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June 13, 2019

**Via Hand Delivery**

Los Angeles City Council  
Planning and Land Use Management Committee  
City of Los Angeles - City Hall  
200 North Spring Street, Room 395  
Los Angeles, CA 90012

Re: June 18, 2019 Agenda: Mitsui 8<sup>th</sup> and Fig, Appeals of Case Nos. VTT-74197-1A and CPC-2016-1950-TDR-SPR

Dear Chair Harris-Dawson and Honorable Committee Members:

On behalf of the Applicant Mitsui Fudosan America (“MFA”), we look forward to presenting the proposed 41-story mixed-use residential building located at 744 South Figueroa Street, 732-756 South Figueroa Street, and 829 West 8th Street (the “Project”). The Project will transform an existing parking lot on a key Downtown corner to create high quality and sustainable urban residential living in the Financial District. We seek your support to grant MFA’s appeal of conditions imposed by the City Planning Commission without legal authority including an inclusionary housing requirement; deny the opponents’ appeal; approve the proposed design which has been improved in response to the comments from the CPC; and approve directing TFAR funds to an affordable housing fund.

The only entitlements necessary to carry out this exciting Project are the long-established process in Downtown for Transfer of Floor Area Rights (“TFAR”), together with City entitlements for Site Plan Review and a Vesting Tentative Tract Map (“Tract Map”). No zone change, general plan amendment, height limit increase, or other additional benefit has been requested by the Applicant. The Project is located within a transit priority area, conveniently sited near rail and bus transit. Providing 438 residential units and approximately 7,493 square feet of ground floor commercial/retail/restaurant uses, the Project’s new housing in the heart of the Downtown Financial District is conveniently located near job centers and retail.

The Project will activate the streetscape along Figueroa Street, consistent with planning for the future Streetcar, and will provide nearly \$5 million in TFAR payments to fund affordable housing and other public benefits. In addition, the value of the Project’s net land dedications, which will enhance the streetscape and widen the sidewalk, is approximately \$2.8 million. Additional streetscape improvements proposed by the Project include a new mid-block

crosswalk estimated at about \$500,000 in costs to the Applicant, with other street, alley, and sidewalk improvements and the installation of bike racks as additional improvements.

The Project has reached agreement with the Coalition for Responsible Equitable Economic Development (“CREED LA”). It will provide approximately 4,500 construction-related jobs, as estimated by the Economic Impact Analysis prepared by the Los Angeles Economic Development Corporation documenting these job creation estimates; good jobs facilitate the ability of employees to afford housing. (Attachment A, LAEDC Economic Impact Analysis for 8th and Figueroa and Cover Letter, dated January 23, 2019.) In addition, the Project will result in an approximately \$5.8 million investment in public benefits through the payment of school fees, transportation improvements, and land dedications; together with the TFAR payments, this totals an approximately \$10.7 million public benefit package.

Moreover, significant public revenues are provided by the Project to the government agencies that support affordable housing projects. The Project’s projected annual property taxes will top \$5 million and annual resident local spending is estimated at approximately \$17.8 million. (LAEDC Economic Impact Analysis for 8<sup>th</sup> and Figueroa and Cover Letter, dated January 23, 2019.)

### **Procedural Background**

A joint public hearing was held on October 24, 2018 by the Deputy Advisory Agency for the Tract Map and the Hearing Officer for the TFAR and Site Plan Review. After the Tract Map was approved and Final EIR certified by the Deputy Advisory Agency on November 16, 2018, appeals were filed by the Southwest Regional Council of Carpenters (“Carpenters”) and the Coalition for Responsible Equitable Economic Development (“CREED LA”). The appeal filed by CREED LA was formally withdrawn on January 23, 2019.

On January 24, 2019, the City Planning Commission (“CPC”) held a public hearing to consider the Carpenters’ appeal of the Tract Map case (Case No. VTT-74197-1A) and Final EIR and to consider the requested TFAR and Site Plan Review (Case No. CPC-2016-1950-TDR-SPR) cases. The Staff Report presented to the CPC concluded that the Project complied with all applicable guidelines, including the Downtown Design Guide and Citywide Design Guidelines. Though the Carpenters did not appear or testify at the hearing, the CPC denied in part and approved in part the Carpenters’ appeal, while modifying the Conditions of Approval.

Among the CPC’s modifications to the Conditions of Approval in the Letters of Determination for both cases, mailed on February 25, 2019, are two not recommended by staff that the Applicant appealed, as discussed in more detail below; the Inclusionary Housing Condition and Design Condition. The Applicant filed an appeal for both cases with the City Council on March 7, 2019, requesting that the Inclusionary Housing Condition and Design Condition be removed from the Project’s Approvals.

**Appeal of CPC's Modified Conditions of Approval**

**No Legal Basis for Inclusionary Housing Condition: No Nexus or Other Legal Justification**

The CPC imposed a five percent (5%) affordable housing requirement to compel 22 units be set aside for Low Income Households. As the Applicant's counsel pointed out to the CPC, there is no nexus to impose the inclusionary requirement. Nor is this mandate justified by any City ordinance, density bonus, plan amendment, zone change, Development Agreement or other approval requested by the Project, which is contributing nearly \$5 million in TFAR public benefit payments that can be used for affordable housing. The Project's applications were submitted before the adoption of the City's linkage fee ordinance, which does not apply to applications deemed complete before specified dates. The CPC's arbitrary imposition of the Inclusionary Housing Condition did not include any analysis or deliberation regarding the Project's impacts on affordable housing in the City. Even though the City's affordable housing regulatory framework does not include provisions applicable to the Project, the CPC directed staff to include this condition in the Project approvals.

**Design Condition**

The CPC also imposed a condition requiring the Applicant to redesign the Project before construction to update the roofline articulation, adjust the screening of the parking podium, and redesign the trunk of the structure (collectively, the "Design Condition"). This condition was imposed despite the conclusion in the staff report that the Project conforms to all applicable City design guidelines and development standards. The Applicant has voluntarily refined the building design to respond to the CPC's concerns. Because the Applicant is ready to proceed immediately with construction, we respectfully request that the Council approve the design and the Revised Exhibit A, which has been positively received by the Urban Design Studio and Planning staff.

