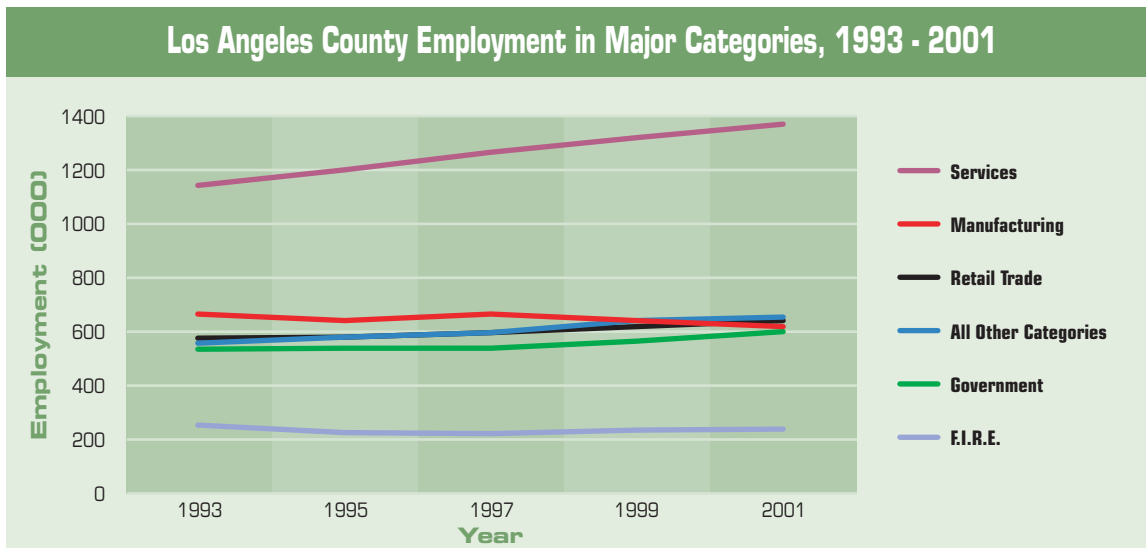
Table 1.1

Major Manufacturing Centers in the United States, 1993 - 2001 Annual Average Employment - (000)							
Rank	Areas	1990	1993	1995	1997	1999	2001
1	Chicago		637.5	653.6	656.6	638.6	<b>606.6</b>
2	Los Angeles County	834.6	660.2	638.4	661.4	641.5	<b>605.7</b>
3	Detroit		415.4	449.1	441.2	452.0	431.2
4	Philadelphia		315.2	309.2	305.7	301.6	288.9
5	New York		348.8	328.9	317.2	300.6	280.5
6	Minneapolis-St. Paul		265.5	274.8	275.4	276.5	267.1
7	San Jose		231.7	231.2	258.2	250.6	254.0
8	Dallas		222.3	230.5	245.8	249.8	240.5
9	Orange County, CA		207.2	205.5	222.4	229.3	225.2
10	Houston		178.8	188.7	209.9	209.4	214.8
11	Atlanta		197.2	213.2	218.8	226.7	211.9
12	Boston		227.2	223.2	222.7	213.0	211.4
	<i>Total Employment</i>		3907.0	3946.3	4035.3	3989.6	3837.8

Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; LAEDC Manufacturing in the Los Angeles five-County Area

In Los Angeles County, the largest employment sector is Services, with nearly 1.4 million employees reported in 2001. The Manufacturing, Retail, Trade and Government sectors each reported approximately 600,000 employees in 2001. The Finance, Insurance and Real Estate (F.I.R.E.) sector reported over 200,000 employees, as indicated in **Figure 1.3**, *LA County Employment in Major Categories, 1993 – 2001*.

Figure 1.3



Source: "Manufacturing in the Los Angeles Five-County Area", Los Angeles County Economic Development Corporation

An examination of Los Angeles County's largest manufacturing sectors illustrates some of the changes occurring. From 1997 to 2000, the County experienced a net loss of 309 manufacturing establishments. The largest decrease in the number of business establishments and firms occurred in the following sectors:

- Transportation equipment (-8.2%)
- Machinery (-5.6%)
- Printing and related industries (-4.9%)
- Computer and electronics (-4.7%)

In addition, the category reported as "Miscellaneous" experienced a 28% loss of establishments. This category represents a grouping of several industries, including mineral processing, oil, gas, lumber, airport uses, harbor uses, a city dump, and parking lots. It is not clear what industries within this group lost establishments. The key changes are highlighted in **Table 1.2, Los Angeles County Manufacturing Industry Change**, where green highlights represent significant gains and red highlights reflect significant losses.

Table 1.2

Los Angeles County Manufacturing Industry Change: Comparison by No. of Establishments and Employment, 1997 - 2000 Employing 20,000 or more workers							
NAICS Code	Industry	Establishments			Employment		
		1997	2000	Change	1997	2000	Change
315	Apparel	3,808	3,915	2.8%	96,523	93,146	-3.5%
336	Transportation equipment	587	539	-8.2%	86,062	73,586	-14.5%
332	Fabricated metal products	2,808	2,700	-3.8%	71,150	69,707	-2.0%
334	Computer & electronics	856	816	-4.7%	61,598	58,467	-5.1%
311	Food	1,137	1,112	-2.2%	39,804	43,053	8.2%
323	Printing & related	1,787	1,699	-4.9%	34,106	33,768	-1.0%
339	Misc. (med., jewelry, toy, off)	1,372	991	-28%	29,383	33,217	13.0%
337	Furniture & related products	999	1,382	38.3%	29,180	29,225	0.2%
326	Plastics & rubber products	622	622	0.0%	28,194	28,021	-0.6%
333	Machinery	957	903	-5.6%	27,855	27,458	-1.4%
325	Chemicals	552	546	-1.1%	24,255	24,505	1.0%
	Industries employing less than 20,000 workers	2,430	2,381	0	94,192	94,077	0
	All Manufacturing	17,915	17,606	-1.7%	622,302	608,230	-2.3%

Sources: U.S. Bureau of the Census, 2000 Economic Census: Manufacturing; Los Angeles County Economic Development Corporation "Manufacturing in Los Angeles Five-County Area", July 2002

The largest job losses occurred in transportation equipment, (-14.5%), largely associated with the reduction of airline orders and the closure of major airline manufacturers. Computer & electronics reflects a 5.1% loss in jobs and the apparel industry suffered a 3.5% reduction in jobs. Note that the percentage of jobs lost in computers & electronics is greater than in apparel, which is important when considering that the former sector offers higher wages. The only major job gainers were the food industry (+8.2%) and the miscellaneous category (+13.0%).

The significant increase in the number of firms in the furniture and related products category, while maintaining an overall constant employment base, appears to indicate a decentralization of the organizations in this category into smaller specialty firms. Similar decentralization dynamics can be seen in the apparel industry, with an increase of 107 firms but a decrease in employment of over 3,300 workers throughout the County.

The City of Los Angeles remains the largest generator of manufacturing activity in the County. The population in the City of Los Angeles is approximately 39% of the total Los Angeles County population. In 2000, the City employed nearly 60% of the County’s manufacturing workforce, or a total of 360,284 workers.

For the purposes of IDPI, “industrial businesses” include non-manufacturing classified industries such as warehousing of goods for wholesalers, wholesale trades of durable and non-durable goods, utilities and motion picture production. These non-manufacturing classified industries have a large presence in the City of Los Angeles and are considered and discussed here in terms of overall industrial development. The largest industries categorized in the City of Los Angeles as “industrial” by the Standard Industrial Classification (SIC) system are listed below. These employ 7% or more of the City’s workforce and collectively represent over 50% of the City’s industrial workforce:

Industry	% of City’s Industrial Workforce
Wholesale trade - durable goods	12.0%
Wholesale trade - non-durable goods	8.7%
Motion picture production	8.6%
Apparel manufacturing	8.0%
Printing, publishing and allied products	7.9%
Transportation, communication & utilities	7.0%
Percentage of Total Industrial Employment	52.2%



## 1B. Profile of the City's Industrial Regions and Zoning

### Industrial Regions

To serve the analytical purposes of the IDPI, the City was subdivided into six industrial regions. The regions were determined based on similarities among clusters of industrial zoned land (e.g., contiguous or closely clustered land) and commonality of location-related issues. Within each region there are several “industrial cores” representing census tracts with contiguous industrial zoned land areas. The six industrial region boundaries cut across Community Planning Areas, City Council Districts, redevelopment project areas and other land designations. The six industrial regions are as follows:

Industrial Regions	
<b>North Valley Industrial Region</b>	<b>Metro Industrial Region</b>
<p><b>Sylmar</b></p> <p><b>Sunland-Tujunga</b></p> <p><b>Arleta-Pacoima</b> a portion of Arleta-Pacoima is included in the Central Valley Region</p> <p><b>Sun Valley</b></p> <p><b>Mission Hills</b> a portion; the border of this Region in Mission Hills is at Sepulveda and Lassen</p>	<p><b>Hollywood</b></p> <p><b>Wilshire</b> east of La Cienega</p> <p><b>West Adams</b></p> <p><b>South Central LA</b></p> <p><b>South East LA</b></p> <p><b>Central City</b></p> <p><b>Central City North</b></p> <p><b>Westlake</b></p> <p><b>Silverlake</b></p> <p><b>Boyle Heights</b></p> <p><b>Northeast LA</b></p>
<b>Central Valley Industrial Region</b>	<b>West Los Angeles Industrial Region</b>
<p><b>Mission Hills</b> except north of Lassen, as noted above</p> <p><b>North Hollywood</b></p> <p><b>Sherman Oaks</b></p> <p><b>Van Nuys</b></p> <p><b>Reseda</b> the portion east of Balboa Blvd.</p> <p><b>Northridge</b> the portion south of Lassen, east of Balboa</p>	<p><b>Bel Air/Beverly Crest</b></p> <p><b>Brentwood/Pacific Palisades</b></p> <p><b>Westwood</b></p> <p><b>West LA</b> west of La Cienega</p> <p><b>Venice</b></p> <p><b>Palms/Mar Vista</b></p> <p><b>Del Rey</b> Marina Del Rey adjacent and Playa Del Rey</p> <p><b>Westchester</b></p> <p><b>LAX</b></p>
<b>West Valley Industrial Region</b>	<b>Harbor Industrial Region</b>
<p><b>Northridge</b> except as above</p> <p><b>Reseda</b> except as above</p> <p><b>Granada Hills</b></p> <p><b>Chatsworth</b></p> <p><b>Canoga Park</b></p> <p><b>Encino-Tarzana</b></p>	<p><b>Harbor Gateway</b> south of 120th St.</p> <p><b>Wilmington</b></p> <p><b>San Pedro</b></p>

The maps at the end of this chapter illustrate the City's industrial regions.

### Industrial Zoning

The City's industrial regions were also evaluated in terms of their zoning classification<sup>2</sup>. According to City of Los Angeles Planning Department data, the City has 19,045 acres of industrial zoned land (excluding the Port and LAX), broken down into six zoning classifications as follows:

Table 1.3

Industrial Zoning, 2002			
	Zoning Classification	Acreage	Percentage
CM	Commercial Manufacturing Zone	756	4.0%
MR1	Restricted Industrial Zone	1,314	6.9%
M1	Limited Industrial Zone	3,126	16.4%
MR2	Restricted Light Industrial Zone	1,507	7.9%
M2	Light Industrial Zone	6,619	34.8%
M3	Heavy Industrial Zone	5,723	30.0%
Total Industrial Zoned Land		19,045	100.0%

*On the basis that the Port of Los Angeles (Port) and the Los Angeles International Airport (LAX) are areas that serve specialized functions even though they are technically zoned industrial, data reflecting the Port and LAX are excluded from the IDPI Phase 1 Analyses.  
Source: City of Los Angeles Planning Department*

In terms of the distribution, the largest industrial zoned area in the City is the Metro Los Angeles region with over 5,900 acres of industrial zoned land, or 31% of the City's total industrial zoned land. The second largest industrial zoned area is the Harbor region with almost 3,800 acres, or 20% of the City's industrial land.

The industrial zoned land within each industrial region is summarized on **Table 1.4, Industrial Regions in the City of Los Angeles, 2002**.

Table 1.4

Industrial Regions in the City of Los Angeles, 2002		
Region	Acres of Industrial Zoned Land	Percentage of Industrial Zoned Land
North Valley	2,544	13%
Central Valley	2,790	15%
West Valley	2,150	11%
Metro Los Angeles*	5,907	31%
West Los Angeles*	1,890	10%
Harbor	3,764	20%
Total	19,045	100%

*\*Note: Figures exclude LAX & the Port of LA  
Source: City of Los Angeles Planning Department*

<sup>2</sup> For a summary of the City of Los Angeles industrial zoning classification system, please see **Figure 4.1, Zoning of Industrial Land**.

The number of acres in each zoning classification and the percentage distribution within each industrial region is described in **Tables 1.5**, *Distribution of Industrial Zoned Land by Region (Acres)*, 2002 and **Table 1.6**, *Distribution of Industrial Zoned Land by Region (% of Total)*, 2002.

Table 1.5

Distribution of Industrial Zoned Land by Region (Acres), 2002							
Zoning/ Region	North Valley	Central Valley	West Valley	Metro LA	West LA*	Harbor*	Total Acres
CM	49	154	54	445	20	34	756
MR1	183	45	312	561	6	207	1,314
M1	878	413	142	1,272	346	75	3,126
MR2	57	53	1,129	213	0	55	1,507
M2	954	2,100	131	1,637	1,138	659	6,619
M3	423	25	382	1,779	380	2,734	5,723
Total Acres	2,544	2,790	2,150	5,907	1,890	3,764	19,045

\*Excluding Port and LAX

Source: City of Los Angeles Planning Department

In terms of the zoning classification of industrial land, the light industrial zone, M2, represents the largest portion of industrial zoned land in the City with 34.8% of the total. The heavy industrial zone, M3, represents the second largest classification at 30%. If the CM, M1 and M2 zoning classifications are combined, approximately 55% of the City's industrial zoned acreage is zoned for lighter industrial uses (see **Table 1.5**, *Distribution of Industrial Zoned Land By Region (Acres)*, 2002 and **Table 4.1**, *Industrial Business Types on Industrial Zoned Land*).

Table 1.6

Distribution of Industrial Zoned Land by Region (% of City Total), 2002							
Zoning/ Region	North Valley	Central Valley	West Valley	Metro LA	West LA*	Harbor*	Total (%)
CM	0.3%	0.8%	0.3%	2.3%	0.1%	0.2%	4.0%
MR1	1.0%	0.2%	1.6%	2.9%	0.0%	1.1%	6.8%
M1	4.6%	2.2%	0.7%	6.7%	1.8%	0.4%	16.4%
MR2	0.3%	0.3%	5.9%	1.1%	0.0%	0.3%	7.9%
M2	5.0%	11.0%	0.7%	8.6%	6.0%	3.5%	34.8%
M3	2.2%	0.1%	2.0%	9.3%	2.0%	14.4%	30.0%
Totals (%)	13.4%	14.6%	11.2%	30.9%	9.9%	19.9%	99.9%

\*Excluding Port and LAX

Source: City of Los Angeles Planning Department

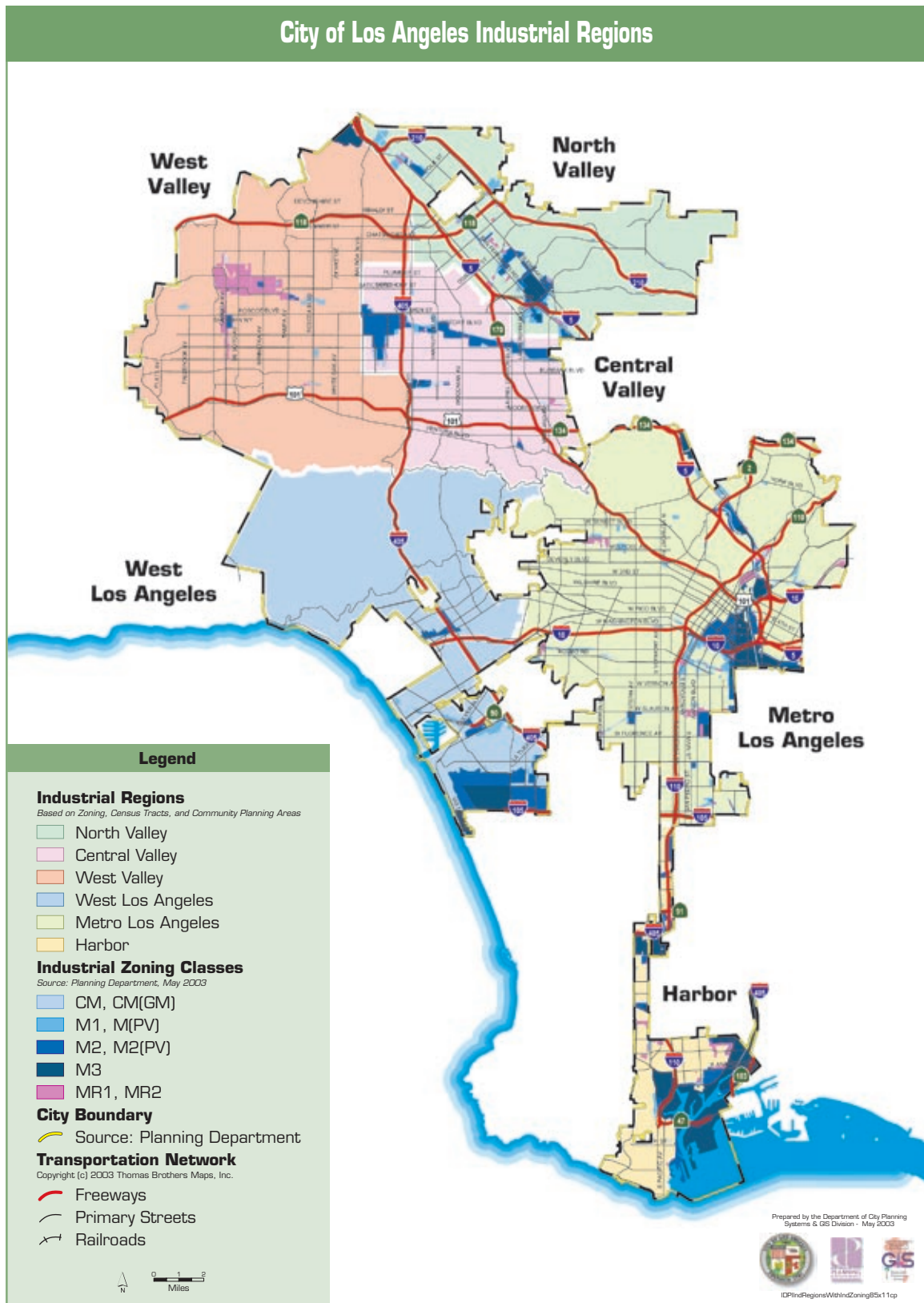


As previously stated, the region containing the largest percentage of all industrial zoned land is Metro Los Angeles, containing 31% of the City's industrial zoned land. This is true for all industrial classifications except for MR2, the restricted light industrial classification, for which the largest concentration is in the West Valley industrial region and M2, the light industrial classification, for which the largest concentration is in the Central Valley industrial region.

In terms of the use of citywide industrial zoned land, the predominant uses are light manufacturing, 28% (see **Table 4.1**, *Industrial Business Types on Industrial Zoned Land*). Warehousing distribution and open storage uses represent 13% of the acreage and heavy manufacturing uses account for 7% of the industrial zoned land by use code.



Figure 1.5





PART I

**Key Findings:  
The Industrial Land Base  
of the City of Los Angeles**

CHAPTER 2

**Economic Value of the City's  
Industrial Land Base**





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## Economic Value of the City's Industrial Land Base

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- 2A. Industrial Business and Employment**
- 2B. Revenue from the City's Industrial Activity**
- 2C. Private Investment in Industrial Land Development**

The economic value of industrial land to the City of Los Angeles consists of three key components: the value to residents as employment; the value to the City government in the form of revenues; and the value to the City's business and development community in terms of investment opportunities. This chapter summarizes the salient aspects of each of these components.

### **2A. Industrial Business and Employment**

#### ***Distribution of Industrial Employment***

The breakdown of employment in the City by major industrial category and industrial region is summarized in **Table 2.1**, *City of Los Angeles - Industrial Employment by Region, 2000*. All industrial sectors together provide employment to over 509,000 workers, or 28.5% of the City's total employed workforce. Of these, over 105,000 are in Wholesale Trade (Durable and Non-Durable goods).

There is wide variation in the level of industrial employment across the City of Los Angeles' industrial regions. The Metro Los Angeles industrial region contains over half of the City's industrial employment, at 53.8%. Nearly 87% of all City employment in apparel manufacturing is located in the Metro LA region. The apparel industry has the greatest geographical concentration of firms and employment among industrial sectors. Employment in the motion picture industry is the least geographically concentrated, yet most of these jobs are found within the Metro LA region, which includes Hollywood. Forty-two percent of motion picture jobs are located in Metro LA.

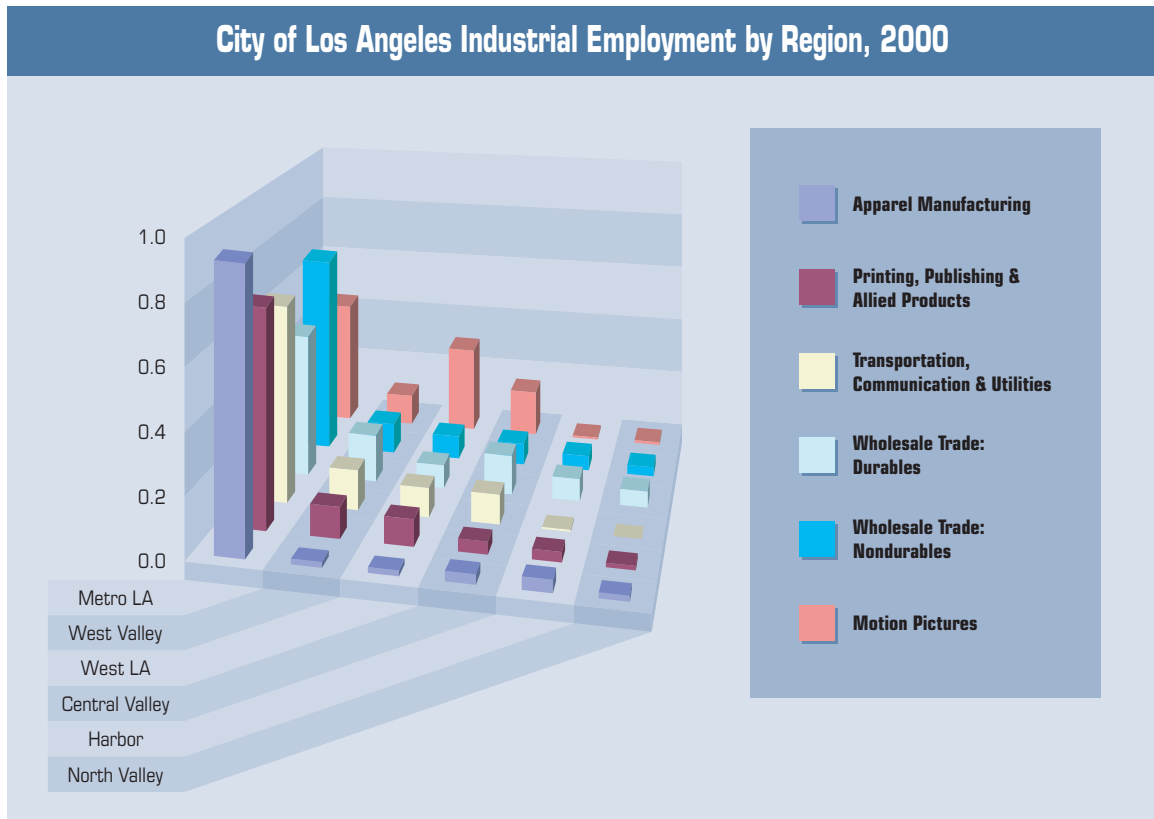
The next largest concentration of industrial employment is located in the West San Fernando Valley, at 15%. The bar chart in **Figure 2.1**, *City of Los Angeles - Industrial Employment by Region, 2000*, provides a visual description of the geographic distribution of the largest industrial sectors throughout the six industrial regions of the City.

Table 2.1

City of Los Angeles - Industrial Employment by Region, 2000							
Employment Sectors	Central Valley	Harbor	Metro Los Angeles	North Valley	West Los Angeles	West Valley	Total City
<b>Larger Industries*</b>							
Apparel Manufacturing	1,223	1,724	35,524	808	819	784	40,882
Printing, Publishing & Allied Products	1,788	1,473	28,643	472	3,704	4,366	40,446
Transportation, Communication & Utilities	3,656	210	23,021	166	3,757	4,977	35,787
Wholesale Trade: Durables	8,710	4,423	29,325	3,181	5,019	10,306	60,964
Wholesale Trade: Non-Durables	3,249	2,110	28,683	1,569	3,763	4,769	44,143
Motion Pictures	7,143	222	18,254	463	12,863	4,848	43,793
Total Larger Industries	25,769	10,162	163,450	6,659	29,925	30,050	266,015
Smaller Industries	28,278	17,276	110,599	15,535	24,558	46,923	243,169
Total Industrial Sectors	54,047	27,438	274,049	22,194	54,483	76,973	509,184
Non-Industrial Sectors	156,275	39,618	613,061	44,705	223,687	195,266	1,272,612
Total Employment (All Sectors)	210,322	67,056	887,110	66,899	278,170	272,239	1,781,796

\* Greater than 2% of Total Citywide Employment  
 Source: Southern California Association of Governments, Estimate for Year 2000

Figure 2.1



Small businesses provide the bulk of industrial employment in the City of Los Angeles, with 54% of all manufacturing workers employed in companies of 250 or fewer employees. Furthermore, almost 31% of industrial workers are employed in firms with fewer than 100 employees.

**Industrial Wage Levels**

Between 1991 and 2002, wage rates for Los Angeles County production workers in manufacturing increased by approximately 3% annually, from \$11.10 to \$15.30 per hour. This rate of increase is roughly equivalent to inflation during this time period<sup>3</sup>. Given that wage rates in the larger economy have generally not maintained pace with improvements in labor efficiency, the fact that the County has maintained a rate of growth on par with inflation is a positive factor. These trends reflect another reason why manufacturing represents an attractive employment opportunity for City residents.

