REPORT FROM OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council District: 9

To: The City Council,
The Mayor

From: Miguel A. Santana, City Administrative Officer *Miguel A. Santana*

Reference: Three-Year Plan to Fiscal Sustainability (C.F. No. 09-0600-S159)

Subject: **LOS ANGELES CONVENTION CENTER PROPOSAL FOR AN ENHANCED GOVERNANCE STRUCTURE AND REQUEST FOR AUTHORITY TO RELEASE A REQUEST FOR PROPOSAL FOR OPERATING MANAGEMENT SERVICES**

EXECUTIVE SUMMARY

On January 29, 2010 the City Administrative Officer (CAO) released its Three Year Plan to Fiscal Sustainability, in which the proposal to privatize the management and operations of the Los Angeles Convention Center (LACC) was first discussed. This Office has submitted several status reports to the Trade and Commerce Committee since then dated July 16, 2010 and May 11, 2011 (C.F. No. 10-0922) (Attachment 1). Based on our findings, the CAO has concluded that in order for the LACC to compete as a top tier facility within the convention industry, the City must accomplish three things: (1) enhance the governance structure of the LACC; (2) adopt an alternative structure for operating management services; and (3) expand the City's hotel room supply to 5,000 rooms within a ½ mile radius of the LACC.

The CAO recommends the adoption of an oversight structure similar to some of the country's top tier convention centers, by enhancing the existing powers of the LACC Commission to instead operate as a Board of Commissioners (Board) that would advise the Mayor and Council on all policies related to tourism, marketing and the LACC. The Board would have oversight and control of the LACC and services provided by the Los Angeles Tourism and Convention Board (LATCB), formerly known as LA Inc., which would ensure a common mission and goal for bringing convention business to the City.

The common mission and goal of any top tier convention center is to bring convention business to the City for the purposes of attracting out of town visitors that will generate spending and hotel occupancy, which in turn benefits the General Fund. However, in the last several years the City's competing focus has been generating sufficient operating revenue, which does not directly benefit the City's General Fund but rather the LACC's special fund. Booking priorities have shifted at times compromising citywide conventions that generate an out of town attendance, for non-citywide shows such as local trade and consumer shows. In a study commissioned by KPMG, KNN Public Finance and Crossroads Consulting Services, the number of citywide events to non-citywide events was compared to competing regional convention centers in Anaheim, San Francisco and San Diego. According to the data collected, in 2010-11 only 11 percent (or 145,368) of LACC's total attendees were from citywide conventions, in comparison to competing facilities whose total attendees from citywide conventions were closer to 60 percent. Although the Auto Show is a unique event that accounts for a large percent of the LACC's total attendance, there appears to be an opportunity to significantly increase the number of convention attendees at the LACC with various operational and policy changes. Taking into consideration the cyclical nature of citywide convention business from year to year in terms of number of events and attendees, it is recommended that the City establish a goal of hosting between 400,000 and 425,000 citywide convention attendees – an increase of approximately 290% --by 2020. Revising applicable policies and shifting the overall mix of event activity to host more citywide conventions will directly result in higher economic and fiscal benefits to the City and the State. In general the goal estimate is based on the following assumptions:

- Historical, lost and future bookings tracked by LATCB;
- Enhanced governance structure;
- New convention center management structure;
- Expanding the convention quality hotel supply to 5,000 rooms within a ½ mile radius;
- Changes in the booking policy allowing LATCB a larger booking window and remaining grandfathered exceptions that will increase available dates during prime convention months; and,
- Maintaining the discount policy in order to be consistent with competitors and industry standards.

The CAO recommends creating a Chief Executive Officer (CEO) position to oversee and manage the day-to-day business and issues that may arise with LACC operations and to facilitate a positive working relationship between the LACC and the LATCB. The CEO would also serve as a liaison to the Mayor and the City Council (Council), while reporting to the Board with updates related to the progress of LACC operations.

The CAO recommends an alternative structure for management and operations of the LACC and that the CAO be authorized to release a Request for Proposal for LACC management and operations. The CAO will report back by the fall of this calendar year with a recommendation for a private management firm, with anticipation that the City will fully transition to a private management model by July 1, 2013. The LACC has a total of 113 full-time employees, 12 of which are positions unique to the LACC including: (1) Event Services Manager, (7) Event Services Coordinators, (1) Marketing Manager and (3) Senior Sales Representative positions. The goal is to maintain as many of the general classifications by moving employees to comparable positions within the City. Employees filling positions unique to the LACC will be provided the option to be retained by the new contractor under similar circumstances established by the City's Service Contractor Worker Retention Ordinance, which requires the successful contractor, employed by the City, to offer employment and retain for a 90-day period the employees who worked for at least 12 months with the terminated contractor.

Aside from structural changes, the CAO also recommends changes to operating policies that will make the LACC a competitive, top tier convention destination. This includes amending the existing

Booking Policy by reducing the booking window from 24 months to 12 months. It also includes eliminating grandfathered exceptions, which currently allows the LACC to book non-citywide conventions beyond the 24 month booking window, including the Auto Show and the Gift Show. The CAO recommends adopting the Discount Policy currently in use, as the City's official Discount Policy and recommends making the necessary changes in the Los Angeles Administrative Code. Also, if necessary, the goals of the LATCB contract should be reviewed to be made consistent with proposals that may be adopted by the Council.

INTRODUCTION

The City Administrative Officer (CAO) has released several reports focusing on the City's long term plan for improving its fiscal condition including the "Three-Year Plan to Fiscal Sustainability" (C.F. No. 09-0600-S159) dated January 29, 2010 and the "Opportunity to Redefine and Strengthen Los Angeles City Government" (C.F. No. 10-0600-S61) dated March 18, 2011 that resulted in the City Council adopting the following policy strategies: (1) Responsible Management and Fiscal Practices; (2) Focus of Core Services; (3) Alternative Service Delivery Models (Alternative Model); and (4) Maintaining a Sustainable Workforce.

The framework defined for addressing the fiscal crises was aimed at reducing the size and ongoing cost of the City's workforce, organizing City government to maximize service levels and strengthening the Reserve Fund. Pursuant to this plan, this Office was instructed to present a proposal for an Alternative Model for the Los Angeles Convention Center (LACC) to allow for more flexibility and efficiency, while reducing the City's General Fund burden. While the City chooses to segregate LACC revenue into a special fund, the LACC is a General Fund asset. The CAO believes that a new governance structure will maximize that asset. For 2010-11, the General Fund paid for LACC debt service and a portion of related costs for a total of $41.3 million. Debt service is a General Fund obligation. Remaining costs, including operating costs, were paid for with LACC operating revenues for a total of $26 million. The total cost for operating the Convention Center amounts to $67.3 million.

In developing an Alternative Model, two issue areas were analyzed: (1) identifying the gaps within the City's convention and hospitality industry that prevent it from being a top tier convention destination; and (2) steps the City can take to make it competitive among top convention destinations. The CAO commissioned KPMG, KNN Public Finance and Crossroads Consulting Services (Phase One Advisors) to prepare a comparative analysis (Attachment 2) among regional convention centers of LACC's operating finances. This Office also commissioned Peralta Garcia Solutions and Crossroads Consulting Services (Phase Two Advisors) to perform a comparative analysis (Attachment 3) among regional and national convention centers to identify factors impacting the competitiveness of the LACC, and to propose recommendations for changes the City can make to enhance its current governance structure.

The Phase Two Advisors identified the following as factors impacting the LACC's competitiveness in the industry:

- Significant investments have been made to the area surrounding the LACC including the Staples Center, LA Live, the JW Marriott and Ritz Carlton hotels, while the LACC has undergone little change in capital improvements, management, governance and marketing;

- The convention industry has undergone significant changes making it a highly competitive marketplace;
- Successful convention centers have undergone capital improvements, and changes to its business structure and strategies;
- Fewer hotel rooms within ½ mile to the LACC relative to peers;
- Limited on-going and day-to-day collaboration between stakeholders; and
- Lack of a streamlined governance structure that impacts accountability, flexibility and results.

There are changes the City can make today that would improve the competitiveness of the LACC in the convention marketplace assuming no capital improvements are made to the facility. First, the City must streamline its goals and objectives for the LACC to improve its business model by enhancing its government structure. The CAO is recommending the creation of a Board of Commissioners (Board) that would be tasked with implementing the Mayor and Council's policies, directing and managing the LACC on matters related to bookings, operations and finances, and overseeing the LATCB contract on matters related to tourism and bookings.

Second, it is recommended that LACC operations be managed by a third party management firm. According to our Phase Two Advisors, as convention centers become more performance based, municipalities have started shifting operations to private management firms. Most recently, the McCormick Place in Chicago, the largest sized convention center in the country and Cobo Hall in Detroit, a facility of equivalent size to the LACC, hired private management firms to oversee its facility operations. Privatizing management is a clear indication that the LACC is committed to improving its competitiveness in the marketplace. Attachment 4 is an organizational chart that provides a visual description of the relationship between the Board, the private management firm and its place within the City's existing structure.

Third, it is recommended that the LACC's operating policies be made current with the industry standard. The CAO has included a revised Booking Policy (Attachment 5) and has provided recommendations to change the Administrative Code to address the Discount Policy. It is also recommended, that if necessary, the goals of the LATCB contract be made consistent with the outlined proposal.

ENHANCED GOVERNANCE MODEL

Board of Commissioners

Currently, the LACC and the LATCB report to two separate City offices. The General Manager of the LACC reports to the Mayor and advises the Council on matters that require legislative action. The CAO administers the City's agreement with the LATCB. The LATCB is an independent non-profit corporation the City contracts with to market Los Angeles as a convention, meetings and leisure travel destination, and receives an amount equivalent to one percent of the Transient Occupancy

Tax (TOT). It is typical for cities to contract with destination marketing organizations, such as the LATCB and to have a separate convention center management body. However, in the case of the City, the two entities report to separate offices. The lack of a streamlined governance structure has resulted in poor accountability, conflicting objectives and sporadic collaboration.

The LACC currently has a five member advisory commission (Commission) that advises and consults with the General Manager on the operation and maintenance of the LACC. However the Commission has neither direct oversight nor authority over the LACC operations. There is also the Los Angeles Convention and Exhibition Center Authority (Authority), which was established pursuant to a Joint Exercise of Powers Agreement between the City and the County of Los Angeles to assist with the financing, acquisition, and construction of convention and exhibition facilities located within the boundaries of the City. The Authority consists of 15 members, 10 of whom are appointed by the Mayor and approved by the Council and five of whom are appointed by the County Board of Supervisors. The Authority has no oversight of the LACC's day-to-day operations and has no funding obligations to the LACC.

Similar to the cities of Chicago, Detroit, Denver, and Atlantic City, the CAO is recommending streamlining its governance model by placing the LACC under the control and management of the Board (see Attachment 4). The CAO is also recommending that the Board have oversight of the LATCB contract. The Board will advise the Mayor and Council on all policies related to tourism, and marketing Los Angeles. By streamlining the governance structure and requiring the LACC and LATCB to report to one entity, it ensures that the City is operating towards one mission, which is making the LACC a top tier convention destination. The Board will have public meetings and will be required to meet at least once a month. Other duties will include but are not limited to providing annual review of the City's marketing plan, budgets and related matters to ensure they are in conformance with the City's operating policies. Board Members shall be appointed by the Mayor, subject to the confirmation by the Council by majority vote. Board Member term limits should overlap Mayoral term limits to ensure continuity in policy and operations. It is recommended that the Board consist of 9 to 13 volunteer members, which would include representatives from labor, film, legal, hospitality, hotels and private development sectors. The CAO recommends enhancing the role of the current Commission to reflect the Board as just described. The CAO is making no recommendation that would impact the role of the Authority.

It is recommended that the City create a CEO position, to operate in a full-time capacity, to serve as a representative of the Board and to act as a liaison to the Mayor, the Council and City departments. The CEO will be appointed by the Mayor and approved by the Council as a City employee with an exempt status. The CEO is specifically charged with leading and maximizing the LACC asset, by attracting new conventions, meetings and hotel room nights to generate TOT revenues and economic benefit. The CEO will have direct oversight of the LACC and the LATCB contract. The following includes, but is not limited to, the CEO's day-to-day duties and responsibilities:

- Coordinate and participate in Board meetings;
- Implement instruction received by the Board;
- Communicate daily with the LACC and LATCB, administer booking conflicts and execute decisions that are consistent with the City's policies for tourism and convention business;
- Build, develop and maintain relationships with firms, agencies and stakeholders;

- Provide financial oversight, initiate and direct financial programs to fund new and continuing improvements;
- Shepherd acquisition of new business for LACC and hotels;
- Collaborate with hospitality stakeholders to assist in new business acquisition; and,
- Collaborate with and on behalf of the Mayor and Council to manage and resolve city-wide issues related to the tourism and convention business.

Alternative Operational Management

There are three types of service delivery models or management structures most common for convention center facilities in the United States including, (1) a municipal management structure similar to Los Angeles; (2) an independent public authority; and (3) a third party private management firm. Among the 26 larger convention centers in the United States, 27 percent are managed by municipalities, 35 percent by independent authorities and 31 percent by private management companies. The remaining seven percent is a miscellaneous category in which the facility is managed by either the local destination marketing organization or a non-profit corporation.

The Phase One Advisors prepared a comparative analysis of LACC's operating finances with its regional competitors, including Anaheim, San Diego, and San Francisco. The comparative analysis includes an overview of the LACC's finances and recommends a management model that would:

- Allow more flexibility and efficiency with LACC operations;
- Maximize the City's competitive position as a major convention destination; and,
- Reduce the City's General Fund subsidy.

The following chart compares peer regional convention centers located in California.

	CONVENTION CENTER	CITY	EXHIBIT SQUARE FOOTAGE	OPERATING MODEL
1.	Moscone Center	San Francisco	822,114	Private
2.	Anaheim Convention Center	Anaheim	813,000	Municipal
3.	Los Angeles Convention Center	Los Angeles	719,575	Municipal
4.	San Diego Convention Center	San Diego	615,701	Non-Profit Corporation

The LACC is subject to the same operating procedures and policies as any other City department. A convention center's success is partially due to its ability to operate like a business and make quick decisions. Unlike other public services such as public safety and transportation, which for the most part serve a permanent constituency base, convention clients have a choice in deciding where to book their business, requiring the City to be competitive regionally and nationally to be a successful convention center operator. Currently, the financing, legal and administrative functions of the LACC are divided among various City departments making it difficult to be flexible in an industry that requires timely decision making and efficiency of operations.

In comparing the municipal management structure (Public Model) and the third party private management structure (Private Model) the Phase One Advisors concluded that the Private Model had the potential to reduce General Fund costs by approximately $2 million to $6 million for the first year of operation, resulting in a total potential savings of $14 million to $37 million over a five-year period. Any revenue or savings generated from privatization should be reinvested into the LACC to support capital improvement costs and/or to reduce the debt service obligation.

The financial advisors considered market results at other convention centers, peer operating data, input from various convention center facility operators and other industry research. Although these assumptions are based on estimates and will be validated upon bid submissions, cost saving opportunities may exist in the following areas: (1) additional revenues; (2) reductions in staff expenses; (3) reductions in benefit costs; and (4) reductions in operating expenses. Under the Private Model, labor costs would decrease as a result of reducing the number of full-time equivalents, the cost of intermittent employees, and related costs. Second, the operator under the Private Model is not subject to City pension and health care costs. Third, there may be cost saving opportunities through reduced operating, contractual and supply expenses. Private operators have the resources to provide certain ancillary services in-house which creates potential for generating more revenue at reduced costs. If adopted, then savings generated from privatization should be reinvested into the LACC to reduce debt service costs or to address capital improvements.

Other advantages identified under the Private Model include:

- Capability to rotate events through other existing facilities managed by the selected contractor;
- Less civil service constraints on matters such as hiring, contract approvals, negotiations, and general procurement activities;
- Provides operating autonomy;
- Potential funding partner;
- Experienced staff from similar sized markets/venues familiar with the competitive environment;
- Budget certainty for the City;
- Performance incentives potentially available to staff; and
- Contractual obligations and incentives tied to public policy directives.

<u>2010-11 LACC Breakdown of Citywide Revenues and Expenses</u>

The LACC's total annual operating cost for 2010-11 was approximately $75.8 million consisting of $22.2 million for direct appropriations, $48.1 million for debt service, and $8.1 million for related costs and various City services. Of the $75.8 million in costs, $49.8 million is paid through the General Fund, while the remaining cost is paid through LACC revenues, $26 million. Since the construction and expansion of the LACC, the Council has taken several actions that have resulted in an annual dedication of 3.5 percent of TOT revenues ($36.3 million) and an additional $5 million called the Booking Policy Offset Fee[1] to pay for LACC costs. It was assumed that this annual General Fund appropriation and LACC operating revenues would be sufficient to cover all LACC costs. However this has not been the case. As a result, the City has had to provide a supplemental General Fund amount, which for 2010-11 amounted to $8.5 million. The following chart breaks down this information:

Convention Center Revenues	$ 26,000,000
General Fund Appropriations	
Transient Occupancy Tax	$ 36,300,000
Booking Policy Offset Fee	5,000,000
Sub-Total General Fund	41,300,000
Total Revenues	**$ 67,300,000**
Expenses	
LACC Operating Budget	$ 22,200,000
Other Department Costs	1,300,000
Related Costs	6,800,000
Debt Service	48,100,000
Less: Reimbursement of General Fund Costs	(2,600,000)
Total Expenses	**$ 75,800,000**
2010-11 SUPPLEMENTAL GENERAL FUND CONTRIBUTION	$ 8,500,000
TOTAL GENERAL FUND APPROPRIATION	**$ 49,800,000**

* Based on actuals

An alternative management option would provide the City opportunity to reduce the General Fund appropriation towards LACC costs and would have positive citywide economic and fiscal impacts. However, to achieve these goals and to operate successfully there must be a balanced mix between conventions and local trade and consumer shows. It is a shared opinion that the booking of large conventions that utilize a significant number of hotel rooms is a priority to the City. According to a study completed by PKF Consulting, dated September 24, 2010 (Attachment 6) meetings and conventions that attract attendees who book hotel rooms, dine and shop in Los Angeles contribute valuable tax dollars to the City including sales tax and TOT revenues. As a point of reference, in 2010-11 the total TOT generated amounted to $36.3 million, of which $6.1 million (or 17 percent) was generated from citywide conventions held at the LACC. These figures do not account for those attendees who may have booked through an online service rather than with the hotel, which is a common problem in the industry.

Assuming that the City increases its convention business by 50 percent over the historical average between 2009 and 2012 based on information provided by the LATCB, the City's regional competitors including Anaheim, San Francisco and San Diego would still have a higher mix of convention business (not accounting for Auto Show attendance).[2] However, there are many factors impacting this difference including the limited hotel room supply (a significant factor), limited on-going and day-to-day collaboration between stakeholders, and lack of a streamlined governance structure that impacts accountability. Assuming the previously described operational and policy changes at the LACC, the CAO recommends that the City establish a goal of increasing citywide convention attendees to between 400,000 and 425,000 by the year 2020.