As shown in the Revised Exhibit A, the Applicant has worked with the Project architect, Johnson Fain, to provide enhanced design features that respond to CPC concerns regarding the podium and building roofline. To unify the vertical tower and the horizontal podium, a randomized vertical glass system has been designed to conceal and wrap the podium along Figueroa and 8th Street, necessitating mechanical ventilation to fully enclose the podium. Vertical strips of night-lighting will be embedded into the skin while the principal corner of the project will be marked with a large patterned luminous "box," calling attention to this important intersection. Entry to the building's principal lobby is now marked by grand stone-clad columns carrying the plane of the tower to grade. Balconies off the amenity level at the podium roof have been expanded. The attached updated rendering depicts these exciting design refinements. (Attachment B, Updated Project Rendering.)

The top of the building has been revised by extending the glass parapets at the perimeter to a much higher elevation capped with a deep cornice, or crown. This crown will be indirectly lit in the evening and complete the building top, embedded with four grand columns recalling the ground level entry. This added design element maintains rooftop amenities that were in prior design plans. The added costs of the redesign, including the mechanical ventilation necessary for the now fully enclosed podium, amount to approximately \$5 million.

In summary, we request the following changes to the CPC's Modified Conditions:

1. **Design:** Replace condition 1 with approval of the design set forth in the revised "Exhibit A" dated June 3, 2019 and direct that development of the Project be in substantial conformance with this approved "Exhibit A."
2. **Affordable Housing:** Recognizing the project is providing almost \$5 million in TFAR contributions that can be used for public benefit provisions including affordable housing, delete condition 5, including the requirement to designate five percent of the units as affordable, and delete the reference to condition 5 in the Statement of Overriding Considerations.

### **Appeal of Changes to Statement of Overriding Considerations**

Both the Advisory Agency, in approving the tract map, and Planning staff recommended to the CPC that it adopt the Project's Statement of Overriding Considerations ("SOC") in connection with certification of the EIR. The Project has only minimal impacts requiring the SOC, including temporary and cumulative impacts which are typical of urban high-rise construction projects. All other potential Project environmental impacts are reduced to less than significant with implementation of mitigation measures. The SOC is more than justified by the many benefits of the Project in this transit priority area where housing and retail will be provided on an existing parking lot. Pursuant to the staff report to the CPC, Planning staff determined that the SOC was sufficient to offset the Project's impacts. We respectfully request that CPC's revised SOC, which added the Inclusionary Housing Condition, not be adopted by PLUM.

In addition to the public benefits described in the SOC, the Project submitted an Economic Impact Analysis prepared by the LA Economic Development Corporation which was not discussed by the CPC. These include that the Project will create approximately 4,500 construction jobs, generate approximately \$5 million in annual property tax, and result in approximately \$17.8 million in economic output through the life of the Project. (LAEDC Economic Impact Analysis for 8<sup>th</sup> and Figueroa and Cover Letter, dated January 23, 2019.)

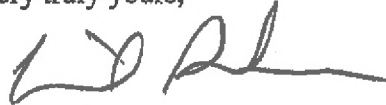
We respectfully request that the Council update the Project's SOC to be consistent with the staff recommendation to the CPC and remove reference to the Inclusionary Zoning Condition.

### **The Opponents' Appeal Should Be Denied**

As detailed in staff's Appeal Report, the appeal does not provide substantial evidence to dispute the findings of the EIR, which is comprehensive and completed in full compliance with CEQA. The opponents have not provided any substantial evidence of new impacts or increases in the severity of previously identified impacts; recirculation of the Draft EIR is not warranted. The record is replete with substantial evidence to support the environmental findings and conclusions. The Project's FEIR has thoroughly analyzed the potential impacts associated with the construction and operation of the Project. We respectfully request that you adopt staff's recommendation that the Final EIR should be certified.

The Applicant respectfully requests that PLUM deny the Carpenters' appeal of both cases, and grant Applicant's appeal of both cases. We appreciate your consideration and look forward to your review.

Very truly yours,



Lucinda Starrett  
of LATHAM & WATKINS LLP

Enclosures

cc:

Stuart Morkun, Mitsui Fudosan America  
Jeff Chang, Mitsui Fudosan America  
James L. Arnone, Latham & Watkins LLP  
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Milan	Washington, D.C.

**LATHAM & WATKINS LLP**

January 23, 2019

**VIA EMAIL**

Samantha Millman, President  
Honorable Commissioners  
Los Angeles Department of City Planning  
200 North Spring Street  
Los Angeles, CA 90012-2601

Re: Figueroa & 8<sup>th</sup> Project – CPC-2016-1950-TDR-SPR; ENV-2016-1951-EIR; VTT-74197

Dear Honorable President Millman & Members of the City Planning Commission:

On behalf of Mitsui Fudosan America (“Mitsui”), we submit this letter and attached Economic Impact Analysis (“Report”) prepared by the LAEDC Institute for Applied Economics in support of the residential project with ground floor retail proposed at Figueroa and 8<sup>th</sup> Street (the “Project”). The Project is an infill development that would transform the corner of Figueroa Street and 8<sup>th</sup> Street in the Financial District (the “Project Site”) by replacing a surface parking lot with a high-rise development that will become a prestigious downtown address. With a classic tower design and articulated podium, together with the streetscape improvements and a new mid-block pedestrian crossing, the Project creates an inviting pedestrian experience to complement the vision of Figueroa Street as a grand Los Angeles boulevard. The Project’s new housing and commercial space in the heart of the Financial District in Downtown Los Angeles is conveniently located near transit and jobs making the site ideal for the proposed Project.