The City of Los Angeles Community Development Department (CDD) has prepared an analysis of the wage rates of the apparel manufacturing and the metals and machinery industries, two significant employers in the City of Los Angeles. Within these industries, the wage rates associated with skill level differ widely.

For instance, wages for the most common jobs in the apparel industry, such as sewing machine operator and hand sewer, range from \$7.72/hour to \$9.24/hour. On the other hand, design-oriented jobs in the apparel industry that require a high level of skill, such as pattern maker, earn \$19.03/hour.

Apparel and Textiles	
Wage Levels	
Sewing Machine	\$ 7.72/hr
Dye Machine	\$ 7.67/hr
Knitting/Weaving Machine Operators	\$ 7.86/hr
Hand Sewers	\$ 9.24/hr
Pattern Makers	\$19.03/hr

In the metals and machinery industry, wages for positions such as welders, machinists and tool and die makers are overall at a much higher range across the board, from \$13.37/hour to \$18.96/hour.

Metals and Machinery	
Wage Levels	
Machinists	\$15.38/hr
Tool & Die	\$18.96/hr
Welders	\$13.37/hr

<sup>3</sup> Los Angeles County Economic Development Corporation

### ***Unemployment***

Although the City of Los Angeles is home to a significant number of industrial jobs, high unemployment levels remain a critical issue in many neighborhoods and business sectors. According to CDD, as of November 2002, unemployment in the County was 6.6% overall, representing approximately 299,000 workers. Nine percent of this total represents persons younger than 25 years of age. The number of unemployed persons within the City of Los Angeles was 129,000. The 2000 U.S. Census reports that the unemployment rate is as high as 50% in communities with a high concentration of lower-income ethnic minorities. These communities are often in, or adjacent to, industrial neighborhoods.

### ***Education and Training***

Education, training and adequate skill levels are significant industrial employment and unemployment issues. The State of California Employment Development Department (EDD) reports that the percentage of the regional population with an absence of a high school diploma ranges from a high of 19% of the population in the North San Fernando Valley area to a low of 5% of the population in the Harbor region. Deficiencies in basic job skills range from 52.7% in South Los Angeles to 14.3% in West Los Angeles. The percentage of the regional population with some college education ranges from a low of 16% in Central Los Angeles to a high of 74% in West L.A. **Table 2.2**, *Education and Skill Level By City Region – 18 to 64 Years Old, 2002*, further illustrates these issues.

**Table 2.2**

<b>Education and Skill Level by City Region - 18 to 64 Years Old, 2002</b>			
<b>Region</b>	<b>% of Region Pop. w/no H/S diploma</b>	<b>% of Region Pop. basic skills deficient</b>	<b>% of Region Pop. with any college</b>
North Valley	19.0	35.3	45.0
South Valley	17.3	22.3	61.0
East L.A.	14.3	47.7	35.0
Central	12.5	31.2	16.0
West L.A.	17.1	14.3	74.0
South L.A.	14.7	52.7	28.0
Harbor	5.0	36.7	41.0

The compensation levels and the corresponding abilities needed for industrial jobs are two critically important factors that will influence workforce oriented industrial development policies in the City of Los Angeles.



**2B. Revenue from the City's Industrial Activity**

The City of Los Angeles has four major revenue sources: property tax, utility user tax, business tax and sales tax. In this section each City revenue source is discussed in terms of its composition from industrial revenue sources, with a further breakdown by industrial region and by industry category.

**Summary of Industrial Revenue Citywide**

According to the City of Los Angeles Office of Finance, citywide revenues generated in 2002 from all property, utility, sales and business taxes totaled \$1.7 billion. Of this total, approximately 37.5% or \$637.7 million was provided by property tax, 28.4% or \$438.8 million from utility user tax, 19.1% or 325.3 million from sales tax, and 15.0% or 256.0 from business tax.

Figure 2.2

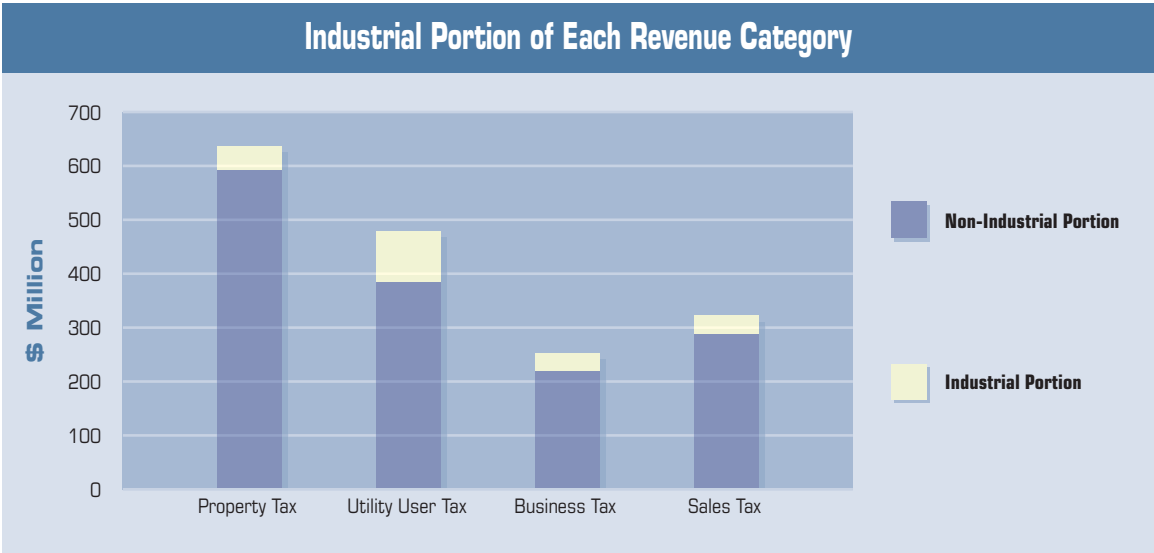
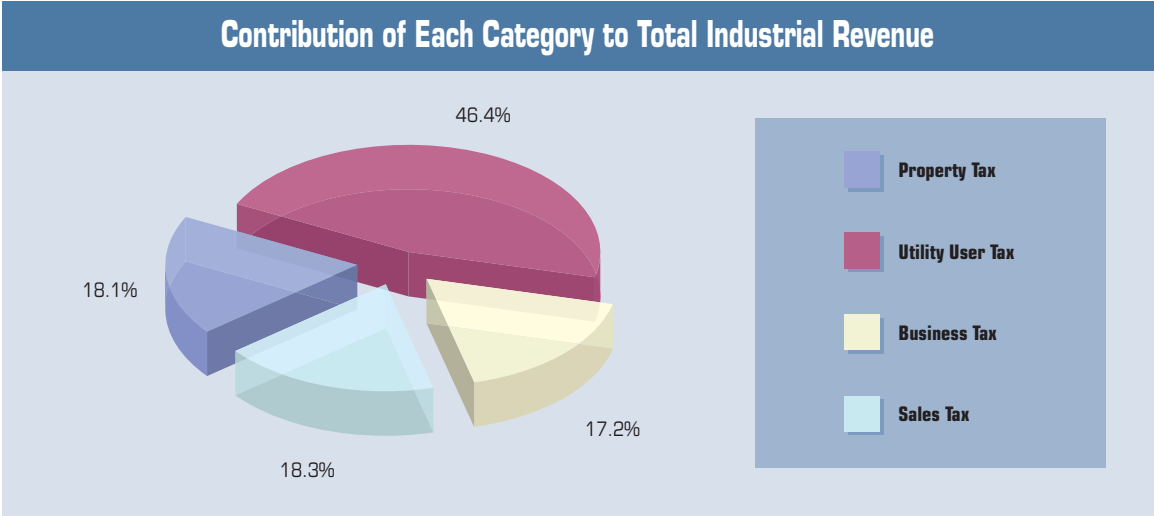


Figure 2.3



Of the total revenues from these sources collected by the City, industrial sources account for 12.9% or a total of \$219.4 million. Of this total, 18.1% in 2002 was provided by property tax, 46.4% by utility user tax, 17.2% by business tax, and 18.3% by sales tax.

As a proportion of the revenue source, tax collections from industrial sources make up 21% of the utility tax category. This is expected since industrial businesses are large consumers of water and electrical power. As a result, they pay a corresponding high proportion of the associated utility taxes levied. Conversely, property tax collections from industrial sources make up only 6.2% of the total property taxes collected from all sources, reflecting the relatively low assessed value of much of the City's industrial base. See **Table 2.3**, *Summary of Industrial Revenue, Citywide 2002*, for a further breakdown of citywide tax collections and the proportional share provided by industrial sources.

**Table 2.3**

<b>Summary of Industrial Revenue, Citywide 2002</b>					
<b>Category</b>	<b>City Revenue</b>				<b>Industrial Contribution to Each Category %</b>
	<b>From All Sources*</b>	<b>From Industrial Sources Only</b>			
	<b>\$M</b>	<b>Amount \$M</b>	<b>% of Indus. Total</b>	<b>In-core \$M</b>	
Property Tax	637.7	39.7	18.1%	39.7	6.2%
Utility User Tax	483.8	101.8	46.4%	101.8	21.0%
Business Tax	256.0	37.7	17.2%	26.7	14.7%
Sales Tax	325.3	40.2	18.3%	23.1	12.4%
City Totals	1702.8	219.4		191.3	
<b>Industrial Percent of Total</b>			<b>12.9%</b>		

\*From businesses physically inside the City Limits of Los Angeles.  
Source: City of Los Angeles Office of Finance

### **Utility User Tax Revenue**

As described above, the largest industrial sourced revenue contribution is made to the utility tax category, which, in 2002, received \$101.8 million of its total \$438.8 million from industrial sources. This translates to 21% of total citywide utility taxes collected from all sources.

The regional distribution of industrial revenues pertaining to utility users tax is shown in **Table 2.4**, *Utility Users Tax Revenue, 2002*. The largest regional contribution to industrial utility user tax revenue comes from the Metro LA industrial region, contributing 39.5% of the total. The Central Valley, West Valley, West LA, and the Harbor regions all contribute just less than 13% of the total utility users tax from industrial sources, with the North Valley making the smallest contribution at 7.9%.

Table 2.4

Utility Users Tax (UUT) Revenue, 2002		
Region	Revenue	Percent of City Industrial Total UUT
Central Valley	\$12,970,713	12.7%
Harbor	\$13,129,167	12.9%
Metro LA	\$40,204,785	39.5%
North Valley	\$7,990,199	7.9%
West LA	\$13,129,986	12.9%
West Valley	\$13,154,141	12.9%
Miscellaneous	\$1,187,189	1.2%
Total Industrial UUT	\$101,766,188	21.0%
Total City UUT	\$483,752,000	

Source: City of Los Angeles Office of Finance

### Property Tax Revenue

While property taxes singly provide the City with its largest revenue source, property taxes from industrial land represent only 6.2% or \$39.7 million of the total \$637.7 million collected from this revenue source. This is due to a generally lower assessed valuation of industrial land. However, property tax revenues on industrial land have increased at greater than 5% annually between 2000 and 2002. This increase reflects an increase in demand for industrial property. Although exact figures are not available, a potentially significant proportion of this increase is from properties where a conversion of industrial land to non-industrial uses is occurring.

Table 2.5

Property Tax Revenue, 2002						
Calendar Year	Assessed Value			Property Tax Revenue		
	Total City	Industrial	Pct.	Total City	Industrial	Pct.
2000	\$217.4B	\$13.7B	6.32%	\$561.4M	\$35.5M	6.32%
2001	\$232.6B	\$14.5B	6.23%	\$600.8M	\$37.4M	6.23%
2002	\$246.9B	\$15.4B	6.23%	\$637.7M	\$39.7M	6.23%

For each year, the industrial assessed value is within 1% of being equally split between land value and improvement value.  
Source: City of Los Angeles Office of Finance

**Business Tax Revenue**

Business taxes collected from industrial uses in 2002 represent 14.7% of the total collected in this tax category. This translates into \$37.7 million in sales tax revenue generated from industrial sources, of the total \$256.0 million collected from all sources in this category.

The distribution of business tax revenue by industrial region is summarized in **Table 2.6, Industrial Business Tax Revenue – Location, 2002**. The Metro LA region is the largest contributor, providing 51.7% of industrial business tax revenue collected. The Central Valley, West Valley, and West Los Angeles industrial regions all contribute 10.4%, 13.5%, and 12.2 % respectively. Interestingly, the Harbor industrial region (excluding the Port), with 20% of the City’s industrial zoned land, only contributed 5.7% of the business tax collections from industrial sources, and the North Valley industrial region, with 13% of the City’s industrial zoned land, only contributes 6.6% of the business tax collections from industrial sources.

**Table 2.6**

<b>Business Tax Revenue - by Region, 2002</b>		
<b>Region</b>	<b>Region Total</b>	<b>Region Share</b>
Central Valley	3,941,312	10.4%
Harbor	2,153,646	5.7%
Metro LA	19,506,407	51.7%
North Valley	2,478,700	6.6%
West Los Angeles	4,586,842	12.2%
West Valley	5,078,074	13.5%
City Total	37,744,980	

Source: City of Los Angeles Office of Finance

The Los Angeles Economic Development Corporation (LAEDC) projected seven industrial SIC codes with high growth potential. These are listed in **Table 2.7, Business Tax Revenue – Type, 2002**, in the order of their contribution to business tax revenue. The Motion Picture industry was ranked first with over \$3.2 million in annual business tax revenue. Transportation Services ranked second, providing almost \$1.9 million and Printing, Publishing and Allied Industries was listed third with a contribution of over \$1.1 million. Transportation related industries, including air and water, were identified as having high growth potential, and are industries having a high utilization of industrial land but a low contribution to City business tax revenue. This observation should not be misunderstood, as transportation related industries provide key supportive facilities and services for many other industries in the Los Angeles region, most notably international trade, logistics, and warehousing.

Table 2.7

Business Tax Revenue - by Type, 2002		
Seven Industrial SIC Codes with High-Growth Potential (LAEDC Study)		
Industry (SIC code)	Revenue Provided	Ranking, in Revenue (of 18)
Motion Pictures (78)	3,277,280	3rd
Transportation Services (47)	1,881,632	6th
Printing, Publishing and Allied Industries (27)	1,125,836	9th
Motor Freight Transportation and Warehousing (42)*	994,882	10th
Transportation by Air (45)*	716,923	11th
Water Transportation (44)	23,658	15th
Local/Suburb Transit, Interurban Hwy Pass. Traffic (41)*	20,276	16th

\*The Transportation-Related Industries: Have high utilization of industrial Land, and Have low current contribution to City Revenue.  
Source: City of Los Angeles Office of Finance

### Sales Tax Revenue

Sales taxes collected from industrial uses in 2002 represent 12.4% of the total collected in this tax category. This translates into \$40.2 million in sales tax revenue generated from industrial sources, of the total \$325.3 million collected from all sources in this category. Although the proportion of sales taxes collected from industrial users is only 12.4% in terms of dollars, 33% of all business accounts in the City are designated as industrial businesses. This represents 32,000 industrial business accounts, out of a total 97,500 accounts.

Table 2.8

Sales Tax Revenue, 2002					
Category	Revenue		Number of Accounts		Average \$ per Acct
	Totals	% of Total	(Thousands)	% of Total	
Industrial	\$40.2M	12.4%	32.0	33%	1,257.2
Non-Industrial	285.2M	87.6%	65.5	67%	4,353.9
City Totals	325.3M		97.5		3,338.4

Source: City of Los Angeles Office of Finance

## 2C. Private Investment in Industrial Land Development

Building permits are fair indicators of development activity in terms of the number of permits issued, total permit valuation and the nature of the development project permitted. The Los Angeles Department of Building and Safety (LADBS) reported that from 1997 to 2002, total building permit valuations in all zones were in excess of \$13 billion, with building permit valuations on industrial zoned parcels totaling \$1.6 billion, or 12% of the citywide total. Within the City's industrial zones, non-industrial use permit valuations totaled \$807 million, or slightly over 51% of the value of permits issued in industrial areas during that period. This represents a major private investment in non-industrial activities in industrial zoned areas.



Of the non-industrial use permits issued on industrial zoned land, 31% went to commercial uses, 14% to retail uses, 3% to residential uses, and 2% to institutional uses. **Table 2.9**, *Building Permit Valuations on Industrial-Zoned Parcels, 1997 - 2002*, provides additional details on the building permits issued during this period.

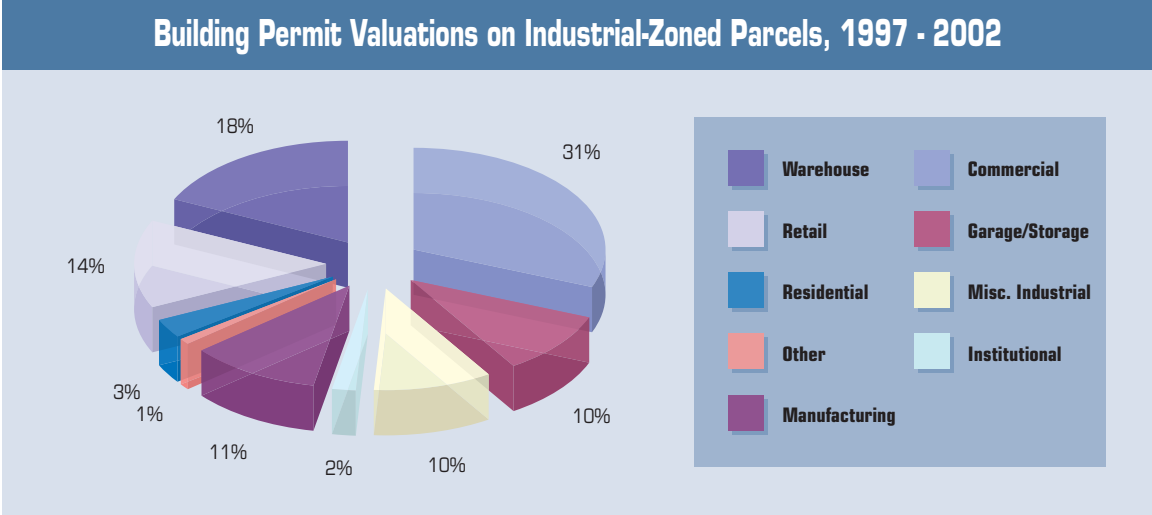


Table 2.9

Building Permit Valuations on Industrial-Zoned Parcels, 1997 - 2002		
Land Use	Industrial Zones	All Zones
Commercial	\$ 508,978,317	\$ 2,369,077,139
Garage/Storage	\$ 158,719,013	\$ 872,880,184
Misc Industrial	\$ 153,074,936	\$ 158,543,412
Institutional	\$ 28,355,049	\$ 500,425,161
Manufacturing	\$ 169,371,299	\$ 290,457,794
Other	\$ 10,812,261	\$ 140,111,146
Residential	\$ 43,571,968	\$ 6,671,186,013
Retail	\$ 226,120,034	\$ 1,782,135,482
Warehouse	\$ 277,133,284	\$ 387,666,234
Citywide Total	\$ 1,576,136,161	\$ 13,172,482,565

Source: City of Los Angeles Department of Building & Safety/Plan Check & Inspection System

Figure 2.4



During the same period, building permit valuations in the *non*-industrial zones of the City total approximately \$11.6 billion (all zones minus industrial zones). Within the non-industrial zones, \$1.1 billion or about 9.5% consisted of industrial land use permits. This also demonstrates the significant amount of industrially categorized land uses occurring in non-industrial zoned areas.

A geographic distribution of new industrial construction activity indicated that, in 2001, a citywide total of 2.7 million square feet of new construction was permitted on industrial zoned land. Of these, the Harbor industrial region accounts for 1.4 million square feet of this new construction, more than half of the citywide total. The North Valley region follows with almost 676,000 square feet of development permitted. The entire San Fernando Valley totals almost 1.1 million, for a total of nearly 39% of the new construction in industrial zones citywide. See **Table 2.10**, *Construction Activity: Los Angeles Industrial Regions, 2001* for a complete summary of this data.

**Table 2.10**

<b>Construction Activity: Los Angeles Industrial Regions, 2001</b>		
<b>Industrial Regions</b>	<b>Square Feet</b>	<b>% of City</b>
1. Harbor	1,403,199	51.4%
2. Metro Los Angeles	259,030	9.5%
3. Northeast Valley	675,754	24.7%
4. Central Valley	8,924	0.3%
5. West Valley	372,593	13.6%
6. West Los Angeles	12,651	0.5%
Total City	2,732,151	100.0%
Total Valley ( 3, 4, 5 )	1,057,271	38.7%

*Note: Small industrial pockets of construction have been omitted.  
Source: City of Los Angeles Department of Building & Safety*



PART I

**Key Findings:  
The Industrial Land Base  
of the City of Los Angeles**

CHAPTER 3

**Infrastructure Issues Affecting  
Industrial Land Development**





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## Infrastructure Issues Affecting Industrial Land Development

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- 3A. Status and Evaluation of City Infrastructure**
- 3B. Goods Movement Infrastructure**
- 3C. Utility Infrastructure**

Infrastructure issues are fundamental to economic development and particularly to industrial development. Manufacturing and warehousing businesses are major consumers of electric power and water and depend on road, rail, air and sea transportation to move goods to domestic and international markets. Thus, a modern, well-developed and efficiently operated infrastructure enhances the economic development of a region, while a poorly maintained infrastructure thwarts business activity.

This chapter provides insight into the condition of the City's infrastructure, first by discussing the overall grades given to the City's infrastructure elements, then by summarizing detailed studies of goods movement issues and finally through an evaluation of the City's utility infrastructure.

### **3A. Status and Evaluation of City Infrastructure**

In March 2003, the Mayor appointed a Blue Ribbon Task Force on Infrastructure to develop a strategic plan for maintaining and improving the City's infrastructure. The Bureau of Engineering (BOE) of the Department of Public Works has prepared an Infrastructure Report Card for the City of Los Angeles that is the result of an analysis of eleven components of the City's infrastructure. The Report Card (see **Table 3.1**) reflects the concern for the City's infrastructure and has become part of the Blue Ribbon Task Force considerations.

The Bureau of Engineering's Report Card gave the City's infrastructure an overall grade of C+. The greatest disparity between the City's desired operating standard and the current operating condition lies with streets and highways, with a desired goal of B- and an actual grade of D+. The Bureau of Street Services reports that 41% of the City's streets and highways are in "poor condition". The poor grade is largely the result of substandard street pavement conditions and highway congestion. As stated above, the physical and operational conditions of streets and highways are critical for industrial development because of the value and costs incurred in the movement of manufactured and related goods. Given the current sub-standard condition of many of the City's streets and highways and their impact on industrial development, Phase 1 of the IDPI gave particular attention to this infrastructure element.

While the BOE report does not distinguish between roadways in industrial versus non-industrial areas of the City, one can infer that roadways in the industrial areas of the City are highly impacted due to heavy truck traffic that disproportionately impacts streets and highways.

In terms of traffic congestion and operating efficiency, a total of 44 of the 140 intersections evaluated in this analysis received a level of service (LOS) grade of D or F. Only 17 of the 140 received a grade of A or B, representing an operating level of below 70% of volume capacity.

An LOS grade of “A” means the intersection operates with no traffic signal cycles fully loaded, i.e., no vehicle waits longer than one red light and the intersection appears quite open, with turning movements easily made. An LOS grade of “F” represents a condition where the intersection is operating at or above the maximum number of vehicles it can accommodate, with many long queues of vehicles and delays of several traffic signal cycles.

The BOE Report Card graded all infrastructure components and defined improvement goals with 10-year investment needs. These are summarized in **Table 3.1**, *Infrastructure Assessments, 2003*.

**Table 3.1**

<b>Infrastructure Assessments, 2003</b>			
<b>Infrastructure</b>	<b>Grade</b>	<b>Goals</b>	<b>10 Year Investment Need</b>
Bridges	B+	70% maintained at B or better with none less than D.	\$0.5 billion
Stormwater System	C+	Maintained at condition of D or better.	\$0.1 billion
Streets/Highways	D+	Pavement condition maintained at B- or better; none below D.	\$1.5 billion for pavement; \$0.7 billion for congestion
Street Lighting	C	Maintained at condition of C.	\$1.0 billion
Wastewater Collection	B+	Sewer systems to be maintained at condition of B or better; with condition F sewers repaired immediately.	\$1.8 billion
Wastewater Treatment	B+	Facilities to be maintained at condition of B or better; no individual treatment process less than C.	\$0.05 billion
Water	C	Systems to be maintained at a minimum operating condition of B or better.	\$3.2 billion
Airports	TBD	TBD	TBD
Public Buildings	TBD	TBD	TBD
Parks	C	TBD	TBD
Port	B	TBD	TBD
<b>Overall Grade</b>	<b>C+</b>		

TBD = to be determined

Source: City of Los Angeles Department of Public Works, Bureau of Engineering





The Los Angeles Department of Transportation reports the overall network of roads and intersections in the City of Los Angeles to be as follows:

Table 3.2

Summary of Los Angeles Road Network, 2003	
Population	3,695,000
Area	465 Square Miles
Street Miles	6,500 Miles
Major & Secondary	1,400
Collector & Local	5,000
Intersections	40,000
Freeway Miles	160 Miles

Source: City of Los Angeles Department of Transportation

The Department of Public Works estimates that the City of Los Angeles needs to fund an additional \$1.5 billion for congestion relief over the next ten years to upgrade its arterial infrastructure to acceptable levels.

**Table 3.3**

<b>Estimated Expenditures for Street Maintenance and Congestion Relief over 10-Year Period, 2003</b>		
	<b>Paving</b>	<b>Congestion</b>
10-Year Expenditure Need	\$1.5 Billion	\$721 million
10-Year Funding Available	\$0.5 Billion	\$250 million
10-Year Shortfall	\$1.0 Billion	\$471 million
Total 10-Year Shortfall	Approx \$1.5 billion	

Source: City of Los Angeles Department of Public Works, Bureau of Engineering

Of the 6,500-centerline miles of streets in the City, 36% or 2,158 miles are in industrial core areas. Of these, 37% need rehabilitative work, of which, 22% require a re-blanket, 11% require resurfacing and 4% require reconstruction. The Bureau of Street Services has further sub-divided this information by industrial region as shown in **Table 3.4**, *Percentage of Centerline Miles in Industrial Core Areas Needing Rehabilitation, 2003*:

**Table 3.4**

<b>Percentage of Centerline Miles in Industrial Core Areas Needing Rehabilitation, 2003</b>				
<b>Industrial Region</b>	<b>Industrial Core Street Miles</b>	<b>% Requiring Reconstruction</b>	<b>% Requiring Resurfacing</b>	<b>% Requiring Re-blanket</b>
West Valley	233	4%	10%	32%
North Valley	256	1%	14%	25%
Central Valley	282	5%	14%	25%
West Los Angeles	251	2%	12%	21%
Metro Los Angeles	947	6%	10%	16%
Harbor	188	1%	8%	26%
Total	2,157	4%	11%	22%

Source: City of Los Angeles Department of Public Works, Bureau of Street Services

### 3B. Goods Movement Infrastructure

Goods movement and truck traffic have a fundamental impact on the growth, success and improvement of industrial businesses and districts. Industry needs access to markets, goods, materials and employees. The ability to transport goods is particularly important for the City of Los Angeles given its high level of involvement in trade with the rest of the United States and the world.