Other factors impacting TOT, including travel and tourism were not considered in determining the potential growth in TOT. However these factors are also significant. For example, according to the

2012-13 Economic Forecast and Industry Outlook report prepared by the Los Angeles County Economic Development Corporation (Attachment 7), Los Angeles County hosted a record of 26.9 million visitors in 2011. Further, more international travelers (5.9 million) arrived in Los Angeles last year, which is an increase of 6.7 percent compared with 2010. The PKF Consulting Study also stated that:

> *According to Destination Marketing Association International, each citywide roomnight generates an economic impact of $894 to the City of Los Angeles. This can be compared to the average consumer or trade show which typically attracts local day visitors who are estimated by the LAEDC to contribute an economic impact of approximately $43 per attendees.*

Again, as a point of reference, the total number of room nights for 2010-11, according to the LATCB, was approximately 235,054, which was determined based on the number of room blocks utilized for each citywide event. When using $894 as the economic impact calculator, the economic impact is approximately $210 million. If convention room nights were increased by approximately 50 percent, the estimated economic impact could have amounted to $315 million. As stated earlier, the room nights estimate is conservative and does not account for those attendees who may have booked through an online service rather than with the hotel directly. Also, the current economic impact calculator has been revised from $894 to $1,300.

While it is difficult to measure and project the potential growth in TOT and the general economic impact of citywide conventions, it is clear that conventions and their attendee spending is more valuable to the City than trade and consumer shows. This Office believes that a change in operations management will further enforce the LACC's competitiveness within the convention marketplace. Through focused and aggressive sales and marketing efforts of the LATCB and facility management, combined with implementation of recommended operating policy changes, the goal of increasing convention business by 50 percent is realistic and achievable.

The CAO requests approval to release a Request for Proposal (RFP) (Attachment 8), anticipated for release in August 2012. The RFP seeks to contract with a private operator that will perform the day-to-day operations and management of the facility in accordance with the City's Booking and Discount policies. The private operator will work directly with the CEO and the LATCB in managing bookings and coordinating operations.

Proposed Convention Center Renovation and Downtown Event Center Project

On August 9, 2011, the City Council adopted a Memorandum of Understanding (MOU) that outlines a development model in response to a proposal presented by the Anschutz Entertainment Group (AEG), to develop a 70,000-seat event center in Downtown Los Angeles (Event Center Project), immediately adjacent to the Staples Center on land currently occupied by the West Hall of the LACC. The MOU is a non-binding framework that will guide discussions on the Definitive Agreements, and the contractual documents that would implement the Event Center Project. The Event Center Project includes the construction of the New Hall and parking garages located on Cherry Street and Bond Street, followed by demolition of the West Hall and construction of the event center. The Event Center, also known as Farmers Field, would host a National Football League (NFL) team, concerts, and other sports and entertainment events. The CEO and the private management firm would be active participants on matters that involve, but are not limited to, facility design, operations and management, coordination and policy.

The Event Center Project presents LACC with the opportunity for positive change and improvement. Currently, the City is undergoing negotiations and preparing for the construction of the New Hall at the LACC. Regardless of the proposed Event Center, the decision for considering an alternative management structure should not be postponed. On the contrary, it is advisable that this matter be considered by the Council as soon as possible. The most opportune time to change management would be in advance of the construction of the New Hall, so that any new management team would be well positioned to participate in the negotiating and development phase. It is not uncommon for convention centers to undergo construction and capital improvement periods. The private management firms currently in the market have experience in pre-opening services including consulting on design, planning, development, and construction. Such firms also have experience operating convention centers undergoing such improvements.

OPERATING POLICIES

The Booking and Discount Policies are operating policies that address how the LACC and LATCB should manage bookings for the City. On May 8, 2012, the Council adopted Motion Perry/Zine (C.F. No. 12-0692), which instructed the CAO to report back on the status of the Convention Center Booking Policy with recommendations on how the City can more effectively attract national and international convention business (C.F. No. 12-0692)(Attachment 9). The CAO recommends the following changes to the Booking Policy:

(1) Reducing the booking window from 24 to 12 months; and

(2) Eliminating grandfathered exceptions that authorized the LACC to license the Auto Show and the Gift Show up to ten years in advance.

The CAO is also recommending changes to the Discount Policy (Attachment 10) by amending Administrative Code Section 8.149.1 (Section 8.149.1) to reflect current operating practices. Currently, Section 8.149.1 requires that the City cap the total reductions or waivers granted to licensees for use of the LACC at $845,000 during each fiscal year. However, since 2002 no cap has been enforced due to a Council action that limited the discount amount per event to an amount less than the actual TOT generated from that event. The CAO recommends codifying this policy as part of Section 8.149.1.

Booking Policy

Convention centers are loss leaders. They may not generate sufficient operating revenue to fully cover operating expenses; however, public entities invest in convention centers as a measure of stimulating the local economy through the generation of tax revenues. In 1993, the City expanded the LACC in anticipation of spurring business for hotels and the local hospitality industry. However, during the early 1990's the City struggled through a series of natural and manmade disasters that included earthquake, fire, flood and civil unrest. When the expanded facility reopened, Los Angeles was perceived as an unattractive destination. As a result, the City became more reliant on local trade and consumer shows versus citywide events. Citywide events are defined as conventions or large tradeshows that generate overnight visitors or "heads-in-beds" and visitor spending, which in turn generate TOT and other citywide revenues. More specifically, citywide events are multi-day convention and exhibition events utilizing more than the available LACC convention or exhibition space and generating bookings of not less than 3,000 total room nights with 1,500 room nights on peak and use of at least three hotels. Local shows are defined as consumer and trade shows that draw a local attendance but generate little citywide revenues including TOT.

Budgetary restraints and generating sufficient revenue to increase the LACC's bottom line has also been a factor in LACC's mission to invest in the booking of local shows. Although citywide conventions have always been a priority according to the City's adopted Booking Policy, the City has a disproportionately higher number of local shows to citywide events in comparison to regional competitors such as Anaheim, San Francisco, and San Diego. In the last 20 years, Downtown has undergone a transformation through the opening of Staples, LA Live, the JW Marriot, the Ritz Carlton, various housing development projects, restaurants, and personal and professional services. In the Downtown Los Angeles Demographic Study 2011 prepared by the Downtown Center Business Improvement District (Attachment 11) the Downtown area has experienced "an extraordinary commercial and residential renaissance" over the last ten years. This includes 45,000 residents, 500,000+ weekday employees and more than 10 million annual non-local visitors.

The City must readjust its efforts and take advantage of the surrounding changes and development by utilizing the LACC to make it a more competitive convention destination and by making hotel occupancy, or "heads-in-beds" a priority. The CAO recommends doing so as follows:

(1) Shortening the Booking Window

It is typical for a convention center to have a booking policy when there are two separate entities booking events for the same facility, such as the LACC and the LATCB. According to the current Booking Policy, the LACC books events such as local shows within a 24-month window and can book several non-convention events such as the Auto Show, and the Gift Show up to 10 years in advance. The LATCB, which is responsible for booking citywide events, books events 24-months and beyond. However, current trends reflect that convention centers are receiving more short term requests for citywide events. Shortening the window period would provide the LATCB flexibility to address short term demands.

(2) Removing "Grandfathered" Exceptions

There are certain non-convention events that have been grandfathered into the current Booking Policy that exempts the LACC from the booking window and allows these events to be licensed ten years out. Currently, this includes the Auto Show and the Gift Show. Booked events are non-binding whereas licensed events, if canceled, result in a financial penalty. We feel that it is no longer in the City's best interest to license any non-convention show ten years into the future. Given the discussions involving the Proposed Downtown Convention Center and Event Center Project, the City must be flexible in resolving potential booking conflicts resulting from NFL or other Farmers Field events, which have shorter term booking periods.

The City has already lost convention business as a result of the existing Booking Policy. Most recently, the American Film Market booked with Santa Monica's Civic Auditorium because the City was unable to accommodate the request as a result of an existing Auto Show booking. The American Film Market was interested in committing to a 25-year booking (2013-2037), which if licensed was anticipated to generate 15,950 room nights per year or approximately 400,000 total room nights over the course of 25 years, for a potential of $12.6 million in TOT and a local economic impact of approximately $358 million. This Office believes that the proposal for an enhanced governance model could have played a significant role in otherwise securing this booking. In this case, the Board would have provided guidance and reinforced the City's policy that citywide conventions are a priority and the CEO would have worked with the LATCB in negotiating potential resolutions to accommodate the Auto Show while securing the needs of the American Film Market.

The Auto Show is the largest single revenue contributor for the LACC. It is approximately 10 days in length, however it consumes the entire month of November to account for move-in and move-out periods and all of LACC facility space. The Auto Show may generate a comparable amount of room nights to the average citywide event, however conventions do so over a much shorter period of time typically occupying the facility for a week. According to the PKF Consulting Study Auto Show executives have an interest to license the show in November for the next 10 years to ensure show dates during a competitive time on the international auto show calendar. The Auto Show is an important source of business to the LACC, however licensing so far into the future inhibits the City's flexibility in booking additional conventions. The month of November is critical to the convention marketplace because it is the last marketable month in the calendar year for booking an event before the holiday season begins, which typically consumes all of December and trickles into the beginning part of January. Convention centers are often dark during this period. It is also common for tourism and hotel occupancy to slow down during the holiday season, which is why hoteliers have expressed concern about licensing the Auto Show too far in advance. It is not suggested that the Auto Show be removed from the calendar when there is a potential to book convention business. On the contrary, given its significant contribution in revenue the City has incentive to work with the Auto Show. However, if there is the opportunity to book additional convention business during November by adjusting the Auto Show calendar by a week or two, hotels and the City's General Fund could benefit from new business during a sluggish period.

Discount Policy

The Discount Policy is a marketing tool that authorizes the City to offer rental discount rates as an incentive for citywide conventions to book at the LACC. In an attempt to provide a competitive sales advantage to the City, a rental discount policy was adopted in 1992. The City's Discount Policy authorizes the LATCB to offer a discount of up to 100 percent of the rental cost to potential national convention clients. The proposed discount must be exceeded by TOT revenues for that event. The policy protects the City's interests, while the goal of stimulating the local economy by attracting out-of-town conventions is advanced. According to industry experts, it is typical for convention centers to operate as "loss leaders". Meaning, it is common to offer a discount on rates as an incentive to book an event that has a positive economic impact. Per the Discount Policy, after each event, an audit is performed by an independent consulting firm to compare the actual amount of TOT generated to the discount amount. If the discount amount exceeds TOT revenue, the client is required to pay the LACC an amount equivalent to the difference.

Currently, the Code caps the total value of discounts offered annually at $845,000. It is recommended that the current Discount Policy be codified by amending Section 8.149.1.

PROPOSED RFP TIMELINE

The following is the proposed timeline for releasing the RFP and implementing changes to the LACC governance structure:

SEPTEMBER	(1) Mayor and City Council adopt CAO report recommending alternative management operations (2) Request for Proposal released
NOVEMBER	Request for Proposal responses due
JANUARY	(1) Finalize evaluation of Request for Proposal responses (2) Issue CAO report for Committee and Council consideration recommending: a. The private management company and; b. Changes to the governance structure creating the Board of Commissioners and CEO position. (3) Mayor and City Council adopt the CAO report recommending the private management company
JANUARY THROUGH JULY	Transition period of new private management company
FEBRUARY	(1) Mayor and City Council adopt the CAO report recommending alternative management operations (2) Mayor appoints and City Council confirms new CEO of the Board
MAY	New Board established, members appointed by Mayor and confirmed by City Council
JULY 1	Private management company transition 100% complete

RECOMMENDATIONS

That the City Council subject to the approval of the Mayor,

1. APPROVE and INSTRUCT the City Administrative Officer and the Chief Legislative Analyst to work together and report back with the legislative actions necessary to expand the duties and scope of responsibilities of the existing Los Angeles Convention Center Commission to instead operate as a Board of Commissioners that advises the Mayor and Council on all policies related to tourism, marketing Los Angeles, convention business, and administration of the Alternative Service Management and Los Angeles Tourism and Convention Board agreements;

2. APPROVE and INSTRUCT the City Administrative Officer and the Chief Legislative Analyst to work together and report back with the legislative actions necessary to create a Chief Executive Officer position that serves as a representative of the Board and a liaison to the Mayor, the Council and City departments;

3. REQUEST that the City Attorney work with the City Administrative Officer and the Chief Legislative Analyst to prepare and present an Ordinance amending the Administrative Code to implement the intent of the above recommendations;

4. ADOPT Attachment 4, which amends the Booking Policy by;

    a. Shortening the booking window from 24 months to 12 months; and

    b. Eliminating grandfathered exceptions.

5. ADOPT a goal for the Los Angeles Convention Center to increase citywide convention attendees by 50 percent over historical amounts to between 400,000 and 425,000;

6. INSTRUCT the City Administrative Officer and the Chief Legislative Analyst to report back on recommendations on how to increase hotel capacity in furtherance of the City's goal of increasing convention business by 50 percent;

7. INSTRUCT the City Administrative Officer and the Chief Legislative Analyst to, if necessary, review the goals of the LATCB contract to make consistent with the outlined proposal;

8. INSTRUCT the City Administrative Officer to utilize the Office of Economic Analysis to study the potential citywide impact on revenues and job creation as a result of the City's goal of increasing convention business by 50 percent;

9. APPROVE and INSTRUCT the City Administrative Officer to release a Request for Proposal substantially in the form of the attached draft for the operation and management of the Los Angeles Convention Center, and,

10. INSTRUCT the City Administrative Officer to report back and present recommendations on a private management firm for Mayor and Council consideration upon conclusion of the Request for Proposal Process.

FISCAL IMPACT STATEMENT

An alternative management structure for the Los Angeles Convention Center could generate General Fund savings of $2.1 million to $6.3 million for the first year and up to $3.8 million to $8.5 million by the fifth year. However, the actual General Fund savings cannot be determined at this time and largely depend on responses to the Request for Proposal. Changes recommended to the governance structure are anticipated to have a financial impact equivalent to the cost of the Chief Executive Officer's salary, which would be competitive to Chief Executive Officers of similar type positions in the convention industry. Increasing the number of citywide conventions will increase the amount of Transit Occupancy Tax received by the City, but that amount requires further study by the Office of Economic Analysis. There is no additional negative impact on the General Fund.

DEBT IMPACT STATEMENT

This report has no immediate debt impact on the General Fund.

FINDINGS

1. BACKGROUND

The LACC facility is a General Fund asset whose purpose is to stimulate the local economy from tourism and visitor spending in the region. In return, the City benefits from Transient Occupancy Tax (TOT) and other tax revenues. The debt service for the LACC is paid from the General Fund.

Debt was first issued in 1968 to build the Convention Center. The original facility was financed by increasing TOT from four to five percent. In 1985, the Council approved the expansion of the facility and authorized an increase in TOT from 10 to 11 percent to finance expansion costs. The TOT was subsequently increased by an additional 1.5 percent to offset increased construction costs. Currently, a total of 3.5 percent of taxable hotel sales is allocated to offset debt service costs used to fund the construction of the Convention Center Expansion.

2. FACILITY

The publicly-owned and operated LACC originally opened in 1971. By 1980, the increased overall demand resulted in a high level of facility usage. Several major shows outgrew the 234,000 square feet of exhibition space, meeting rooms and 3,000 parking spaces. A significant expansion of the convention facility was completed in 1993. The expansion added a new exhibition hall, two levels of meeting room space, the concourse facility, and parking spaces. In 1999, the Staples Center was constructed by demolishing the North Hall which eliminated 100,000 square feet of exhibit space. Today, the LACC contains approximately 867,000 square feet of functional exhibit hall and meeting room space. Among the 26 major convention facilities surveyed, the LACC ranks 12th in available exhibit square footage space.

3. REQUEST FOR PROPOSAL

A draft Request for Proposal (RFP) is attached and addresses some of the key issues:

- Achieve the greatest possible financial returns, consistent with other City objectives, including maximizing the generation of incremental hotel room nights and TOT;
- Manage day-to-day operations of the LACC in a cost efficient, high quality and effective manner;
- Manage operational expenses within the annual operating budget approved by the Board;
- Develop and implement innovative initiatives to penetrate new markets, attract new events and promote the LACC to enhance usage and occupancy at the LACC within current booking policies;
- Work daily with the CEO on operational matters including booking matters that include the LATCB;
- Report to the CEO and make presentations to the Board when requested on operational matters at the LACC;
- Work cooperatively with the LATCB in attracting citywide events to the LACC to better compete in the national marketplace;

- Support the joint objectives of the LACC and LATCB to generate incremental hotel room nights; and
- Identify and implement initiatives to enhance LACC revenues, while ensuring that the LACC remains economically competitive with other convention centers.

6. ALTERNATIVE SERVICE MANAGEMENT AGREEMENT

The following is a breakdown of the key duties and responsibilities that will be identified under the ASM agreement.

City Responsibility under the ASM Agreement

- The Board and CEO will represent the City and its interests on behalf of the Mayor and Council;
- Fund the annual debt service for the LACC through the annual City budget process;
- Monitor the selected proposer's performance on a regular basis through quarterly reports and periodic audits by the City Controller to review the performance and finances;
- Review and forward annual reports from the selected proposer to the Mayor and Council;
- Approve agreements necessary for the operations of the LACC, as set forth in the Agreement;
- Oversee capital repair and replacement efforts; and
- Approve pricing, policies and other arrangements necessary for the operations of the LACC.

Selected Proposer Responsibility under the ASM Agreement

Under the terms of the proposed ASM Agreement, the selected proposer must be willing and able to commit to the key responsibilities that include but are not limited to:

- Manage day-to-day functions and operations of the LACC, which shall be in accordance with the policies approved by the City;
- Provide recommendations to the City on all rental rates, fees, and charges for services;
- Establish an effective system of communication that encourages linkages and collaborative efforts between the LACC and other segments of the hospitality industry, including the LATCB, the Los Angeles hotel industry and other visitor industry segments;
- Administer, negotiate and execute agreements with service providers, subcontractors, and licensees. The selected proposer shall work with the City Attorney in developing a standard license agreement. Agreements that may have a private business use impact shall be reviewed by the City's Bond Counsel. The City's Risk Manager shall determine the insurance requirements;
- Assume LACC information technology functions, and maintain systems in state-of-the-art condition; and
- Constantly endeavor to improve the operation of the LACC and to provide the efficient and high quality customer service, minimizing operating costs, increasing the quality of

maintenance and security, and maximizing gross receipts without negatively impacting exhibitor or show manager costs.

Debt Finance and Private Use

The Convention Center is financed with tax-exempt bonds; therefore it is governed by a number of rules under the Federal Tax Code and IRS regulations. Among these rules are ones that govern the nature of "management contracts" the City can enter into with private parties. The City can contract for private management, but only when it doesn't create a "private business use" of the facility. The IRS has published rules for "qualified management contracts" that are permitted that in summary, require that the longer the term of a contract, the more that the compensation be based on a fixed fee. For example, the City could enter into a 15-year contract for management of the Convention Center, but 95 percent of the payment to the contractor would have to be on a fixed-fee basis. At the other extreme, the City could enter a management contract where 100 percent of compensation was based on performance (for example, a percent of gross revenue), but such a contract could not be longer than two years. The standard term for a convention center management contract is in the middle of this continuum: a five year term, with at least 50 percent of the compensation paid by the City being in the form of a fixed fee. Our financial advisors and the CAO recommend that the City seek a five-year contract with up to 50 percent of the private manager's compensation being based on an incentive fee.