**Project Economic Impacts.** As detailed in the Report, the Project will have a tremendous beneficial economic impact by providing jobs and economic investment at a prominent intersection in the Financial District. The high-density Project will provide 438 housing units and approximately 7,493 square feet of retail/restaurant space representing an investment of over \$438 million. Construction activity alone is estimated to directly generate 2,593 construction jobs and indirectly create another 2,000 jobs supported by suppliers and the household spending of direct and indirect construction employees. (Report, pg. 5.) Job and labor income is estimated at approximately \$268 million. (Report, pg. 5.)

This economic activity is projected to generate approximately \$32.6 million in state and local taxes. (Report, pg. 5.) Upon completion of the Project, new residents will spend money locally with annual household spending estimated at \$17.8 million. (Report, pg. 9.) The increase of the Project Site’s property value is projected to result in annual local property tax

LATHAM & WATKINS LLP

increase of approximately \$5.2 million. (Report, pg. 9.) The Project's many economic benefits outlined in the Report provide additional evidence to support the City's findings in the Statement of Overriding Considerations.

**The Appeal Lacks Merit.** The Project's FEIR has thoroughly analyzed the potential impacts associated with the construction and operation of the Project. Project Overriding Considerations are considerate in comparison to the minimal impacts that are typical for a large Downtown Project. Only temporary cumulative off-site construction noise, temporary Project and cumulative off-site vibration related to human annoyance and cumulative PM peak traffic impacts at the intersection of 8<sup>th</sup> and Figueroa Streets are significant and unavoidable. All other potential Project environmental effects are less than significant, including air quality impacts, reduced to less than significant with implementation of mitigation measures.

As detailed in Staff's Appeal Report, the appeal does not provide substantial evidence to dispute the findings of the EIR, which is comprehensive and completed in full compliance with CEQA. As further indicated in the Appeal Report, the appellants have proffered no substantial evidence of new impacts or increases in the severity of previously identified impacts; recirculation of the Draft EIR is not warranted. The record is replete with substantial evidence to support the environmental findings and conclusions. Consequently, we concur with Staff that the Advisory Agency decision should be sustained and the Final EIR certified.

**Conclusion.** Mitsui supports the staff recommendations to deny the appeal, certify the Final EIR and adopt the Statement of Overriding Considerations and Mitigation Monitoring Program, sustain the Advisory Agency's approval of Vesting Tentative Tract Map 74197, and approve the Project's TFAR Transfer Plan and Site Plan Review requests.

Very truly yours,



James L. Arnone  
of LATHAM & WATKINS LLP



Peter J. Gutierrez  
of LATHAM & WATKINS LLP

Enclosures

cc: The Honorable Councilmember Jose Huizar, Council District 14  
Shawn Kuk, Council District 14  
Mindy Nguyen, Planning Assistant  
Stuart Morkun, Mitsui Fudosan America  
Jeff Chang, Mitsui Fudosan America  
Lauren Glaser, Latham & Watkins LLP

# 8<sup>TH</sup> & FIGUEROA



## AN ECONOMIC IMPACT ANALYSIS



Los Angeles County Economic Development Corporation  
444 S. Flower Street, 37<sup>th</sup> Floor ♦ Los Angeles, CA 90071  
(888) 4-LAEDC-1 ♦ [www.LAEDC.org](http://www.LAEDC.org)



This report was commissioned by MITSUI FUDOSAN AMERICA

The LAEDC Institute for Applied Economics provides objective economic and policy research for public agencies and private firms. The group focuses on economic impact studies, regional industry analyses, economic forecasts and issue studies, particularly in workforce development, transportation, infrastructure and environmental policy.

Every reasonable effort has been made to ensure that the data contained herein reflect the most accurate and timely information possible and they are believed to be reliable.

This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, endorsements, representations or warranties of any kind whatsoever. 20190123

# EXECUTIVE SUMMARY

**M**itsui Fudosan America proposes a mixed-use development on the site of the current 8th & Figueroa in downtown Los Angeles. The mixed-use development is anticipated to add 438 residential units and 7,300 square feet of ground-floor commercial space.

The LAEDC Institute for Applied Economics (LAEDC) has conducted an analysis of the economic and fiscal impacts in Los Angeles County associated with the 8th & Figueroa development project. The analysis is based on the projected increase in economic activity in the plan area, as well as the one-time economic and fiscal impacts from the construction phase. ❖

## One-Time Project Development Impacts

The cost of the 8<sup>th</sup> & Figueroa development plan is currently estimated at around \$438 million. This will generate in 2019 dollars:

- ▶ 4,593 jobs;
- ▶ \$267.6 million in labor income;
- ▶ Almost \$740 million in total output or business revenues;
- ▶ \$32.6 million in state and local taxes, of which \$8 million will be collected by Los Angeles County and \$3.6 million by local cities. ❖

**Exhibit ES-1**  
**8<sup>th</sup> & Figueroa Development**  
**One-Time Economic and Fiscal Impact in Los Angeles County**

<b>Total Economic Impact:</b>	
Output (\$ millions)	\$739.8
Employment (jobs)	4,593
<i>Direct</i>	2,593
<i>Indirect and induced</i>	2,000
Labor earnings (\$ millions)	\$267.6
<b>Total Fiscal Impact:</b>	
State/local taxes (\$ millions)	\$32.6
Federal taxes (\$ millions)	60.3

Source: Estimates by LAEDC



Source: <https://urbanize.la/post/new-renderings-41-story-8th-figueroa-tower>

## Annual Impacts of Ongoing Activity

The total annual economic impact in Los Angeles County of the ongoing activity occurring at 8<sup>th</sup> & Figueroa is shown in Exhibit ES-2. Every year, this activity will generate in 2019 dollars:

- ▶ 329 annual jobs;
- ▶ \$16.3 million in labor income;
- ▶ \$49.5 million in total output (business revenues);
- ▶ \$8.1 million in state and local taxes, of which \$5.1 million will be collected by Los Angeles County and \$1.3 million by local cities. ❖