Efficient transportation of goods can relieve businesses of burdensome real estate costs associated with the storage of goods. Thus, there is a direct connection between goods movement and industrial land use. With the advent of “just-in-time” inventory policies of many industries, better goods movement can reduce the need for larger warehouses. Warehousing needs tend to drive businesses and developers to areas where land is more abundant and less costly. By moving goods more efficiently, manufacturers can utilize less space, thus making land use more efficient and economical.

The relationship between warehousing and the freight forwarding industry is another important consideration for industrial policy in the City of Los Angeles. Freight movement is a core component of the Southern California economy. According to recent labor statistics, the freight transportation industry employs 500,000 workers in Los Angeles County, a significant economic consideration when compared to the 580,000 workers employed countywide in the industrial/manufacturing sector. The six counties of Los Angeles, Orange, Riverside, San Bernardino, Imperial and Ventura form an economic powerhouse that sees massive freight flows. Much of the freight volume is generated internally. The region boasts a vast network of warehousing and distribution centers to serve its enormous local market and is one of the largest manufacturing centers in the United States. The impact of these local freight flows is exacerbated by the region’s role as a major international trade center for the state and the nation.

The Los Angeles Department of Transportation (DOT) identified six areas of concern with regard to the movement of goods in the City’s industrial areas:

#### Six Areas of Concern with Regard to the Movement of Goods in the City’s Industrial Areas

Freeway access delays
Industrial site access delays
Loading and unloading facilities deficiencies
Through traffic congestion
Railroad crossings delays
Left and right turns at intersections

*Source: The Los Angeles Department of Transportation (DOT)*

In response to these growing challenges, DOT presented a set of studies concerning goods movement and truck traffic in industrial areas of the City and the immediate surrounding regions. The set includes the following studies:

1. Improving Truck Movement in Urban Industrial Districts - Phase I, LADOT, October, 1999.
2. Improving Truck Movement in Urban Industrial Districts - Phase II, LADOT, February, 2002.
3. Draft - Southern California Freight Movement Case Study, LA County MTA, December, 2002.
4. Goods Movement Program White Paper, SCAG, January, 2002.

The central goals, findings and recommendations of these studies are included in this section.

### ***Improving Truck Movement - Phase I & Phase II Study Areas***

The City of Los Angeles Department of Transportation (LADOT), in collaboration with the Southern California Association of Governments (SCAG), undertook the “Goods Movement Improvement Program” to identify problems with truck movement and access to intermodal facilities, distribution centers, industrial users and freeways in the City. The program focuses on short-term mitigation efforts and implementation. DOT recommends that a regional effort to improve roadway mobility be a high priority for the City and County of Los Angeles. See maps **Figure 3.1**, *Goods Movement Improvement Program Phase I Study Area*, and **Figure 3.2**, *Goods Movement Improvement Program Phase II Study Areas*. SCAG, the State of California, the federal government and other entities may be active partners in this process.

The Goods Movement Improvement Program was divided into Phase I and Phase II Study Areas. The Phase I Study Area runs from Central City North to the Port of Los Angeles, and from the Harbor Freeway to the eastern boundary of the City. The area contains the Port of Los Angeles, portions of the Alameda Corridor, the Los Angeles Intermodal Center, a large manufacturing base and numerous truck distribution centers. The Central City North area is characterized by older and narrower streets that are largely in a state of damage and disrepair from heavy truck usage in the industrial regions.

The Phase II Study Area consists of three study areas, West Valley, East Valley, and Northeast Los Angeles. It should be noted that these sub-geographies do not coincide with the IDPI’s industrial regions; thus, the IDPI has reorganized this data to accommodate IDPI’s industrial regions.

### ***Phase I Study Area Analysis***

The LADOT Phase I Study Area included examination of Central City East, which is a geographically concentrated, heavily industrialized area east of Downtown Los Angeles, to determine specific truck movement challenges and solutions. Most deficiencies in this urban industrial district can be traced to a local street network that was built nearly a century ago. The growth in the industrial and distribution base, coupled with the doubling of average tractor-trailer length, has exacerbated street infrastructure challenges in this area. The major impediments to truck traffic movement in this study area are the conditions of the streets themselves and inadequate traffic control devices (e.g. traffic signalization, striping and stop signs), all resulting in freeway and site access problems and en route delays.

The Central City East analysis identifies forty-three separate problem locations within this six square mile area, as well as a typology of solutions to address these and other truck movement challenges. (See **Figure 3.3**, *Map of Central City East Problem Locations*.) As part of this analysis, DOT developed a GIS database that incorporates truck routes, SCAG’s land use database, and truck count data for key intersections throughout the study area. The typology of solutions generated includes operational improvements, traffic engineering, capital improvement and programmatic/policy measures to ease truck access. The latter includes measures to improve zoning, parking and design standards for future truck access facilities and roadways. It also includes approaches for streamlining the mitigation process.

Figure 3.1



Figure 3.2

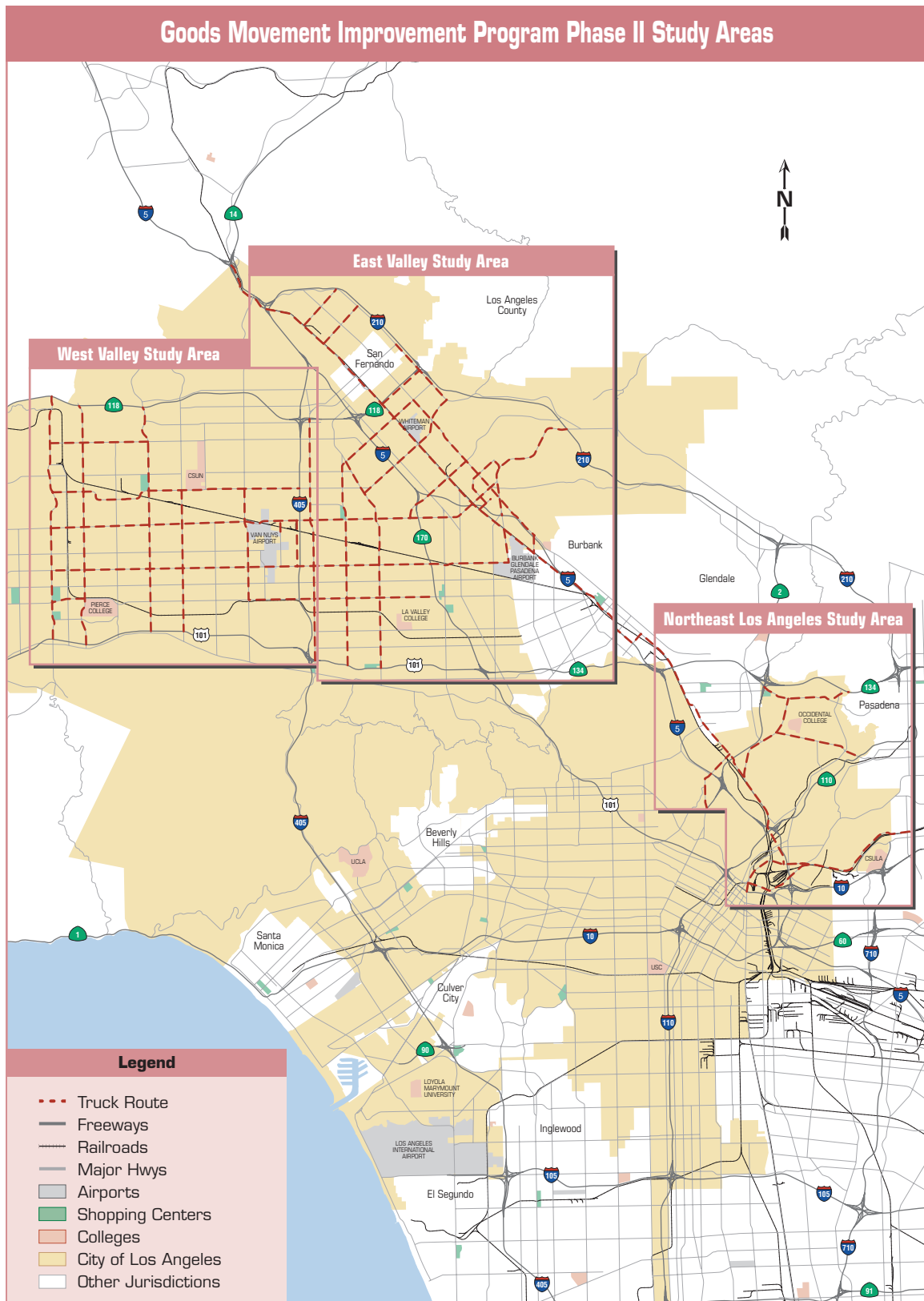




Figure 3.3



**Figure 3.4**, *Solution Typology Matrix*, provides suggested solutions for the forty-three problems described in the Phase I Goods Movement Improvement Program Study.

The Phase I Study concludes by pointing out the success of:

- A proactive approach and method for identifying and verifying transportation associated problems,
- The identification and mitigation of 43 problem sites in the mostly industrial areas of Central City East, and
- The approval of \$1.8 million in 1999 Regional Transportation Improvement Program discretionary funding.

**Phase II Study Area Analysis**

The LADOT Phase II Study Area included analysis of the West Valley, the East Valley, and Northeast Los Angeles (see **Figure 3.2**, *Goods Movement Improvement Program Phase II Study Areas*). These areas provide major transportation routes and corridors where the geographical setting consists of residential, commercial, and industrial land uses. The areas include Anheuser Busch, Bradley Landfill, a main United Parcel Service facility and major industrial truck distribution centers.

The Phase II Study Area analysis examines specific truck movement problems and solutions for these geographic areas. Although much of the San Fernando Valley is relatively new, as compared to Central City East, this area showed certain locations where the doubling of average tractor-trailer length has impacted physical street infrastructure and operational efficiency. As in Central City East, the major impediments to truck movement here are the streets themselves, resulting in similar freeway access problems, site access problems and en route delays. The Phase II study identifies twenty separate problem locations and recommends widening of streets and increasing curb radii to facilitate the movement of large tractor-trailer trucks. Specifically, the problems uncovered are:

Phase II Study Area Specific Problems
Deteriorated and weathered roadways
Narrow roadway widths
Difficult turn movements
Staging in two-way left turn lane or striped median
Heavy truck queuing due to lack of turn signal
Blocking of railroad tracks
Deteriorated striping
Truck double parking

Source: *The Los Angeles Department of Transportation (DOT)*

As in the Phase I Study Area analysis, solutions for truck movement problems are grouped into four categories: operational improvement measures; engineering improvement measures; capital improvement measures; and programmatic and policy measures.

Figure 3.4

Solution Typology Matrix				
	Operational	Engineering	Capital Improvement	Programmatic / Policy
<b>Lower Funding Level</b> <i>(Internal Budget)</i>	#6 (talk to Railroad - reduce delay)	#16 (adjust lane striping)		#7 (require truck on-site circulation)
	#8 (Provide legal truck parking)	#23 (adjust lane striping & limit line)		#10 (employee off-site parking)
	#9 (pull back limit line)	#27 (add LT signal arrow)		#14 (provide large truck access)
	#12 (PM congestion mgmt)	#33 (add LT signal arrow)		#19 (require truck on-site circulation)
	#13 (evaluate parking restrictions)			#35 (upgrade to new Street Standards)
	#17 (evaluate parking restrictions)			#39 (require truck on-site circulation)
	#26 (lengthen LT signal phase)			#41 (require delivery & ped. separation)
	#32 (lengthen LT signal phase)			#42 (upgrade to new Street Standards)
	#38 (provide alt. access route)			
	#40 (lengthen LT signal phase)			
#43 (prioritize for repavement)				
<b>Higher Funding Level</b> <i>(Private, State, or Federal)</i>		#4 (reconfigure driveway)	#1 (add 2nd LT lane)	
		#5 (driveway + 1-way conversion)	#2 (widen + acquire ROW)	
		#14 (provide large truck circulation)	#3 (widen + acquire ROW)	
		#18 (1-way conversion)	#11 (widen RT lane)	
		#21 (install signal at ramp)	#15 (widen + add LT lanes)	
		#28 (install signal at ramp)	#20 (widen to new Standards)	
		#29 (reroute trucks & widen curb)	#22 (widen RT lane)	
		#35 (install signal at intersection)	#24 (widen + add NB LT lane)	
		#36 (install signal at ramp)	#25 (widen ramp + 1-way conversion)	
			#29 (widen, acquire ROW P-lot)	
			#30 (widen to new Standards)	
			#31 (widen to new Standards)	
			#34 (overpass-Alameda Corridor)	
		#37 (widen + acquire ROW)		

**Southern California Freight Management Case Study, 2002**

The Southern California Freight Management Case Study is one of five regional studies being conducted across the country at the behest of the Office of Freight Management and Operations of the Federal Highways Administration (FHWA). The FHWA is examining how different regions address freight transportation needs. Consistent with recent FHWA efforts, the Southern California study discusses regional freight movement and its broader national significance.

The Los Angeles County Metropolitan Transportation Authority (MTA), the Southern California Association of Governments (SCAG), and the California Department of Transportation (California DOT) conducted the Southern California study. Their collaborative effort, together with input from freight industry partners, provides a broad overview of freight movement in the region. The study also contributes to Southern California's pursuit of a statewide goal to "improve major freight gateways in California to enhance overall mobility", as articulated in the Global Gateways Development Program (GGDP) authorized by California State Senate Concurrent Resolution 96.

The case study draws some lessons from the successful Alameda Corridor project, before concluding with a description of the other promising freight projects in the region and recommendations for stakeholders to consider when addressing the remaining freight movement challenges for the region.

Freight transportation deficiencies are a preeminent challenge facing the City of Los Angeles and the Southern California region. Capacity constraints, environmental challenges and funding shortfalls need to be addressed. Furthermore, population growth and trade are two trends that will shape the future of freight movement in the Los Angeles region. Preserving the region's quality of life and economic competitiveness will require meeting freight challenges with respect to congestion, the environment, safety and security. The region will have to work within a complex decision making environment to resolve issues of burden sharing and fairness, inefficient use of existing infrastructure and general public antipathy to freight movement. The development of a world-class infrastructure network will require cooperation among all of the region's stakeholders.

### ***SCAG Goods Movement Program White Paper, January 2002***

The SCAG Goods Movement White Paper reviews the system of goods movement within the six-county Southern California Association of Government's (SCAG) region and discusses the priorities, objectives and scope of SCAG's Goods Movement Program. Key points include:

- The benefits of this overall goods movement system accrue to the region through the value of goods shipped, wages earned in direct and indirect employment and tax revenues generated by these activities for local and state governments. Goods movement in the SCAG region contributes to the nation's welfare because international trade flows handled by the region allow the national economy to achieve greater productivity and investment levels. The historic and forecast rates of regional, national and international economic growth, as well as the region's increasing population have propelled the volume of goods that move through the region's transportation system to expand dramatically.
- The **2001 Regional Transportation Plan (RTP)** represents a comprehensive and broad-based effort to frame and address critical transportation issues facing the region. The regional goals and policies established by SCAG to guide the development of the RTP also relate to the challenges now confronting the goods movement system. These goals are to:

1. Improve transportation mobility for all people and enhance the movement of goods within the sub-regions and the region.
  2. Ensure that transportation investments are cost-effective, protect and improve the environment, promote energy efficiency and enhance the quality of life.
  3. Serve the public's transportation needs in safe, reliable, and economical ways that also meet the individual needs of those who depend on public transit, such as lower-income families, the elderly and people with disabilities.
  4. Develop regional transportation solutions that complement the transportation systems and land-use plans of communities within the sub-regions.
  5. Promote transportation strategies that are innovative and market-based, encourage new technologies and support the Southern California economy.
  6. Encourage land-use and growth patterns that enhance the quality of life for local communities and maximize the productivity of transportation investments.
- SCAG's Goods Movement Program draws upon these goals to establish a set of priorities in evaluating studies and project initiatives. These priorities are:
    1. Economic Efficiency
    2. Congestion Mitigation
    3. Safety Improvement
    4. Air Quality Improvement
    5. System Security
  - An increased trade and goods movement is utilizing infrastructure facilities that are already strained to capacity. The region's 17 million residents and the 7.4 million jobs that sustain their lifestyles rely on the mobility afforded by existing infrastructure developments. Maintaining sufficient regional mobility for both passengers and freight is a regional imperative. And yet, even with the full implementation of the public and privately funded projects set forth in the RTP, key segments of the region's road and rail networks will experience significantly greater congestion by the year 2025.

### 3C. Utility Infrastructure

#### **Department of Water and Power**

The City of Los Angeles Department of Water and Power (DWP) services 1.4 million customer accounts of which 200,000 are commercial/industrial accounts and 1.2 million are residential accounts. It is the largest municipal utility in the nation and has been providing service for over 100 years.

#### *Energy and Water Capacity*

DWP’s overall power generation capacity (consisting of coal, gas, hydro, nuclear, renewable resources, and distributed generation) is 7,155 megawatts, transmitted over 11,000 miles of overhead lines and 6,000 miles of underground cable. Its customer distribution system includes 180 receiving stations and 3,700 distribution stations. Its water system provides about 215 billion gallons of water annually over 280 miles of 20-inch thick trunk lines and 7,200 miles of water mains (less than 20 inches in diameter). Water facilities include 80 booster-pumping stations, 90 tanks and reservoirs, 25 chlorination stations, 260 regulator stations and 700,000 water meters.

DWP’s overall power system infrastructure rating is a “B”. This rating consists of a “condition score” of 7.6 out of 10, which reflects age, condition of facilities, and known material issues. Its “capacity score” is a 9.0 out of 10, reflecting availability of adequate energy supply and reliability of transmission and distribution delivery systems. Its “operational score” is 8.0 out of 10, which reflects availability of generation resources, quality of service, and maintenance, repair and replacement funding levels.

DWP’s overall water system infrastructure rating is a “C”. This rating consists of a “condition score” of 7.67 out of 10, which also reflects age, condition of facilities and known material issues. The “capacity score” is 7.25 out of 10, reflecting supply sufficiency, storage, flexibility and redundancy and capacity to meet peak demands. Its “operation score” is 8.0 of 10, reflecting water quality regulations, annual maintenance requirements and the level of adoption and implementation of Best Management Plans (BMPs).

#### *Energy and Water Revenue*

Total DWP annual revenues from customers are approximately \$2.7 billion. Of this total, DWP revenues generated from industrial businesses in the City of Los Angeles are in excess of \$515 million per year. These revenues are summarized in **Table 3.5, Energy and Water Revenue From Industrial Businesses, 2003**:

**Table 3.5**

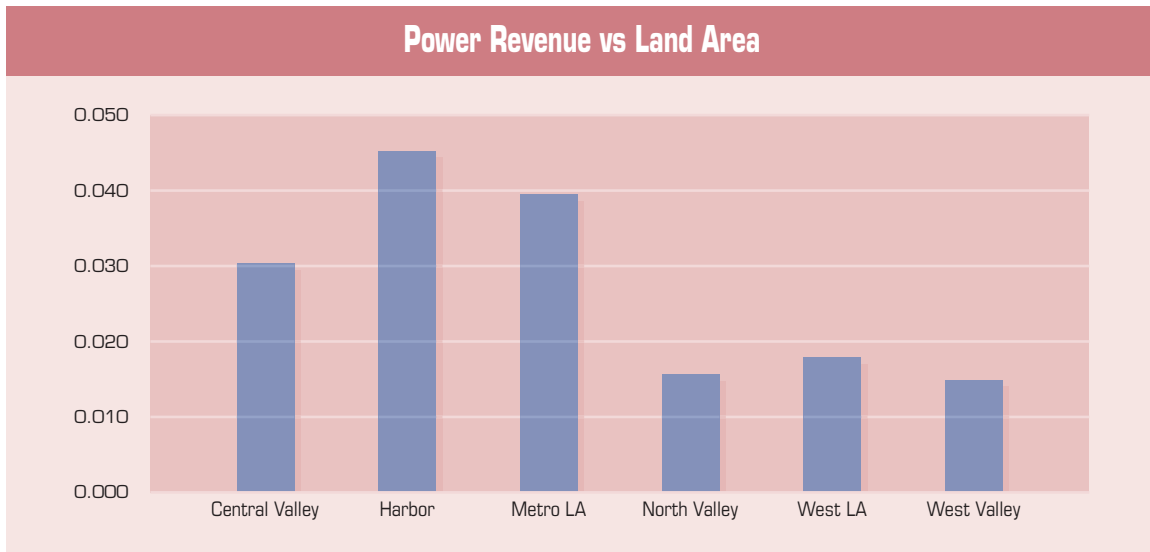
<b>Energy and Water Revenue from Industrial Businesses, 2003</b>	
Power Revenue	\$ 374,561,978
Utility Tax	\$ 46,820,247
Water Revenue	\$ 63,011,170
Transfer to City	\$ 30,630,120
<b>Grand Total</b>	<b>\$ 515,023,515</b>

Source: City of Los Angeles Department of Water & Power



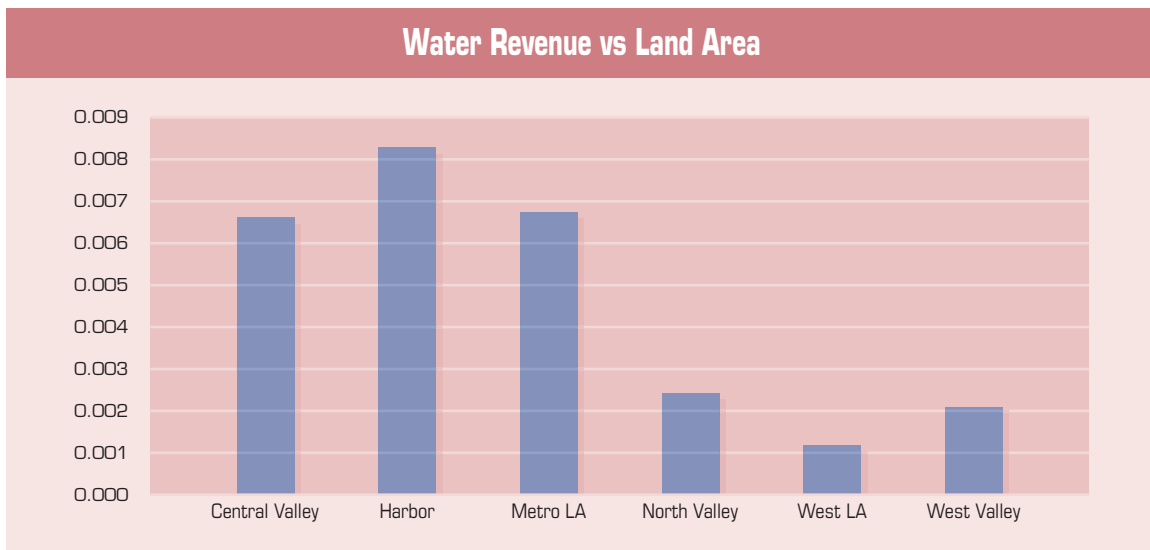
The Harbor industrial region produces the largest amount of power revenues per unit of land (approximately 20 cents per acre). The North Valley registers the lowest amount of power revenue per unit of land at 6.5 cents per acre.

Figure 3.5



Similarly, the Harbor industrial region produces about 3.6 cents in water revenues per acre, with the lowest coming from the West Valley at about 0.4 cents per acre.

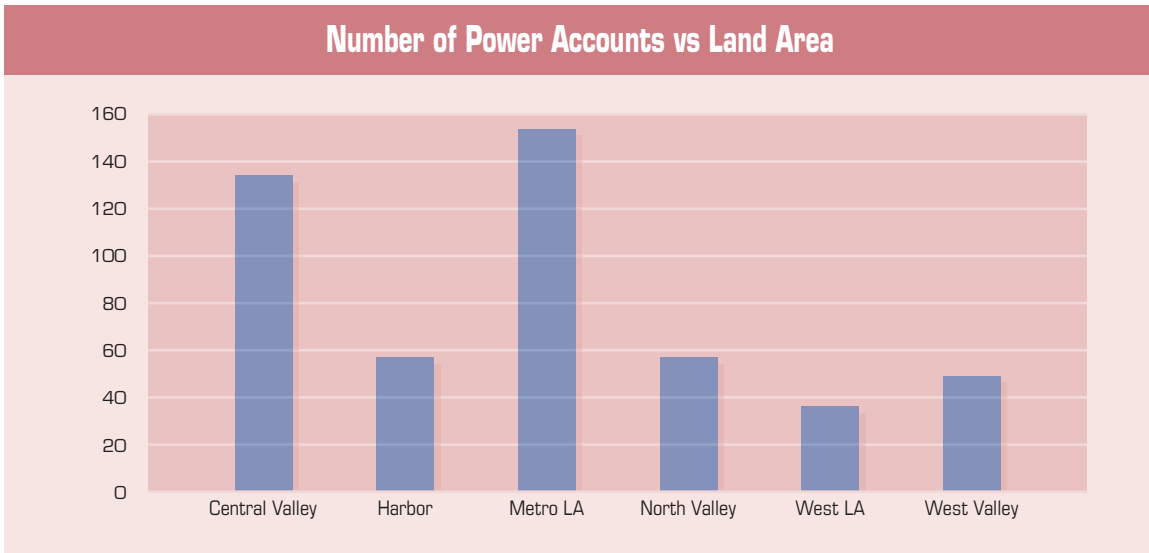
Figure 3.6



*Energy and Water Utilization*

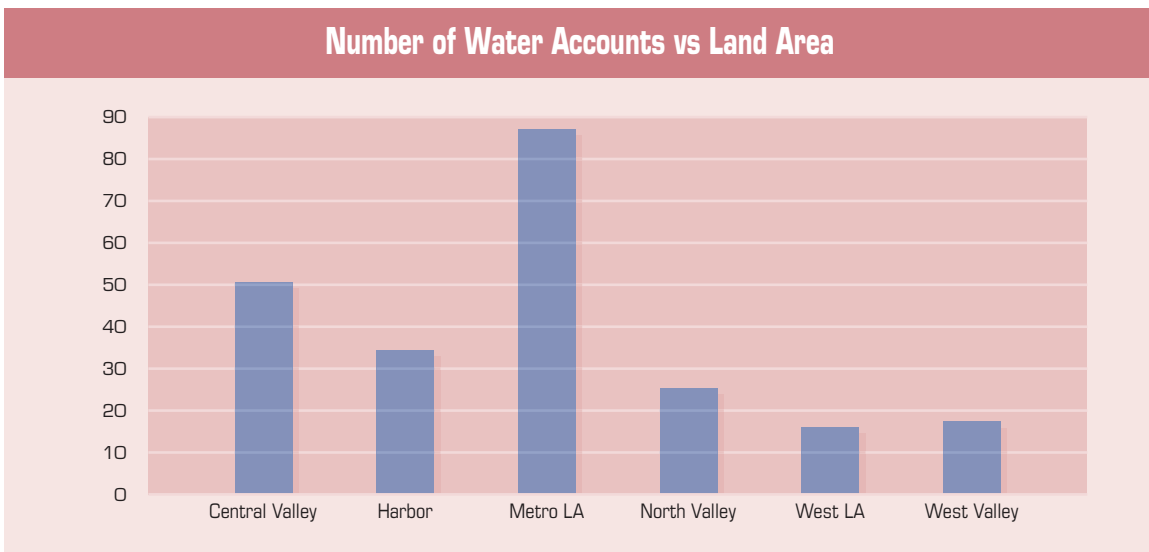
In terms of the number of power accounts per acre, the Metro LA industrial region leads with about 150 power accounts per square mile, or one power account per 4.27 acres. The lowest number of accounts per acre is in the West LA region with about 35 power accounts per square mile, or one account per 18.28 acres of industrial zoned land.