To maintain the tax-exempt status on the bonds of the facility the operation of the facility must comply with federal tax laws. Safe harbor exceptions to tax laws allow for private use subject to a maximum of $15 million (in private security or payments). The City has used virtually all of its private use capacity in accommodating the Staples Center for parking, contracts for LACC services, and other shared uses. The analysis for privatization must address the implications associated with the outstanding debt.

The City currently has the following outstanding tax-exempt debt on the facility as of 03/01/2012:

Series 2003A	133,400,000
Series 2008	253,060,000
	$386,460,000

ATTACHMENTS

MAS: DM: 09120040

[1] In 1992 the Mayor and Council took action to allocate an annual amount of $5 million in General Funds to subsidize what was anticipated to be a reduction in direct operating revenues as a result of adopting a new Booking Policy. The Booking Policy prioritized citywide conventions over local trade and consumer shows, which stimulates tax growth but does not generate as much direct operating revenue as the local trade and consumer show.

[2] This Office believes the Auto Show is a valuable asset to the LACC. Given that the Auto Show accounts for approximately 60 percent of the LACC's overall attendance number and that it is business unique to Los Angeles, its impact was netted when comparing LACC to its regional competitors.

ATTACHMENT 1

COUNCIL FILE NO. 10-0922
CAO REPORTS DATED JULY 16, 2010 AND MAY 11, 2011

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

CAO File No. 0110-00800-0000
Council File No. 10-0922

Date: July 16, 2010

To: The Trade, Commerce and Tourism Committee

From: Miguel A. Santana, City Administrative Officer for

Subject: **Convention Center Three Year Plan Proposal – Status Update**

This Office was instructed to report back to your Committee regarding several items including recommendations concerning the Food and Beverage Concessions agreement and the Three Year Plan proposal to identify alternative business models for operating the Convention Center facility (facility).

Currently, ARAMARK Sports and Entertainment Services, LLC. manages and operates food and beverage services at the facility. On December 1, 2009 the Council authorized the execution of the second amendment with ARAMARK, which extended the existing term (January 1, 2000 through December 31, 2009) for an additional six-month period through June 30, 2010. Additionally, the second amendment included an option to extend the agreement term on a month-to-month basis until the RFP process for selecting a contractor had been completed.

This Office was instructed to evaluate the feasibility of identifying alternative potential business models for operating the facility. It is recommended that the Department delay the selection of a new contractor to manage and operate food and beverage services until Council takes final action on this proposal. It is further recommended that the existing contract with ARAMARK be continued on a month-to-month basis. The Convention Center reports that ARAMARK would agree to a ten percent reduction in its management fee agreement, which amounts to an annual savings of approximately $52,500 or $4,375 per month. As we continue the process for identifying an alternative business model, it is the position of this Office that it is in the City's best interest to withhold from entering into a long term agreement with a new vendor.

The goal for identifying a potential alternative business model is to allow more flexibility and efficiency with Convention Center operations and to maximize the City's competitive position as a major convention destination. Further, this Office has been tasked with reviewing and recommending an alternative business model that would reduce General Fund costs associated with owning and operating the facility. If an alternative model for operating the facility is recommended, the goal would be to have identified a new operator by the end of the 2010-11 Fiscal Year. The Request for Proposal (RFP) for identifying a new operator would be scheduled for release by October 2010. Council authorized this Office to develop and release the proposed RFP as part of the January 2009 *Three-Year Plan to Fiscal Sustainability Report.* However, prior to release of the RFP this Office will report back to Council with a status update.

RECOMMENDATION:

That the Council:

(1) Authorize the General Manager of the Los Angeles Convention Center (Convention Center) to continue a month to month agreement, subject to review by the City Attorney as to form, with ARAMARK Sports and Entertainment Services, LLC. (ARAMARK) for food and beverage services until Council takes final action on the proposal to identify an alternative business model for operating the Convention Center facility;

(2) Instruct the Convention Center to negotiate and identify contract savings from the existing food and beverage services contract with ARAMARK; and

(3) Instruct the Convention Center to consult with the City Attorney on a course of action that would address the existing Food and Beverage Request for Proposal evaluation process.

FISCAL IMPACT STATEMENT:

The recommendation above has no additional impact on the General Fund and is in compliance with the City's Financial Policies in that ongoing revenues will be used to support ongoing expenditures for this program.

MAS: DM: 09110021

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 11, 2011

CAO File No. 0110-00800-0000
Council File No. 10-0922

To: The Trade, Commerce and Tourism Committee

From: Miguel A. Santana, City Administrative Officer Miguel A. Santana

Subject: **Convention Center Food and Beverage Services Contract**

SUMMARY

On August 4, 2010, the Trade, Commerce and Tourism Committee continued the City Administrative Officer report, which recommended a month-to-month extension of the agreement with ARAMARK Sports and Entertainment Services, LLC. (Contractor) until the City Council takes final action on the alternative management proposal for the Convention Center facility (C.F. 10-0922).

This Office is completing a report for Council consideration and approval concerning release of a Request for Proposal (RFP) for private management of the Los Angeles Convention Center (Convention Center). If approved, the RFP would be released in 60-90 days. In order to ensure continuity of service during this period, it is recommended that the Convention Center be authorized to extend the agreement term with the Contractor for an additional year upon the date of execution, including an option to extend on a month-to-month basis thereafter.

The Contractor provides food and beverage services for the Convention Center through a month-to-month contract and receives a management fee that is paid in 12 monthly installments. In addition, the Contractor is paid an incentive fee at the conclusion of each agreement year, which is based on a percentage of the annual amount of gross receipts greater than $10 million. The original contract term is January 1, 2000 through December 31, 2004. The First Amendment extended the term through December 31, 2009. The Second Amendment extended the term through June 30, 2010 with a month-to-month option thereafter.

RECOMMENDATION:

That the City Council authorize the General Manager of the Convention Center, subject to the review of the City Attorney, to extend the existing agreement between Convention Center and ARAMARK Sports and Entertainment Services, LLC. for food and beverage services for a one year term upon the date of execution, with an option to extend month to month thereafter, until the City Council takes final action on the alternative management proposal for the Convention Center.

FISCAL IMPACT STATEMENT:

The recommendation has no impact on the General Fund and is in compliance with the City's Financial Policies in that special fund revenues will be used to support ongoing expenditures for this program.

MAS: DM: 09110234H

ATTACHMENT 2

KPMG, KNN PUBLIC FINANCE AND CROSSROADS CONSULTING SERVICES FINANCIAL COMPARATIVE ANALYSIS

KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Telephone 213 972 4000
Fax 213 622 1217
Internet www.us.kpmg.com

June 21, 2011

Mr. Miguel Santana, City Administrative Officer
City of Los Angeles
200 North Main Street, Room 1500
Los Angeles, CA 90012

Dear Mr. Santana:

KPMG LLP is pleased to provide the Final Business Case Report (Report) for the Los Angeles Convention Center Alternative Business Model Project. This Report is the final deliverable identified in our Professional Services Agreement which commenced on August 5, 2010. As identified in the contract, we have previously provided to you samples of Request for Proposals (RFP) and assisted in drafting scope sections and related elements for inclusion in the City's RFP. This Report to you represents our final report for the Alternative Business Model Project.

The data included in this Report was obtained from you, other City departments, convention center managers, and other public sources on or before June 20, 2011. We have no obligation to update our Report or to revise the information contained therein to reflect events occurring subsequent to June 20, 2011.

This final Report was prepared for the internal use of the City as it evaluates its strategies and options related to operation of the Los Angeles Convention Center. It was not prepared to be used for any other purpose or by any other party.

We appreciate this opportunity to serve the City on this important project.

Sincerely,

Kurt Ramey

Kurt Ramey
Partner

KPMG

cutting through complexity™

TRANSACTION SERVICES

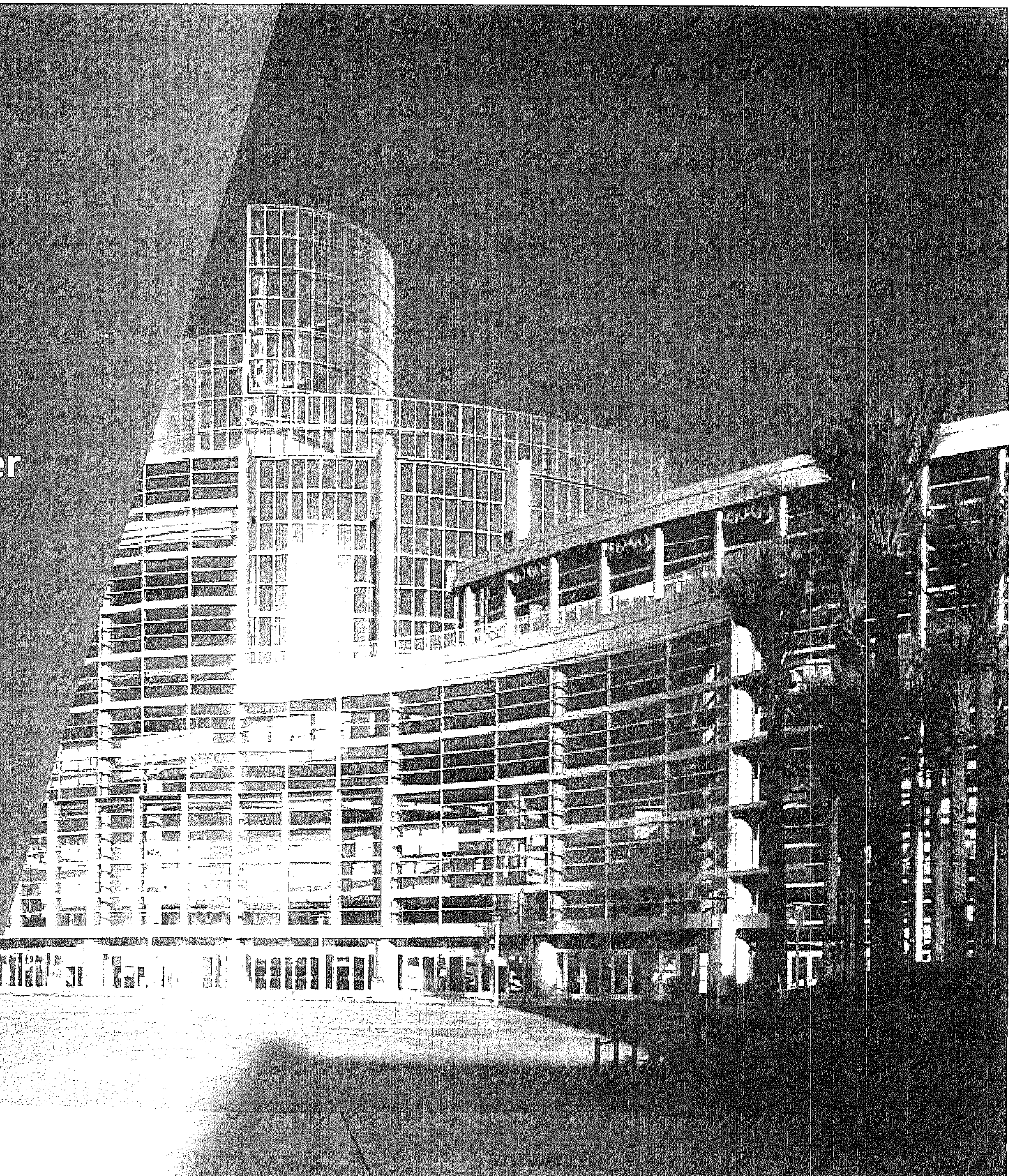
City of Los Angeles

Los Angeles Convention Center

Alternative Business Model Project

BUSINESS CASE REPORT
June 20, 2011

INFRASTRUCTURE ADVISORY



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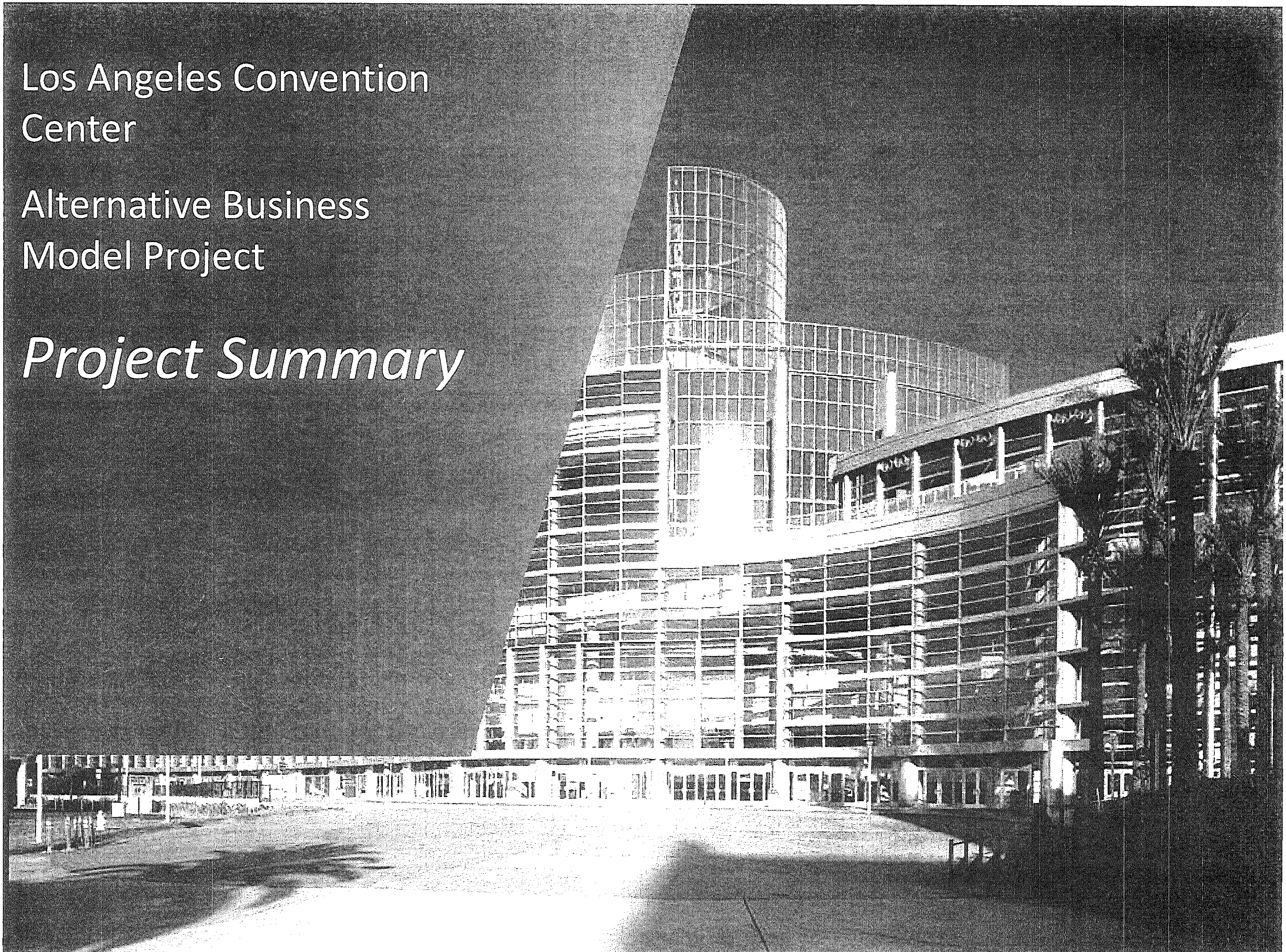

Los Angeles Convention Center
Alternative Business Model Project
Project Summary

Project Overview and Objectives

- The Office of the City Administrative Officer ("CAO") has been instructed by the City to develop one or more recommendations on alternative business and/or management models for the operation of the Los Angeles Convention Center ("LACC") facility.
- The purpose of identifying potential alternative business models is to:
  - Reduce General Fund costs associated with the LACC;
  - Allow more flexibility and efficiency with LACC operations; and
  - Maximize the City's competitive position as a major convention destination.

Analysis Objectives

- KPMG LLP ("KPMG") with assistance from Crossroads Consulting Services ("Crossroads") and KNN Public Finance ("KNN"), was retained by the CAO to review current operations and financial information, assess the opportunities associated with alternative business models and develop a report including recommendations.

Project Summary: Activities Completed

The following assessment, analysis and procurement work was completed by KPMG, Crossroads and KNN:

- Conducted interviews with representatives at the City, LACC and LA INC.
- Reviewed various City studies and financial reports related to LACC operations.
- Analyzed data on comparable convention centers practices, alternative business models and management practices.
- Identified potential areas of revenue or cost improvement based on comparison to industry data.
- Performed more detailed financial analysis of selected cost and revenue opportunities based on information gathered from companies that manage convention centers.
- Developed procurement recommendations and provided input to the City's draft RFP scope.
- Prepared a Business Case Report.

Limitations of data and use of Report:

KPMG's Report is based on data, assumptions and other information provided by the City. Our procedures do not constitute an audit, examination, attestation, special report or agreed-upon procedures engagement as those services are defined in American Institute of Certified Public Accountants (AICPA) literature applicable to such engagements conducted by independent auditors and we did not otherwise verify the data and other information we obtained for the purpose of preparing our report.

This final Report was prepared for the internal use of the City as it evaluates its strategies and options related to operation of the LACC. It was not prepared to be used for any other purpose or by any other party.

Findings:

- The LACC contains approximately 867,000 square feet of functional space. It is located in the heart of a vibrant event and entertainment area in downtown Los Angeles.
- In addition to Transient Occupancy Tax ("TOT") that is designated to offset the costs of debt service, the City will contribute approximately $12 million from the General Fund for FY 2010-11 for costs related to the LACC.
- In comparison to its regional competitors in San Francisco, Anaheim and San Diego, the LACC:
    - Has a substantially different market mix with a much lower percentage of citywide conventions/tradeshows and a much higher level of consumer/public/trade shows.
    - Has a net operating loss per square foot that is nearly three times greater than the average of the three peer competitors, which is primarily driven by labor, benefit and overhead costs.
- Labor is a key driver of costs. More efficient deployment of labor and reduction of labor, benefit and overhead costs similar to those found in the private sector market is the single largest cost improvement opportunity that can reduce the City's future requirements for operating subsidies.
- There are several precedent examples of private management models at large US convention centers, including recent changes from authority to private management models in two major convention markets, Chicago and Detroit.