**Exhibit ES-2**  
**8<sup>th</sup> & Figueroa**  
**Total Annual Economic and Fiscal Impact of Ongoing Operations**

<b>Total Economic Impact:</b>	
Output (\$ millions)	\$49.5
Employment (jobs)	329
<i>Direct</i>	220
<i>Indirect and induced</i>	109
Labor earnings (\$ millions)	\$16.3
<b>Total Fiscal Impact:</b>	
State/local taxes (\$ millions)	\$8.1
Federal taxes (\$ millions)	4.3

Source: Estimates by LAEDC

## Local Residential Housing Conditions

- ▶ Housing prices are high, suggesting a lack of adequate supply.
- ▶ Expected population growth in the region is quite likely to absorb additional units in the downtown Los Angeles area. ❖

# 1 INTRODUCTION

Headquartered in New York City, Mitsui Fudosan America, Inc. (MFA) is the US subsidiary of Mitsui Fudosan Co., Ltd., Japan's largest real estate company. MFA's portfolio currently includes 4 million square feet of office space, an additional 4.4 million square feet of office space under development, almost 1,200 residential units, another almost 1,700 units under development and other projects in development including hotels. MFA currently owns assets in New York, Washington, Los Angeles, San Francisco, Seattle and Honolulu.

MFA purchased the 8th & Figueroa property in 1987. However, after developing 601 Figueroa in 1990, had remained largely absent from downtown Los Angeles until in 2017, when MFA re-established its office in Los Angeles and filed an application to develop 8th and Figueroa.

The company proposes a high-rise on the site of the current 8th & Figueroa property in the Financial District of downtown Los Angeles currently being used as a surface parking lot. The mixed-use development is anticipated to add residential units and retail space.

The proposed 41-story, 530-foot tall building will include 438 residential units, 7,300 square feet of retail space and 505 vehicle and 211 bicycle parking spaces.

The Los Angeles County Economic Development Corporation Institute for Applied Economics (LAEDC) has been retained to estimate the economic activity that will be associated with the development in Los Angeles County. ❖



Source: <http://dlanc.org/sites/dlancd7.localhost/files/2018%2003.08%208th-Figueroa%20DLANC%20PLUC.pdf>



Source: <https://urbanize.la/post/new-renderings-41-story-8th-figueroa-tower>

## Economic Impact Analysis

Economic impact analysis is used to estimate the overall economic activity, including spill-over and multiplier impacts, which occurs as a result of a particular business, event or geography.

The economic activity related to the new construction and the expected ongoing operations of 8th & Figueroa is the hundreds of millions of dollars of goods and services purchased from local vendors and the wages and benefits paid to local workers.

During the development and construction phase, millions of dollars will be spent for the wages and benefits of construction employees. These workers, as well as employees of all suppliers, will spend a portion of their wages on household consumer goods such as groceries, rent, vehicle expenses, healthcare, entertainment, and so on. Once the development is completed and occupied, commercial activity and new residential households will spend millions of dollars annually in the course of their day-to-day activities. This recirculation of the original expenditures multiplies their impact through these indirect and induced effects.

The extent to which the initial expenditures multiply is estimated using economic models that depict the relationships between industries (such as the construction industry and its suppliers) and among economic agents (such as firms and their employees).

These models are built upon expenditure patterns that are reported to the U.S. Bureau of Labor Statistics, the U.S. Census Bureau and the Bureau of Economic Analysis of the U.S. Department of Commerce. Data is regionalized so that it reflects and incorporates local conditions such as prevailing wages rates, expenditure patterns, and resource availability and costs.

The magnitude of the multiplying effect differs from one region to another depending on the extent to which the local region can fill the demand for all rounds of supplying materials, goods and services. For example, the automobile manufacturing industry has high multipliers in Detroit and Indiana since these regions have deep and wide supplier networks, while the same industry multiplier in Phoenix is quite small. In another example, the jobs multiplier for the construction industry is higher in, say, Arkansas, than in California because the same amount of spending will purchase fewer workers in Los Angeles than in Little Rock.

Multipliers can also differ from year to year as relative material and labor costs change and as the production "recipe" of industries change. For example, the IT revolution significantly reduced the job multiplier of many industries (such as manufacturing, accounting, architecture and publishing) as computers replaced administrative and production workers. ❖

## Approach and Methodology

The analysis here uses the development budget of the overall project, combined with the estimated revenues of all operations once the property is occupied. Data was provided by the client and supplemented with regional and local data and analysis to provide revenue estimates (where these were not provided by the client).

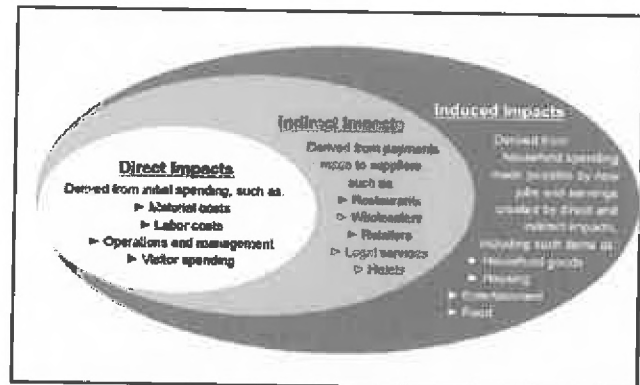
The total estimated economic impact includes direct, indirect and induced effects. *Direct* activity includes the materials purchased and the employees hired by the developer and its construction contractors. Included are operations staff such as management, human resources and maintenance, and construction workers such as laborers, electricians and other trades. *Indirect* effects include those expenditures which stem from purchases made by the contractors and their suppliers. *Induced* effects are those generated by the household spending of employees whose wages are sustained by both direct and indirect spending, such as those on groceries, rent, vehicle expenses, healthcare, entertainment, and so on.

A visual depiction of the different impacts is shown in the graphic.

Indirect and induced impacts are estimated using models developed with software and data from the IMPLAN Group, LLC. The economic region of interest is Los Angeles County, under the assumption that most of the suppliers and workers are located within the county.