**Figure 3.7**



Similarly, the number of water accounts per land unit is highest in the Metro area, with about 87 accounts per square mile, or one water account per 7.4 acres. The West LA region is the lowest with 15 water accounts per square mile, or one account per 42.7 acres of industrial zoned land.

**Figure 3.8**



The number of water and power accounts within industrial areas is summarized on **Table 3.6**, *Number of Water Accounts Within Industrial and Manufacturing Areas*, and **Table 3.7**, *Number of Power Accounts Within Industrial and Manufacturing Areas*. The industrial accounts comprise nearly 25% of the citywide water accounts and about 27% of citywide power accounts. The Metro LA industrial region accounts for almost half of all industrial water and power accounts.

The industry breakdown of water and power accounts shows that the Manufacturing category has the largest number of both accounts citywide and within each industrial region, except for power accounts in the West LA region, where the Transportation and Utilities category has the highest number of accounts.

The “No Consumption” account category is of particular interest to the IDPI process. A “No Consumption” account means that a water or electrical meter has been installed at a property and active consumption existed at some time, but current consumption is zero. DWP’s data shows 4,604 No Consumption water accounts, or 21% of all industrial water accounts and 2,231 such power accounts, or over 5% of all industrial power accounts.

Table 3.6

Number of Water Accounts within Industrial and Manufacturing Areas								
	Total Citywide	Region Central Valley	Region Harbor	Region Metro LA	Region North Valley	Region West LA	Region West Valley	Balance, Miscellaneous Data
<b>Industrial and Manufacturing Accounts Total</b>								
	21,768 24.7%	2,866 24.0%	1,353 30.1%	11,597 25.9%	1,721 32.6%	1,672 17.7%	2,060 19.8%	499 29.0%
<b>Industrial and Manufacturing Sector</b>								
Mining	104 0.1%	10 9.6%	32 30.8%	34 32.7%	18 17.3%	7 6.7%	1 1.0%	2 1.9%
Construction	2,607 3.0%	322 12.4%	136 5.2%	1156 44.3%	193 7.4%	315 12.1%	340 13.0%	145 5.6%
Manufacturing	7,548 8.6%	1059 14.0%	414 5.5%	4134 54.8%	687 9.1%	430 5.7%	761 10.1%	63 0.8%
Transport, Utilities	2,455 2.8%	351 14.3%	233 9.5%	1116 45.5%	166 6.8%	293 11.9%	185 7.5%	111 4.5%
Wholesale	3,419 3.9%	472 13.8%	229 6.7%	2043 59.8%	225 6.6%	161 4.7%	272 8.0%	17 0.5%
Motion Pictures	1,031 1.2%	175 17.0%	25 2.4%	486 47.1%	62 6.0%	125 12.1%	122 11.8%	36 3.5%
No Consumption	4,604 5.2%	477 10.4%	284 6.2%	2628 57.1%	370 8.0%	341 7.4%	379 8.2%	125 2.7%
<b>Non-industrial Businesses</b>								
	66,371 75.3%	9,061 76.0%	3,138 69.9%	33,247 74.1%	3,563 67.4%	7,784 82.3%	8,355 80.2%	1,223 71.0%
<b>City Totals</b>								
	88,139	11,927	4,491	44,844	5,284	9,456	10,415	1,722

Table 3.7

Number of Power Accounts within Industrial and Manufacturing Areas								
	Total Citywide	Region Central Valley	Region Harbor	Region Metro LA	Region North Valley	Region West LA	Region West Valley	Balance, Miscellaneous Data
<b>Industrial and Manufacturing Accounts Total</b>								
	<b>43,879</b>	7,454	2,258	20,406	3,756	3,584	5,710	711
Small*	37,880	6,694	1,835	17,628	3,121	3,036	4,977	589
Medium*	5,349	705	343	2,527	570	459	685	60
Large*	439	38	74	176	36	65	41	9
<b>Industrial and Manufacturing Sector</b>								
Mining	174	4	92	52	9	8	7	2
Construction	4,470	741	221	1,543	355	741	733	136
Manufacturing	17,817	3,172	754	8,618	1,945	757	2,502	69
Transport, Utilities	8,499	1,415	650	3,215	622	1,276	954	367
Wholesale	8,173	1,209	364	4,703	540	347	985	25
Motion Pictures	2,515	613	57	1,160	140	241	284	20
No Consumption	2,231	300	120	1,115	145	214	245	92
<b>Non-industrial Businesses</b>								
	<b>121,108</b>	18,286	4,576	58,381	6,244	14,323	18,239	1,059
<b>City Totals</b>								
	<b>164,987</b>	25,740	6,834	78,787	10,000	17,907	23,949	1,770

\*Note: Based on Regional Energy Capacity  
 Large > 500 kW  
 Medium > 30 kW and < 500 kW  
 Small < 30 kW

### Water and Power Systems Capital Improvements

According to DWP’s funding sources and investment plan, operations are financed through the sale of utility services. Funds for capital projects are raised from bond sales. The amount of funding required over the next five years for power system capital improvements is \$2.9 billion, or \$580 million annually. Water system capital improvements required over the next ten years totals \$3.2 billion, or \$320 million per year. The DWP expects that these expenditures will ensure the reliability of the utility systems and meet the growing needs of the City’s businesses and residents.

### ***Department of Public Works***

The Department of Public Works, Bureau of Sanitation is responsible for three major programs that serve industrial businesses in the City of Los Angeles, namely wastewater, stormwater and solid waste.

#### ***Wastewater***

The City of Los Angeles has two wastewater treatment and two water reclamation plants managed by the Bureau of Sanitation that safely collect and treat about 450 million gallons of wastewater per day (MGD). The wastewater systems serve 4.28 million people, including the City's population of 3.8 million, and 27 contract agencies, over a total of 530 square miles (an area larger than the total area of the City).

The Infrastructure Report Card rated the City's overall wastewater treatment system at B+, well above the national average of D. The wastewater treatment plant capacity was rated an A. The wastewater treatment system is deemed to have sufficient capacity to meet the current needs of the City (with a projected need of 4.5 million people by 2020). The two major wastewater treatment plants are the Terminal Island (capacity of 30 MGD) and Hyperion (capacity of 450 MGD) Treatment plants.

The City's wastewater collection system is rated B+ and consists of 6,700 miles of sewers and 46 wastewater pumping plants. The two major reclamation plants are the Tillman (capacity of 80 MGD) and Glendale (capacity of 20 MGD) Water Reclamation plants.

The Bureau of Sanitation regulates over 13,000 Industrial Users (IUs) in the City of Los Angeles that discharge industrial wastewater to the City's Publicly Owned Treatment Works (sanitary sewers and wastewater treatment plants). However, only 1,332 of these IUs meet the definition of "Industrial Business" as established by the City's Department of Water and Power (DWP). Currently, the DWP's records indicate there are 21,768 "Industrial Businesses" in the City of which 1,332 or 6% are regulated by the Bureau of Sanitation through an Industrial Wastewater Permit (Permit).



The Industrial Waste Management Division (IWMD) in the Bureau of Sanitation is responsible for regulation of such “Industrial Businesses” to ensure that all applicable Federal, State and Local (City) standards for disposal of industrial wastewater, discharged by these businesses, are fully enforced. The regulation of these businesses includes, permitting, inspection, wastewater sampling, monitoring and code enforcement.

A review of the IWMD’s records indicate that the number of Permits issued to “Industrial Businesses” has decreased over time, consistent with the observed overall decrease in the population of the “Industrial Businesses” in the City.

Specifically, Permits issued to “Significant Industrial Users” (SIUs)<sup>4</sup> in the City shows a downward trend since 1992. The SIUs exceeded 360 in 1992, reached a low of 260 in 1998, increased to a high of 300 in 1999 and decreased again to approximately 260 in 2003 (28% drop as compared to 1992). However, these trends have not been uniform in all industrial regions of the City. The number of Industrial Wastewater Permits issued has increased in the San Fernando Valley and decreased in the downtown and metro Los Angeles area over the last ten years.

### *Stormwater*

The Department of Public Works, Bureau of Sanitation, Watershed Protection Division (WPD) manages the City’s Stormwater Program, which is comprised of flood control and pollution abatement. Flood control consists of the stormwater drainage system, which takes rainwater and non-rain surface runoff from the City’s streets and routes it to an underground pipe/tunnel system that is discharged untreated into the ocean.

The stormwater infrastructure condition is given a rating of C+, with 92% of the drainage facilities less than 80 years old and classified with moderate to minimal wear. The system consists of approximately 1,260 miles of storm drainpipe, 34,000 catch basins, 10 stormwater pumping plants, 102 debris basins, and two major flood control basins located behind Hansen and Sepulveda Basin Dams.

The Stormwater Program is mandated by federal regulations to comply with the National Pollutant Discharge Elimination System Municipal Stormwater Permit and Total Maximum Daily Load (TMDL) regulations. These considerations in pollution abatement activities heavily affect industries. Most industrial businesses are required to have Standard Urban Stormwater Mitigation Plans and Site Specific Mitigation Plans to minimize pollution of stormwater (if the site will have one acre or more of impervious surface area). The Bureau of Sanitation inspects and enforces stormwater

<sup>4</sup> A Significant Industrial User is defined as a discharger that is either subject to the Federal Categorical Pretreatment Standards, or discharges 25,000 or more gallons per day of process wastewater; or; any industrial user that is designated by the Director to have a reasonable potential to adversely affect the POTW’s operation, or for violating any pretreatment standards or requirement.

pollution abatement efforts. The Bureau of Sanitation is required to inspect 21,000 industrial/commercial facilities twice during the 5-year permit cycle. To date, the Bureau of Sanitation has completed the inspection of approximately 8,000 industrial/commercial sites in 2003.

The trend in stormwater management is for greater regulation of activities that have the potential of polluting the local receiving waters through the adoption of Total Maximum Daily Loads (TMDL). This may have a significant impact on the operation of industrial businesses.

Funding for stormwater infrastructure is not accomplished through a utility fee structure. All properties are assessed a fixed annual fee based on parcel size and impervious area to fund pollution abatement and flood control. According to the Bureau of Sanitation, the City of Los Angeles would have to spend \$120 million over the next five years to comply with federal TMDL requirements. The stormwater drainage system itself would need \$320 million for upgrade. According to the Bureau of Sanitation, local drainage problems may affect some local industries; pollution abatement requirements will affect some industries; and adequate funding is critical to upgrade the drainage system and comply with the requirements for pollution abatement.



### *Solid Waste*

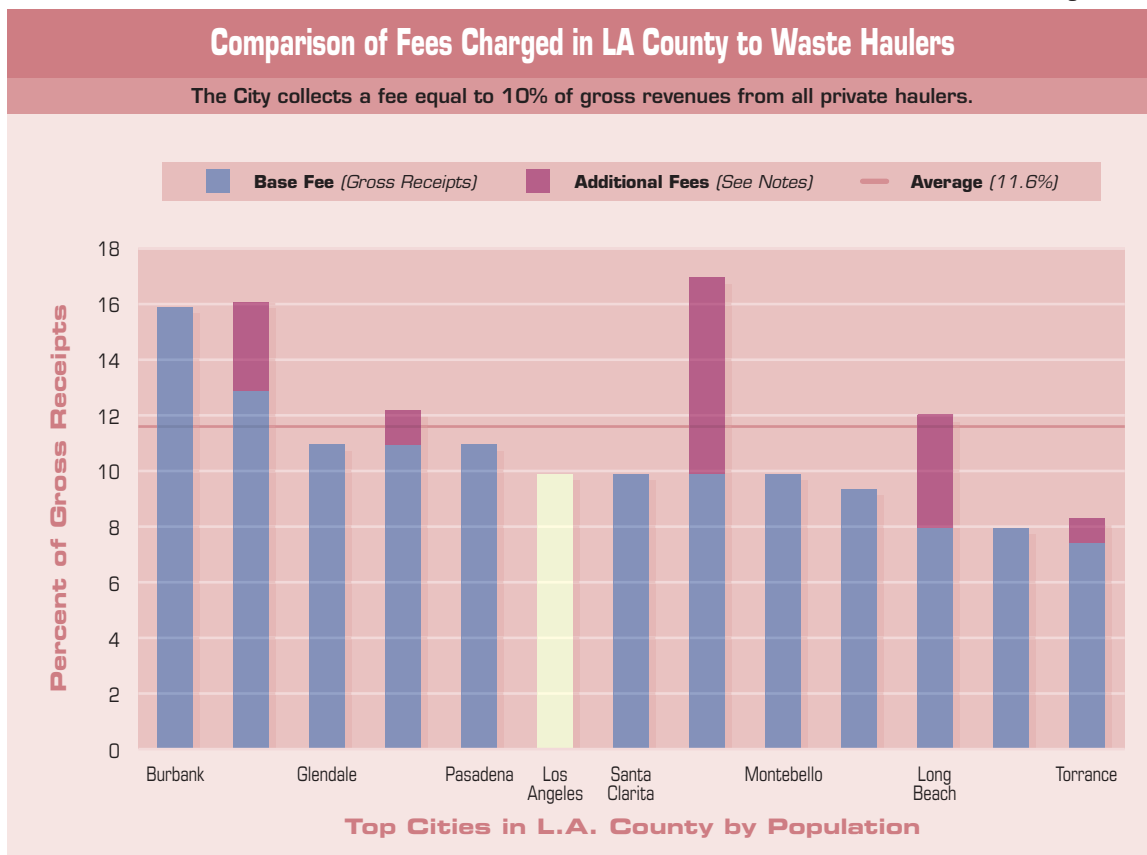
The City of Los Angeles generates and disposes of 3.5 million tons of solid waste each year. About two-thirds of this is generated by businesses that operate within the City, and is collected by about 200 private hauling companies. Since businesses can bid upon several companies for waste management collection, recycling and disposal, the rates in Los Angeles are very competitive when compared to other cities. The City collects an AB939 compliance fee from all private waste haulers, an amount equal to 10% of gross revenues and slightly lower than the average for municipalities in LA County. The AB939 fee is used to provide recycling programs for apartment dwellers and business owners. (See **Figure 3.9**, *Comparison of Fees Charged in LA County to Waste Haulers.*)

While local private haulers dispose of solid waste for local industries, there is limited landfill capacity. This may increase waste disposal costs for businesses and the City if alternatives are not addressed. The City may need to identify sites for solid waste transfer stations in industrial zones in each waste collection service area for public or private ownership which would decrease the availability of Industrial land for traditional industrial purposes.

Increased recycling and waste-resource mulching may reduce the demand for solid waste landfill sites and the costs incurred by industry and the City for waste disposal. Many large and medium sized businesses have implemented waste diversion programs that have helped them reduce disposal costs. Los Angeles businesses contribute greatly to the 60% waste diversion rate in Los Angeles.

According to the Bureau of Sanitation, the City’s wastewater, stormwater and solid waste management systems have sufficient capacity to meet industry’s needs. However, the increasing costs associated with federal, state and regional environmental regulations pose a challenge to the City and its businesses to meet environmental quality standards.

Figure 3.9



Notes:  
 Torrance - 7.5% of gross receipts plus \$0.70/ton collected CERCLA fee  
 Pomona - 11% of gross receipts plus \$0.50/ton AB939 program fee and \$0.50/ton community clean-up fee  
 El Monte - 10% of gross receipts plus \$0.30 per cu. yd. For commercial or \$0.89 per cu. yd. for roll-off  
 Monterey Park - 13% of gross receipts plus \$4.00/ton collected  
 Source: City of Los Angeles Bureau of Sanitation



PART I  
**Key Findings:  
The Industrial Land Base  
of the City of Los Angeles**

CHAPTER 4  
**Utilization, Regulatory and  
Environmental Issues  
Affecting Industrial Land**



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## Utilization, Regulatory and Environmental Issues Affecting Industrial Land

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### **4A. Utilization of Industrial Land**

### **4B. Regulatory Issues Affecting Industrial Land**

### **4C. Brownfields and Environmental Justice Concerns**

The utilization of industrial land and related regulatory issues, including zoning, code enforcement and environmental challenges, profoundly affect the potential for developing industrial land. The availability of vacant or underutilized land, the use of industrial land for non-industrial activities and the prevalence of Brownfield sites are constant challenges for the City of Los Angeles. This chapter discusses and attempts to provide a more comprehensive understanding of these issues.

### **4A. Utilization of Industrial Land**

The functional uses of industrial land in the City of Los Angeles have been changing due to economic factors, market forces and other elements. Heavy industry and other polluting uses have decreased, and distribution and warehousing activities have increased; in fact, some of the largest single industrial projects built in recent years are distribution facilities. The service economy has grown dramatically and, in general, there has been an increase in companies that represent cleaner industrial uses.

The following section summarizes the utilization of industrial land in the City of Los Angeles from the following perspectives:

- Industrial Uses on Industrial Zoned Land
- Non-Industrial Uses on Industrial Zoned Land
- Industrial Uses on Non-Industrial Zoned Land
- Vacant Industrial Land
- Industrial Land Assembly

### ***Industrial Uses on Industrial Zoned Land***

In **Table 4.1, *Industrial Business Types on Industrial Zoned Land***, industrial uses on industrial zoned land are subdivided into industrial business types, according to the use code assigned by the County Assessor. Light manufacturing dominates among all other industrial business types, utilizing 5,349 acres or 28% of the City's total 19,045 acres of industrial zoned land. Warehousing utilizes 2,222 acres or 12% of the City's industrial zoned land. Heavy manufacturing accounts for 1,380 acres or 7% of the City's industrial land. Food processing and open storage account for 279 and 267 acres respectively, with film and TV production utilizing 110 acres. The catchall category of "other industrial uses" includes mineral processing, oil and gas production and processing, lumber, airport and harbor uses (excluding the actual Airport and Port), a city dump and parking lots.



### Non-Industrial Uses on Industrial Zoned Land

One of the most significant changes impacting the use of industrial land in the City is the amount of industrial land used for non-industrial purposes. **Table 4.2**, *Industrial Zoned Land Use Summary*, summarizes the various land uses located on industrial zoned land. The land uses are divided into industrial and non-industrial categories. Non-industrial uses on industrial zones have been further subdivided into residential, retail, commercial, recreational, institutional, “miscellaneous” and “unknown”.

**Table 4.1**

Industrial Business Types on Industrial Zoned Land										
Type	Total Parcels	Acreage			Land Value			Improvement Value		
		Total Acres	% of Total	Avg Size	Total \$	% of Total	Avg \$/acre	Total \$	% of Total	Avg \$/parcel
Light Manufacturing	7,158	5,349	28.1%	0.75	2,351,338,897	30.4%	439,558	23,410,016,522	31.5%	336,689
Heavy Manufacturing	408	1,380	7.3%	3.38	534,757,509	6.9%	387,536	478,328,195	6.3%	1,172,373
Warehousing	2,472	2,222	11.7%	0.90	1,256,981,365	16.2%	565,769	1,465,959,077	19.2%	593,026
Food Process Plants	233	279	1.5%	1.20	122,064,320	1.6%	437,977	431,640,060	5.7%	1,852,532
Film & TV Production	73	110	0.5%	1.50	149,457,920	1.9%	1,364,663	169,629,775	2.2%	2,323,696
Open Storage	488	267	1.3%	0.55	69,715,892	0.9%	261,539	14,371,996	0.2%	29,451
Other Industrial Uses*	2,903	3,991	21.2%	1.37	764,324,240	9.9%	191,512	180,401,558	2.4%	62,143
<b>Total Industrial Uses</b>	<b>13,735</b>	<b>13,597</b>	<b>71.4%</b>	<b>1.00</b>	<b>5,248,640,143</b>	<b>67.8%</b>	<b>386,023</b>	<b>5,150,347,183</b>	<b>67.4%</b>	<b>374,980</b>

\*Includes Mineral Processing, Oil and Gas, Lumber, Airport and Port of LA uses (not the actual Port and LAX), City Dump, and Parking Lots)  
 Source: Based on 2002 County of Los Angeles Assessor Data

**Table 4.2**

Industrial Zoned Land Use Summary										
Land Use Category	Total Parcels	Acreage			Assessed Land Value			Assessed Improvement Value		
		Total Acres	% of Total	Avg Size	Total \$	% of Total	Avg \$/acre	Total \$	% of Total	Avg \$/parcel
Industrial Uses	13,735	13,597	71.4%	1.00	5,248,640,143	67.8%	386,023	5,150,347,183	67.4%	374,980
Non-Industrial Uses excluding Miscellaneous & Unknown	7,364	4,922	25.9%	0.67	2,428,385,705	31.4%	493,339	2,488,399,501		337,914
Misc. & Unknown	58	525	2.8%	0.00	70,115,646	0.9%	133,442	3,690,672	0.1%	63,632
<b>Totals</b>	<b>21,157</b>	<b>19,045</b>	<b>100.0%</b>	<b>0.90</b>	<b>7,747,141,494</b>	<b>100.0%</b>	<b>406,791</b>	<b>7,642,437,356</b>	<b>100.0%</b>	<b>361,225</b>
Non-Industrial Uses										
Residential	2,348	778	4.1%	0.33	309,593,259	4.0%	397,746	178,962,995	2.3%	76,219
Retail	3,750	1,550	8.1%	0.41	1,320,535,816	17.1%	851,821	907,477,131	11.9%	241,994
Commercial	813	615	3.2%	0.76	635,927,765	8.2%	1,034,281	1,307,914,375	17.1%	1,608,751
Recreational	57	74	0.4%	1.29	30,297,603	0.4%	411,038	34,716,549	0.5%	609,062
Institutional	396	1,906	10.0%	4.81	132,031,262	0.0%	69,302	59,328,451	0.0%	149,819
<b>Non-Industrial Uses Total excluding Miscellaneous &amp; Unknown</b>	<b>7,364</b>	<b>4,922</b>	<b>25.9%</b>	<b>0.67</b>	<b>2,428,385,705</b>	<b>31.4%</b>	<b>493,339</b>	<b>2,488,399,501</b>		<b>337,914</b>

Source: Based on 2002 County of Los Angeles Assessor Data

As of 2003, the entire City of Los Angeles is comprised of 246,232 acres, of which 19,045 acres are zoned industrial, representing approximately 8% of the City's land mass<sup>4</sup>. Approximately 26% of the City's industrial zoned land, or a total of 4,922 acres, is used for non-industrial purposes (County Assessor classification system).

Below are a few recent examples of the conversion of industrial zoned land to non-industrial uses:

- Avalon Bay: A housing development project was built in a viable industrial area, despite the City of Los Angeles' Planning Department's recommendation against rezoning of the land.
- Olympic Corridor: A water garden, major employment centers and first class office buildings were built along the industrial portions of the Olympic Corridor, following rezoning approval.
- The Plant: Fifty acres of retail and a fifty-acre small industrial park were built on what was formerly 100 acres of industrial zoned land operated by the General Motors plant, despite the City of Los Angeles Planning Commission's recommendation against the rezoning.

The major driver of land use conversion is the higher market value that non-industrial uses create for industrial zoned land. These higher market values are reflected in the average assessed values per acre. See **Table 4.3**, *Comparison of Average Assessed Land Values*, for details.

Table 4.3

Comparison of Average Assessed Land Values		
On Industrial Zoned Land	Average Assessed Value Per Acre	Average Assessed Value Per Sq. Ft.
Industrial Uses	\$ 386,023.00	\$ 8.86
Non-industrial Uses*	\$ 498,635.00	\$ 11.45
Residential Uses	\$ 397,746.00	\$ 9.13
Retail Uses	\$ 851,821.00	\$ 19.56
Commercial Uses	\$ 1,034,281.00	\$ 23.74
Institutional Uses	\$ 69,302.00	\$ 1.59
Average All Uses	\$ 406,791.00	\$ 9.34

\*Excludes Miscellaneous and Unknown use categories  
Source: Based on 2002 County of Los Angeles Assessor Data

While average assessed values are not equal to actual market values, they can be used, with caution, as a surrogate for market values for broad analytical purposes. Industrial zoned land on which industrial uses have been built has been assessed at an average of \$8.86/sq. ft., while industrial zoned land with non-industrial uses has been assessed at \$11.45/sq. ft., an average of 29% higher. Note that if the "Institutional" land use category is removed and only residential, retail, and

<sup>4</sup> This figure excludes the Port and LAX.

commercial uses are tallied, the average assessed land value for these non-industrial uses on industrial zoned land is \$17.48/sq. ft., almost double the average assessed value for industrial uses on industrial zoned land. Institutional uses are primarily government-owned properties and represent 10% of industrial zoned land, as shown on **Table 4.2, Industrial Zoned Land Use Summary**. Their low assessed values significantly skew the overall average for non-industrial uses.