Project Summary: Findings

- Based on several factors including market results at other convention centers, peer operating data, input from various convention center facility operators and other industry research, performance estimates for Private Sector Management Alternatives (Low and High cases) at the LACC were compared to performance estimates for the existing Public Sector model.
- The table below presents five years of estimated General Fund Subsidy under the public sector and private sector assumptions and analyses described within this report:

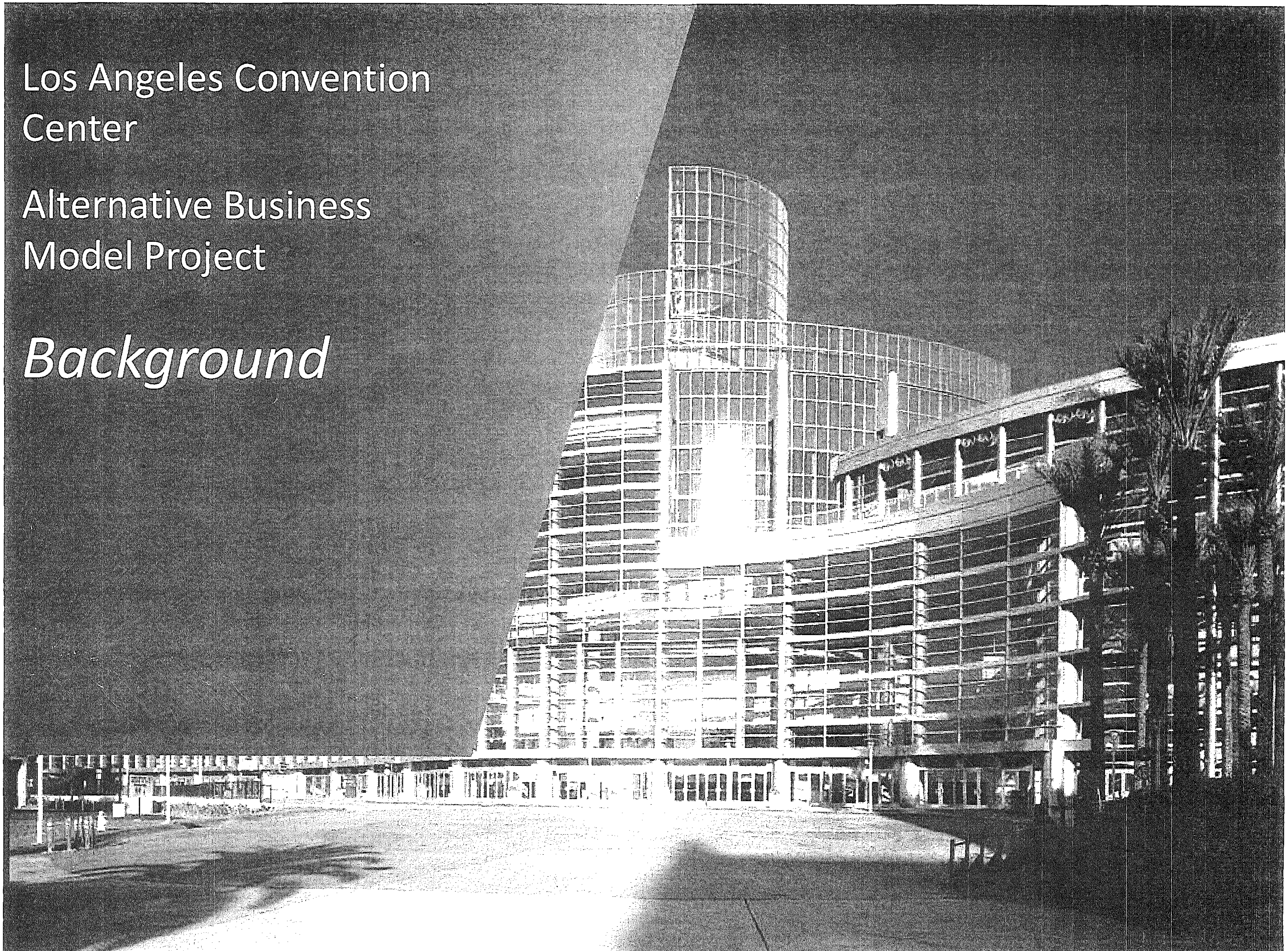
(in $ millions)	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	Total
Public Sector Base Case	($11.0)	($10.2)	($9.8)	($9.0)	($8.2)	($48.2)
Private Sector Low Case	($8.9)	($7.7)	($6.8)	($5.6)	($4.4)	($33.4)
Private Sector High Case	($4.7)	($3.4)	($2.3)	($1.0)	$0.3	($11.1)
Range of Subsidy Differences – Private Cases less Public Case	$2.1 to $6.3	$2.5 to $6.8	$3.0 to $7.5	$3.4 to $8.0	$3.8 to $8.5	$14.8 to $37.1

- Over a five year analysis period, the General Fund Subsidy associated with Private Sector Management Alternatives (Low and High Cases) could be less than the existing Public Sector approach by an estimated $15 million to $37 million.

Recommendations:

- The City should issue a procurement for private management of LACC that seeks fixed bids from industry. Such bids should be compared to similar financial results and commitments from the LACC.
- Any such procurement should include clear communications about the City's strategies for the LACC's West Hall and the proposed stadium/event center. The private sector management marketplace is highly aware of the Proposed New NFL Stadium Project and such communication is important to enhancing competition for this opportunity.
- The procurement should clearly identify potential transition strategies and plans for employees over time.

During the course of our work, we identified an additional opportunity for improvement that the City should consider. The City's current booking policy is not consistent with many of its direct competitors. To compete for Citywide conventions and tradeshows in a manner more similar to its peer competitors, the City should consider revising its booking policy to allow LA INC. to book the LACC 12 months out.


Los Angeles Convention Center
Alternative Business Model Project
Background

The historical background on the next several pages was prepared by KNN from information provided by the City and is meant to help orient the reader regarding the LACC's development.

- The original LACC was completed in 1971 at its current location.
    - The idea of the LACC dates back to the early 1950's. A joint powers authority ("JPA") was formed with Los Angeles County and during 1968 and 1969 the JPA issued a total of $39 million in lease revenue bonds.
- By the end of its first decade, the LACC was experiencing space challenges in meeting demand.
    - City financed a smaller temporary "North Hall," which was demolished in 1997 to accommodate the construction of Staples Center.
    - As larger facilities were built across the country, Los Angeles city officials and the hospitality industry were concerned that the LACC would not remain competitive.
    - In 1985, the "Mayor's Blue Ribbon Committee on the Expansion of the Convention Center" recommended proceeding with an expansion. City Council and Mayor approved the project later that year and the South Hall and related improvements were opened in 1993.
- LACC construction financing has relied on increases in the City's transient occupancy tax, with the support of the hotel industry.
- Lease revenue bonds were secured by a contractual pledge of the City to make lease financing payments from all legally available funds, including the General Fund, thus the LACC is an obligation of the General Fund.

- Increases in TOT, while not pledged, provided additional General Fund revenues to support increased General Fund obligations.
  - TOT was raised from 4% to 5% in 1967 to support the original facility.
  - TOT was raised from 10% to 11% in 1985 to support the expansion project.
- In 1987, following the completion of the design of the project, it became clear that the cost of the project , even after value engineering to reduce cost, would be greater than the available resources.
  - Consensus was reached between the City and the representatives of major hotels to further increase the transient occupancy tax. TOT was raised from 11% to 12% in 1988 to finance anticipated increased cost of expansion project, with another 0.5% raised in 1990 when construction bids came in over budget.
  - The City raised the TOT another 1.5% in 1993 to fund General Fund expenditures.
- In total, one-quarter of the current 14% TOT, or 3.5% of taxable hotel sales, was allocated by the City to finance the construction of the Convention Center.
- In 1998, the City issued an additional $45.6 million in bonds to finance infrastructure costs in connection with the construction of the Staples Center adjacent to the LACC. The bonds bore taxable interest rates because of the private nature of the project. While legally a General Fund obligation, bonds have been paid out of the City's receipt of an admission fee on the facility and other revenues.

Background: Historical Background - LACC Debt Issuances

- The original financings in 1968 and 1969 of $39 million were among the first use of lease revenue bonds in the Country. Expansion projects were financed with three subsequent lease revenue bond issues:
  - Because of anticipated changes in Federal law governing tax-exempt bonds, the City accelerated the financing of the project, issuing $310 million in December 1985 based on a preliminary cost estimate. In 1989, the City issued $350 million in lease revenue bonds to refund the 1985 bonds for debt service savings and provide additional pre-funded interest.
  - In 1990, an additional $202 million in bonds were sold, after the receipt of firm construction bids, to complete construction funding, provide for additional interest payments during construction, and to refund $23 million in bonds outstanding from the original 1969 financing.
- While TOT was increased to support construction, debt service remains an obligation of the City's General Fund.
  - Principal was deferred to reduce debt service in the early years of the expanded center.
  - Subsequent partial bond re-fundings were undertaken in 1993, 2003, and 2008 to achieve debt service savings, which deferred principal repayments as present value savings were realized in early years.
  - Approximately $445 million in lease revenue bonds remain outstanding.
- Because the LACC itself was financed with tax-exempt bonds, certain restrictions on the private use of the facility are imposed by federal tax law.
  - Under federal tax rules, private use is currently limited to $15 million for all the Convention Center facilities. The City has used virtually all of its private use capacity in accommodating the Staples Center for parking and other shared uses.
  - Any contract for private management services must comply with IRS regulations.

Background: Current Operating Characteristics

- Today, the LACC contains approximately 720,000 square feet of exhibit hall space and approximately 147,000 square feet of meeting room space, totaling approximately 867,000 square feet of functional space. It is located in the heart of a vibrant event and entertainment area in downtown Los Angeles.
  - Staples Center, a world-class arena and home of four professional sports franchises which is adjacent to the LACC, opened in 1999.
  - L.A. LIVE, which is adjacent to the LACC, opened in 2008 and has significantly enhanced the restaurants and entertainment options proximate to the LACC.
  - The JW Marriott and Ritz Carlton hotels at LA Live opened in 2010 and added significant new hotel supply proximate to the LACC.
- Convention Center Industry Mission Statements - The mission statement is a critical element in any facility's operation because it dictates the booking policy, which can directly drive utilization and financial performance. As with any publicly owned facility, the goals and objectives may change over time with changes in leadership. Clearly defining a mission statement that reflects primary goals can allow a facility to set forth an operating and marketing strategy that is consistent and long-term in implementation.
- LACC Mission Statement - The LACC's mission is to serve the City by enhancing its prominence as the only destination of choice for citywide conventions, exhibitions, trade shows and high profile events; to perform as an economic and jobs engine for the region through primary and secondary client spending; to support the promotion of the arts, sciences, humanities and education; and to effectively leverage the assets of the Sport and Entertainment District as a solid business partner and corporate citizen.

- Convention Center Industry Booking Policies - For any convention facility to be successful it is important for the booking policy to appropriately support and implement the mission statement through its prioritization of events. For instance, some events that generate economic impact to the community may not result in positive financial performance for the facility, particularly given the competitiveness among public assembly facilities. Irrespective of the management approach in place, a well-defined mission statement and booking policy can help reduce the potential for perceived differences in the facility's role by various stakeholders.

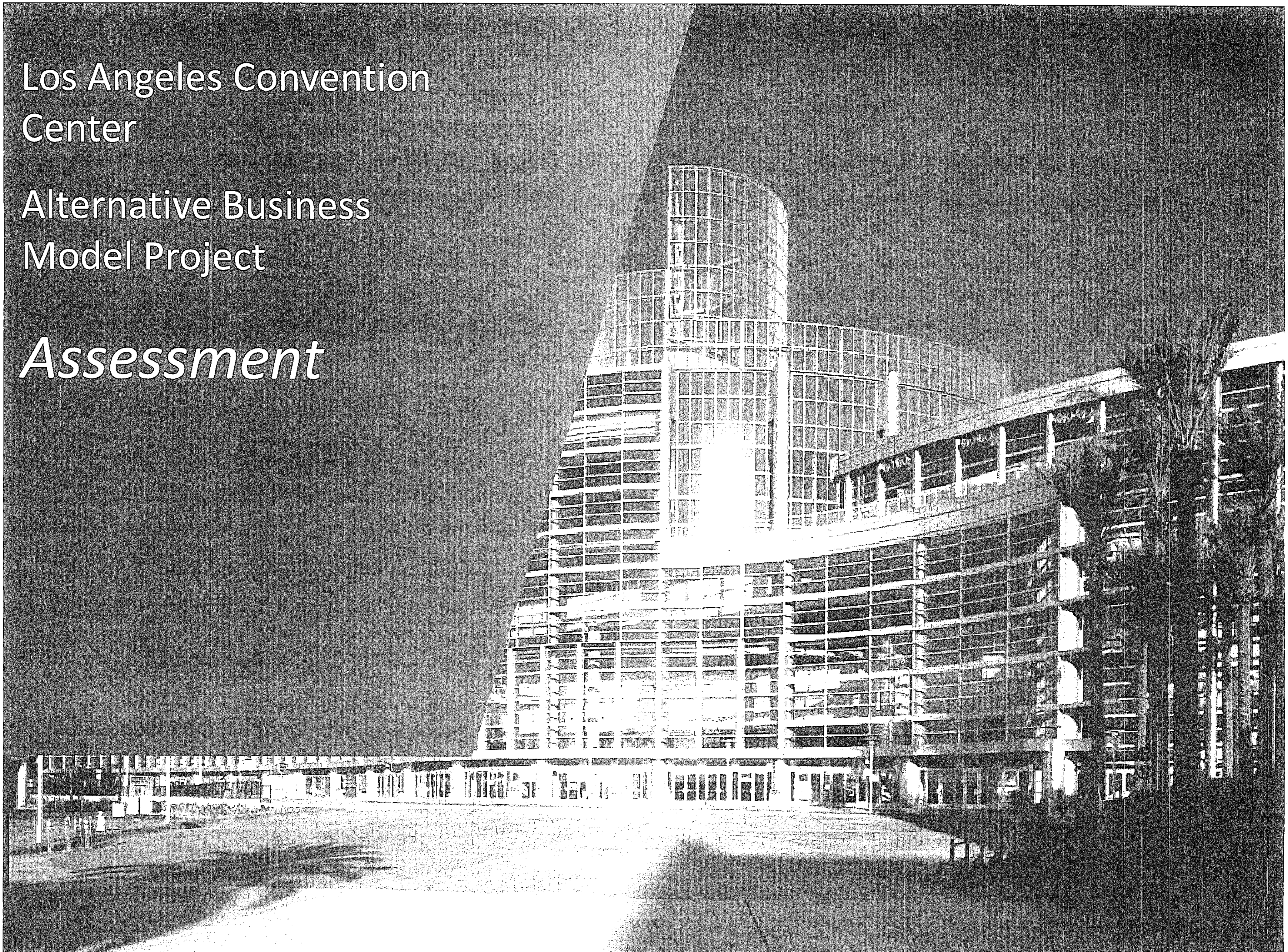
  LACC Booking Policy

- LA INC., the Los Angeles Convention and Visitors Bureau, is a private, nonprofit 501(c)(6) business association contracted by the City of Los Angeles. As the City's official visitor promotion organization, LA INC's primary purpose is to enhance the economy of the City by promoting the City as a site for business meetings, conventions, trade shows and as a destination for leisure travelers.
- Generally, LA INC is responsible for booking events at the LACC that fall outside of 24 months with some specific exceptions.
- LACC can book up to six (6) non-convention events up to 10 years in advance under terms agreed to by both LACC and LA Inc. and under certain conditions.

- Convention Center Industry Discount Policies – Given the competitiveness of the convention center industry and current economic conditions that create a buyer's market, it is a common practice among comparable facilities to offer discounts and/or rental abatement for citywide convention and tradeshow activity in order to drive economic and fiscal benefits such as TOT. Discounts and/or abatements are typically tied to the number of estimated hotel room nights which will be booked in relation to the event.
- City of Los Angeles Discount Policy - The City currently has a discount policy in place that allows LA INC. to offer reductions in rental rates to conventions and tradeshows as an incentive to hold their events at the LACC. LA INC. may offer discounts of up to 100% of LACC space rental costs to prospective clients subject to the limitation that the amount discounted may not exceed the amount of TOT revenues that the event produces for the City. Discounts must be approved by the General Manager, and approved as to policy compliance by the CAO. Exceptions can be made for certain events such as meetings of national and regional industry-wide travel associations subject to approval of the LACC and CAO. The discount policy is intended to give LA INC. an additional marketing tool so that it can successfully sell Los Angeles and the LACC as a destination for conventions and tradeshows.

Background: Challenges for the Industry and LACC

- In many communities, the primary role of a convention center is to attract out-of-town visitors that generate hotel room nights and tourist or transient occupancy tax revenues.
- The convention and tourism industries have been negatively affected by recent general economic conditions and TOT revenues have generally suffered on a national basis.
- Economic conditions combined with the significant supply of space and declining or stagnant demand have led to a perceived buyer's market in the convention center industry. In response to shifts in demand, some larger convention centers and hotels have repositioned themselves to aggressively pursue convention and meeting activity that was historically hosted by mid-level facilities.
- The expectations for convention centers to be financially viable, while simultaneously making financial concessions such as discounting rental rates, is not necessarily compatible. This is further complicated by the fact that as in Los Angeles, many convention centers are owned and operated by public entities and marketed by independent non-profit organizations. As such, the destination marketing organization ("DMO") and the convention center operator may differ in their missions and performance evaluations based on dissimilar, and in some cases competing, operating objectives.
- Research and analysis conducted for this engagement as well as commentary from City, LACC and LA INC. representatives indicate that the LACC and the LA INC. face similar issues in their marketplace.
- The City is considering whether modifications to the LACC's current business model could create competitive advantages, enhance operational efficiencies and reduce general fund costs associated with the LACC.


Los Angeles Convention Center
Alternative Business Model Project
Assessment

Assessment: Overview

A convention center's management team is generally responsible for overseeing the day-to-day operations of a convention center facility including implementing the mission statement and operating policies. The management structure selected for a facility is important because it typically impacts all aspects of operations including short-term marketing, utilization, financial operations and overall operating efficiency of the facility.

The most common management structures at convention centers in the U.S. are:

- Municipal management such as a City departmental structure;
- Independent public authority; or
- A third party private management company that specializes in operating similar facilities

To assist the City in its evaluation of alternative business models for the LACC, this section of the report: highlights financial performance results related to the LACC and other convention centers*; profiles management structures at larger convention centers in the U.S. as well as the relative advantages and disadvantages of each option; and compares performance measures between the LACC and selected convention centers.

* The financial data on pages 18 and 21-26 was presented to the City in September 2010, and it has been updated for purposes of this report.

Assessment: City of Los Angeles Transient Occupancy Tax (TOT)

- The total TOT revenues collected by the City have experienced approximately 8% and 13% declines in FY 2008-09 and FY 2009-10, respectively.
- TOT revenues are forecasted by the City to grow to by approximately 7% to $137 million in FY 2010-11, which is approximately 14% below the peak in FY 2007-08.

Category ($ in millions)	FY 2006-07 Amount	FY 2007-08 Amount	FY 2008-09 Amount	FY 2009-10 Amount	Estimate FY 2010-11 Amount
Taxable Hotel Sales	$1,035.0	$1,142.5	$1,048.6	$911.5	$978.4
Transient Occupancy Tax - City (13%)	134.6	148.5	136.3	118.5	127.2
Transient Occupancy Tax - LA Inc. (1%)	10.4	11.4	10.5	9.1	9.8
Transient Occupancy Tax - Total (14%)	$144.9	$160.0	$146.8	$127.6	$137.0
Transient Occupancy Tax - (% change)	-	10.4%	-8.2%	-13.1%	7.3%

Source: CAO

Assessment: Occupancy and Average Daily Rate (ADR) Analysis

The table below presents two key hotel performance metrics; Occupancy and Average Daily Rate (ADR).