The metrics used to define the value of the economic impact include employment, labor income and the value of output. *Employment* includes full-time, part-time, permanent and seasonal employees and the self-employed, and is measured on a job-count basis regardless of the number of hours worked. *Labor income* includes all income received by both payroll employees and the self-employed, including wages and benefits, such as health insurance and pension plan contributions. *Output* is the value of the goods and services produced. For most industries, this is simply the revenues generated through sales; for others, in particular retail industries, output is the value of the services supplied. Unless noted otherwise, estimates for labor income and output are expressed in 2019 dollars.

It should be noted that a development of this size will have significant impacts. The added residential property will be occupied by new residents, and commercial properties will house businesses and retail activities. The extent to which these activities are *new* rather than a relocation of existing activities from other areas of the study area is not known. Given expected population growth over the development period, it is reasonable to assume that the addition of households represents new activity, but this may not be an appropriate assumption for the incremental commercial and retail activities implied from low vacancy rates. The economic and fiscal impact results should therefore be interpreted as those that are attributable to the new development rather than assuming the new development will generate such net new activities. ❖



## 2 PROJECT DEVELOPMENT

The development and construction of 8th & Figueroa will generate substantial economic activity, which will extend beyond the construction industry as wages paid to the construction workers and payments made for purchases of goods and services circulate throughout the economy generating additional indirect and induced activity in Los Angeles County.

The project envisions seamless integration with the preexisting business and retail ecosystem. In addition to providing 438 needed housing units in a particularly high cost section of Los Angeles, the development is intended to not only provide a full suite of amenities to residents but also benefit and improve the city block. This will be accomplished through street, alley and sidewalk improvements; 134 trees and additional greenery; and a dedication of 13 percent of the property to public use.

The site will also include 505 car parking stalls and 211 bike parking stalls to meet the needs of residents. Other neighborhood-oriented building plans include public right-of-way (ROW) improvements; integrated access to the proposed LA Streetcar and Metro expansions; and a pedestrian crosswalk and signalization.



Source: <https://urbanize.la/post/new-renderings-41-story-8th-figueroa-tower>

A summary of the development program by land uses and square footage is shown in Exhibit 2-1. ❖



Exhibit 2-1  
Net Square Feet of Space by Use

	Sq. Ft	% Total
Residential	364,362	42.5%
Retail	7,320	0.9%
Open Space	47,405	5.5%
Garage	277,150	32.3%
Other	160,555	18.7%
<b>Total</b>	<b>856,792</b>	<b>100.0%</b>

Source: Mitsui Fudosan American

### Construction Budget

The overall development budget, provided by the developer is over \$438 million. Not included are land costs of \$23.4 million and loan financing costs of \$15.4 million as these do not generate economic activity.

Operating expenses for construction will account for 96.5 percent of the overall development budget. Of this, most will be spent on construction of the residences. About 4.4 percent is allocated for permits and fees.

Development of the project is anticipated to take approximately three years from 2019 through 2022. As is customary for this type of analysis, the estimates of the economic impact of project development are presented as if the entire construction occurred within the 2019 calendar year. ❖

## Total Economic and Fiscal Impact

The construction activity associated with the development project will generate considerable economic activity in Los Angeles County as expenditures are made for goods and services to produce the new structures and facilities.

The primary economic impact of the development phase on the local economy is the expenditure of millions of dollars towards goods and services from local vendors and for the wages and benefits of local construction workers.

The total economic impact in Los Angeles County of the 8th & Figueroa project is shown in Exhibit 2-2.

Exhibit 2-2  
8th & Figueroa Project Development  
One Time Economic and Fiscal Impact in Los Angeles County

<b>Total Economic Impact:</b>	
Output (\$ millions)	\$739.8
Employment (jobs)	4,593
<i>Direct</i>	2,593
<i>Indirect and induced</i>	2,000
Labor earnings (\$ millions)	\$267.6
<b>Total Fiscal Impact (\$ millions)</b>	<b>\$92.9</b>
Source: Estimates by LAEDC	

It is estimated that spending over \$438 million for the development of 8th & Figueroa will support almost 4,600 jobs with labor income of almost \$268 million within Los Angeles County. Development activity will also generate almost \$740 million in economic output to the county.

Of the jobs generated, 2,593 will be directly involved in construction activity and the remaining portion will be indirect and induced jobs supported by the suppliers and household spending of direct and indirect employees.

This economic activity in Los Angeles County is projected to generate around \$32.6 million in state and local taxes and \$60.3 million in federal taxes. The disaggregation of taxes by type is shown in Exhibit 2-3.



Exhibit 2-3  
Detailed Fiscal Impact of Project Development

<b>By Type of Tax (\$ millions):</b>	
Personal income taxes	\$32.5
Social insurance	27.8
Sales and excise taxes	11.9
Property taxes	7.4
Corporate income taxes	8.5
Other taxes and fees	4.8
<b>Total</b>	<b>\$92.9</b>
<b>By Type of Government (\$ millions):</b>	
Federal	\$60.3
State	21.0
County	8.0
<i>Property taxes</i>	6.0
<i>Sales taxes</i>	2.0
Cities	3.6
<i>Property taxes</i>	1.3
<i>Sales taxes</i>	0.8
<i>Other fees and fines</i>	1.5
<b>Total</b>	<b>\$92.9</b>
Source: Estimates by LAEDC	

Personal income taxes are estimated to be \$32.5 million to all levels of government. Social insurance payments to both state and federal governments will reach almost \$27.8 million. Other sources of tax revenues include sales and excise taxes, taxes on corporate income and other taxes and fees paid by businesses and households.



The federal government will collect approximately two thirds of all tax receipts. Federal tax revenues consist mainly of social insurance taxes, personal income taxes and corporate income taxes. The State of California will collect over \$21 million, which includes sales tax revenues, personal income taxes, corporate income taxes and other taxes and fees. The County of Los Angeles will collect approximately \$8 million, largely from property taxes and its share of sales tax revenues. Cities across the county will receive around \$3.6 million from a share of property taxes, sales taxes and licenses and fees.