**Industrial Uses on Non-Industrial Zoned Land**

In addition to the industrial uses located on industrial zoned land, discussed above, there is a significant amount of industrial uses, as defined by the County Assessor, located on the City’s non-industrial zoned land. In fact, 3% of the City’s non-industrial zoned acreage is defined by the County Assessor as being used for industrial purposes. This 3% represents 6,971 parcels and 7,272 acres of industrial uses throughout the City. This additional 7,272 acres of industrial activity represents almost 35% of the City’s total industrially defined activity, even though it is not located on industrial-zoned parcels. When combined with the 13,597 acres of industrial uses located on industrial zoned land, a total of 20,869 acres of the City’s land is being put to industrially defined use. It is not yet clear what such land use distinctions mean regarding industrial development policy, and whether or not such distinctions are merely definitional differences between the County Assessor and the City’s zoning ordinance. Clearly the term “industrial uses” has evolved over time, and many such uses are now considered acceptable by the City for placement in “commercial” zones.

See **Table 4.4, Sum of Industrial uses on Non-Industrial Zoned Land**, and **Table 4.5, Industrial and Non-Industrial Uses on Industrial and Non-Industrial Zoned Land**, for additional information.

**Vacant Industrial Land**

Another major consideration in the utilization of industrial land is the amount of such vacant land that may be available for new investment. Preliminary research from Phase 1 of the IDPI indicates that there may be as many as 1,786 acres of vacant industrial land in the City, equal to 9.4% of total industrial zoned land. To provide an idea as to the potential impact that this land may have, given a general Floor-Area-Ratio (FAR) of 0.50, the 1,786 acres of vacant industrial land could translate into 39 million square feet of theoretically developable industrial space.

**Table 4.6, Potentially Vacant Industrial Land**, was derived by extracting the Los Angeles County Assessor use codes ending in “V” for “vacant”. This data indicates that several large use code categories on industrial zoned land represent vacant land. The excerpt below provides examples of use codes with the largest accumulations of vacant land from **Table 4.6**.

Use code	300V - vacant land-industrial:	514.66 acres
	370V - vacant mineral processing land:	325.45 acres
	890V - vacant dump:	235.02 acres
	010V - single family residential:	174.40 acres
	880V - government owned land:	103.47 acres

**Industrial Land Assembly**

A common challenge encountered in encouraging new private investment in land assembly, particularly in the City’s Redevelopment Project Areas, given the prevalence of parcel sizes that are

often too small to develop individually. This is somewhat less of a problem in industrial zoned areas citywide, with average parcel size for all industrial zoned land being 0.90 acres, and slightly larger, averaging 1.0 acres, for parcels with industrial uses. Nevertheless, most industrial developments require larger areas; a 1.0-acre site of 43,560 square feet can accommodate a building of 21,780 square feet at a 0.50 FAR. While this size may be appropriate for many industrial users, it is insufficient for larger employers and/or current smaller businesses that need to expand.

Table 4.4

Summary of Industrial Uses on Non-Industrial Zoned Land										
Type	Total Parcels	Acreage			Assessed Land Value			Assessed Improvement Value		
		Total Acres	% of Total	Avg Size	Total \$	% of Total	Avg \$/acre	Total \$	% of Total	Avg \$/parcel
Industrial Uses	6,971	7,272	3.2%	1.04	3,218,708,048	2.6%	442,617	2,610,077,975	2.1%	374,419
Non-Industrial Uses	802,000	219,915	96.8%	0.27	119,657,856,751	97.4%	544,110	120,431,652,403	97.9%	150,160
Totals	809,000	227,187	100.0%	0.28	122,876,564,799	100.0%	540,861	123,041,730,378	100.0%	152,091
Total LA City	830,000	246,232	100.0%	0.31	130,623,706,293	100.0%	530,490	130,684,167,734	100.0%	157,422

Source: Based on 2002 County of Los Angeles Assessor Data

Table 4.5

Industrial and Non-Industrial Uses on Industrial and Non-Industrial Zoned Land										
Type	Total Parcels	Acreage		Assessed Land Value			Assessed Improvement Value			
		Total Acres	% of Total	Total \$	% of Total	Avg \$/acre	Total \$	% of Total	Avg \$/parcel	
<b>Industrial</b>										
Ind Uses / Ind Land	13,735	13,597		5,248,640,143		386,023	5,150,347,183		6,204	
% of All Ind Uses			65.2%		62.0%			66.4%		
Ind Uses / Non-Ind	6,971	7,272		3,218,708,048		442,617	2,610,077,975		3,144	
% of All Ind Uses			34.8%		38.0%			33.6%		
All Industrial Uses	20,706	20,869	100.0%	8,467,348,191	100.0%	405,744	7,760,425,158	100.0%	9,348	
<b>Non-Industrial</b>										
N-Ind Use / Ind Land	7,422	5,448		2,498,501,351		458,627	2,492,090,173		3,002	
% of All Ind Uses			2.4%		2.0%			2.0%		
N-Ind Use / Non-Ind	802,000	219,915		119,657,856,751		544,110	120,431,652,403		145,072	
% of All Ind Uses			97.6%		98.0%			98.0%		
Non-Industrial Uses	809,300	225,363	100.0%	122,156,358,102	100.0%	542,043	122,923,742,576	100.0%	148,074	
<b>Totals</b>										
Totals - All Zoning	830,006	246,232	100.0%	130,623,706,293	100.0%	530,491	130,684,167,734	100.0%	157,422	

Source: Based on 2002 County of Los Angeles Assessor Data  
 N-Ind = Non-Industrial

Table 4.6

Potentially Vacant Industrial Land Industrial and Non-Industrial Land Use Report by Use Code "V"								
Type	Use Code	Total Parcels	Acreage		Land Value		Improvement Value	
			Total	Avg	Total \$	Avg \$ / acre	Total \$	Avg \$ / parcel
Nursery / Greenhouse	290V	2	0.3	0.13	270,968	1,042,185	124	62
Industrial	300V	1,776	514.7	0.29	210,754,152	409,502	711,028	400
Miscellaneous Industrial	301V	26	4.9	0.19	2,601,355	535,258	22,098	850
Light Manufacturing / Printing	310V	155	65.7	0.42	36,154,738	550,384	142,165	917
Heavy Manufacturing	320V	29	74.2	2.56	22,421,764	302,180	6,254	216
Warehouse / Distributor	330V	37	13.2	0.36	6,331,572	479,301	35,470	959
Warehouse / Distributor	333V	1	0.8	0.75	562,822	750,429	0	0
Public Storage	334V	1	0.3	0.34	428,400	1,260,000	0	0
Meat Processing Plant	340V	8	1.7	0.21	1,012,535	609,961	5,604	701
Mineral Processing	370V	17	325.5	19.14	88,528,616	272,019	9,543	561
Cement / Rock / Gravel Plant	371V	3	5.1	1.69	14,045,975	2,770,409	3,824	1,275
Refinery / Chemical Plant	372V	1	4.9	4.85	3,364,029	693,614	1,000	1,000
Open Storage	390V	366	53.9	0.15	22,147,277	410,591	218,420	597
Trucking Company / Terminal	391V	3	0.7	0.22	434,139	667,906	1,249	416
Contractor Storage Yard	392V	4	5.6	1.39	776,449	139,398	3,802	951
Vacant Land - Miscellaneous	810V	22	49.6	2.25	23,550,236	475,090	4,508	205
Petroleum and Gas	830V	85	16.4	0.19	5,215,312	317,233	2,035	24
Undesignated	83GV	1	0.2	0.15	23,444	156,293	0	0
Transportation - General	886V	1	0.2	0.15	30,600	204,000	2,040	2,040
Dump Site	890V	22	235.0	10.68	9,529,106	40,546	7,638	347
Single Family Residence	010V	417	174.4	0.42	58,995,076	338,275	257,714	618
Two Units / 4 Stories or Less	020V	36	6.1	0.17	3,190,746	519,665	46,247	1,285
Three Units / 4 Stories or Less	030V	12	2.4	0.2	1,082,842	454,976	20,457	1,705
Vacant Land - Residential	040V	10	1.5	0.15	1,124,217	730,011	3,055	306
5 or More Units / 4 Story or Less	050V	3	0.5	0.18	320,224	593,007	2,904	968
Nursery / Greenhouse	090V	5	4.0	0.79	1,287,516	325,953	1,811	362
Commercial	100V	196	49.7	0.25	45,404,607	913,022	18,855	96
Miscellaneous Commercial	101V	5	0.6	0.12	719,246	1,219,061	3,888	778
Vacant Land - Commercial	110V	26	3.6	0.14	4,720,146	1,325,884	31,047	1,194
Store and Office Combination	120V	4	0.8	0.2	1,075,560	1,327,852	0	0
Store and Residential Combination	121V	13	2.1	0.16	756,006	366,993	18,690	1,438
Supermarket	141V	1	0.6	0.64	377,051	589,142	10	10
Shopping Center / Regional	160V	1	1.2	1.16	22	19	0	0
Vacant Restaurant / Lounge / Tavern	210V	10	1.9	0.19	1,770,596	936,823	10,817	1,082
Wholesale / Manufacturing Outlet	220V	3	0.6	0.19	678,282	1,211,218	2,622	874
Service Shop / Paint / Laundry	240V	8	1.0	0.13	413,329	397,432	10,364	1,296
Service Station / Full Service	250V	9	3.4	0.38	1,739,604	507,173	4,942	549
Auto Service (Body and Fender)	260V	52	27.0	0.52	16,823,145	623,310	52,206	1,004
Used Car Sales	261V	2	0.7	0.34	230,054	338,315	3,773	1,887
Animal Kennel	280V	5	1.3	0.26	1,038,748	811,522	5,065	1,013
Office Building	170V	26	8.2	0.32	5,711,898	695,724	29,681	1,142
Hotel / Under 50 Rooms	180V	4	1.1	0.29	758,060	664,965	1,289	322
Commercial	200V	11	1.3	0.12	224,308	168,653	0	0
Club / Lodge Hall / Fraternal Org	640V	1	1.2	1.22	1,949,216	1,597,718	0	0
Auditorium / Stadium / Amphitheatre	650V	1	4.3	4.31	1,101,600	255,592	0	0
Vacant Land - government Owned	880V	85	103.5	1.22	7,459,932	72,098	0	0
Miscellaneous	800V	6	7.2	1.2	2,743,534	382,108	0	0
Undesignated	980V	3	3.3	1.11	870,985	262,345	530	177
Vacant Land Totals		3,515	1,786.0	0.51	610,750,039	341,958	1,702,769	484
Vacant Land in Sq. Ft.					77.8 Mil. Sq. Ft.			
Buildable @ FAR = 50%					38.9 Mil. Sq. Ft.			

Source: Based on 2002 County of Los Angeles Assessor Data

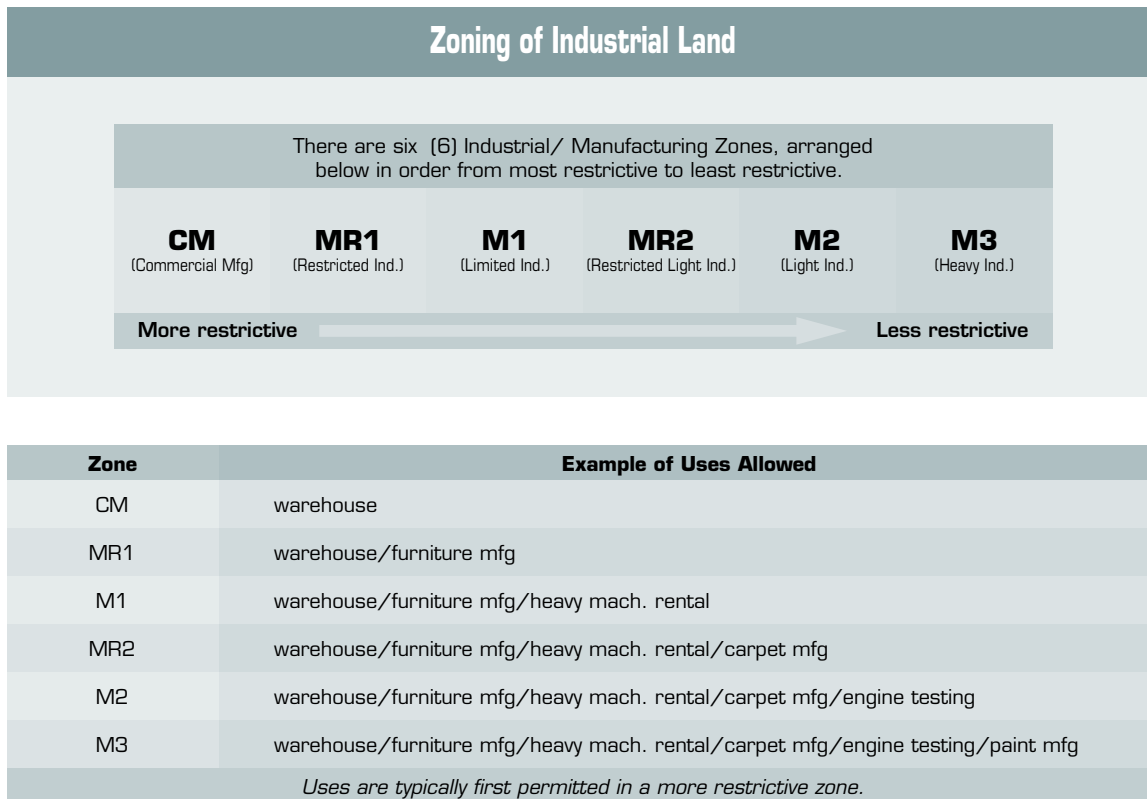
### 4B. Regulatory Issues Affecting Industrial Land

The primary regulatory issues discussed in this section pertain to zoning and code enforcement and their respective impacts on industrial development.

#### Zoning

The zoning code of the City of Los Angeles regulates the permitted uses in industrial areas. Most of the zoning categories have sub-zones with either special use restrictions or qualifications. Land included in the City’s industrial zones is categorized in six zoning classifications, from CM to M3. See **Figure 4.1**, *Zoning of Industrial Land*, for a definition of each industrial zone and examples of the industrial uses allowed.

Figure 4.1



Source: City of Los Angeles Department of Building and Safety and City Planning Department.

A key feature of the City’s zoning code is inclusiveness. Each successive classification generally includes permission to develop uses in the previous classifications. In some cases, a conditional use permit (CUP) may be required, but the zoning code permits the application and processing of CUPs and of less restrictive uses within most zones. Thus, a multi-family, retail, or commercial development project may be built in a CM or M zone, while a residential development would generally meet more scrutiny and disapproval in a heavy industrial area. In short, the zoning code’s current inclusive nature, when combined with market forces, tends to encourage non-industrial uses in industrial zones.



As noted in the previous section, a considerable amount of land in non-industrial zoned areas is being used for industrial purposes, as defined by the County Assessor. It is possible that these “industrial” uses, even though classified as industrial by the County Assessor, do not have the same impact or connotation as the term “industrial” as defined and applied in the City’s zoning code.

A key regulatory question to be addressed by the City’s industrial development policy is the conditions under which non-industrial uses should be permitted in the City’s industrial zones. An important element of this question is the extent to which there is a shortage of vacant and developable industrial land.

### ***Code Enforcement***

In general, the application of the City’s building code is not the driving force in determining industrial land use decisions. Industrial buildings and projects are less impacted by the building and zoning codes than most other types of projects for the following reasons:

- Industrial projects are in less restrictive industrial zones.
- The number of occupants tends to be lower than in commercial or public assembly uses.
- Industrial projects are typically low-rise buildings.
- Architectural design is typically less elaborate, thereby simplifying code compliance.

To date, code violations in industrial zones have not been a significant issue. Typical industrial building violations are open storage, unapproved use of land, illegal construction, omission of parking, omission of landscaping setbacks and lack of building maintenance.

Concurrently, the City of Los Angeles Department of Building and Safety (LADBS) exercises discretion to allow alternate methods of code compliance for industrial buildings and works closely with the City of Los Angeles Fire Department to ensure safety measures when considering alternatives. Thus, building code issues typically do not affect the feasibility of an industrial project.

The building code impact can be significant, however, when uses involve hazardous materials or have specific requirements regarding electrical and water consumption and waste disposal.

Even though certain zoning uses are permitted by Code, some projects require discretionary approvals, which can greatly impact their development. Generally, industrial projects are not impacted as much as residential or commercial projects by building and zoning regulations. However, with the many layers of zoning, building codes, and environmental regulations, and with the growing sensitivity of neighborhood residents located near industrial projects, the process of gaining entitlement and code approvals can be burdensome, confusing and time consuming. These matters are of particular concern to small businesses that may not have the specialists on board to handle the often-complicated development approval process.

#### 4C. Brownfields and Environmental Justice Concerns

“Brownfields” are commonly known as abandoned, idled or underutilized industrial and commercial facilities where expansion or redevelopment is complicated by real or perceived environmental contamination. Once a major source of jobs and economic benefits to the entire community, these properties frequently lie abandoned or underutilized for fear of the cleanup liability such conditions may imply.

The City of Los Angeles has experienced a growing presence of Brownfield sites typical of those found throughout the country. It is important to understand the extent to which environmental contamination issues affect the City of Los Angeles’ industrial land base and industrial development. An important part of the IDPI is to provide direction to the City in developing effective methods for addressing the barriers to the redevelopment of Brownfield sites.



Common barriers to the redevelopment of Brownfield sites include:

- Expensive remediation costs
- Liability issues and legal challenges
- Regulatory duplication and uncertainty
- Lack of remediation funding and financing uncertainty
- Perceived risk of on-going post-remediation costs and concurrent liabilities

As a result, continuing reluctance of the private sector to commit to economic reinvestment of previously healthy industrial areas in inner-city neighborhoods poses significant policy challenges to governing entities. The Brownfields problem is particularly complex in the City of Los Angeles due to the City's large geographic area and the large number of vacant or underutilized industrial sites located in the City's most blighted and economically distressed areas.

### ***Preliminary Assessment of Sites with Environmental Concerns***

In order to assist in the assessment of potential Brownfield sites, the City of Los Angeles Environmental Affairs Department and the Brownfields Resource Team<sup>5</sup> developed a preliminary classification scheme using existing data sources (see **Table 4.8**, *Data Used to Identify Sites with Environmental Concerns*, at the end of this chapter). This classification scheme provides an overview of sites that have some level of known environmental information existing in current databases maintained by a variety of sources. The data analysis resulted in sites being classified as follows:

- *A Sites. Most concern:* Sites with known and current environmental concerns that could significantly affect redevelopment.
- *B Sites. Moderate concern:* Sites with partial regulatory closure or sites with characteristics indicating likely environmental concerns.
- *C Sites. Lesser concern:* Sites that have substantial regulatory closure or characteristics that sometimes indicate environmental concerns.

<sup>5</sup> *The Brownfields Resource Team is an inter-agency staff team (consisting of the Environmental Affairs Department, the Community Development Department, the Community Redevelopment Agency, the Mayor's Office, and the Chief Legislative Analyst) that provides program coordination for the City's Brownfields Program.*



Six contamination-related data sets were queried with respect to industrial properties in the City of Los Angeles:

- California Department of Toxic Substances Control (DTSC)
- Cortese List - Hazardous Waste and Substances Site List
- Leaking Underground Storage Tanks (LUSTs)
- Spills, leaks investigations and clean-ups (SLIC)
- Oil Wells
- Toxic Release Inventory (TRI)

The classification scheme described herein relies on existing data only. Many additional sites throughout the City would be added to the list if and when they are evaluated. Additional sites currently evaluated include landfill sites throughout the City, along with sites that have received some level of attention from the City's Brownfields program.

**Table 4.7, Site Data Highlights**, provides a summary of the number of industrial parcels currently classified as Sites A, B, and C throughout the industrial regions of the City of Los Angeles. A total of 1,732 sites, or a little over 8% of the total industrial parcels, were classified as A, B, and C sites. Of these, 2% are classified as A sites, 4% as B sites, and 3% as C sites.

**Table 4.7**

Site Data Highlights							
	Industrial Parcels	A Sites		B Sites		C Sites	
		Industrial Sites	Ratio	Industrial Sites	Ratio	Industrial Sites	Ratio
Central Valley	2,243	22	1%	24	1%	11	0%
Harbor	3,003	86	3%	660	22%	323	11%
Metro Los Angeles	11,361	149	1%	69	1%	146	1%
North Valley	1,857	14	1%	11	1%	16	1%
West Los Angeles	1,359	60	4%	11	1%	26	2%
West Valley	1,296	27	2%	8	1%	10	1%
No Region Specified	38	11	29%	37	97%	11	29%
<b>TOTALS</b>	<b>21,157</b>	<b>369</b>	<b>2%</b>	<b>820</b>	<b>4%</b>	<b>543</b>	<b>3%</b>
Non-Industrial Total		435		670		3,552	

*\*The regional totals do not add up to the overall total since some of the sites could not be geographically coded. In general, the percentages provide a lower-end estimate of environmentally impacted industrial land due to the one-site-equals-one-parcel assumption and the non-exhaustive inclusion of data sources.  
Source: City of Los Angeles Environmental Affairs Department*

The largest number of classified sites is concentrated in the Harbor industrial region, with 1,069 total sites. This represents nearly 36% of all industrial parcels in the Harbor region. The Metro Los Angeles region contains the largest number of A sites with a total of 149 sites. This number represents only 1% of the Metro Los Angeles region's industrial parcels, yet reflects 40% of the A sites in all industrial regions throughout the City. The number of classified sites in the San Fernando Valley is generally much lower. The North Valley region has the fewest classified sites with 41 total sites.

### ***Landfills***

Other industrial sites that trigger major redevelopment barriers are closed landfills. In the City of Los Angeles, landfills have been used for municipal solid waste disposal. Landfills are sites where non-hazardous solid wastes were spread in layers, compacted to the smallest practical volume, and covered at the end of each operating day. Landfills typically cannot support major structural development because they settle over time and generate potentially explosive methane gas, which must be safely vented and flared or used for energy production. Landfills are regularly inspected by regulatory agencies to prevent health and safety problems which might affect adjacent businesses or the community. Typical past closure uses have been open space, energy recovery, parking, container storage, automotive dismantling and salvaging.

As of 2003, the City of Los Angeles has forty-one landfills classified as follows:

- Category A: Operating (one site)
- Category B: Closed, requiring active monitoring (20 sites)
- Category C: Closed, requiring periodic monitoring (20 sites)

Potential reuse of landfill sites range from recreational purposes to solar power sites. Innovative uses might include eco-industrial parks, solid waste related recycling, and waste transfer operations sites. Nevertheless, it is difficult for landfills to support major development because of the geophysical, environmental and additional financial challenges that must be resolved.

### ***Environmental Justice Concerns***

Environmental justice issues are highly relevant in discussions of industrial development policy, given the history of the disproportionate impact that industrial activity has had on adjacent neighborhoods, which are often lower-income communities. The burdens of industrial uses on such communities include various forms of environmental pollution (e.g., poor air quality, transportation-related impacts, soil toxicity, odors, blight and noise). Impacted communities have become increasingly active in the public hearing process and are more actively demanding mitigation of environmental impacts caused by proposed projects.

Currently, any proposed economic development project must contain the following elements in order to address potential environmental impacts:

- Cumulative impact analysis
- Participatory stakeholder process
- Well-planned notification/outreach efforts
- Mitigation/community benefits planning



Table 4.8

Data Used to Identify Sites with Environmental Concerns *		
Name	Description	Potential Concern (A, B, C)
<b>Brownfields ('03)</b>	Approximately 60 sites in LA Brownfields Program—data are maintained by EAD. Program sites only - not inventory-based.	A-C, assigned individually
<b>CA DTSC Sites ('03)</b>  CAL Sites	Contains properties where hazardous substance releases have been confirmed. These sites are considered to pose the greatest threat to the public and the environment. These confirmed sites are generally high priority, high potential risk, and include military facilities, state "funded" or Responsible Party (RP) lead, and National Priorities List (NPL). The data are maintained by the California Department of Toxic Substances Control (DTSC).	A
No Further Action Determination	This category contains properties at which DTSC has made a clear determination that the property does not pose a problem to the environment or to public health. This determination is typically based on findings of a PEA.	C
Properties Needing Further Evaluation	This category contains properties that are suspected of being contaminated. These are unconfirmed contaminated properties that need to be assessed using the PEA process.	B
Referrals	This category contains properties where contamination has not been confirmed and were determined as not requiring direct DTSC Site Mitigation Program action or oversight. Accordingly, these sites have been referred to another state or local regulatory agency.	B
School Property Evaluation Program	This category contains proposed and existing school sites that are being evaluated by DTSC for possible hazardous materials contamination. In some cases, these properties may be listed in the CalSites category depending on the level of threat to public health and safety or the environment.	"A" for sites not included elsewhere
Voluntary Cleanup Program	This category contains low threat level properties with either confirmed or unconfirmed releases and the project proponents have requested that DTSC oversee investigation and/or cleanup activities and have agreed to provide coverage for DTSC's costs.	A
<b>Cortese List ('03)</b> <i>(also known as Hazardous Waste and Substances Site List)</i>	The list is a planning document used by the State, local agencies and developers to comply with the California Environmental Quality Act requirements in providing information about the location of hazardous materials release sites. Government Code section 65962.5 requires the California Environmental Protection Agency to develop at least annually an updated Cortese List. DTSC is responsible for a portion of the information contained in the Cortese List. Other State and local government agencies are required to provide additional hazardous material release information for the Cortese List.	A, in accordance with SCS recommendation
<b>Landfills ('03)</b>	Open and closed landfills inspected by the Local Enforcement Agency.	A-C, assigned individually
<b>Leaking Underground Storage Tanks (LUSTs)('01)</b>	Data are provided by County and maintained by the State Water Resources Control Board as part of the Leaking Underground Storage Tank Information System/GEIMS	A-C, assigned according to status code
<b>Oil Wells ('02)</b>	Monthly production and injection databases for all district offices from 1977 to the present from the local California Division of Oil, Gas, and Geothermal Resources (DOGGR) district.	A-C, assigned according to status code
<b>SLIC Sites ('02)</b>	The Spills, Leaks, Investigations, and Cleanups (SLIC) are non-UST sites where soil or groundwater contamination have occurred. Many of these sites are former industrial facilities and dry cleaners, where chlorinated solvents were spilled, or have leaked into the soil or groundwater. The SLIC Program is set up so that reasonable expenses incurred by the State Water Resources Control Board (SWRCB) and Regional Water Quality Control Boards (RWQCBs) in overseeing water quality matters can be recovered from the responsible party.	A, in accordance with SCS recommendation
<b>Toxic Release Inventory (TRI) ('01)</b>	TRI is a publicly available EPA database that contains information on toxic chemical releases and other waste management activities reported annually by certain covered industry groups as well as federal facilities. This inventory was established under the Emergency Planning and Community Right-to-Know Act of 1986 (EPCRA) and expanded by the Pollution Prevention Act of 1990.	C, in accordance with SCS recommendation

\* These databases represent a priority subset of the public data typically reviewed under a Phase I environmental site assessment. A Phase I can also include: other databases, site visits, insurance record review, aerial photo review, and permit review. The databases selected here represent the most important data which were readily available for the entire City. The brownfield and landfill data were acquired from EAD's internal records. The SCS study was performed on the Adelante-Eastside area and developed a methodology that was adapted here to assign rankings of concern.