Trends in Occupancy			
Market Area	2008	2009	2010
Los Angeles	71.1%	64.0%	68.0%
% Change		-10.0%	6.4%
Anaheim	68.7%	63.6%	68.1%
% Change		-7.4%	7.1%
San Diego	69.5%	62.9%	66.7%
% Change		-9.5%	6.1%
San Francisco	75.3%	71.2%	75.2%
% Change		-5.4%	5.7%
Top 25 Markets in US	65.6%	59.7%	63.8%
% Change		-9.0%	6.9%
U.S.	60.3%	54.5%	57.6%
% Change		-9.6%	5.7%

Trends in Average Daily Rate (ADR)			
Market Area	2008	2009	2010
Los Angeles	$ 128.50	$ 114.62	$ 116.20
% Change		-10.8%	1.4%
Anaheim	$ 122.51	$ 109.11	$ 108.46
% Change		-10.9%	-0.6%
San Diego	$ 142.49	$ 124.98	$ 121.93
% Change		-12.3%	-2.4%
San Francisco	$ 156.13	$ 133.41	$ 135.97
% Change		-14.6%	1.9%
Top 25 Markets in US	$ 132.95	$ 118.00	$ 118.42
% Change		-11.2%	0.4%
U.S.	$ 106.96	$ 98.17	$ 98.08
% Change		-8.2%	-0.1%

Source: Smith Travel Research

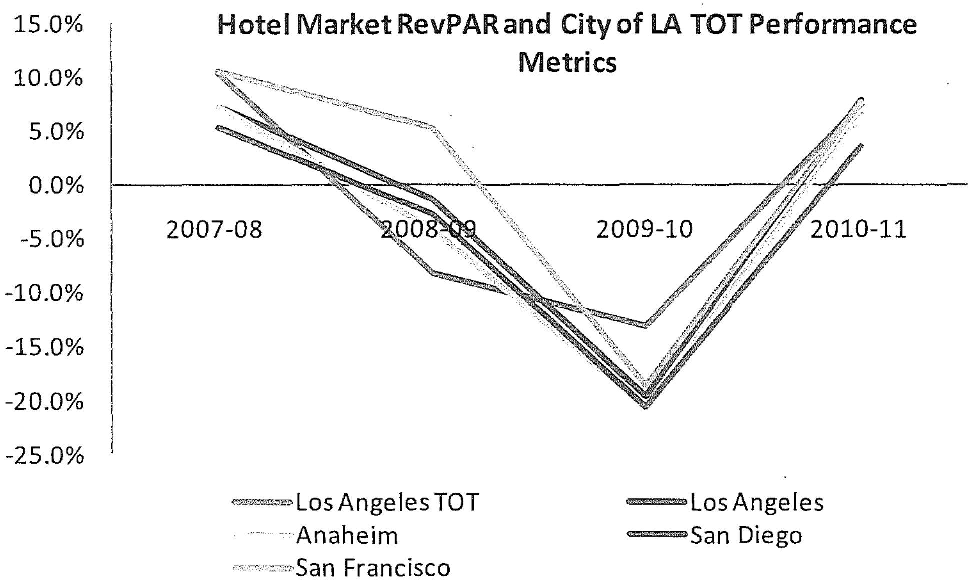
Note: All figures represent most recent available data.

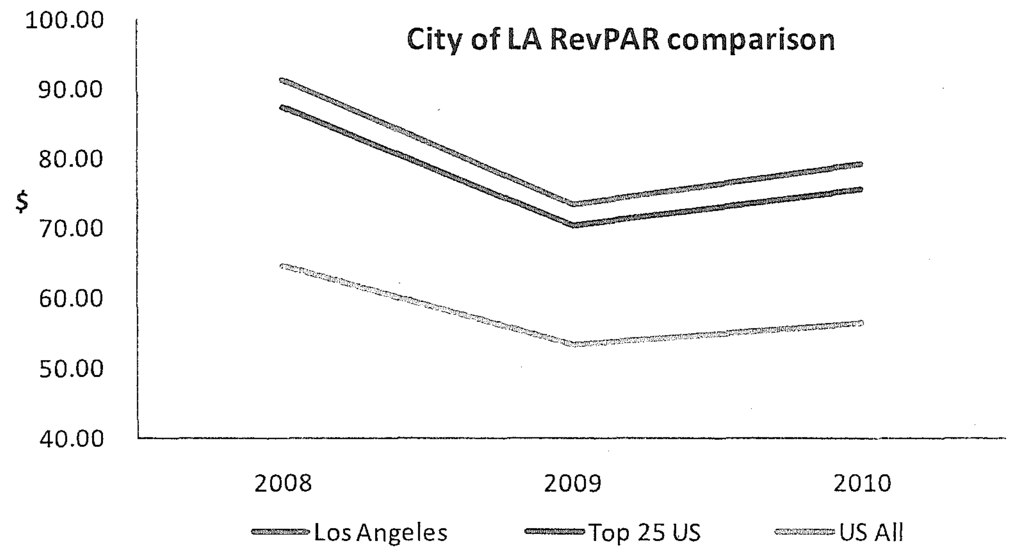
- Trends between performance levels in Los Angeles and market areas for three peer competitors, top 25 markets (of which Los Angeles is one), and the US market show that LACC's changes in occupancy levels and average daily rates were not significantly different from others in the market in 2009 and 2010.

Los Angeles Convention Center – Alternative Business Model Project

Assessment: Revenue Per Available Room (RevPAR) Analysis

The graphs below present 1) City of Los Angeles TOT trends against RevPAR trends for Los Angeles and market areas for three peer competitors and; 2) City of Los Angeles RevPAR trends against trends in the top 25 US markets and all US markets.





Source: LA Inc., Smith Travel Research, CAO

Note: 1) Revenue Per Available Room (RevPAR) is a hotel industry efficiency/performance metric derived by multiplying a hotel's average room rate by its occupancy rate. It is a measure of the overall performance of a hotel property. 2) Market area RevPAR data is measured by calendar year, while LA TOT is measured by fiscal year.

- Chart #1 on the left above shows how Los Angeles TOT and RevPAR changes compare to three peer competitors between 2007-08 and 2010-11. In general, LA TOT decreased more rapidly in 2008-09, stabilized more rapidly in 2009-10 and is growing at the higher end of the 2010-11 performance ranges.
- Chart #2 on the right illustrates that RevPAR for the Los Angeles market area, the top 25 US markets and all US markets trended downwards in 2009 and increased in 2010 at generally similar rates.

Assessment: General Fund Contributions Related to LACC

- Supplemental General Fund contributions to support the LACC for FY 2009-10 and FY 2010-11 Estimate have risen due to flat or declining revenues from the LACC, declining transient occupancy taxes and increases in debt service (as front-loaded savings from an earlier bond refinancing expired).
- In addition to TOT that is designated to offset the costs of debt service, the City is faced with an approximately $12 million annual general fund requirement associated with the LACC for FY 2010-11 Estimate, or approximately $14 million greater than recent peak conditions from FY 2007-08.

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Category ($ in millions)	**Actual**	**Actual**	**Actual**	**Estimate**
Revenues				
Convention Center Revenues	$25.9	$26.5	$22.0	$25.7
General Fund Appropriations				
Transient Occupancy Tax	40.0	36.7	31.9	34.2
Booking Policy Offset	5.0	5.0	5.0	5.0
Subtotal: General Fund	45.0	41.7	36.9	39.2
Total Revenues	**70.8**	**68.2**	**58.9**	**64.9**
Expenses				
LACC Operating Budget	24.6	24.1	21.0	22.6
General Services Department	1.8	2.2	1.0	1.3
Related Costs (Fringe Benefits & Overhead)	7.7	7.6	7.1	6.9
Debt Service	34.1	39.0	46.2	48.1
Other Expenses	0.3	0.1	0.0	0.1
	68.4	**72.9**	**75.3**	**79.0**
Reimbursement of General Fund Costs	-	-	2.7	2.5
	-	**-**	**2.7**	**2.5**
Supplemental General Fund Contribution	-$2.4	$4.7	$13.7	$11.6

Source: Proposed (2011-12) and Adopted Budgets (2009-10 through 2010-11) and the Cost Allocation Plan (2009-10).

Notes: The Related Cost amount accounts for Fringe Benefits and Overhead Costs.

- LACC Salaries represent the largest controllable expense and comprise approximately 2/3 of the facility's annual operating expenses.

	FY 2007-08		FY 2008-09		FY 2009-10		Average	
Category	Actual		Actual		Actual		Actual	total
Operating Revenue								
Total	**$25,861,350**		**$26,500,345**		**$22,091,562**		**$24,817,752**	**0%**
Operating and Administrative Expenses								
Salaries	$15,984,389	65%	$15,889,804	66%	$13,830,781	66%	$15,234,991	66%
Utilities and Water & Electricity	$4,205,657	17%	$4,097,998	17%	$3,887,129	18%	$4,063,595	17%
Contractual Services	$2,559,370	10%	$2,293,931	10%	$2,451,652	12%	$2,434,984	10%
Repairs, Materials, Supplies and Equipment	$1,186,407	5%	$1,197,315	5%	$440,358	2%	$941,360	4%
Office and Administrative	$113,593	0%	$149,067	1%	$81,842	0%	$114,834	0%
Advertising and Other Promotion	$186,698	1%	$179,547	1%	$126,665	1%	$164,303	1%
Miscellaneous	$342,951	1%	$258,874	1%	$204,786	1%	$268,870	1%
Total	**$24,579,065**	**100%**	**$24,066,536**	**100%**	**$21,023,213**	**100%**	**$23,222,938**	**100%**
Income (Loss) from Operations before Debt Service, Depreciation and Transfers	**$1,282,285**		**$2,433,809**		**$1,068,349**		**$1,594,814**	

Source: CAO

Assessment: Data on Select Competitive/Comparable Facilities

- Three comparable and competitive regional convention centers were selected for comparison to LACC:
- Anaheim Convention Center (Municipal Management), Moscone Center in San Francisco (Private Management) and San Diego Convention Center *.

Category	Los Angeles Convention Center	Anaheim Convention Center	Moscone Convention Center	San Diego Convention Center	Average (Excluding LACC)
Owner	City	City	City/County	San Diego Unified Port District	
Operator	City	City	SMG	San Diego Conv. Ctr. Corporation	
Building Program					
Exhibit Hall SF	719,600	813,600	822,100	615,700	750,500
Ballroom SF	46,000	38,100	67,500	80,700	62,100
Meeting Room SF	102,000	130,000	285,000	204,100	206,400
Total Function SF	867,600	981,700	1,174,600	900,500	1,018,900
Hotel Room Supply					
HQ Hotel(s)	928	1,572	0	2,552	1,375
Within ½ Mile	1,914	7,000	12,000	8,200	9,067
Citywide	96,000	12,000	32,976	11,789	18,922

Notes: * The San Diego Convention Center Corporation (SDCCC) is a non-profit public benefit corporation.

In the comparison slides that follow, performance measures and other financial data are based on FY 2008-09 information.

Sources: Annual reports and discussions with management at individual facilities, LA INC.

Assessment: Data on Select Competitive/Comparable Facilities – Utilization

The following table presents the LACC and comparable facilities by number of events and total attendance by event.

Summary of Utilization at Comparable/Competitive Facilities					
Category	Los Angeles Convention Center Los Angeles, CA	Anaheim Convention Center Anaheim, CA	Moscone Center San Francisco, CA	San Diego Convention Center San Diego, CA	Average (Excl. LACC)
Number of Events					
Citywide conventions/tradeshows	18	51	64	71	**62**
Consumer/public shows	76	15	5	25	**15**
Meetings	157	126	30	125	**94**
Banquets/receptions	8	20	9	13	**14**
Other	110	97	0	14	**37**
Total	**369**	**309**	**108**	**248**	**222**
% Conventions/Tradeshows	**5%**	**17%**	**59%**	**29%**	**35%**
Total Attendance					
Citywide conventions/tradeshows	145,368	549,946	774,189	539,590	**621,200**
Consumer/public shows	775,433	97,740	179,042	183,629	**153,500**
Meetings	38,333	110,574	12,428	73,788	**65,600**
Banquets/receptions	4,210	8,183	3,005	11,270	**7,500**
Other	380,273	164,073	0	54,192	**72,800**
Total	**1,343,617**	**930,516**	**968,664**	**862,469**	**920,500**
% Conventions/Tradeshows	**11%**	**59%**	**80%**	**63%**	**67%**
Facility Occupancy	**72%**	**70%**	**73%**	**60%**	**68%**

Notes: 1) Total attendance reflects the number of people attending an event independent of how many days the event lasts. An attendee day is defined as total attendance multiplied by the event length. 2) The Anaheim Convention Center defines Citywide conventions/tradeshows as those that utilize 1,500 committable rooms on peak night. The facility held 42 Citywide conventions/tradeshows in FY 2009 although attendance for these events was not available. As presented in the table, the Citywide conventions/tradeshows category includes all conventions/tradeshows held at the facility in FY 2009. 3) The table is based on FY 2008-09 data.

Sources: Annual reports and discussions with management at individual facilities.

Assessment: Data on Select Competitive/Comparable Facilities

Summary of Financial Operations at Select Comparable/Competitive Facilities

Category	Los Angeles Convention Center Los Angeles, CA	Anaheim Convention Center Anaheim, CA	Moscone Center San Francisco, CA	San Diego Convention Center San Diego, CA	Average (Excl. LACC)
Operating Revenues					
Facility rental	$6,323,000	$8,876,000	$10,224,000	$10,272,000	**$9,791,000**
Food and beverage	1,855,000	2,674,000	5,876,000	6,611,000	**5,054,000**
Exhibitor services	10,077,000	5,537,000	4,017,000	9,130,000	**6,228,000**
Parking	6,452,000	4,807,000	0	0	**1,602,000**
Other	1,793,000	1,459,000	574,000	37,000	**690,000**
Total	**$26,500,000**	**$23,353,000**	**$20,691,000**	**$26,050,000**	**$23,365,000**
Operating Expenses					
Salaries/wages	$15,984,389	$11,389,000	$13,734,000	$15,985,000	**$13,703,000**
Benefits (Fringe Benefits)	3,371,000	4,573,000	5,733,000	4,412,000	**4,906,000**
Overhead (General & Administrative)	3,663,000	1,135,000	78,000	1,131,000	**781,000**
Contracted/building services	4,117,000	831,000	175,000	716,000	**574,000**
Utilities	4,052,000	3,078,000	399,000	3,513,000	**2,330,000**
Repairs/maintenance	1,074,000	1,973,000	2,202,000	1,654,000	**1,943,000**
Materials/supplies	0	845,000	0	506,000	**450,000**
Marketing/advertising	157,000	36,000	40,000	498,000	**191,000**
Insurance	0	398,000	484,000	585,000	**489,000**
Management fee	0	0	400,000	0	**133,000**
Other	70,000	602,000	347,000	0	**316,000**
Total	**$32,488,389**	**$24,860,000**	**$23,592,000**	**$29,000,000**	**$25,816,000**
Net Operating Income (Loss)	**($5,988,389)**	**($1,507,000)**	**($2,901,000)**	**($2,950,000)**	**($2,451,000)**
Expense Coverage Ratio	**82%**	**94%**	**88%**	**90%**	**90%**

Notes: 1) For LACC, the Total Operating Revenue is based on the actual revenue amount reported in the City's Adopted Budget. Operating revenue for "Facility Rental" was adjusted using the Department's reported amount ($11,301,000) and the Total Operating Revenues actual amount ($26,500,000) reflected in the City's Adopted Budget. Operating expenses are based on information provided by the Convention Center and CAO. These figures differ from actual expense figures reported in the City's Adopted Budget. 2) Fringe Benefits and Overhead costs (Related Costs) are based on Cost Allocation Plan (CAP) rates and actual salary costs. 3) The table is based on FY 2008-09 data. 4) The LACC and its peer competitors do no follow an uniform method of reporting costs for their convention center operations. 5) Expense Coverage Ratio = Total Operating Revenues divided by Total Operating Expenses.

Sources: City Reports (Adopted Budget 2010-11 and the 2008-09 Cost Allocation Plan), Annual reports and discussions with management at individual facilities.

Assessment: Data on Select Competitive/Comparable Facilities – Financial Performance Per Sellable Square Foot (SF)

Summary of Financial Operations at Select Comparable/Competitive Facilities (cont'd)

Category	Los Angeles Convention Center Los Angeles, CA	Anaheim Convention Center Anaheim, CA	Moscone Center San Francisco, CA	San Diego Convention Center San Diego, CA	Average (Excl. LACC)
Per Sellable SF	**867,600**	**981,700**	**1,174,600**	**900,500**	**1,018,900**
Operating Revenues					
Facility rental	$7.29	$9.04	$8.70	$11.41	**$9.72**
Food and beverage	2.14	2.72	5.00	7.34	**5.02**
Exhibitor services	11.61	5.64	3.42	10.14	**6.40**
Parking	7.44	4.90	-	-	**1.63**
Other	2.07	1.49	0.49	0.04	**0.67**
Total	**$30.54**	**$23.79**	**$17.62**	**$28.93**	**$23.44**
Operating Expenses					
Salaries/wages	$18.42	$11.60	$11.69	$17.75	**$13.68**
Benefits (Fringe Benefits)	3.89	4.66	4.88	4.90	**4.81**
Overhead (General & Administrative)	4.22	1.16	0.07	1.26	**0.83**
Contracted/building services	4.75	0.85	0.15	0.80	**0.60**
Utilities	4.67	3.14	0.34	3.90	**2.46**
Repairs/maintenance	1.24	2.01	1.87	1.84	**1.91**
Materials/supplies	-	0.86	-	0.56	**0.47**
Marketing/advertising	0.18	0.04	0.03	0.55	**0.21**
Insurance	-	0.41	0.41	0.65	**0.49**
Management fee	-	-	0.34	-	**0.11**
Other	0.08	0.61	0.30	-	**0.30**
Total	**$37.45**	**$25.32**	**$20.09**	**$32.20**	**$25.87**
Operating Income (Loss)	**($6.90)**	**($1.54)**	**($2.47)**	**($3.28)**	**($2.43)**

Notes: 1) For LACC, the Total Operating Revenue is based on the actual revenue amount reported in the City's Adopted Budget. Operating revenue for "Facility Rental" was adjusted using the Department's reported amount ($11,301,000) and the Total Operating Revenues actual amount ($26,500,000) reflected in the City's Adopted Budget. Operating expenses are based on information provided by the Convention Center and CAO. These figures differ from actual expense figures reported in the City's Adopted Budget. 2) Fringe Benefits and Overhead costs (Related Costs) are based on Cost Allocation Plan (CAP) rates and actual salary costs. 3) The table is based on FY 2008-09 data. 4) The LACC and its peer competitors do no follow an uniform method of reporting costs for their convention center operations. 5) Expense Coverage Ratio = Total Operating Revenues divided by Total Operating Expenses.