The total annual economic impacts from construction spill across industries through indirect and induced effects. The complete list of estimated impacts by industry sector is shown in Exhibit 2-4.

Of the 4,593 jobs generated by development of 8th & Figueroa, almost 60 percent will be in the construction industry, including direct, indirect and induced job impacts. However, virtually all industry sectors in Los Angeles County will experience a positive economic impact from direct development spending related to 8th & Figueroa, including retail trade, health and social services, professional and technical services, and accommodation and food services.

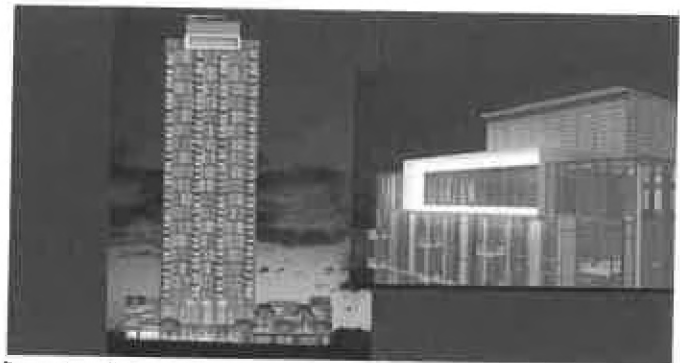
The values in the exhibit should be interpreted as illustrative of industry effects rather than precise given model and data limitations. A description of these industries is provided in the Appendix. ❖



Exhibit 2-4  
One-Time Economic Impacts by Industry Sector

	Jobs	Labor Income (\$millions)	Output (\$ millions)
Natural resources	2	\$0.4	\$0.8
Utilities	4	0.7	3.2
Construction	2,605	155.3	440.2
Manufacturing	28	2.3	19.1
Wholesale trade	97	7.3	23.1
Retail trade	699	31.4	67.9
Transportation and warehousing	111	7.3	17.9
Information	27	4.3	16.0
Finance and insurance	76	6.7	20.8
Real estate and rental	88	4.9	43.7
Professional, scientific technical	152	14.1	24.5
Management of companies	16	2.0	4.0
Administrative and waste services	141	5.0	9.8
Educational services	48	2.3	3.6
Health and social services	205	12.2	21.2
Arts, entertainment and recreation	30	1.3	3.2
Accommodation and food services	135	4.0	9.5
Other services	122	5.2	8.7
Government and non-NAICs	6	0.9	2.5
<b>Total</b>	<b>4,593</b>	<b>\$287.6</b>	<b>\$739.8</b>

Source: Estimates by LAEDC



Source: <https://urbanize.la/post/new-renderings-41-story-8th-figueroa-tower>

### 3 ANNUAL ONGOING ACTIVITY

8th & Figueroa will have a recurring impact on the regional economy once construction is completed and the residential and commercial space is occupied. Annual revenues related to the development will include the additional commercial and residential rents and the revenues earned by onsite retail stores. Moreover, the new resident households will make purchases at off-site local businesses, increasing economic activity in the region.

#### Operational Revenues

Operational revenues of the newly introduced annual activity occurring at 8th & Figueroa include revenues generated by commercial activities and residential rent revenues. This analysis presents all results in 2019 dollars to indicate economic activity as if it were to occur during this calendar year. Future results may vary.

##### Revenues Generated by Commercial Activities

Revenue generated by proposed commercial activity for the 7,300 square feet retail space was derived using employment density estimates per square foot of space from the U.S. Energy Information Administration’s Commercial Buildings Energy Consumption Survey (CBECS), and productivity estimates for a variety of industries. It is estimated that the retail space will be a mix of food and retail stores.

The summary of estimated annual revenues from commercial activities is shown in Exhibit 3-1. The annual revenues are adjusted for purchases from the residents of 8th & Figueroa to avoid double-counting.

Exhibit 3-1  
8th & Figueroa  
Estimated Annual Revenues from Commercial Activities

	Approximate Square Feet	Adjusted Estimated Annual Revenues (\$ millions)
Dining establishments	3,650	\$318,243
Retail establishments	3,650	\$196,603
<b>Total Estimated Annual Commercial Revenues</b>		<b>\$514,846</b>

Sources: Mitsui Fudosen America; US EIA; Estimates by LAEDC



##### Residential Rent Revenue

Residential rent revenue is the total amount of rent paid annually by new resident tenants of the 8th & Figueroa residential units. The number of units, average unit size and average rents were either provided by the developer or derived from prevailing market rates and adjusted for occupancy. Occupancy rates are based upon vacancy rates from the American Community Survey 5-year estimates for 2017 for Los Angeles County. The vacancy rate in this report for rental units is 3.2 percent.

The aggregate annual net rent revenue from rental residences is therefore estimated to be over \$20.3 million annually.

##### Summary of Annual Ongoing Operational Revenues

Using these methods, annual revenues of the ongoing activities at 8th & Figueroa, once completed, are estimated and summarized in Exhibit 3-2.

Exhibit 3-2

Estimated Annual Revenues at 8th & Figueroa	(\$ millions)
Commercial activities	\$0.5
Residential rent	20.3
<b>Total (\$ millions)</b>	<b>\$20.8</b>

Source: Estimates by LAEDC





It is estimated that annual revenues earned from activities generated at 8th & Figueroa will be approximately \$20.8 million annually. ❖

### New Resident Spending

Along with the new ongoing commercial activity occurring at 8th & Figueroa, an additional impact on the local economy will derive from the addition of the new resident households (and their spending) to the neighborhood. To quantify this impact, the annual income and local spending patterns for each new household is estimated.

Using expected rents, income levels of future tenants are derived by applying the percentage of income typically dedicated to housing costs. According to the U.S. Census Bureau’s *American Community Survey* report on housing characteristics, the median household in Los Angeles County that rents its primary residence pays at least 35 percent of its before-tax income on housing costs. These are presented in Exhibit 3-5 and are adjusted for occupancy using vacancy rates from the *American Community Survey* 5-year estimates for 2017 for Los Angeles County. Vacancy rates in this report for rental homes are 3.2 percent.