PART I

**Key Findings:  
The Industrial Land Base  
of the City of Los Angeles**

CHAPTER 5

**Issues Affecting the Redevelopment  
and Revitalization of Industrial Land**



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## Issues Affecting the Redevelopment and Revitalization of Industrial Land

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- 5A. *The Paradox in Industrial Land Development in Los Angeles***
- 5B. *Land Development Issues in Community Redevelopment Areas***
- 5C. *Industrial Development Project Assistance***

This chapter examines the key market forces and public policies that impact industrial development, including the apparent economic paradox in industrial land development in the City of Los Angeles, land development issues in the City's redevelopment areas, and industrial development project assistance currently offered by the City of Los Angeles.

### **5A. The Paradox in Industrial Land Development in Los Angeles**

An economic paradox is at work in the industrial land development market in Los Angeles, both in the City and in many areas of the County. "Paradox" in this context refers to the apparent contradictory economic forces at work.

Earlier chapters of this report have documented the loss of manufacturing jobs for the greater Los Angeles region and City over the past ten years and beyond. This loss has paralleled reductions in the number of manufacturing firms operating in Los Angeles. Normally, the loss of jobs and businesses results in a marked increase in industrial vacancies, both in land and buildings, as demand for space decreases. However, the opposite trend has been occurring in Los Angeles. Industrial vacancy rates throughout the County and City are currently in the 2 - 4% range and have been in that range since the late 1990s.

Such low vacancy rates should result in higher rental rates. However, this trend has not occurred in the City of Los Angeles. Rents for industrial space have remained relatively flat for almost a decade, in the \$0.45 - \$0.50/sq ft. range, or even lower. Low rents normally result in low land prices; yet, again, the opposite has occurred in Los Angeles. Prices for industrial zoned land have been increasing and in some cases have risen as high as \$35-\$50/sq. ft. These prices make industrial development projects financially infeasible, especially at the prevailing rents.

How can these paradoxical trends be explained?

With regard to related job losses as a result of reduced industrial activity, two factors appear to be at work. The actual reduction of manufacturing jobs may not have been as large as reported due to the great influx of undocumented workers, who are employed in large numbers in apparel and furniture manufacturing. The growth of such industries supports demand for industrial space without



corresponding documentation of job growth. This phenomenon, although difficult to substantiate with data, is perceived to be commonplace in the Los Angeles market.

Secondly, industrial space formerly occupied by manufacturers has increasingly been used for non-industrial activities. Some of it has been converted to non-industrial uses. For example, the site formerly occupied by General Motors in Van Nuys has been largely converted to retail, with some new, smaller industrial space. Similar reuses have occurred with other sites in industrial areas of the City, as reported by various City departments and the private sector.

Additionally, industrial land has been recycled for warehousing, in large part due to the City of Los Angeles' significant role in regional and international trade. Warehousing is typically characterized by low employment levels and high land consumption. Thus, warehousing activity has diminished the amount of space available for manufacturing and assembly uses, which helps explain the prevalence of low vacancy rates despite decreased manufacturing activity.

The data collected on the City's industrial zoned land indicates that much of the industrial inventory is aging, considerably blighted and surrounded by deteriorated infrastructure. Such sub-standard conditions, coupled with the growth of industries that are under considerable price competition from abroad, have exerted downward pressure on rents. This relationship partially explains why industrial rents have been flat for many years.

A summary of industrial vacancy rates compiled by three major Los Angeles area real estate brokerage companies is provided in **Table 5.1**, *Industrial Vacancy and Lease Rates in Los Angeles County and City, 1st Quarter 2003*. The data demonstrates how tight the industrial market is at this time.



Table 5.1

<b>Industrial Vacancy and Lease Rates in Los Angeles County and City, 1st Quarter 2003</b>			
<b>Sub-Markets</b>	<b>Total Inventory</b> (in Millions of Sq. Ft.)	<b>Vacant Space Incl. Sub-let</b> (in Millions of Sq. Ft.)	<b>Vacancy Rate</b>
<b>Daum Commercial Real Estate Services</b>			
Central - LA	105.4	3.3	3.20%
Commerce Area	77.7	4.3	5.60%
Mid-County LA	88	4.3	4.90%
Vernon Area	83.8	1.9	2.20%
LA Central / SE Totals	354.9	13.8	3.90%
<b>Sub-Markets</b>	<b>Total Inventory</b> (in Millions of Sq. Ft.)	<b>Lease Rates</b>	<b>Vacancy Rate</b>
<b>CB Richard Ellis</b>			
Commerce	82.7	\$ 0.42	3.10%
Vernon	74.7	\$ 0.40	1.20%
Los Angeles	128.8	\$ 0.47	0.70%
Mid-County	103.1	\$ 0.49	3.00%
San Fernando Valley	83.1	\$ 0.62	4.30%
San Gabriel Valley	129.7	\$ 0.47	1.50%
South Bay <i>(incl. Harbor)</i>	219.3	\$ 0.53	4.50%
Los Angeles County	895.9	\$ 0.50	2.90%
<b>Grubb &amp; Ellis</b>			
Los Angeles County		\$ 0.52	3.80%

Source: Daum Commercial Real Estate Services, CB Richard Ellis, Grubb & Ellis

Despite the low and flat industrial rents, industrial land prices are high. The market for the reuse of industrial land for warehousing, retail, commercial and residential uses explains the high land values. The use of industrial zoned land for non-industrial uses that have higher rental or resale values plays an active role in the development of industrial land. Thus, when an industrial property is sold, its pricing is often based on its reuse value for non-industrial land uses.

The documentation and analysis of the City's industrial land conditions, uses, performance and trends will empower policy makers to make well-informed decisions regarding industrial development and generate policies that are relevant to the sometimes paradoxical market forces.



### 5B. Land Development Issues in Community Redevelopment Areas

The mission of the Los Angeles Community Redevelopment Agency (CRA/LA) regarding the City's industrial areas is to remove blight, attract investment, create and/or retain employment, and help revitalize the City by applying key tools of tax increment financing and land assembly. Thirty-four redevelopment areas have been adopted by the City Council. Several of them incorporate major areas of industrial land and, collectively, all thirty-four comprise approximately 25% of the City's industrial acreage (excluding the Port and LAX).

Table 5.2

Industrial Zoned Land in 34 Redevelopment Project Areas	
CRA Industrial Project Areas	Totals
Industrial Zoned Acreage	4,792 acres
Industrial Buildings in Project Areas*	5,296 buildings
Industrial Square Footage	201,833,632 sq. ft.
Average Industrial Building Size	38,082 sq. ft.

\*Includes industrially used buildings in CRA/LA project areas NOT on industrial zoned land  
Source: City of Los Angeles Community Redevelopment Agency

The six CRA/LA Project Areas with the largest amount of industrial land are listed below:

Table 5.3

Percentage of Total Industrial Zoned Land in Industrial Redevelopment Project Areas	
Redevelopment Project Area	% of Total Excluding Right-of-Ways
Los Angeles Harbor	84.6 %
CD 9 Corridors	54.9 %
Adelante Eastside	47.3 %
City Center	31.9 %
Central Industrial	85.9 %
N.E. Valley Study Area <i>(estimate)</i>	41.0 %

Source: City of Los Angeles Community Redevelopment Agency

By definition, blighting conditions are the common characteristic of redevelopment areas. The percentage of total industrial buildings needing rehabilitation in the six key CRA/LA industrial project areas are summarized in **Table 5.4**, *Blighting Conditions of Industrial Buildings in Industrial Redevelopment Project Areas*.

Table 5.4

Blighting Conditions of Industrial Buildings in Industrial Redevelopment Project Areas		
Redevelopment Project Area	Total Industrial Buildings	% of Which Need Rehab
Los Angeles Harbor	93	34.4%
CD 9 Corridors	1500	76.8%
Adelante Eastside	1033	60.6%
City Center	547	39.0%
Central Industrial	947	39.1%
N.E. Valley Study Area	1176	8.7%

Source: City of Los Angeles Community Redevelopment Agency

The CRA/LA Redevelopment Project Area with the largest number of industrial buildings and with the greatest need for rehabilitation is the CD 9 Corridors. The CD 9 Corridors, City Center, Central Industrial and Adelante Eastside Project Areas are all contained within the Metro LA industrial region. This region, which surrounds Downtown Los Angeles, contains 4,027 industrial buildings and 2,361 or 58.6% of them need rehabilitation. The redevelopment area in the best relative condition is the N.E. Valley Study Area, a newer area relative to others in the City of Los Angeles. Only 8.7% of the buildings in the N.E. Valley Study Area need rehabilitation.



Blighting conditions in CRA/LA Project Areas are characterized not only by dilapidated buildings, but also by deteriorated infrastructure, inadequate parcel sizes and obsolete buildings. The following conditions are identified by the CRA/LA as impediments to industrial development in the City of Los Angeles:

<b>Impediments to Industrial Development</b>	
<p><b>Basic Infrastructure and Access/Capacity Limitations</b></p> <ul style="list-style-type: none"> <li>• Lack of curbs, gutters and storm drains</li> <li>• Poor road conditions</li> <li>• Insufficient roadway capacity</li> </ul>	<p><b>Brownfield Uncertainties</b></p> <ul style="list-style-type: none"> <li>• Cost uncertainty</li> <li>• Regulatory uncertainty</li> <li>• Time uncertainty</li> <li>• Legal uncertainty</li> </ul>
<p><b>Land Availability</b></p> <ul style="list-style-type: none"> <li>• Lack of convenient parcels for business expansion</li> <li>• Time and cost considerations in public land assembly</li> <li>• Inner city land title encumbrances</li> <li>• Inadequate sized parcels for modern industrial development</li> <li>• Limited availability (ownership/expenses)</li> <li>• Site difficulties for various uses</li> </ul>	<p><b>Market Demands and Public Policy Influences</b></p> <ul style="list-style-type: none"> <li>• Competition from non-industrial development, including retail and housing</li> </ul>
<p><b>Building and Site Limitations</b></p> <ul style="list-style-type: none"> <li>• Lack of truck staging facilities</li> <li>• Excessive site coverage</li> <li>• Building obsolescence</li> <li>• Lack of truck parking</li> <li>• Lack of loading docks</li> <li>• Lack of employee parking</li> </ul>	<p><b>Demand for Public Facilities</b></p> <ul style="list-style-type: none"> <li>• Regional competition</li> <li>• High real estate costs</li> <li>• The cost of local vs. regional tax policies</li> <li>• The cost of regional public incentives vs. local public disincentives</li> </ul>
	<p><b>The Cost of Regional Business-Friendly vs. Local Unfriendly Business Environments</b></p> <ul style="list-style-type: none"> <li>• The cost of the long entitlement process in the City of Los Angeles vs. elsewhere.</li> </ul>
	<p><b>National and Global Economic Influences</b></p> <ul style="list-style-type: none"> <li>• Labor cost competition</li> <li>• Import vs. export demands</li> </ul>

One of the main issues affecting the redevelopment and revitalization of industrial land citywide and in CRA/LA Redevelopment Areas is the conversion of industrial land to non-industrial uses.

*Table 5.5, Industrial Zoning and Land Uses in Industrial Redevelopment Project Areas*, provides a summary of non-industrial uses on industrial zoned land, and vice versa, for industrial zoned land uses in the six heavily industrial Redevelopment Project Areas.

Table 5.5

Industrial Zoning and Land Uses in Selected Industrial Redevelopment Project Areas						
Redevelopment Project Area	Industrial Zoned Land					Industrial Uses on Non-Industrial Zoned Land Acres
	Industrial Zoned Acres	Industrial Use		Non-Industrial Use		
		Acres	%	Acres	%	
Los Angeles Harbor	132	118	89%	14	11%	0
CD 9 Corridors	1,068	750	70%	318	30%	60
Adelante Eastside	779	668	86%	111	14%	131
City Center	185	115	62%	70	38%	53
Central Industrial	487	361	74%	126	26%	0
N.E. Valley Study Area	1,692	1,111	66%	581	34%	55
Totals	4,343	3,123	73%	1,220	27%	298

Source: City of Los Angeles Community Redevelopment Agency

At least 27% of the industrial zoned land in the six CRA/LA Project Areas is being used for non-industrial activities, for a total of 1,173 acres or 51 million square feet of land. If built out at an FAR of 0.50, this land would theoretically provide over 25 million square feet of industrial space. This is the rough equivalent of 25% of all the industrial space in Central Los Angeles, based on the inventory figures provided by Daum Commercial Real Estate Services (see **Table 5.1**, *Industrial Vacancy and Lease Rates in Los Angeles County and City, 1st Quarter 2003*). The Redevelopment Project Areas with the greatest rates of such non-industrial uses on industrial zoned land are City Center and the N.E. Valley Study Area, at rates of 38% and 34% respectively. Both areas are attractive for alternative residential and commercial uses. The Harbor area has the lowest rate of non-industrial use, at 11%, and is perhaps the least likely region for attracting non-industrial activity.

The following maps in **Figures 5.1** through **5.12**, *Non-Industrial Use Maps*, graphically illustrate the degree to which industrial land is used for non-industrial purposes in the six heavily industrial Redevelopment Project Areas.

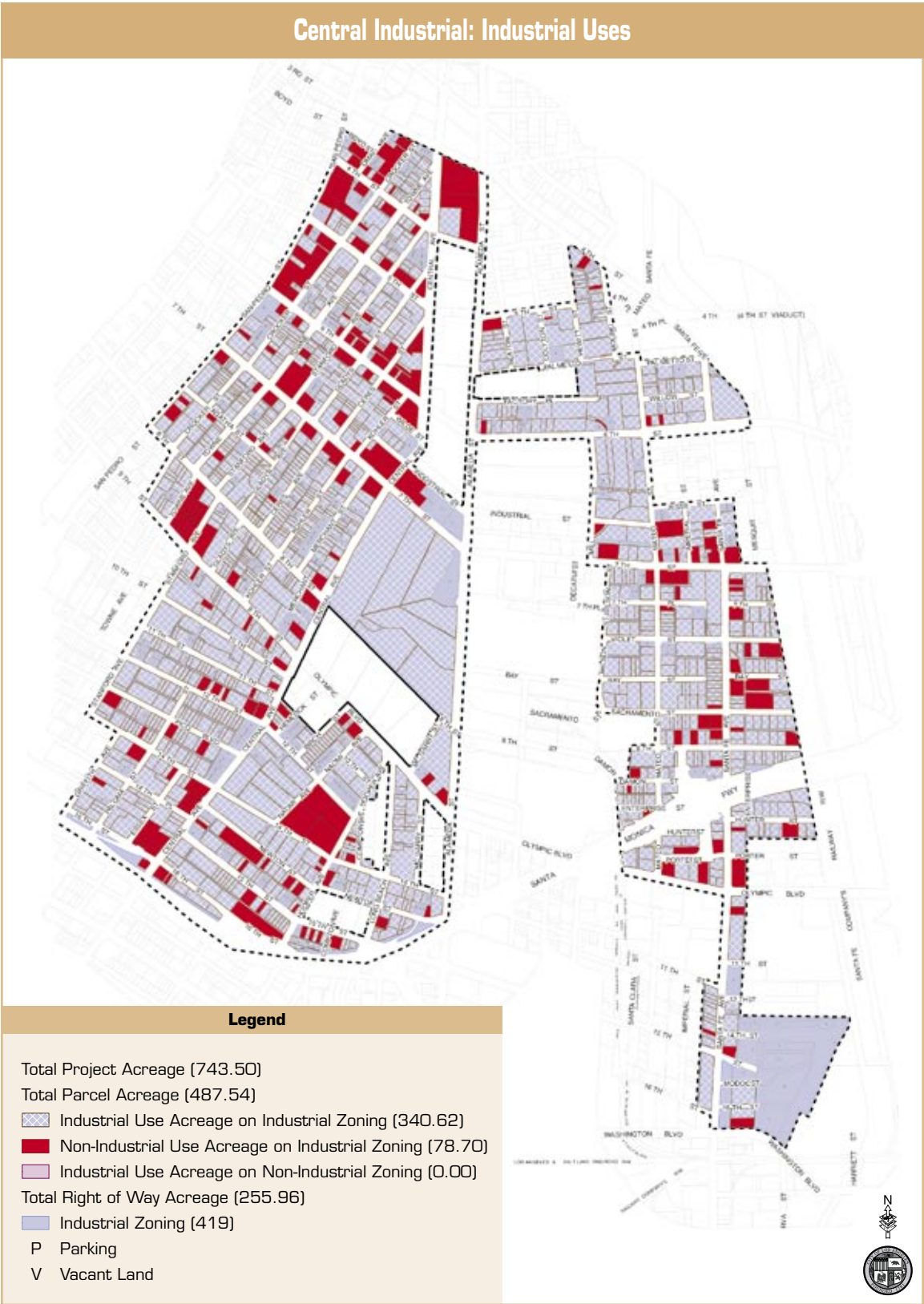
Figure 5.1



Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project



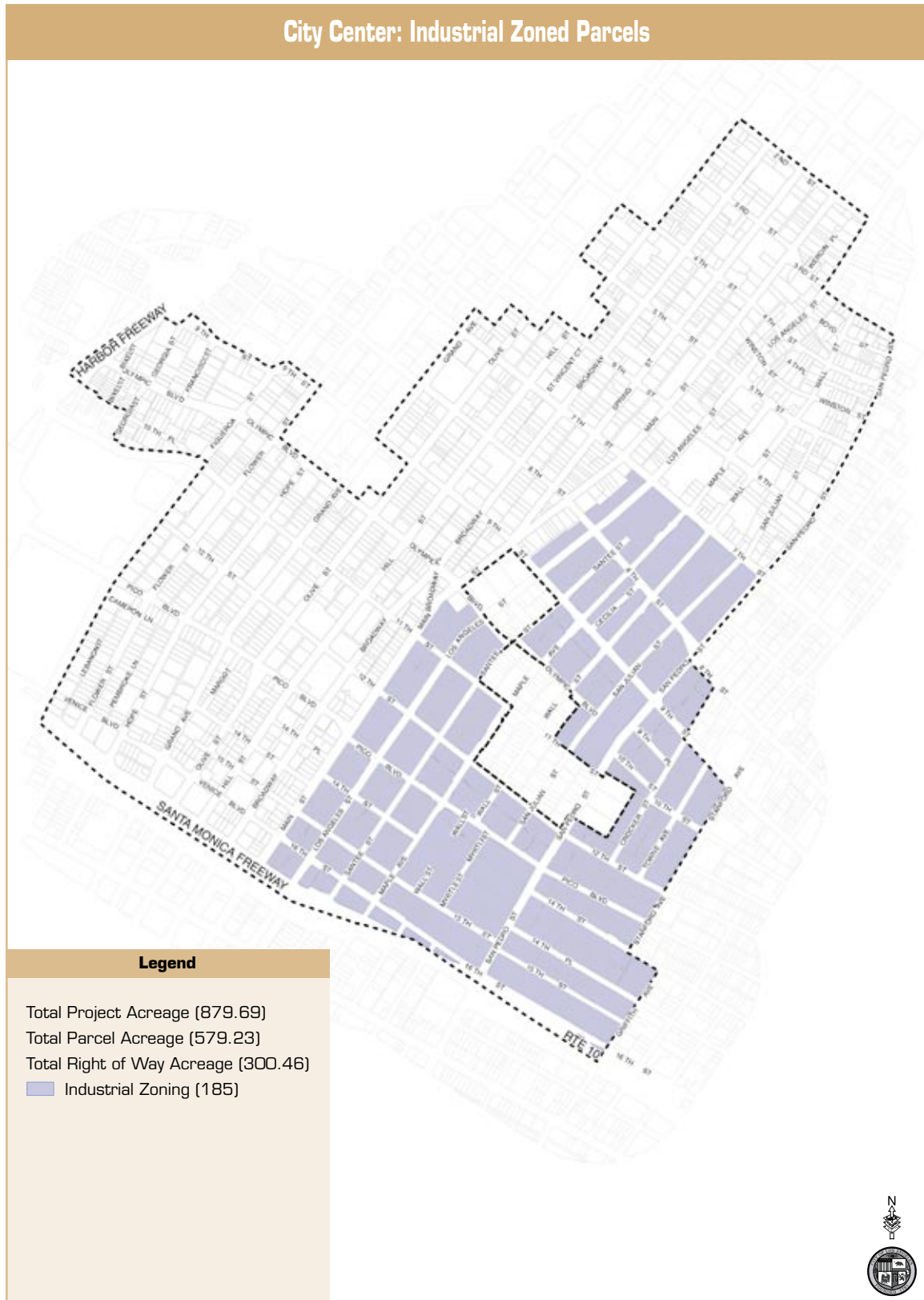
Figure 5.2



Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

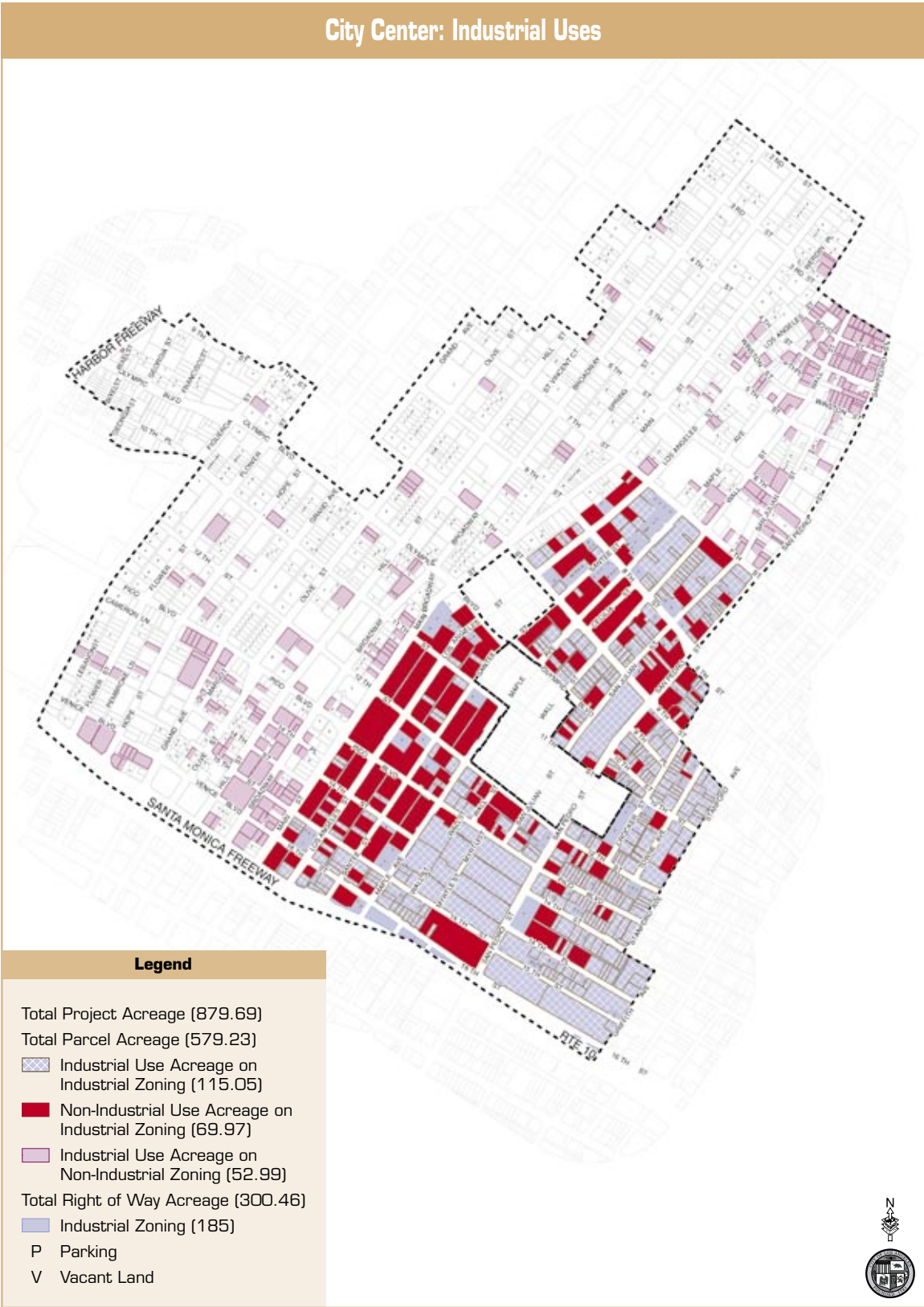


Figure 5.3



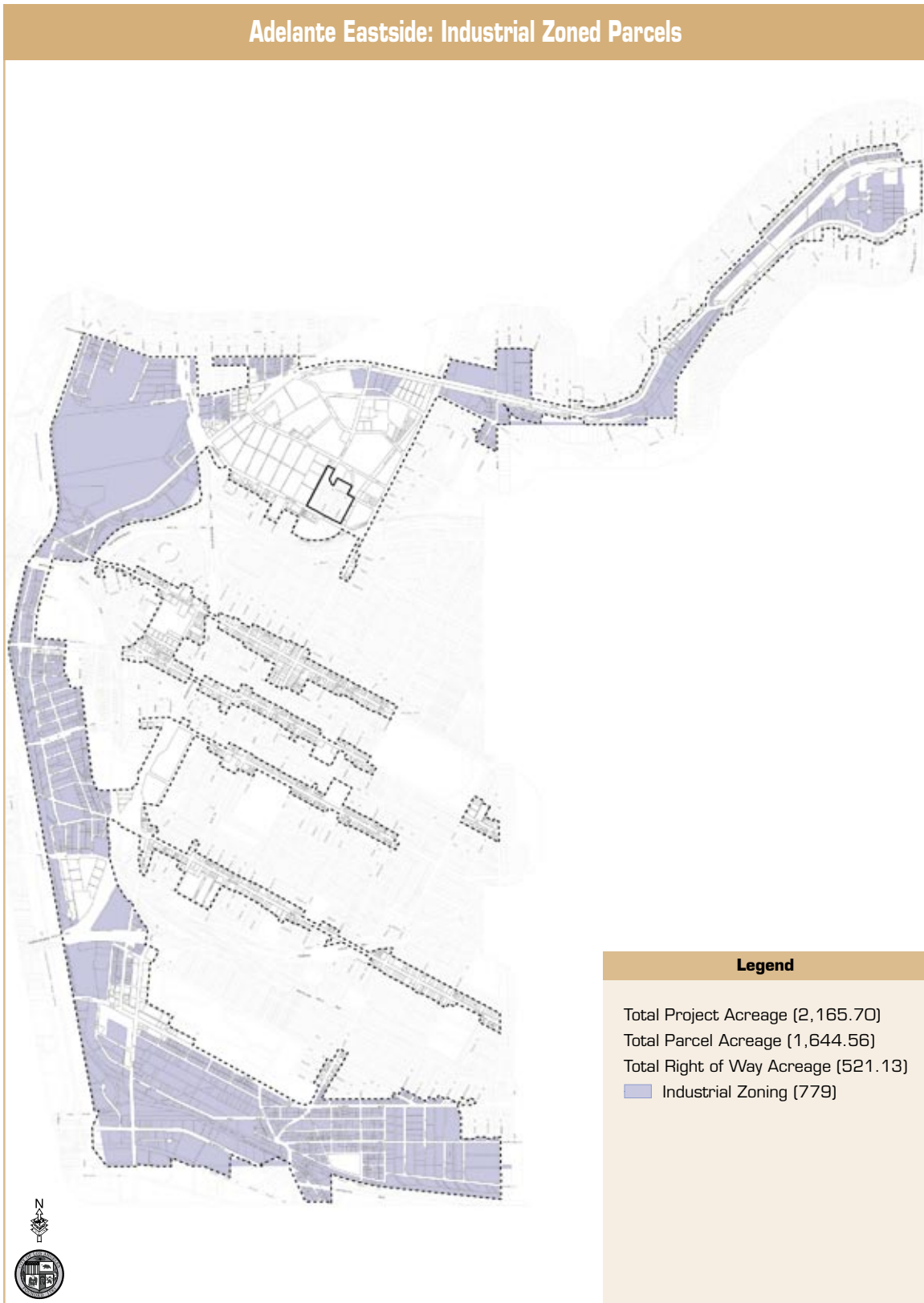
Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