Sources: City Reports (Adopted Budget 2010-11 and the 2008-09 Cost Allocation Plan), Annual reports and discussions with management at individual facilities.

Assessment: Summary

In comparison to its regional competitors in Anaheim, San Diego and San Francisco, the LACC:

- Is somewhat smaller overall than the three peer competitors, notably in meeting room space.
- Has a substantially different market mix with a much lower percentage of citywide conventions/tradeshows and a much higher level of consumer/public/trade shows.
- Generates higher operating revenues and has higher total operating expenses, which include higher combined costs for labor, benefits and overhead costs. The LACC's expense coverage ratio trails the average of the three peer competitors.
- Has a net operating loss per square foot that is nearly three times greater than the average of the three peer competitors.
- Has about 1,900 hotel rooms within ½ mile of the convention center, while the three peer competitors range between 7,000 to 12,000 hotel rooms within the same distance.

These high level statistics support a market understanding that was confirmed by both local convention center stakeholders and industry resources:

- The LACC appears to focus on the trade show market.
- Other facilities, with different hotel resources available to them, have been more successful at attracting major citywide conventions that generate room nights and TOT.

Management Practices – Comparison of Booking / Marketing Responsibilities

Our scope of work was limited in nature and focused on evaluating alternative business models for the LACC. However, the City wanted to understand opportunities for improvement to existing management practices that were identified as a result of the work conducted. The table that follows presents select characteristics of the organizations and booking strategies that support the LACC and three peer competitors (based on secondary research sources).

Category	Los Angeles	Anaheim	San Francisco	San Diego
Structure of DMO/CVB	LA INC. - 501 c 6	501 c 6	501 c 6	501 c 6
Approximate Annual Budget for DMO/CVB*	$19.5 million*	$9.5 million	$18.8 million	$18.2 million
FTEs at DMO/CVB	77	52	77	71
Booking Strategy for the Convention Center	CVB/DMO books the facility 24 months out; LACC has the right to book six (6) recurring non-convention events up to 10 years in advance that meet certain requirements.	CVB/DMO books the facility 12 months out; Center has the right to book five (5) non-CVB booked recurring events per year.	CVB/DMO controls all Moscone Center dates – the facility typically hosts a relatively limited number of non-convention activity.	Center provides all sales/marketing, hotel booking, and convention services in-house.

*Note: 1) The City will pay LA INC. approximately $10 million in FY 2010-11 for selling conventions and marketing LA. Additionally, LA INC. has a contract with LAX for services specific to LAX and LA INC collects private dollars from member fees and other sources. 2) For comparative purposes, the approximate annual budget for each DMO/CVB represents total funding for each DMO, regardless of how the funds are dedicated, as a detailed distribution of the budget was not available for each organization.

- Industry trends illustrate that many meeting planners have shortened their window for booking events due partially to adverse economic conditions. Many CVBs/DMOs have shifted their strategy for booking their convention center to more effectively compete for national and international convention business.
- If the City wishes to compete for Citywide conventions and tradeshows at the LACC in a manner more similar to its peer competitors, the City should consider revising its booking policy to allow LA INC. to book the LACC 12 months out.
- The respective mission statements of LACC and LA INC. should be aligned directly to the booking policy objective to attract national and international conventions, tradeshows, and meetings.
- Consistent with current policy at the LACC, it is common for competitive and comparable facilities to offer discounts and/or rental abatement to attract citywide convention and tradeshow activity.
- LA INC. appears to have similar staffing and approximate annual budget with peer DMOs/CVBs that achieve higher levels of Citywide conventions and tradeshows while operating with different booking strategies than Los Angeles.

Assessment: Management Structure Examples at Select Convention Centers in the U.S.

Of the 26 larger convention centers in the U.S. that are profiled in the table:

- Independent public authorities manage nine facilities (or 35%);
- Third party private management companies manage eight facilities (or 31%); and
- Municipalities/public agencies manage seven facilities (or 27%).

The San Diego Convention Center is managed by a non-profit corporation and the San Jose Convention Center is managed by Team San Jose, the City's DMO.

McCormick Place in Chicago and Cobo Hall in Detroit recently changed to private management. Both were previously managed through independent public authorities.

Summary of Management Structure at Larger Convention Centers in the U.S.

Convention Center	Location	Exhibit SF	Operator
McCormick Place	Chicago	2,600,000	Private
Orange County Convention Center	Orlando	2,100,000	County
Las Vegas Convention Center	Las Vegas	1,940,631	Authority
Georgia World Congress Center	Atlanta	1,400,000	Authority
Ernest N. Morial Convention Center	New Orleans	1,100,000	Authority
George R. Brown Convention Center	Houston	862,000	City
Donald E. Stephens Convention Center	Rosemont (IL)	840,000	Village
Moscone Center	San Francisco	822,114	Private
Anaheim Convention Center	Anaheim	813,000	City
Jacob K. Javits Convention Center	New York	760,000	Authority
Dallas Convention Center	Dallas	724,526	City
Los Angeles Convention Center	Los Angeles	719,575	City
Walter E. Washington Convention Center	Washington, D.C.	703,000	Authority
Cobo Hall	Detroit	700,000	Private
Phoenix Convention Center	Phoenix	688,500	City
Pennsylvania Convention Center	Philadelphia	679,000	Authority
San Diego Convention Center	San Diego	615,701	SDCC
Colorado Convention Center	Denver	584,000	Private
Indiana Convention Center & Lucas Oil Stadium	Indianapolis	566,600	Authority
Boston Convention & Exhibition Center	Boston	516,000	Authority
Calvin L. Rampton Salt Palace Convention Center	Salt Lake City	515,000	Private
Miami Beach Convention Center	Miami Beach	502,500	Private
America's Center	St. Louis	502,000	Authority
Atlantic City Convention Center	Atlantic City	500,000	Private
Long Beach Convention and Entertainment Center	Long Beach	400,000	Private
San Jose Convention Center	San Jose	143,000	CVB

Notes: Sorted in descending order by exhibit SF.
Although smaller, convention facilities in Long Beach and San Jose are included because they are in the State.
Sources: Management at individual facilities; other secondary research.

Assessment: Management Structures - Relative Advantages/Disadvantages

Management Structure	Advantages	Disadvantages
Municipal management (e.g., City department)	• Municipality maintains control of all operational aspects of its asset including staffing, event usage, financial performance and funding. • Potential to share staff/support functions among municipal departments. • Ability to maximize purchasing power of goods/supplies with other municipal departments. • No management fees.	• Municipal governance can inhibit facility operating decisions in a timely manner. • Burden of allocating human and financial resources from various departments to oversee certain convention center functions . • Civil service constraints. • Unique assets that operate in an atmosphere that require competitive business practices (e.g., contractual agreements, short-term leases, significant part-time/seasonal staff, partnerships with third parties). • Subject to changes in political cycles.
Independent Public Authority	• Provides autonomy and independence • Particularly beneficial when multiple jurisdictions are involved. • Most effective when it controls a revenue source dedicated to funding operations/debt service. • No management fees.	• Requires oversight body to ensure on-going operations and policy decisions remain consistent with operating objectives. • Duration of time required to form an authority.

Assessment: Management Structures - Relative Advantages/Disadvantages

Management Structure	Advantages	Disadvantages
Private Management Firm	• Capability to rotate events through other existing facilities they manage. • Less civil service constraints on hiring, contract approvals, negotiating financial terms, general procurement activities. • Provides operating autonomy. • Provides consistent management philosophy during political changes in leadership. • Provides a buffer for a City when negotiating with third party service providers. • Potential funding partner. • Experienced staff from similar sized markets/venues familiar with competitive environment. • Potential budget certainty for a City. • Performance incentives potentially available to staff. • Overall accountability through financial reporting. • Contractual obligations and incentives can be tied to public policy directives.	• Balancing event base with generating revenues and/or economic impacts. • Municipality does not control all aspects of its asset. • Management fee.

Assessment: Comparison Analysis

- Management practices can directly impact performance measures such as utilization and financial performance as well as the overall efficiency of facility operations.

Management Structure
- Municipal management
- Independent public authority
- Third party management company

Management Practices
- Mission statement
- Booking policy
- Organizational structure
- Staffing levels/personnel costs
- Rental rates/discount policy
- Marketing efforts

Performance Measures
- Utilization
- Financial performance

- In order to develop an understanding of existing management practices at the LACC, the project team met with representatives of the City, LACC and LA INC. and reviewed information in light of the peer operating data provided earlier.

Assessment: Comparison Summary and Assessment Conclusions

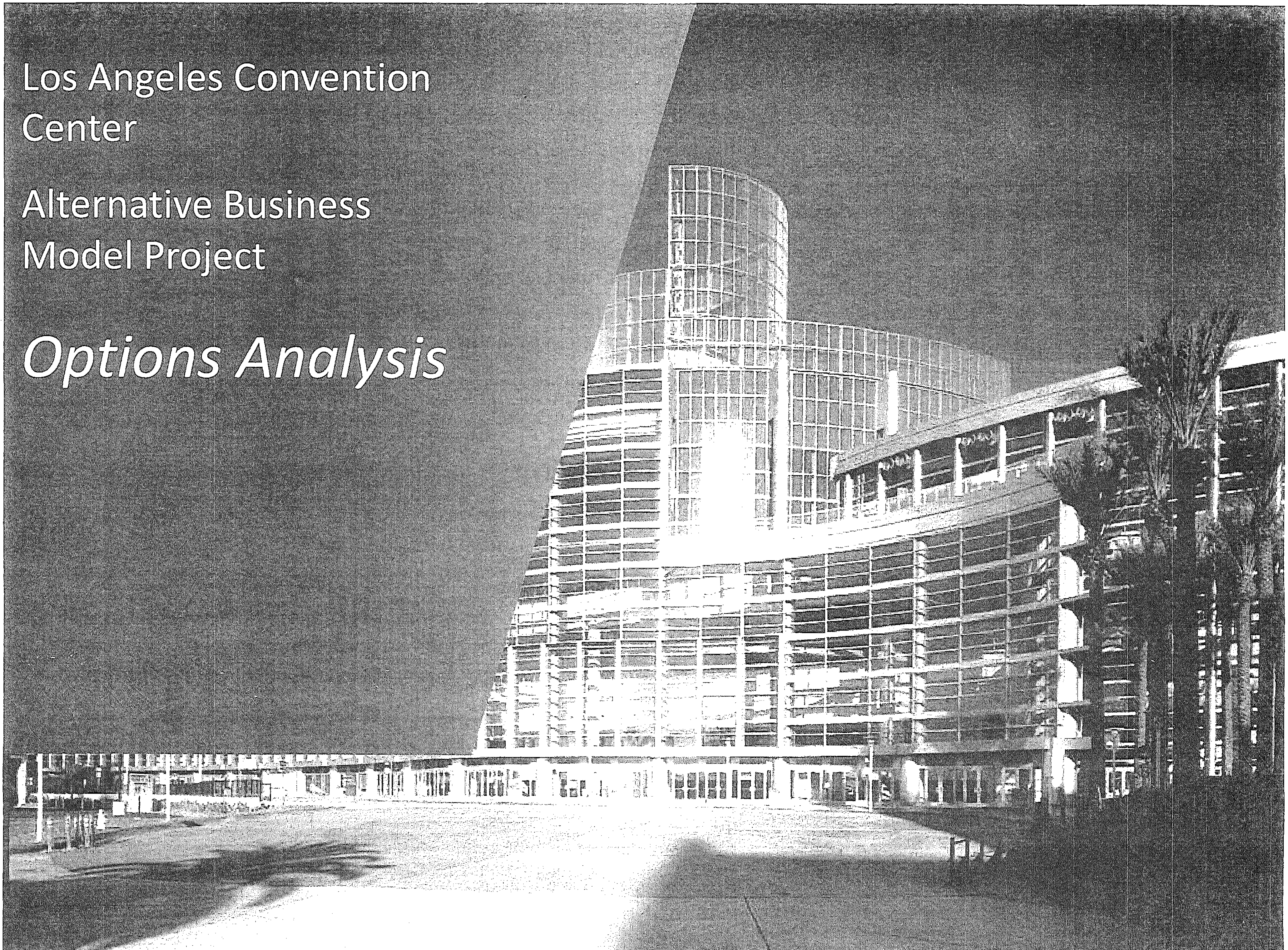
Both the interviews and the review of peer data pointed to consistent areas of opportunity:

- Mix of Business – Potential opportunity for LACC to host more Citywide conventions/tradeshows.
- Salary/Wages Expenses – Potential opportunity for LACC to decrease salaries/wages expenses.
- Benefits Expenses – Potential opportunity for LACC to decrease benefits expenses.

Other findings include:

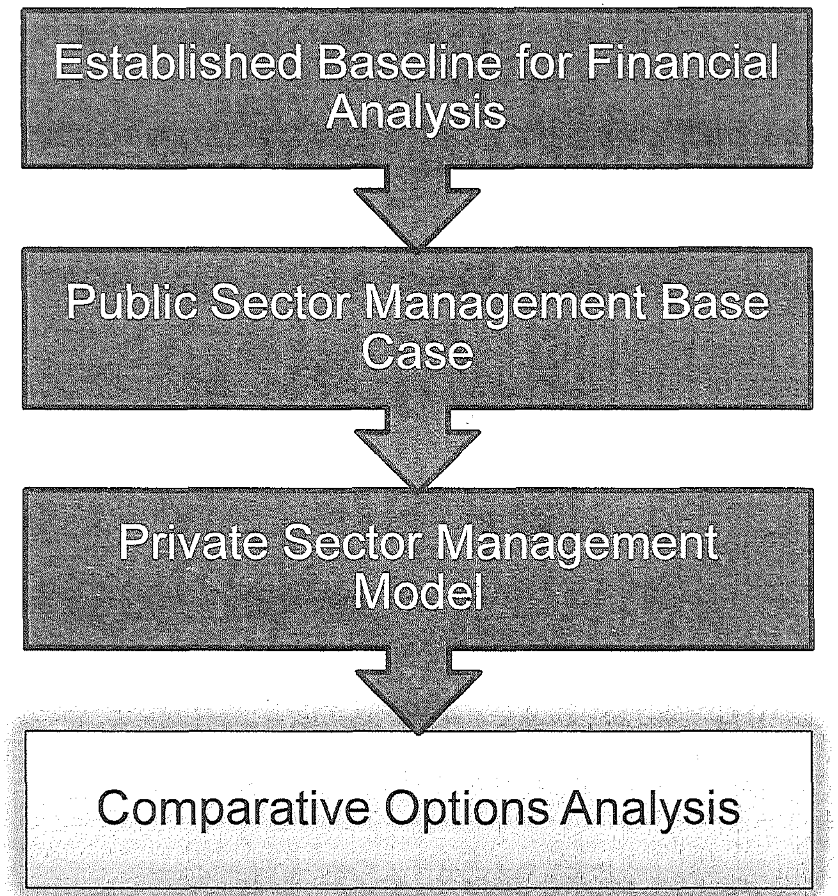
- The General Fund subsidy has increased in the FY 2007-08 to FY 2009-10 periods due to debt service requirements and decreases in the estimated TOT.
- Labor is a key driver of costs. More efficient deployment of labor and reduction of labor, benefit and overhead costs similar to those found in the private sector market are the single largest cost improvement opportunity that can reduce the City's future requirements for operating subsidies.
- There are several precedent examples of private management models at large US convention centers, including recent changes from authority to private management models in two major convention markets, Chicago and Detroit.

Based on preliminary comparison to peer data and identification of improvement opportunities, a more detailed analysis of a private management model was conducted, which follows in this report.


Los Angeles Convention Center
Alternative Business Model Project
Options Analysis

Options Analysis: Overview

- Based on the initial assessment observations and conclusions, a more detailed financial analysis was performed to help identify a potential range of savings to the General Fund from implementing a hypothetical Private Management structure model for the LACC.



Options Analysis: Process

1. The FY 2010-11 City of Los Angeles budget for the LACC was used as a baseline for the Alternative Business Model financial analysis.
2. The baseline was prepared by KNN, Inc. in collaboration and concurrence with City and LACC staff. Additionally, the CAO provided revised figures for Allocated TOT Credit, and forecast salary and benefits.
3. The alternative business model was defined as a private sector management model.
4. The financial baseline was used as the foundation to develop the "Public Sector" and "Private Sector" model analyses.
    a) The Public Sector management model analysis is referred to hereafter as the "Public Sector Base Case," which relies upon City assumptions for labor and benefit growth rates, while all other revenue and cost inputs are indexed at an annual inflationary rate of 2.75%.
    b) Debt service is assumed per the City's debt service schedule.
    c) The Private Sector management model analysis uses Public Sector assumptions relating to labor costs, benefits and debt. All other costs are indexed at an annual inflationary rate of 2.75%.
5. The performance assumptions used to estimate potential cost savings and revenue opportunities were based on several factors including market results at other convention centers, peer operating data, input from various convention center facility operators and other industry research.
6. The Private Sector financial analyses were prepared to present a five-year convention center analysis under two sets of assumptions hereafter referred to as the " Private Sector High Case" and "Private Sector Low Case."
7. The financial analysis assumptions and results for both the Public and Private Sector models are presented from pages 37 to 49.

Note: 2.75% assumed inflation rate is based upon historical Los Angeles, California and US CPI-U data.

Options Analysis: The Proposed New NFL Stadium Project

The Proposed New NFL Stadium Project is under evaluation by the City. If it proceeds, it will have extensive interface with the LACC including impacts to facility size, facility availability, facility marketing and the LACC's long term market.

Operating a convention center that is undergoing major construction or renovation is a somewhat common activity in the convention center market and there are precedents for both public and private management during these major projects.

Given the undetermined nature of the proposed project, the following assessment does not factor in assumptions for any potential impacts from the Proposed New NFL Stadium Project on the public sector or private sector management of the LACC.

Options Analysis: Public Baseline Development

A "Public Sector Baseline" financial analysis was assembled from City documents to present the budgeted annual General Fund contributions associated with the LACC.

- The Public Sector Baseline includes: Departmental Budget, Convention Center Fund appropriations to other funds, benefit burden budgeted in Personnel Department, and debt service budgeted in Capital Finance Administration Fund.
- Includes allocation of 3.5% TOT rate to Convention Center capital finance.
- Credits Department Revenues with policy cost of rental discounts and Council fee waivers.*
- The "Direct Budgetary Results" is a General Fund subsidy proxy as agreed with LACC staff.
- The Public Sector Baseline financial analysis was used as the foundation for the Public Sector Base Case. The Public Sector Base Case represents the baseline indexed by an assumed inflationary rate.

* Rental Discount Credit is a non-cash entry. As presented, it is added as a revenue to the net operating results to reflect the decision to waive the collection of certain revenues for policy purposes. As such, this adjustment is distinguished from other net General Fund appropriations, and decreases the amount reported as "General Fund subsidy" by a like amount."

Note: Although the Council Fee Waivers Credit is approximately $5,683 for the Estimated FY 2010-11, it was not factored into this analysis.