The overall estimated annual income of households anticipated to be residing in 8th & Figueroa residences will exceed \$54.7 million.

To estimate the local expenditures of typical Los Angeles County households, household spending patterns described in the *Consumer Expenditure Survey 2017* of the Bureau of Labor Statistics of the U.S. Department of Commerce are applied to the household incomes implied by the rents.

The survey disaggregates spending for various categories, including housing, transportation, food, health care, and so on. Not all categories of spending are likely to occur in the local area. Expenditures on, for example, insurance payments and education costs, vehicle purchases, or leases and appliance purchases are not always purchased in the local area.

The percentages of spending by category typically purchased locally are applied to the estimated annual household incomes for each of the households (adjusted for estimated occupancy rates). These percentages do differ for households of different income levels.

The final estimates, by spending category, are shown in Exhibit 3-3.

Exhibit 3-3

#### Overall Projected Local Spending by New Resident Households

	Overall % of Annual Income	Estimated Local Expenditures (\$ millions)
Food at home	4.7%	\$2.5
Food away from home	3.9%	2.1
Water and other public services	0.6%	0.3
Electricity	1.3%	0.7
Residential phone	0.2%	0.1
Household operations	1.7%	0.9
Housekeeping supplies	0.8%	0.4
Household furnishings and equipment	4.5%	2.5
Apparel and services	2.2%	1.2
Gasoline and motor oil	2.3%	1.2
Car maintenance and repairs	1.3%	0.7
Public transportation	0.9%	0.5
Medical services and supplies	1.7%	0.9
Entertainment	2.9%	1.6
Pets, toys and hobbies	1.1%	0.6
Personal care products and services	0.9%	0.5
Reading	0.1%	0.1
Tobacco	0.3%	0.1
Local miscellaneous purchases	1.1%	0.6
<b>Total New Household Expenditures</b>	<b>32.8%</b>	<b>\$17.8</b>

Sources: Bureau of Labor Statistics; Estimates by LAEDC

It is estimated that approximately \$17.8 million will be spent annually at local businesses by new households living in the residential units at 8th & Figueroa—accounting for approximately 32.6 percent of all annual household income added due to the development of 8th and Figueroa and the addition of 438 housing units to downtown Los Angeles. ❖



## Economic and Fiscal Impact

The operational revenues and residential spending estimates are used as inputs to determine the total economic activity in Los Angeles County of all ongoing activity anticipated to occur at the 8th & Figueroa. This is presented in Exhibit 3-4.

It is estimated that ongoing activity at 8th & Figueroa will generate economic output in Los Angeles County of roughly \$49.5 million each year and support 329 jobs with labor income of about \$16.3 million.

Exhibit 3-4

### Total Annual Economic and Fiscal Impact of Ongoing Operations at 8th and Figueroa

<b>Direct Annual Revenues</b> (\$ millions)	<b>\$20.8</b>
<b>New Resident Household Spending</b> (\$ millions)	<b>17.8</b>
<b>Total Economic Impact:</b>	
Output (\$ millions)	\$49.5
Employment	329
Direct	220
Indirect and induced	109
Labor income (\$ millions)	\$16.3
<b>Total Fiscal Impact:</b>	
State / local taxes (\$ millions)	\$8.1
Federal taxes (\$ millions)	4.3
Estimates by LAEDC	

Additionally, this economic activity is projected to generate \$8.1 million in state and local taxes including the incremental increase in property taxes and another \$4.3 million in federal taxes.

The largest component of overall tax revenues is property taxes. As a development project, 8th & Figueroa will generate an annual increase in property taxes in addition to the ongoing property taxes of workers, residents and business that are impacted by the project, as the assessed value of the property will rise by *at least* the value of construction. This may *underestimate* the actual assessment. The property tax revenues in this area is estimated to be 1.196046 percent. Applied to the construction spending, this implies an annual increase in property tax revenues of \$5.2 million which is shared amongst the County of Los Angeles, the City of Los Angeles, Los Angeles Unified School District, the Community College District and other taxing entities.

The disaggregation of taxes by type is shown in Exhibit 3-5.

Exhibit 3-5

### Detailed Fiscal Impact of Ongoing Operations

<b>By Type of Tax (\$ millions):</b>	
Personal income taxes	\$2.0
Social insurance	1.6
Sales and excise taxes	1.2
Property taxes	6.0
<i>incremental property taxes</i>	5.2
Corporate income taxes	1.1
Other taxes and fees	0.4
<b>Total</b>	<b>\$12.4</b>

<b>By Type of Government (\$ millions):</b>	
Federal	\$4.3
State	1.7
County	5.1
<i>Property taxes</i>	4.9
<i>Sales taxes</i>	2
Cities	1.3
<i>Property taxes</i>	1.1
<i>Sales taxes</i>	0.1
<i>Other fees and fines</i>	0.1
<b>Total</b>	<b>\$12.4</b>

Source: Estimates by LAEDC; May not sum due to rounding

Personal income taxes are estimated to be \$2 million annually paid to federal and state governments. Similarly, social insurance payments are made to both state and federal governments and will reach \$1.6 million. Sales and excise taxes are estimated to be \$1.2 million. Other sources of tax revenues include taxes on corporate income, motor vehicle license fees and other taxes and fees paid by businesses and households.

The federal government will collect one-third of all tax receipts annually, consisting mainly of social insurance taxes, personal income taxes and corporate income taxes.



The State of California will collect \$1.7 million annually, consisting of sales tax revenues, personal and corporate income taxes and motor vehicle license fees. The County of Los Angeles will collect about \$5.1 million in taxes, mainly from property taxes and its share of sales tax revenues. Cities will receive \$1.3 million from their share of property taxes and licenses and fees. Most of these tax revenues, including the incremental property taxes, will be earned by the City of Los Angeles and surrounding cities.



The total annual economic impact will spill across industries through indirect and induced effects. The complete list of estimated impacts by industry sector is shown in Exhibits 3-6.