Figure 5.4



Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

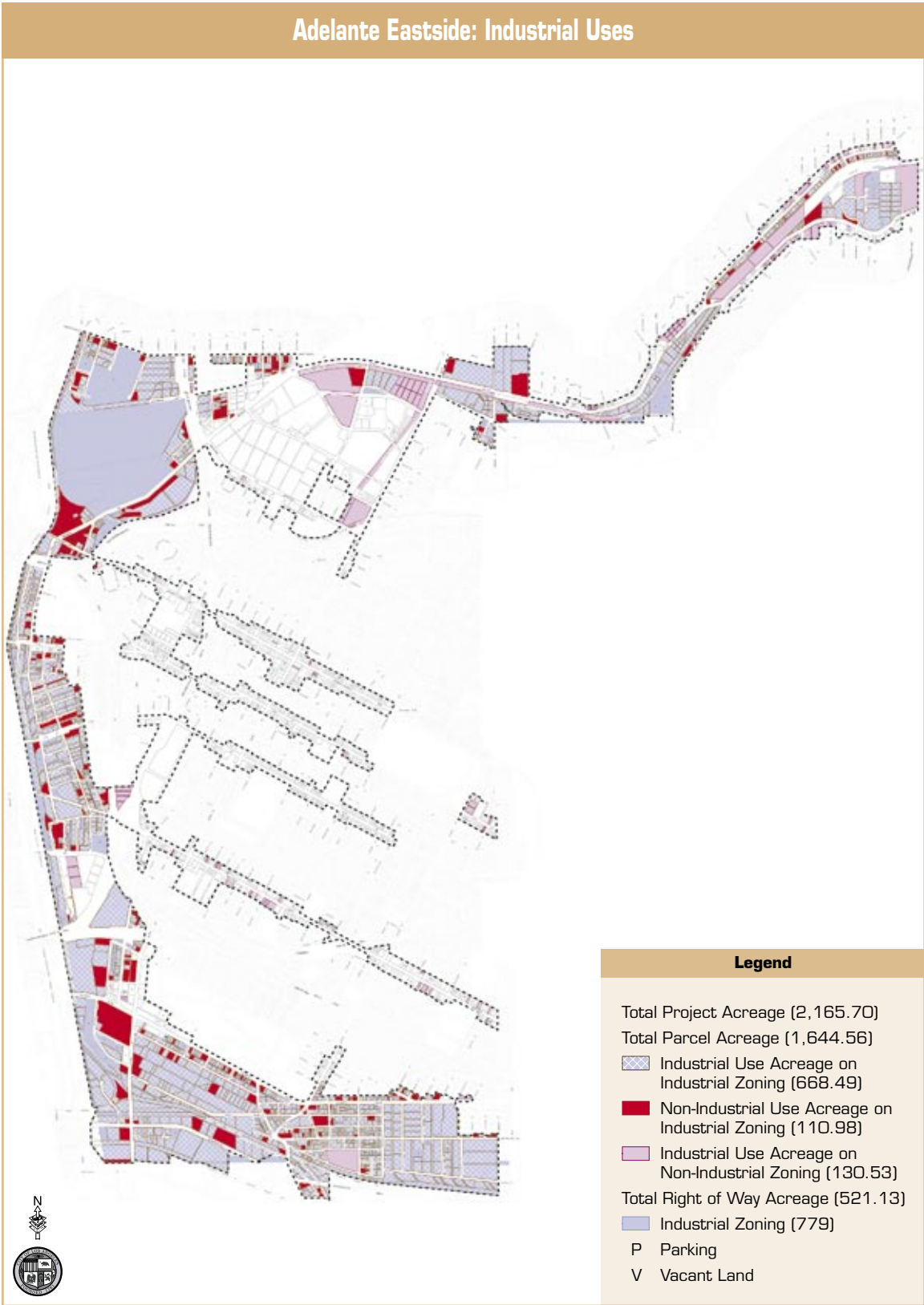
Figure 5.5



Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

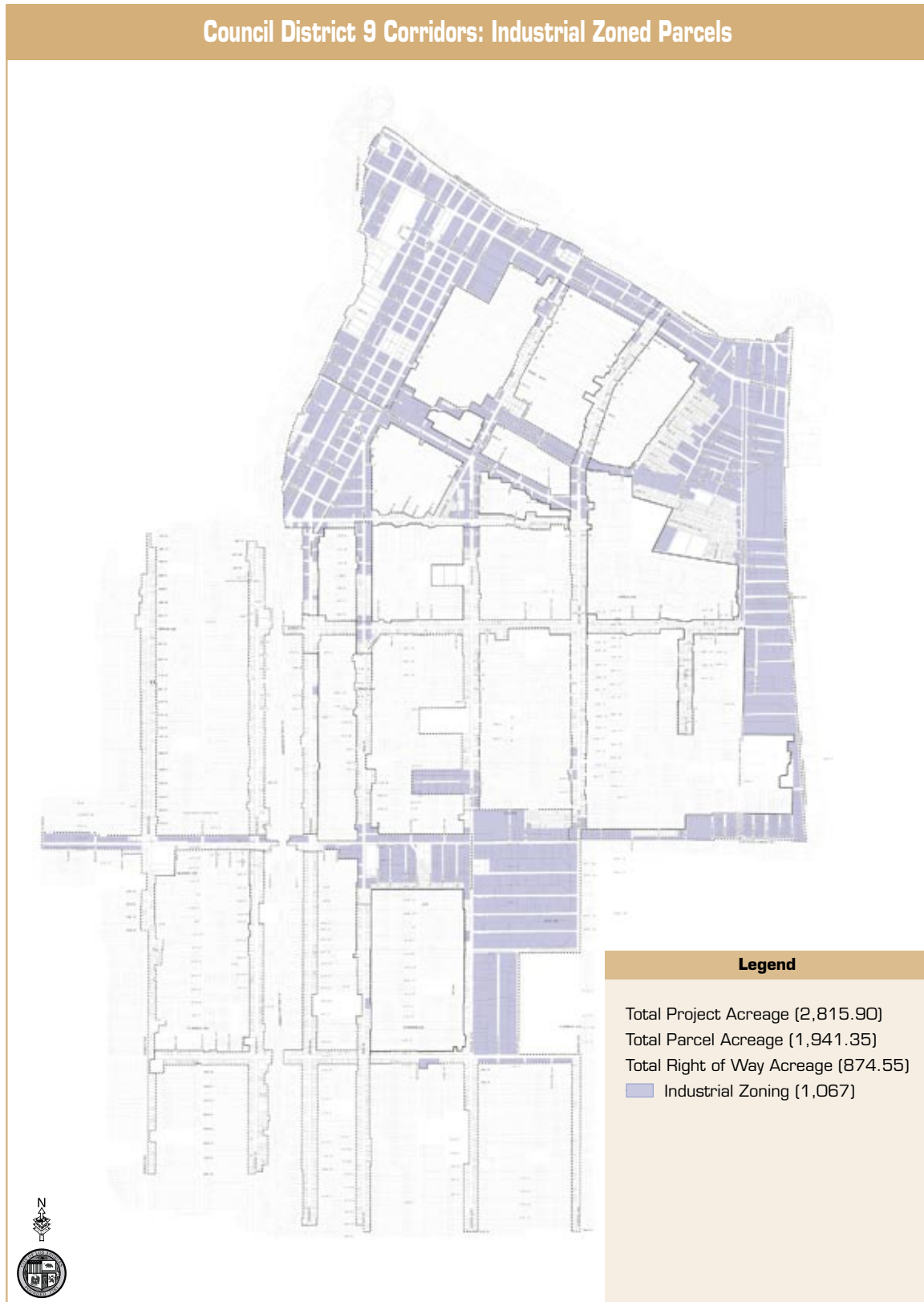


Figure 5.6



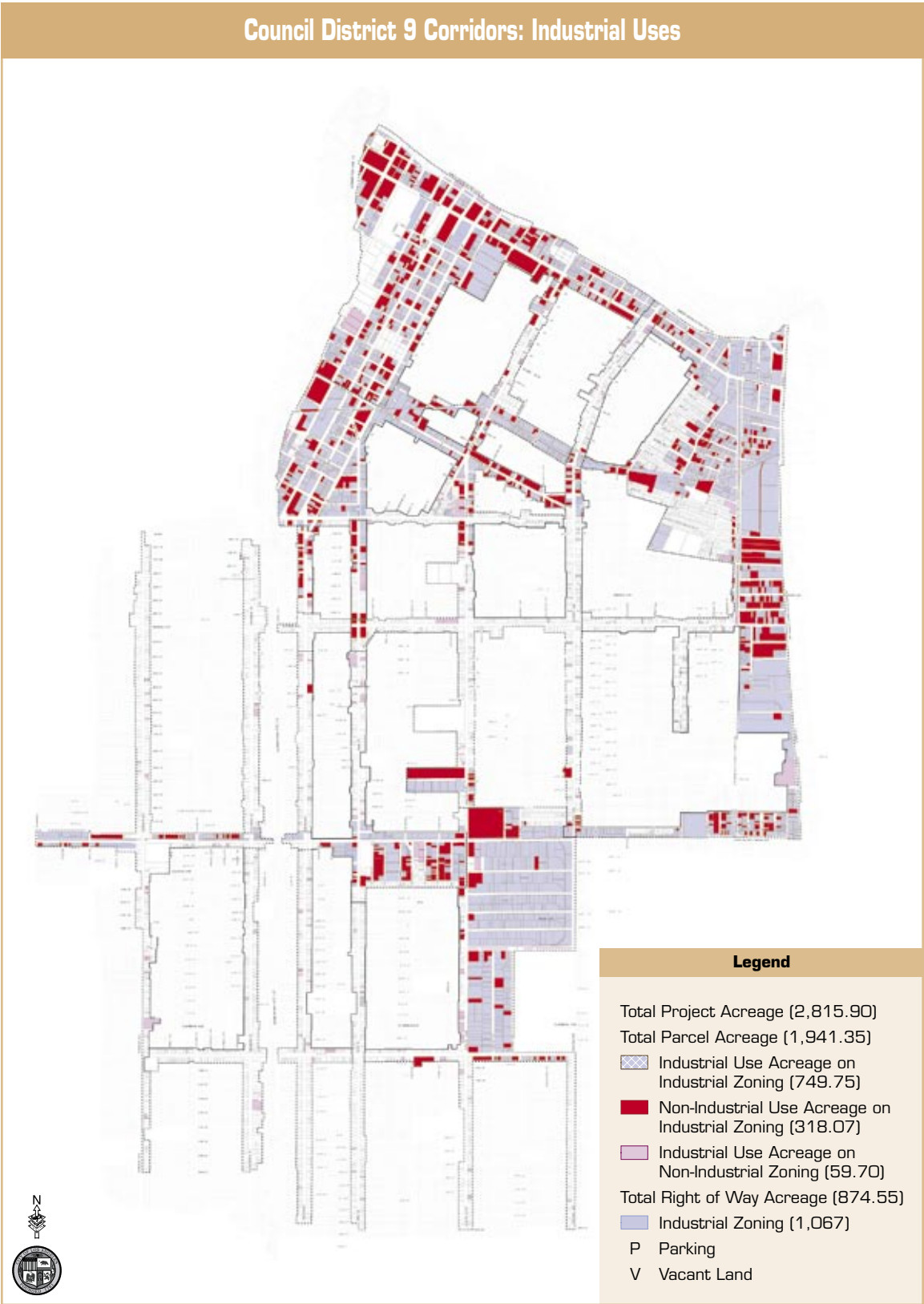
Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

Figure 5.7



Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

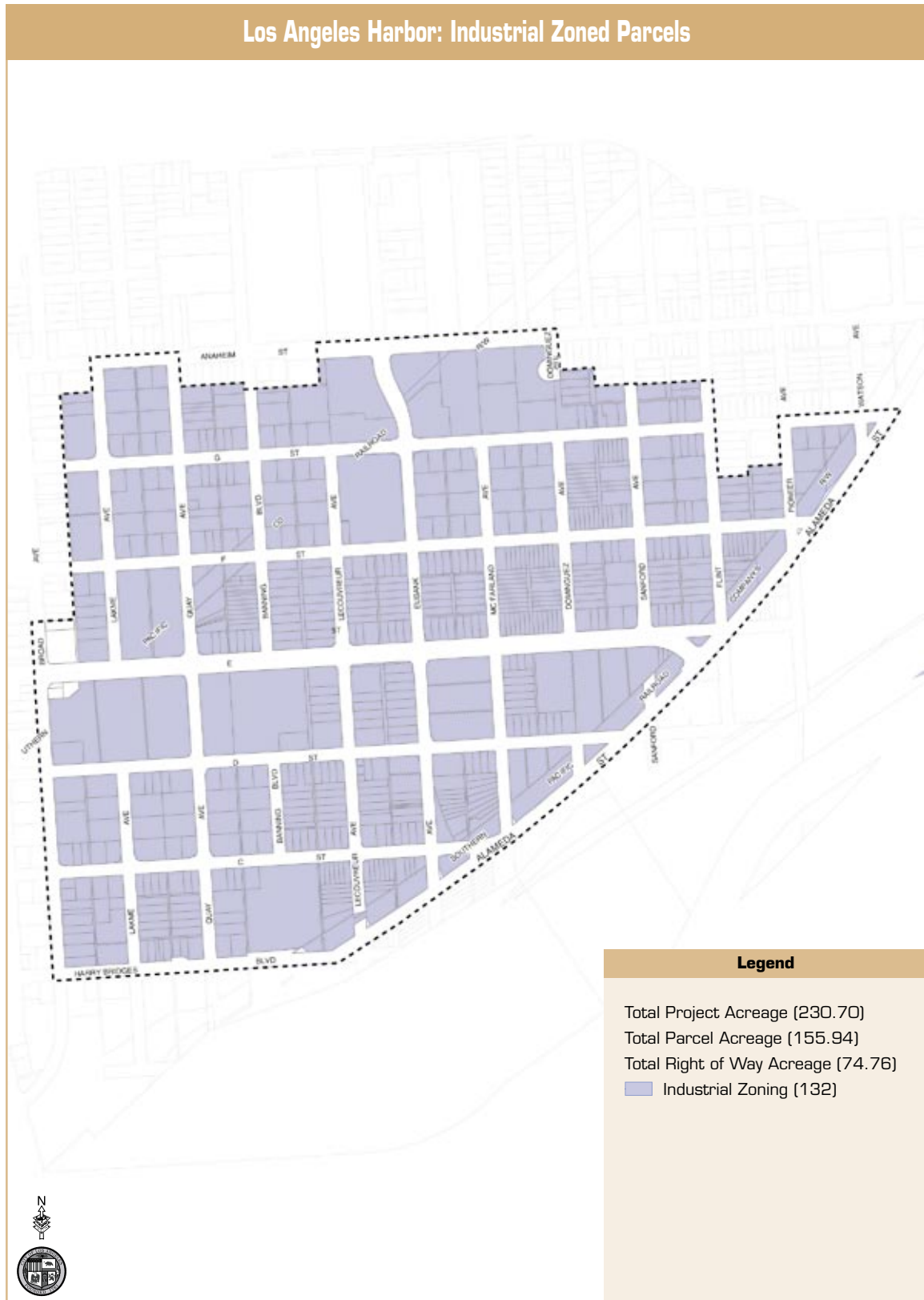
Figure 5.8



Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

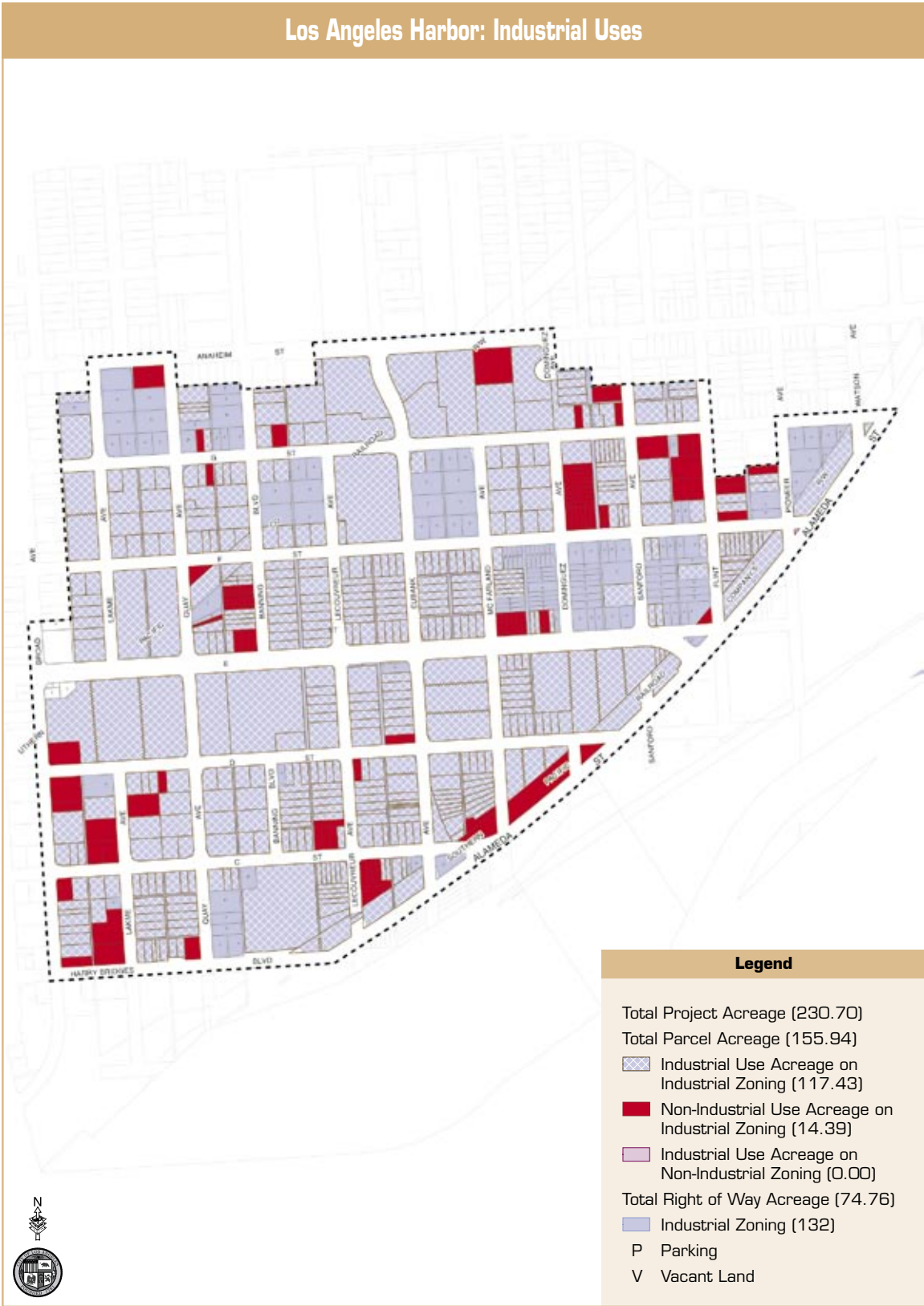


Figure 5.9



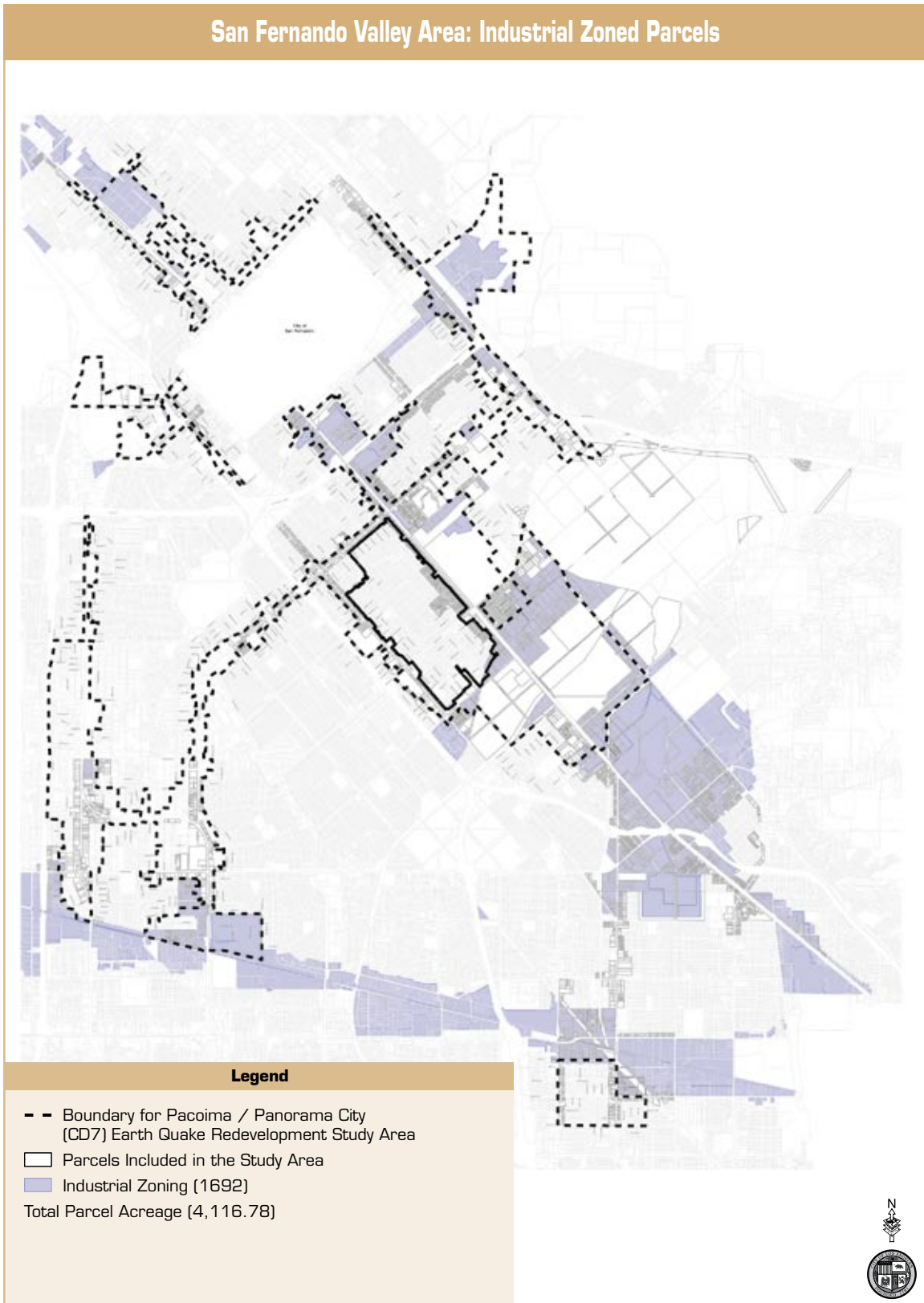
Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

Figure 5.10



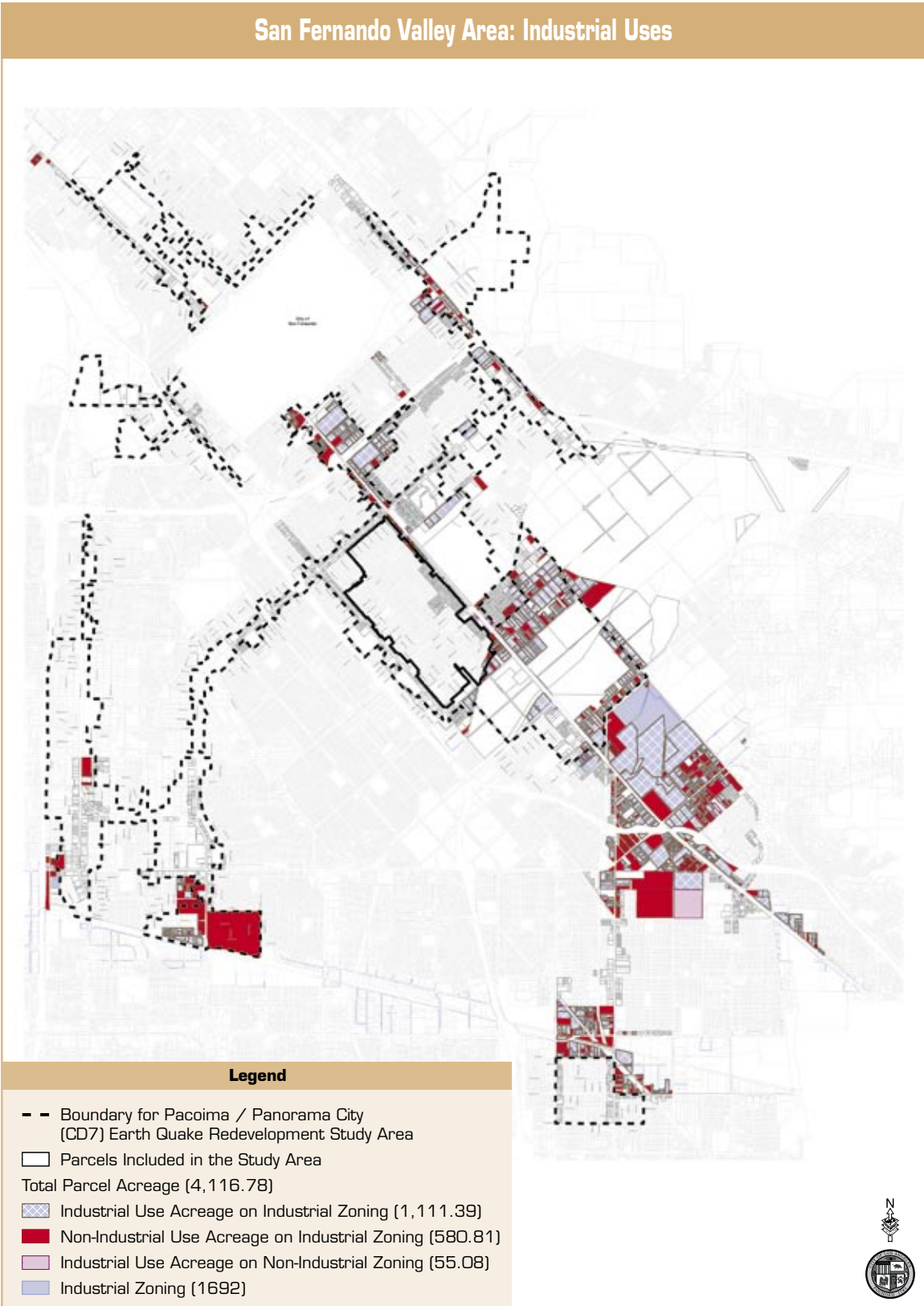
Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

Figure 5.11



Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project

Figure 5.12



Source: City of Los Angeles Community Redevelopment Agency - Redevelopment Project



## **5C. Industrial Development Project Assistance**

Low-cost financing tools are key in the ability of a city to attract industrial development and to assist with business expansion. In the City of Los Angeles the Community Development Department (CDD) administers a variety of financing tools and other business assistance programs. These tools include the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantees, Industrial Development Bonds, Empowerment Zone bonds, State Enterprise Zone incentives, and Community Development Block Grant Float Loans. Business assistance programs include WorkSource Centers, the Recycling Manufacturer Development Zone (RMDZ) and the New Markets Tax Credits.