Public Sector Baseline	**Estimated FY 2010-11**
Departmental Expenditures	
Salaries	$13,228,486
Expense	6,856,514
Other	325,000
Total Departmental Expenditures	20,410,000
Convention Center Fund Appropriations	1,299,973
Fringe Benefits	3,890,686
Subtotal--Operating Expense	25,600,659
Departmental Revenues	24,000,000
Net operating results	(1,600,659)
Rental Discount Credit	3,500,000
Council Fee Waivers Credit	-
Adjusted net operating results	1,899,341
Allocated TOT Credit	34,244,000
Interest on trusteed funds	900,000
Debt Service	48,085,700
Net debt service	(12,941,700)
Direct Budgetary Results	($11,042,359)

Sources: CAO, LACC, KNN Finance

Options Analysis: Private Sector Management Model

- The Private Sector Financial Analysis reflects a series of specific adjustments made to the Public Sector Base Case. The performance assumptions used to estimate potential cost savings and revenue opportunities were based on several factors including market results at other convention centers, peer operating data, input from various convention center facility operators and other industry research.
- As a summary, potential opportunities are in the following areas:
  - Additional revenues/increased profitability.
  - Reductions in staff expenses.
  - Reductions in benefits costs.
  - Reductions in operating expenses.
- Increases in fees from:
  - Private Operator management.

Cost and revenue estimates will be provided in bids from the industry and should be expected to differ from these initial high level planning estimates.

The information gathered represents estimates only and has not been further validated.

Options Analysis: Operating Cost Assumptions and Inputs

A number of operating expenses were identified as potential cost reduction opportunities under a Private Sector Management structure. A "Low" and a "High" case were considered in order to generate a range of possible outcomes.

Departmental Expenditures by Category	Private Sector Low Case Assumptions	Private Sector High Case Assumptions
Salaries	Reduction in salaries costs by sourcing "As-Needed" employees from an alternative labor pool. This analysis removes overtime labor rates/costs from the "As Needed" employee classification.	Reduction in salaries costs for "As Needed" overtime (see Low Case) plus a reduction in General Salaried positions that is consistent with a range of industry performance levels.
Expenses	5% reduction in operating expenses.	10% reduction in operating expenses.
Other	No change from Public Sector Base Case.	No change from Public Sector Base Case.
Management Fee	Addition of new management fee including incentive compensation that is consistent with a range of industry performance levels.	Addition of new management fee including incentive compensation that is consistent with a range of industry performance levels.
Appropriations	No change from Public Sector Base Case.	No change from Public Sector Base Case.
Benefits	Reduction in overall City projected cost of benefits of 41% to 54% of salaries to a level which is at the high end of a range of industry performance levels.	Reduction in overall City projected cost of benefits of 41% to 54% of salaries to a level which is at the low end of a range of industry performance levels.

Options Analysis: Operating Cost Assumptions and Inputs

The table below illustrates cost estimates for the LACC's major cost categories. The Public Sector Baseline FY 2010-11 is the current estimate. The Public Sector Base Case is the Baseline increased for one year of inflation. The Private Sector Low and High Cases are adjusted based on the assumptions on the prior page.

Departmental Expenditures by Category (in $ million)	Public Sector Baseline FY 2010-11	Public Sector Base Case FY 2011-12	Private Sector Low Case FY 2011-12	Private Sector High Case FY 2011-12
Salaries	$13.2	$14.4	$13.3	$11.1
Expenses, Other and Management Fee	7.2	7.4	7.8	7.6
Appropriations	1.3	1.3	1.3	1.3
Fringe Benefits	3.9	3.8	3.2	2.3
Total	**$25.6**	**$26.9**	**$25.6**	**$22.3**

Note: The figures presented for the Public Sector Baseline are based on information prepared in late 2010 and agreed to by the CAO and LACC. The Public Sector Base Case differs from the City's approved FY 2011-12 budget due to timing and the assumptions within this analysis.

Options Analysis: Revenue Assumptions and Inputs

Our research and input from facility operators indicated that a potential 5% to 10% revenue increase across the various revenue categories exists under a private sector model. A "Low" and a "High" case of 5% to 10% was analyzed.

Departmental Revenues by Category (in $ million)	Private Sector Low Case Assumptions	Private Sector High Case Assumptions
Exhibit Hall and Meeting Rooms Rental	5% first year increase based on industry input of 5% to 10% improvements across most categories.	10% first year increase based on industry input.
Utility Services	5% first year increase.	10% first year increase.
Parking	5% first year increase.	10% first year increase.
Food Service Operating Profit	5% first year increase.	10% first year increase.
Miscellaneous	5% first year increase.	10% first year increase.

Options Analysis: Revenue Assumptions and Inputs

Based on the preceding assumptions, the table presents the results of the financial analysis for Public Sector Baseline (FY 2010-11), the Public Sector Base Case (FY 2011-12), and the Private Sector Low and High Cases (FY 2011-12).

Departmental Revenues by Category (in $ million)	Public Sector Baseline FY 2010-11	Public Sector Base Case FY 2011-12	Private Sector Low Case FY 2011-12	Private Sector High Case FY 2011-12
Exhibit Hall and Meeting Rooms Rental	$8.7	$8.9	$9.4	$9.8
Utility Services	7.4	7.6	7.9	8.3
Parking	5.4	5.5	5.5	5.5
Food Service Operating Profit	1.2	1.3	1.3	1.4
Miscellaneous	1.3	1.4	1.4	1.4
Total	**$24.0**	**$24.7**	**$25.5**	**$26.4**

Note: The figures presented for the Public Sector Baseline are based on information prepared in late 2010 and agreed to by the CAO and LACC. The Public Sector Base Case differs from the City's approved budget (May 2011) due to timing and the assumptions within this analysis.

Options Analysis: Non-Operating Accounts Assumptions and Inputs

The Public Sector Base Case assumes that non-operating accounts are indexed at the assumed inflationary rate, unless otherwise noted.

Departmental Non-Operating Accounts by Category	Private Sector Low Case Assumptions	Private Sector High Case Assumptions
Rental Discount Credit	No change from Public Sector Base Case.	No change from Public Sector Base Case.
Council Fee Waivers Credit	No change from Public Sector Base Case.	No change from Public Sector Base Case.
Allocated TOT Credit	No change from Public Sector Base Case.	No change from Public Sector Base Case.
Interest on Trusteed Funds*	No change from Public Sector Base Case.	No change from Public Sector Base Case.
Debt Service*	No change from Public Sector Base Case.	No change from Public Sector Base Case.

Note: * Not subject to inflation.

Options Analysis: Non-Operating Accounts Assumptions and Inputs

Based on the preceding assumptions, the table presents the results of the financial analysis for Public Sector Baseline (FY 2010-11), the Public Sector Base Case (FY 2011-12), and the Private Sector Low and High Cases (FY 2011-12).

Non Operating Accounts by Category (in $ million)	Public Sector Baseline FY 2010-11	Public Sector Base Case FY 2011-12	Private Sector Low Case FY 2011-12	Private Sector High Case FY 2011-12
Rental Discount Credit	$3.5	$3.6	$3.6	$3.6
Council Fee Waivers Credit	0.0	0.0	0.0	0.0
Allocated TOT Credit	34.2	35.2	35.2	35.2
Interest on Trusteed Funds*	0.9	0.9	0.9	0.9
Debt Service*	(48.0)	(48.5)	(48.5)	(48.5)
Total	**($9.4)**	**($8.8)**	**($8.8)**	**($8.8)**

*Note: * Not subject to inflation*

Options Analysis: Summary

The table presents the results of the financial analysis for Public Sector Baseline (FY 2010-11), the Public Sector Base Case (FY 2011-12), and the Private Sector Low and High Cases (FY 2011-12).

Based on the assumptions described earlier, the estimated General Fund subsidy under the Private Sector model could be approximately $2.1m to $6.3m lower than the Public Sector Base Case in the first year of the five year analysis period.

Category (in $ million)	Public Sector Baseline FY 2010-11	Public Sector Base Case FY 2011-12	Private Sector Low Case FY 2011-12	Private Sector High Case FY 2011-12
Total Departmental Revenues	$24.0	$24.7	$25.5	$26.4
Total Departmental Expenditures	(25.6)	(26.9)	(25.6)	(22.3)
Net Operating Results	(1.6)	(2.2)	(0.1)	4.1
Total Departmental Non-Operating Accounts	($9.4)	($8.8)	($8.8)	($8.8)
Estimated General Fund Subsidy	**($11.0)**	**($11.0)**	**($8.9)**	**($4.7)**

Note: Columns may not foot due to rounding.

Options Analysis: Summary

The table below presents five years of estimated General Fund Subsidy in Year of Expenditure Dollars under the public sector and private sector assumptions and analyses shown in the prior pages:

Model (in $ million)	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	Total
Public Sector Base Case	($11.0)	($10.2)	($9.8)	($9.0)	($8.2)	($48.2)
Private Sector Low Case	($8.9)	($7.7)	($6.8)	($5.6)	($4.4)	($33.4)
Private Sector High Case	($4.7)	($3.4)	($2.3)	($1.0)	$0.3	($11.1)
Range of Differences – Private Cases less Public Case	$2.1 to $6.3	$2.5 to $6.8	$3.0 to $7.5	$3.4 to $8.0	$3.8 to $8.5	$14.8 to $37.1

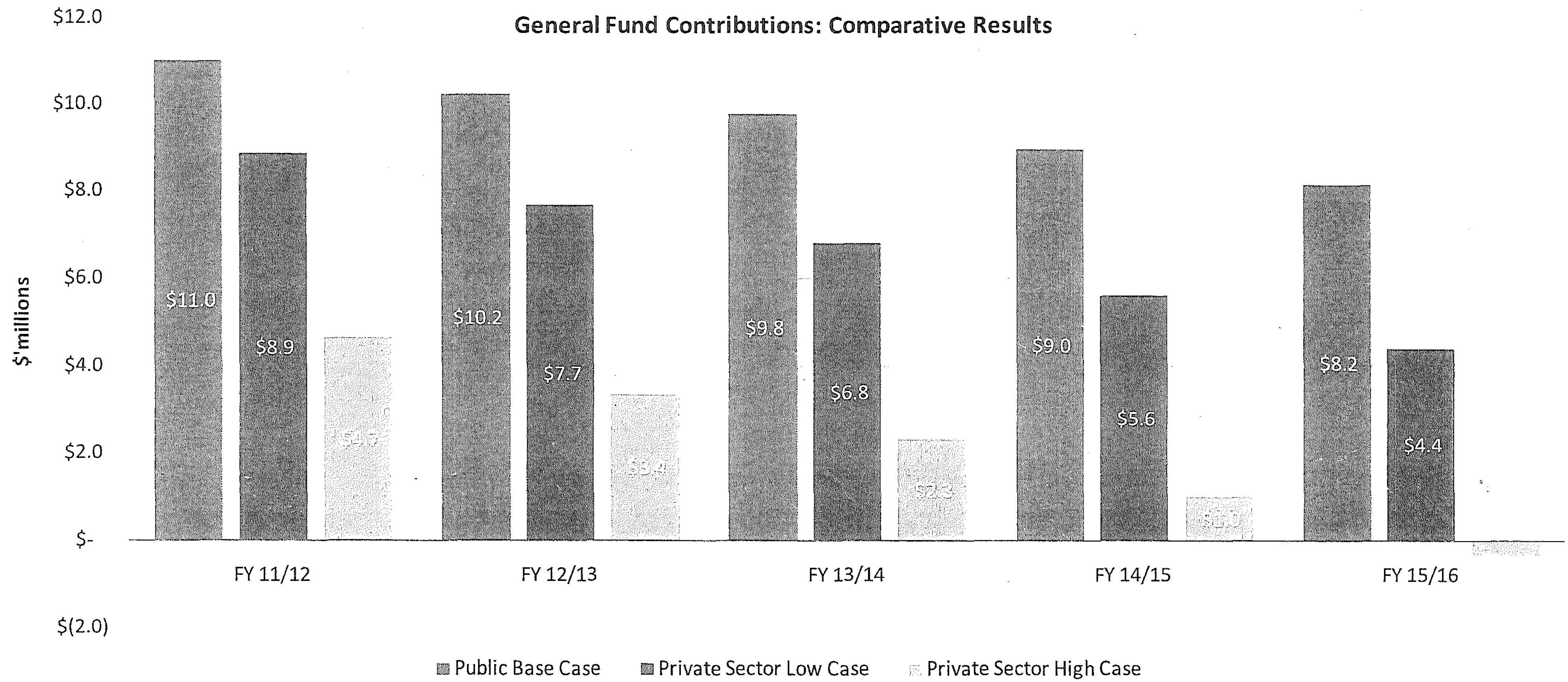
Key assumptions and drivers:

- The Public Sector Base Case and both Private Sector Cases assume that the baseline Rental Discount Credit of $3.5m and the Allocated TOT Credit of $34.24m index with inflation, which results in approximately $1m of incremental annual revenues. Debt Service and Interest on Trusteed Funds are assumed at generally flat levels over the five-year analysis period.
- The Public Sector Base Case Net Operating Results of ($2.2m) in FY 2011-12 then increase faster than the rate of inflation due to increasing costs of benefits. Benefits in FY 2012-13 to FY 2015-16 periods increase about $400k to $500k per year. When those results are combined with greater effects from the TOT growth and Rental Discount Credit, the General Fund Subsidy decreases annually. **This assumes that future Public Sector labor cost increases can be absorbed without additional City subsidy.**
- The Private Sector Low Case assumes some immediate efficiencies in labor costs, operating expenses and revenue increases, which collectively increase profitability. The Net Operating Results show a loss of $.1m in FY 2011-12 and index with inflation. The Private Sector Low Case shows reductions to the General Fund subsidy over time when compared to the Public Sector Base Case.
- The Private Sector High Case assumes greater immediate revenue increases and efficiencies in labor costs and operating expenses than the Low Case. The Net Operating Results show a profit of $4.1m in FY 2011-12 and index with inflation.
- In both the Private Sector Low and High cases, there is a lower General Fund Subsidy when compared to the Public Sector Base Case.

Los Angeles Convention Center – Alternative Business Model Project

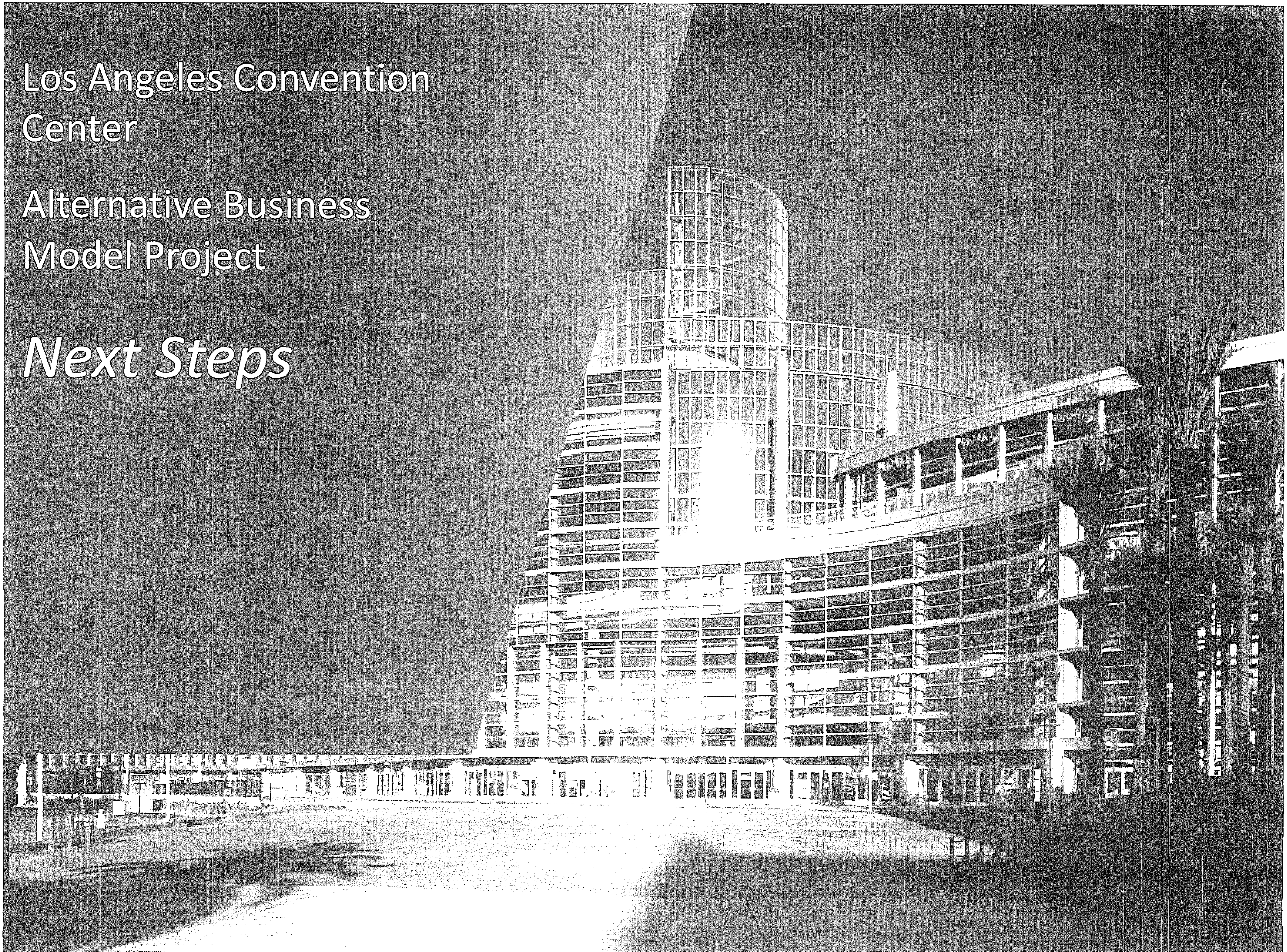
Options Analysis: Summary

The graph below represents a summary of potential General Fund contributions over the five year analysis period under three sets of assumptions; Public Sector Base Case, Private Sector Low Case, Private Sector High Case.



Options Analysis: Conclusions

- A change to private sector management provides an opportunity to align the City's mission, business model and practices with a payment mechanism that drives performance contractually to the City's policy objectives.
- Under any scenario, TOT increases with inflation and outpaces cost increases, which cause the estimated public subsidy to decline.
- Under the Private Sector Low Case assumptions, the initial one time decrease in overtime rates and other costs and a one time revenue increase help reduce estimated subsidies.
- Under the Private Sector High Case assumptions, both labor costs and labor mix are restructured providing additional benefit to operating costs which, if all other assumptions hold, may result in a significant decrease in the net City subsidy.
- Based on the financial opportunities illustrated in the analysis, moving forward with a procurement that seeks fixed bids from industry appears warranted. Such bids should be compared to similar financial results and commitments from the LACC.


Los Angeles Convention Center
Alternative Business Model Project
Next Steps

Next Steps: Procurement Considerations

As the City determines a course of action, the following factors should be addressed as part of a possible procurement:

- Clear communications about the City's strategies for the LACC's West Hall and the proposed stadium/event center. The private sector management marketplace is highly aware of the Proposed New NFL Stadium Project. The City's strategy and how it relates to a private management of the LACC will be closely evaluated prior to determining whether to bid.
- A transition strategy and plan for employees over time.
- An estimate of the long term capital requirements of managing and maintaining the LACC.
- The level of governance and accountability that would be transferred to the facility operator.
- Legal review of City policies to enable the successful transition to private management.
- Bond counsel concurrence.
- Legal counsel concurrence.
- Payment and incentive structure options.
- A strategy and approach to market the LACC management opportunity which provides potential bidders with a clear indication that the LACC procurement is competitive.