**Exhibit 3-6  
Annual Economic Impacts by Industry Sector**

	Jobs	Labor Income (\$ millions)	Output (\$ millions)
Natural Resources	0	\$0.0	\$0.1
Utilities	3	0.5	1.9
Construction	6	0.3	0.9
Manufacturing	1	0.1	1.1
Wholesale trade	3	0.3	0.8
Retail trade	41	1.8	3.7
Transportation and warehousing	26	2.1	1.2
Information	3	0.4	1.5
Finance and insurance	6	0.5	1.7
Real estate and rental	80	3.8	23.9
Professional, scientific technical	8	0.8	1.3
Management of companies	1	0.2	0.3
Administrative and waste services	36	1.0	2.0
Educational services	3	0.1	0.2
Health and social services	24	1.4	2.3
Arts, entertainment and recreation	12	0.5	1.1
Accommodation and food services	42	1.2	3.1
Other services	32	1.3	2.2
Government	0	0.1	0.2
<b>Total</b>	<b>329</b>	<b>\$16.3</b>	<b>\$49.5</b>

Source: Estimates by LAEDC

Virtually all industry sectors in Los Angeles County will experience a positive economic impact from the new activity occurring at 8th & Figueroa including accommodation and food services, retail trade, health services, real estate and rental activities and administrative and waste.

The values in the exhibit should be interpreted as illustrative of industry effects rather than precise given model and data limitations. A description of these industries is provided in the Appendix. ❖

## Appendix

### Description of Industry Sectors

The industry sectors used in this report are established by the North American Industry Classification System (NAICS). NAICS divides the economy into twenty sectors, and groups industries within these sectors according to production criteria. Listed below is a short description of each sector as taken from the sourcebook, *North American Industry Classification System*, published by the U.S. Office of Management and Budget (2012).

**Agriculture, Forestry, Fishing and Hunting:** Activities of this sector are growing crops, raising animals, harvesting timber, and harvesting fish and other animals from farms, ranches, or the animals' natural habitats.

**Mining:** Activities of this sector are extracting naturally-occurring mineral solids, such as coal and ore; liquid minerals, such as crude petroleum; and gases, such as natural gas; and beneficiating (e.g., crushing, screening, washing and flotation) and other preparation at the mine site, or as part of mining activity.

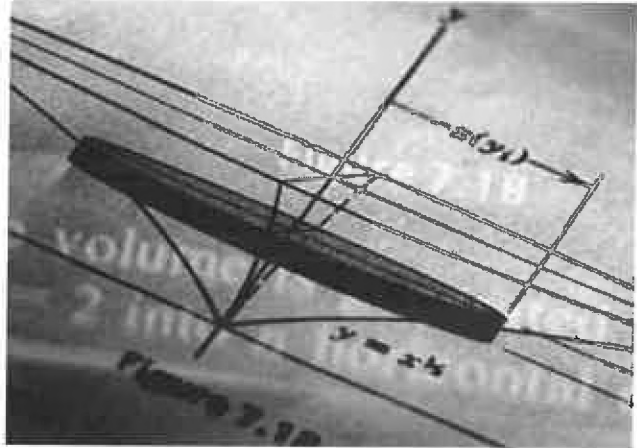
**Utilities:** Activities of this sector are generating, transmitting, and/or distributing electricity, gas, steam, and water and removing sewage through a permanent infrastructure of lines, mains, and pipes.

**Construction:** Activities of this sector are erecting buildings and other structures (including additions); heavy construction other than buildings; and alterations, reconstruction, installation, and maintenance and repairs.

**Manufacturing:** Activities of this sector are the mechanical, physical, or chemical transformation of material, substances, or components into new products.

**Wholesale Trade:** Activities of this sector are selling or arranging for the purchase or sale of goods for resale; capital or durable non-consumer goods; and raw and intermediate materials and supplies used in production, and providing services incidental to the sale of the merchandise.

**Retail Trade:** Activities of this sector are retailing merchandise generally in small quantities to the general public and providing services incidental to the sale of the merchandise.



**Transportation and Warehousing:** Activities of this sector are providing transportation of passengers and cargo, warehousing and storing goods, scenic and sightseeing transportation, and supporting these activities.

**Information:** Activities of this sector are distributing information and cultural products, providing the means to transmit or distribute these products as data or communications, and processing data.

**Finance and Insurance:** Activities of this sector involve the creation, liquidation, or change of ownership of financial assets (financial transactions) and/or facilitating financial transactions.

**Real Estate and Rental and Leasing:** Activities of this sector are renting, leasing, or otherwise allowing the use of tangible or intangible assets (except copyrighted works), and providing related services.

**Professional, Scientific, and Technical Services:** Activities of this sector are performing professional, scientific, and technical services for the operations of other organizations.

**Management of Companies and Enterprises:** Activities of this sector are the holding of securities of companies and enterprises, for the purpose of owning controlling interest or influencing their management decision, or administering, overseeing, and managing other establishments of the same company or enterprise and normally undertaking the strategic or organizational

planning and decision-making of the company or enterprise.

**Administrative and Support and Waste Management and Remediation Services:** Activities of this sector are performing routine support activities for the day-to-day operations of other organizations, such as: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

**Educational Services:** Activities of this sector are providing instruction and training in a wide variety of subjects. Educational services are usually delivered by teachers or instructors that explain, tell, demonstrate, supervise, and direct learning. Instruction is imparted in diverse settings, such as educational institutions, the workplace, or the home through correspondence, television, or other means.

**Health Care and Social Assistance:** Activities of this sector are operating or providing health care and social assistance for individuals.

**Arts, Entertainment and Recreation:** Activities of this sector are operating facilities or providing services to meet varied cultural, entertainment, and recreational interests of their patrons, such as: (1) producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) preserving and exhibiting objects and sites of historical, cultural, or educational interest; and (3) operating facilities or providing services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

**Accommodation and Food Services:** Activities of this sector are providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

**Other Services (except Public Administration):** Activities of this sector are providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grant-making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services. ❖



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