The uses and characteristics of some of these tools are summarized below. Some of these programs cannot be used on a citywide basis and must be applied only to specific zones in the City.

### ***Section 108 Loan Program***

The Section 108 Loan Program of the U.S. Department of Housing and Urban Development was established to facilitate large real estate projects that result in the physical and economic revitalization of the City of Los Angeles. Its major goal is to expand economic opportunities by providing jobs and maintaining or increasing the availability of goods and services to the City's lower- and moderate-income residents. The program primarily targets projects in Federal Empowerment Zones, Federal Renewal Communities and State Enterprise Zones. Funds are intended to finance real estate acquisition, construction, renovation, fixtures and equipment and other related project costs. Section 108 funds may also be used to assemble land as a component of project predevelopment. The City prefers projects that have already secured a commercial loan and owner equity participation.

Section 108 loan amounts range from \$0.5 million to \$5 million. Generally the maximum allowable loan amount is 30% of the project's total cost and cannot exceed \$5,000,000. An owner equity minimum contribution of 10% of the total project cost is required. The minimum goal for job creation under the Section 108 Loan Program is one permanent full-time job for every \$35,000 in loan proceeds. A minimum of 51% of the jobs must be made available to lower- and moderate-income persons.

### ***Industrial Development Bonds and Empowerment Zone Bonds***

Industrial Development Bonds (IDBs) finance industrial projects exclusively. IDBs are securities issued by the State of California, certain governmental agencies or authorities, local municipalities or a development corporation. Proceeds may be used to finance the construction of industrial plants, the purchase of equipment or the expansion and/or relocation of qualified manufacturing facilities. The interest paid to investors who purchase IDBs is generally tax-exempt. The borrower's advantage is the lower cost of funds borrowed.

<sup>6</sup> Federal Empowerment Zone information and maps may be found on the U.S. Department of HUD's web site, [www.hud.gov](http://www.hud.gov).

Empowerment Zone Bonds (EZBs) are similar to IDBs and are available to companies residing within Los Angeles' Federal Empowerment Zone<sup>6</sup>. EZBs finance retail, commercial and industrial projects. As of January 1, 2002, there is no limitation on project size. The tax-exemption component, however, is capped at \$20 million. 35% of all project jobs are required to be filled by empowerment zone residents. Terms for tax-exempt IDBs are from 10 – 20 years, amortized over 30 years, and range from \$1 million up to a maximum of \$10 million. Interest rates for tax-exempt IDBs have historically been at least 2.5 percentage points lower than conventional loans. In some instances, taxable bond financing is also available. Taxable bonds are not restricted by dollar amount or project purpose. A combination of tax-exempt and taxable bonds can be used to meet a company's financial needs.

Projects must result in public benefits, such as job creation for low and moderate- income residents. State law requires that at least one job must be created for every \$50,000 of tax-exempt IDB proceeds. Manufacturers and other operating companies located either in the Federal Empowerment Zone (to qualify for EZBs) or outside the zone (to qualify for IDBs) may apply directly to the City of Los Angeles Community Development Department.

### ***Los Angeles Business Assistance Program (LABAP)***

The Los Angeles Business Assistance Program (LABAP) provides business and technical assistance to the following three target categories:

1. Micro-enterprise/Entrepreneur
2. Retail/Service Business
3. Growth Business

(For the purposes of IDPI and this report, the Retail/Service Business category is not discussed given the IDPI's focus on industrial businesses and programs that assist this sector).

The Micro-enterprise/Entrepreneur Program supports the survival and growth of micro-enterprises and helps to develop new entrepreneurial business ventures. The training focuses on micro-enterprise owners and entrepreneurs. A qualified entrepreneur is any individual who wants to start a business and seeks help in formulating and implementing a business plan and obtaining access to capital. A qualified micro-enterprise is any existing company consisting of five or fewer employees (one or more of whom owns the enterprise), has been operating for less than five years, generates annual sales of up to \$200,000 and serves and/or is located in a lower-income community.

Training is provided for micro-enterprises and start-ups using high quality, reasonably priced technical services, so that access to these resources will provide start-ups with more growth and stability. Training for entrepreneurs includes the screening and assessment of participants to determine business aptitude and level of commitment. In addition, course work is offered in a variety of areas, including formulation of a business plan, obtaining a business license and incorporating a business.



The Growth Business Program assists companies in achieving expansion and gaining market share in sectors that are considered to have the greatest growth potential in the City of Los Angeles<sup>7</sup>. The growth sectors identified are:

- Apparel Design/Manufacturing Distribution
- Auto Design
- Bio-medical Technology
- Distribution/Logistics
- Entertainment/Motion Picture/TV Production
- Food Production/Manufacturing
- International Trade
- Metal Fabrication
- Tourism
- Toy Design/Distribution

### ***WorkSource Centers***

WorkSource services are funded through the Workforce Investment Act, and are designed with the goal of making a business or industry more competitive in the marketplace. WorkSource Centers are workforce development centers that serve businesses by providing prescreening, customized training, applicant referral, labor market information, and other placement services, all at no cost. WorkSource Centers serve Los Angeles residents through job training programs, referral and information services, and employment search assistance. Industry or trade groups can work with the WorkSource Network to develop targeted, specific training programs that teach skills that industry employees need for growth and upward mobility.

<sup>7</sup> The "Economic Recovery Action Plan for Specific Growth Industries", Final Report, April 1997 analyzes eight industries targeted as likely candidates to lead the City's recovery from the economic challenges resulting from the Northridge earthquake, defense-industry downsizing and real estate losses. The report was prepared by PS Enterprises and funded by the U.S. Department of Commerce, Economic Development Administration.



PART II

**Summary of Industrial Development Policies  
in Selected Cities**

CHAPTER 6

**Industrial Development Policies  
of Selected Cities in the United States  
and in the Los Angeles Region**





## Industrial Development Policies of Selected Cities in the United States and in the Los Angeles Region

The industrial development policies of other major American cities and those in the Los Angeles region can provide the Industrial Development Policy Initiative with important insights on issues relevant to the City of Los Angeles. Eight national cities and six local cities were selected and their industrial development policies reviewed. Selection was based on either the cities having some degree of similarity to the industrial base of the City of Los Angeles, or their being in competition with the City of Los Angeles for industrial firms. Information was gathered summarizing the key industrial development policies of each city. The cities selected were:

**Major U. S. Cities:**

Philadelphia	Phoenix
Chicago	Las Vegas
Baltimore	Seattle
San Jose	Houston

**Selected Local Cities:**

South Gate	Vernon
Industry	Hawthorne
Commerce	Ontario

A summary of major U.S. cities' industrial development policies for the eight major U.S. Cities and six regional cities are provided below in outline form.

**MAJOR U.S. CITIES:**

**A. Development and Development Assistance**

- Assistance to developers and industrial firms in site location  
(Philadelphia, Chicago, Baltimore, San Jose, Phoenix, Las Vegas)
- Site assemblage and conveyance to developers and industrial firms  
(Philadelphia, Baltimore)
- Creation of an industrial development corporation to acquire and develop sites and formation of joint ventures with developers  
(Philadelphia, Baltimore, Las Vegas)
- Redevelopment Agencies  
(Philadelphia, Chicago, Baltimore, San Jose)
- Inventory the supply of industrial land and buildings  
(Philadelphia, Chicago, San Jose, Las Vegas)
- Prepare environmental impact reports  
(San Jose)

**B. Financial Assistance and Incentives**

- Issuance of tax-exempt industrial development bonds  
(*Philadelphia, Chicago, Baltimore, San Jose, Phoenix, Houston*)
- Empowerment and Enterprise Zones  
(*Philadelphia, Chicago, Baltimore, San Jose, Phoenix, Houston*)
- Creation of foreign trade zones  
(*Baltimore, San Jose, Phoenix, Las Vegas*)
- Tenant improvement financial subsidies for vacant industrial buildings  
(*San Jose*)
- Low interest loans to developers and industrial firms  
(*Philadelphia, Chicago, Baltimore, San Jose, Seattle, Houston, Las Vegas*)
- Assistance in economic feasibility analysis and structuring funding  
(*Philadelphia*)
- Lender risk reduction on loans to businesses and developers through collateral deposit reserves and by paying a portion of interest premium  
(*Phoenix*)
- Tax Exemption and Abatement Programs  
(*Houston, Las Vegas*)

**C. Regulatory Policies**

- Zoning restrictions on use of industrial land for non-industrial uses  
(*Philadelphia*)
- Creation of industrial districts for special uses: manufacturing, hi-tech, “green”  
(*Philadelphia, Baltimore, San Jose*)
- Streamlining the development and permitting approval process  
(*Philadelphia, San Jose, Phoenix, Las Vegas*)
- Technical assistance in approval and regulatory processing  
(*Philadelphia, San Jose, Seattle, Las Vegas*)

**D. Infrastructure Improvements**

- Improve streets, utilities in industrial districts  
(*Philadelphia, Chicago, San Jose, Seattle, Houston, Las Vegas*)
- Develop, high speed Internet connections  
(*Baltimore, San Jose, Las Vegas*)
- Manufacturing and industrial council  
(*Seattle*)
- Alternative energy development  
(*Las Vegas*)
- Transportation improvements - road, rail, air and/or sea  
(*Seattle, Houston, Las Vegas*)

**E. Targeted Business Assistance**

- Create retention, expansion, and financing programs for small industrial firms  
(*Philadelphia, Baltimore, San Jose, Seattle, Houston*)
- Create business incubators of start-up industrial and high tech businesses  
(*Baltimore, San Jose, Houston*)
- Technical assistance for firms in import-export industry  
(*Baltimore, San Jose, Seattle*)



- Employer visitation program  
(*Phoenix*)
- Targeted assistance for industry clusters  
(*Phoenix & State of Arizona, Seattle*)
- Web-based information resources  
(*Seattle*)
- Foreign trade assistance programs  
(*Baltimore, San Jose, Phoenix, Seattle, Las Vegas*)

#### **F. Brownfields and Industrial Ecology**

- Assess, remediate Brownfield sites  
(*Chicago, Baltimore, Houston*)
- Identify end user, turn over remediated sites for development  
(*Chicago*)
- Create ecological business parks  
(*Baltimore*)
- Provide and assist developers with technical info on regulatory issues  
(*Baltimore, Phoenix, Seattle, Houston*)
- Create “Green Industry District” or promote energy conservation  
(*San Jose, Seattle*)
- Reduction of delinquent property taxes on contaminated properties  
(*Phoenix*)

#### **G. Marketing Industrial Sites, Districts and City**

- Promote industrial corridors and sites  
(*Chicago, Phoenix, Seattle, Houston, Las Vegas*)
- Identify and recruit firms from industry clusters  
(*Baltimore, San Jose, Phoenix, Seattle, Houston, Las Vegas*)

#### **H. Workforce Development Programs**

- Participate in regional resource network for employers and workers  
(*San Jose, Phoenix, Seattle, Houston, Las Vegas*)

#### **I. Regional Cooperation for Economic Development**

- Participate in regional efforts in business recruiting, site selection, resource application and relocation  
(*Phoenix, Seattle, Houston*)
- Labor market analysis, financial contacts, coordination of State and local services  
(*Phoenix*)
- Foreign trade development cooperation  
(*Seattle, Houston*)
- Comprehensive Economic Development Strategy Studies  
(*Philadelphia, Baltimore, San Jose, Phoenix, Seattle, Houston*)

### ***Selected Cities in the Los Angeles Region***

A summary listing of the policies of selected cities in the Los Angeles region is provided below. These are summarized by city rather than by policy category to provide a holistic insight into how cities that are competitive with Los Angeles are structuring their industrial development policies.

#### **South Gate**

- Redevelopment Agency Assistance
- Zoning Restrictions on Residential Land Use
- Technical Assistance
- Financial Assistance Programs
- Industrial Market
- Industrial Uses and Employment

#### **City of Industry**

- Industrial Business Assistance
- Redevelopment Agency
- Industrial - Commercial Adaptive Reuse and Mixed Use
- Zoning

#### **City of Commerce**

- Amenities for Industrial Businesses
- Processing Assistance
- Financial Incentives
- Accessibility
- Workforce Assistance
- Technical Assistance for Small Businesses

#### **City of Vernon**

- Focus on Industry
- Low Cost Utilities
- Environmental Health Services for Industrial Needs
- Fire Protection and Hazardous Materials Handling
- Parcel Tax on Warehouse and Distribution Facilities
- Zoning and Conditional Use permits

#### **City of Ontario**

- General Policy Orientation
- Marketing and Promotion
- Affordable Land and Buildings
- Business Assistance and Fast Track Development
- Regional Cooperation for Business Assistance
- High-Technology Report on the Inland Empire
- Ontario Manufacturer's Database
- Foreign Trade Zone
- Transportation and Logistics
- Site Search and Selection
- Ontario Airport

#### **City of Hawthorne**

- Land Availability for Industrial Development
- Low Cost of Doing Business
- No Cost Parking
- Affordable Housing
- Free Trade Zone
- Industry Manufacturer's Council
- Transportation and Logistics
- Site Search and Selection
- Pacific Palms Conference Resort



PART III

## Key Policy Implications of Phase 1 Findings

CHAPTER 7

## Emerging Industrial Development Policy Issues





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## Emerging Industrial Development Policy Issues

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- 7A. Land Use Conversion and Availability**
- 7B. Infrastructure Issues**
- 7C. The Changing Industrial Base of the City**
- 7D. Workforce Development Issues**
- 7E. Environmental Challenges**

Several industrial development issues emerge based on the data and analysis provided in the previous chapters. These include the use of industrial zoned land for non-industrial purposes, the use of the non-industrial zoned land for industrial activity, the associated market and regulatory basis for such conversions, the availability and unavailability of under-performing and underutilized land including vacant land, infrastructure challenges, the changing industrial base of the City, workforce issues related to work readiness and skills training, and regulatory and environmental challenges. Each of these policy issues is highlighted below.

### **7A. Land Use Conversion and Availability**

Phase 1 findings include the following four conclusions regarding industrial land:

1. *A significant amount of the City's industrial zoned land has been, and continues to be, converted to non-industrial uses.*
2. *A significant amount of vacant and underutilized industrial parcels exists in industrial districts throughout the City.*
3. *It is interesting to note that a significant amount of industrial uses, as defined by the County Assessor, exists on the City's non-industrial zoned land.*
4. *Land assembly and current land use characteristics are prime impediments to industrial development.*

The data developed by the IDPI Data Team confirms the existence of a large number of non-industrial uses on industrial zoned land. Of the City's estimated 19,045 acres of industrial zoned land, approximately 4,922 acres or about 26% have been converted to non-industrial uses (see **Table 4.2, Industrial Zoned Land Use Summary**). Ten percent of total industrial zoned land is institutional, 8.1% is retail, 4.1% is residential and 3.2% is commercial, as measured by acres occupied. Data from DWP utility accounts and Office of Finance business license files confirm these findings. New construction permits indicate that an even higher conversion rate is occurring in the City of Los Angeles in recent years.



Market forces and a permissive zoning code and entitlement process are the prime drivers of this conversion. Land converted to non-industrial uses is assessed on average at a value that is 29% higher than for industrial uses, with retail and commercial use representing 2 - 2.5 times the average assessed values (see **Table 4.3**, *Comparison of Average Assessed Land Values*).

The City's non-industrial zones are also accommodating a significant amount of "industrial" uses, according to definitions used by the County Assessor. Initial data shows that 7,272 acres of non-industrial zoned land, as defined by the County Assessor, is being used for some type of "industrial" activity. This amount is actually greater than the amount of industrial zoned land being lost to non-industrial uses (see **Table 4.4**, *Sum of Industrial Uses on Non-Industrial Zoned Land*). The use of non-industrial zoned land for industrial activities may raise several industrial policy issues. As "industrial" practices evolve, can the City in effect offer non-industrial zoned sites to certain light "industrial" uses, thereby effectively expanding its available industrial land, and countering some of the negative effects of the conversion of industrial-zoned land to other uses?

Data from the Los Angeles County Assessor and County Flood Control files indicate that as many as 1,786 acres of vacant industrial zoned land exist within the City. In addition, the Department of Water and Power reports significant numbers of "zero consumption" water and electricity accounts throughout the City's industrial areas. This indicates the presence of structures and a meter but with no consumption of water and power. Both sources of data imply that the City has considerable amounts of underutilized and/or vacant land with potential for development.

Surveys conducted among members of IDPI's Industrial Land Use Red Team (ILURT)<sup>8</sup> and findings from the CRA identify the prevalence of small parcels as a prime impediment to industrial development. Thus, land assembly is a key issue to address during policy formulation.

All four findings regarding land use conversion and availability have important bearing on the creation of industrial development policy.



<sup>8</sup> A voluntary group of private sector professionals, including industrial developers, business owners and real estate brokers that provides information and expertise on industrial issues to the IDPI process.

## 7B. Infrastructure Issues

The most serious infrastructure issues currently limiting industrial activity are roadways and freight movement constraints. If not addressed, they will negatively impact future industrial development and raise further environmental justice concerns.

Evaluations of the City's infrastructure yield several conclusions that should be considered:

1. In 2003, the Bureau of Engineering gave the City's overall infrastructure a C+ grade. This evaluation considered roadways, highways, bridges, storm and wastewater systems, solid waste facilities, street lighting, water quality, parks and the Port of Los Angeles.
2. Streets and highways were rated a D+, an evaluation that carries with it an estimated system upgrade cost of \$1.5 billion for re-pavement and \$0.7 billion for congestion reduction over the next ten years. Forty-four percent of the intersections studied had traffic flow rated "D" or "F".
3. Goods movement by truck, a fundamental element in the health of the Los Angeles economy, is experiencing increasing challenges, including:
  - Freeway access delays
  - Industrial site access delays
  - Deficiencies in loading and unloading facilities
  - Slowing of through traffic
  - Delays at railroad crossings
  - Left and right turns in inner city intersections
4. Goods movement by freight, also a core component of the Los Angeles area economy is facing growing challenges connected to the growth of population and trade in the region. These challenges include:
  - Congestion
  - Environmental issues
  - Safety and security
  - A complex regional decision-making environment
5. Stormwater facilities have been rated by the Bureaus of Engineering and Sanitation as a "C". Limited regional landfill capacity plagues solid waste collection and management, which for industrial businesses is handled by private haulers. Adequate funding is necessary to address local drainage problems and pollution abatement requirements for urban runoff mandated by the Regional Water Quality Control Board.

The challenge for the future is to identify a sustainable and strategic funding source to construct improvements to the transportation infrastructure deficiencies.

### 7C. The Changing Industrial Base of the City

Over the past ten years, 229,000 manufacturing jobs have been lost in Los Angeles County due to local, regional and international market forces. The City of Los Angeles represents 59% of the County's manufacturing jobs, so it may be concluded that the City lost over 135,000 manufacturing jobs in the same period. Notwithstanding this loss, the Southern California region remains a strong industrial economic center and the IDPI seeks to build on this foundation.

The Planning Department has indicated that a significant amount of heavy manufacturing in the City has been replaced with light manufacturing, warehousing and service industries. **Table 1.2**, *Los Angeles County Manufacturing Industry Change*, describes the changing industrial base, showing that many industries are losing employment.

The Los Angeles County Economic Development Corporation has identified seven industries that it considers to have high growth potential. These are:

- Motion pictures
- Transportation
- Printing, publishing and allied industries
- Motor freight transportation and warehousing
- Transportation by air
- Water transportation
- Local/suburban transit, interurban highway

The Community Development Department has focused business assistance on ten industries identified by the 1997 "Economic Recovery Action Plan for Specific Growth Industries". This report analyzes eight industries as likely candidates to lead the City's recovery from economic challenges resulting from the Northridge earthquake, defense-industry downsizing and real estate losses. These industries are:

- Apparel Design/Manufacturing Distribution
- Auto Design
- Bio-medical Technology
- Distribution/Logistics
- Entertainment/Motion Picture/T.V. Production
- Food Production/Manufacturing
- International Trade
- Metal Fabrication
- Tourism
- Toy/Design/Distribution

Given these existing efforts by various departments and agencies, the challenge for the IDPI is how to strengthen the City's efforts in attracting industrial businesses that reflects the changing nature of industry, and the City's and the region's changing industrial base.

## 7D. Workforce Development Issues

The City and County of Los Angeles remain strong manufacturing centers and employ a significant number of workers, yet the challenge for the City is to prepare its workforce for growth industries that demand higher skills. In the City of Los Angeles, each of the following industries employ 2% or more of the City's workforce; collectively, they represent over 50% of the City's manufacturing workforce:

- Wholesale trade for durable and non-durable goods
- Motion picture production
- Apparel manufacturing
- Printing, publishing and allied products
- Transportation, communication & utilities

Manufacturing, wholesale trades and motion picture production employ 28.5% of the City's total workforce. Small businesses provide the bulk of industrial employment in the City of Los Angeles, with 54% of all manufacturing workers employed in companies of 250 or fewer employees. Furthermore, almost 31% of all industrial workers are employed in businesses with fewer than 100 employees.

A challenge for the future, if the City is to remain a global competitor, is to address workforce readiness and specialized training as it relates to industrial development. The City of Los Angeles administers a variety of programs and has access to quality educational institutions that may be better leveraged to address this challenge. The K-12 public educational system may provide an opportunity to prepare the local workforce for contemporary manufacturing jobs by including operation of machinery, understanding of industrial processes and other industrial skills in the curricula. The City of Los Angeles, along with major cities in the United States, cannot compete with low cost labor countries on wages. Therefore, the challenge facing the City and the City's labor pool is to compete in the workforce quality and work readiness.

## 7E. Environmental Challenges

There are physical and social environmental challenges facing industrial development in the City of Los Angeles. Brownfields are contaminated sites that create barriers to new investment and reuse. From a social perspective, environmental justice concerns demand that we address the consequences of overall pollution on neighborhoods.

Brownfields represent a number of barriers to development. The City of Los Angeles Brownfields Program aims to reduce the uncertainty associated with contamination mitigation and the liability issues that property owners and developers must deal with. Other cities in the U.S. have gone to the extent of preparing Phase I and Phase II studies and making these available to developers (as has Los Angeles). Still other cities have gone so far as to take control of Brownfield sites, conduct mitigation and convey the sites to developers. A few cities have even created eco-industrial parks or have begun to implement eco-industrial practices where waste products are recycled and alternative energy sources are utilized.

Environmental justice issues are highly relevant in discussions of industrial development policy, given the history of the disproportionate impact that industrial activity has had on lower-income communities. The burdens of industrial uses on such communities include pollution, poor air quality, transportation-related impacts, soil toxicity, odors, blight and noise. At the same time, environmental justice issues can inhibit industrial development if industrial firms turn away from established communities to avoid near-by residential areas.







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