Next Steps: Issues and Actions to Consider

As examples for the City as it moves forward, several issues, decisions and actions should be considered during a procurement process:

Issues and Decisions	Actions for Consideration
Communications process	• Develop communication plan, including consideration for stadium/event center • Define the meeting approach: Pre-bid conference or one-on-one sessions
Roles, responsibilities and procurement support group	• CAO • Bond Counsel • City Attorney • Evaluation Committee • Project Advisors • CLA • Others

Next Steps: Issues and Actions to Consider

Issues and Decisions	Actions for Consideration
RFP Document	• Detail RFP requirements • Define the City's procurement objectives • Define scope of services that the RFP will address • Detail marketing plan to enhance LACC competitiveness • Define which contracts will be included in procurement (e.g. janitorial, food service) • Develop sample contract provisions • Define form of proposal response • Define process for award • Define evaluation criteria • Determine city priorities to feed into scoring mechanism (for its internal use)

Overall procurement schedule	• Decide upon timeframes for:
	  ◦ Issue RFP
	  ◦ Evaluation timeframes
	  ◦ City Review and Approval Process
	  ◦ Notice of Award
	  ◦ Commence operations

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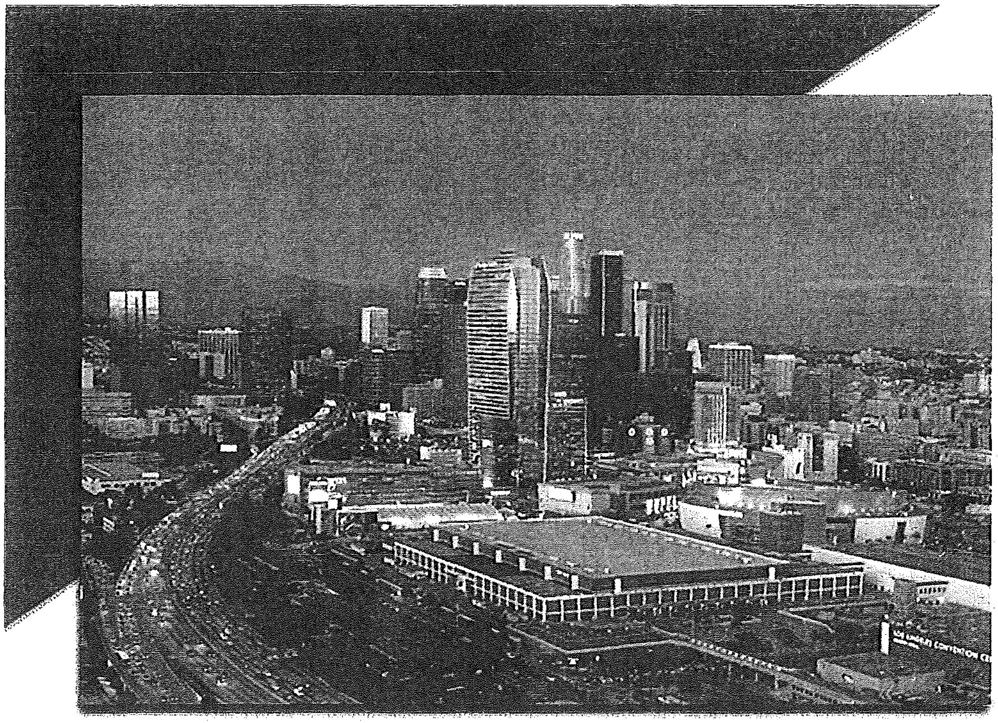
ATTACHMENT 3

PERALTA GARCIA SOLUTIONS AND CROSSROADS CONSULTING SERVICES COMPARATIVE ANALYSIS



The Case for Change:
The Rise of Los Angeles as a World Class Convention Destination

Prepared for Miguel Santana, City Administrative Officer
April 25, 2012

peralta + garcia
SOLUTIONS

Crossroads
CONSULTING SERVICES

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"Change brings opportunity. "

Nido Qubein

Introduction

The City of Los Angeles ("City") has made significant investments in its convention center and supporting infrastructure over the last 40 years. From construction to expansion, marketing and on-going operations, the facility is one of the City's largest investments and its long-term ability to provide continued return is important. As the City finds itself at a critical crossroads related to the potential development of a new NFL stadium and a renovated convention center, it is essential now, more than ever, to ensure that the City is well positioned to control its tourism and hospitality destiny. In order to do so, the City will need to assess the best means of control, governance and management of its primary meeting and convention asset – the Los Angeles Convention Center ("LACC"). Whether or not the NFL stadium project comes to fruition within downtown Los Angeles, the City is still presented with an opportunity to raise the bar and fulfill its potential to become a world-class convention destination. Los Angeles already has a strong fundamental framework in place to serve as a top convention destination. By making management and governance improvements, Los Angeles can propel itself to the next level within this specialized and competitive industry. Without question there are gaps within the City's framework that currently prevent it from residing in the top tier of convention destination. By shoring up and strengthening the City's control over the convention center and the collaborative relationship with its partners, it will begin to operate from a position of strength in controlling its convention and hospitality potential on behalf of its constituents and stakeholders.

There are two relevant questions at hand:

(1) Where specifically are the gaps within the City's convention and hospitality framework that prevent it from being a top tier convention destination?

and

(2) What are the specific opportunities and proactive steps the City can take to fill the gaps so it can effectively compete among top convention destinations in the future?

The answers to these questions are not predicated upon a new NFL stadium or a renovated convention center, although both of those occurrences would be welcome for certain. Rather, they are compulsory of a City that already sees itself as an important domestic and international visitor and convention destination and that is prepared to take the next steps to avail itself to a recovering economy with growing demand for convention and meetings business. In fact, understanding the gaps and successfully filling them are essential as part of the City's strategic plan to grow and improve the LACC's economic benefits while fully realizing the maximum savings and revenue production for the City.

The City has the unique opportunity to bring together all of the convention and hospitality industry stakeholders that comprise the holistic solution that define successful convention cities. As other cities have established and shown, it is well within the realm of Los Angeles' stewardship to rid itself of competing interests within its current framework and to move forward with a universal approach that includes common goals and objectives across all stakeholder groups – the convention center, the convention and tourism bureau, hotels, restaurants, economic development groups, and others. The City is in the best position to serve as the director and unifier of all interests and to encapsulate these interests ensuring that the City at large benefits from these efforts.

This report focuses on and suggests two preliminary steps to set Los Angeles on the path toward improved competitive positioning.

- The first is the continued analysis and compelling business to privatize the operation and management of the LACC.

- The second is the complete overhaul and reorganization of the governance structure responsible for setting the vision and steering the ship of the convention industry in Los Angeles.

By bolstering and strengthening both of these fundamental principles, the City will position itself to welcome the challenges and opportunities that come with a new NFL stadium, an eventual economic turnaround, and new-found demand for sophisticated urban experiences by business travelers. In order to deliver the more specific components that must be in place for a true world-class convention city, there first must be in place the management and governance framework that can drive the necessary changes to deliver the transformation of Los Angeles.

Executive Summary

Our research of the LACC and broader convention industry has led to the following primary findings.

- Significant investments have been made in recent years to the area surrounding the LACC including development of Staples Center, L.A. Live, the JW Marriott and Ritz Carlton hotels.
- Since 1993 the LACC has undergone relatively limited changes to its building program, governance, management and/or marketing strategy.
- The convention/meeting industry has undergone significant changes in the past two decades making it a highly competitive market place.
- Successful convention centers have actively pursued improvements to their supporting destination amenities, business structures and/or strategies to enhance their competitive positions.
- Despite current economic conditions, several industry sources project improvement in the convention/meeting industry. Thus, the timing is ripe for the City to prepare the LACC to improve its future competitive position.
- Streamlining the LACC's governance can improve accountability and performance that could be achieved through an Authority structure similar to that utilized in Chicago and Detroit.
- Transferring LACC to private management can improve its competitive position, operating subsidy, general fund requirements, and economic and fiscal impacts including room night generation, transient occupancy tax revenues as well as other tax revenues.
- Private management is a clear indication to the convention and exhibition industry that Los Angeles intends to be a major competitor.

Because the information presented in the executive summary is extracted from the more detailed analysis, it is important for the reader to review the report in its entirety in order to gain a better understanding of the research, methodology and assumptions used.

Convention Industry Trends

General Overview of U.S. Convention & Meetings Market

Over the last 20 years, the U.S. convention and meetings market experienced tremendous growth in the supply of exhibit and meeting space through both new construction and expansion. This increased supply led to a more competitive marketplace where numerous facilities can accommodate meeting planners' needs strictly in terms of the amount of space required.

The increase in supply combined with broader economic conditions such as higher unemployment, increased costs associated with travel and lower corporate returns has resulted in a downward trend in overall demand for convention and meeting space in recent years. However, the current environment provides an edge to those facilities located in destinations offering an attractive amenities package and proximate to a broad industry base of conventions and meetings hosted for a variety of geographic segments (i.e., State, regional, national or international).

As a point of reference, the site selection criteria that meeting planners consider *very important* include the following:

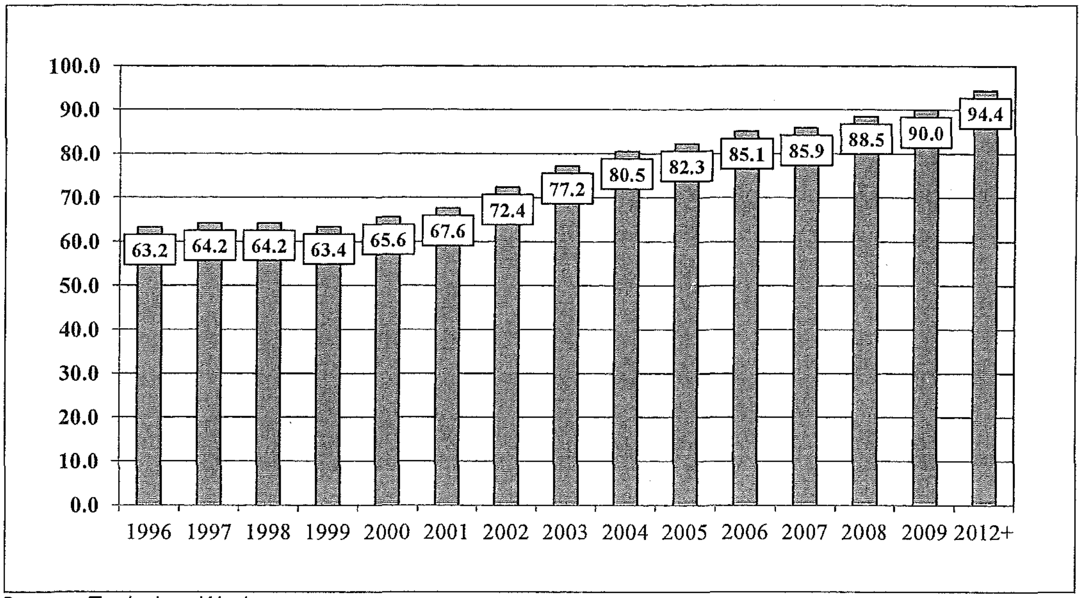
- Availability of hotels or other facilities suitable for meetings
- Affordability of destination
- Safety and security of destination
- Ease of transporting attendees to/from location
- Distance traveled by attendees

There is no single source that measures the strength and performance of the convention and meetings industry. The breadth of facility types and geographic locations coupled with the variety of event types and sizes makes the ability to succinctly account for the entire industry's current or future position difficult. However, this section presents data that represents the leading and most comprehensive sources available including Center for Exhibition Industry Research (CEIR), Meeting Professionals International (MPI), Professional Convention Management Association (PCMA), Red 7 Media Research and Consulting, Standard & Poor's (S&P), and Destination Marketing Association International (DMAI).

<u>Convention/Meeting Space Supply Trends</u>

As shown in Graph 1.1 below, the convention center building boom peaked in 2002 and 2003 with gross SF annual growth exceeding 6.5% each year.

Graph 1.1 Supply of Convention Center Space - Millions of Gross SF



Source: *Tradeshow Week.*

While supply growth has slowed significantly, new space has recently been developed and/or is under construction; many of which were underway prior to the economic downturn. For instance, the Pennsylvania Convention Center recently completed an expansion that more than doubled the facility's sellable space. Nashville is building a new convention center anticipated to open in 2013 that will feature 515,000 SF of function space.

There has been a similar supply boom in hotel meeting and exhibit space; hotel function space in the U.S. has more than doubled from approximately 11.2 million in 1998 to 25.5 million in 2009. This development primarily took place in Las Vegas and other resort-type, all-inclusive properties such as those operated by Gaylord Hotels. Consequently, a growing number of hotels are able to directly compete with exhibition/convention facilities.

Perhaps more importantly, hotels with exhibit space can have an advantage over convention centers because they control all major components of an event (i.e. function space, lodging and food/beverage) under one roof. Since the hotel is the primary beneficiary of all revenue streams, it can negotiate packages as it sees fit in any or all areas to attract business. For instance, a hotel can offer meeting and/or exhibit space for free or at a deeply discounted rate because it would still receive revenue from the rooms and food service which is often more profitable. In addition, some privately operated hotels offer entertainment (i.e. a headliner act for a banquet) as part of their overall package to entice meeting planners. Many of these properties are situated in suburban locations, remote from other businesses that might attract some of the attendee spending away from the hotel's internal revenue generators.

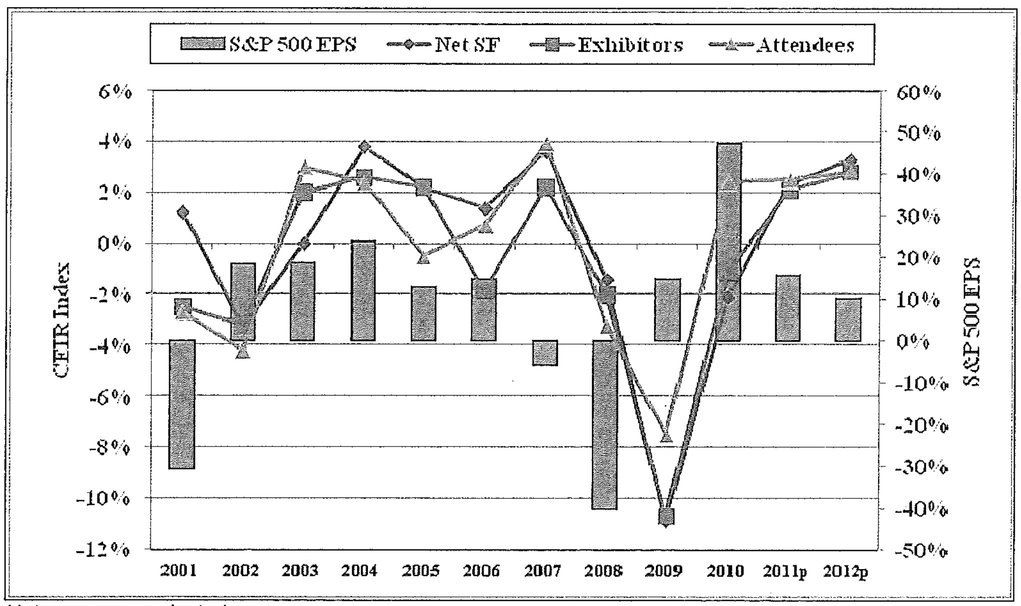
Convention/Meeting Space Demand Trends

While the supply of exhibition and meeting space has experienced significant growth over the past decade, demand has been less aggressive. In fact, overall economic conditions have led to a larger gap between the supply of and demand for space. The result has been a buyer's market in recent years with larger convention centers vying for more moderately sized events and hotels aggressively marketing their function space to small and mid-sized events. As a result, moderately sized convention centers have had to compete on the overall package price. Meeting planners are comparing destinations on their facility rental, hotel room rates, as well as other financial concessions to attract their business.

According to CEIR, the convention/exhibition industry has undergone two seasons of negative growth at the start of the decade as well as between 2008 and 2010. Several national economic events led to periods of slower growth or retraction in the convention/exhibition industry since 2001. CEIR is projecting a relatively longer turnaround from the current recession with moderate growth projections beginning in 2011 but 2013 levels of key metrics (i.e., net square footage, exhibitors, attendees and revenues) to remain below the start of the decade.

Graph 1.2 illustrates annual changes of key convention industry measures alongside the S&P 500 earnings-per-share (EPS) in order to further illustrate the relationship between the convention industry and overall economic conditions.

GRAPH 1.2 Annual Changes to Convention Demand and S&P 500 EPS



Note: p = projected
Sources: CEIR, Standard & Poors, 2012.

Graph 1.2 highlights the correlation between overall U.S. economic trends and that of the convention industry is highlighted in the graph. Negative S&P earnings per share data precedes periods of convention industry retraction similar to periods of positive economic and industry growth. S&P earnings began to experience growth in 2009 whereas the convention and meetings industry tends to lag 12 to 18 months behind the broader economy. According to S&P and CEIR, overall economic and convention industry conditions are projected to increase throughout 2011 and 2012. This is further substantiated by event planner projections.

Summary

Over the last 20 years, the U.S. convention and meetings market experienced tremendous growth in the supply of exhibit and meeting space through both new construction and expansion. This increased supply led to a more competitive marketplace where numerous facilities can accommodate meeting planners' needs strictly in terms of the amount of space required. Industry trends suggest that facilities located in destinations offering an attractive package in terms of overall appeal, hotel supply, accessibility, and cost have been better able to maintain, grow and/or diversify their business during challenging economic times.

Similar to the broader economy, the convention and meetings industry has experienced a downturn in recent years. However, several sources are projecting positive economic and industry growth in key metrics such as attendance, planner budgets, spending per meeting and the number of meetings. While convention/meetings industry demand trends have generally correlated to those of the broader economy, there tends to be lag of between 12 and 18 months.

Overview of the Los Angeles Convention Center & Hospitality Market

The visitor and convention industry is an important contributor to Los Angeles' local economy. Visitor spending generates significant economic impact through expenditures on accommodations, entertainment, dining, and transportation services. This spending generates economic benefits across a variety of fronts ranging from direct government revenues to impact on cultural and entertainment attractions in the area. In 2011, Los Angeles experienced the largest number of visitors and spending in the history of the City. A total of approximately 26.9 million people visited Los Angeles, which represents an increase of 4.2 percent more overnight visitors than in 2010. Tourist spending rose as well with visitors accounting for $15.2 billion in expenditures – an 8 percent increase from the previous year. These numbers evidence the significant impact and importance of visitors to the City.

One of the drivers of visitors to Los Angeles is the convention center, which brings over one million visitors per year to the downtown area. Convention centers are typically conceived and built to support economic growth and development while providing a venue for meetings, conventions, trade shows, public shows and other local activities. Because their underlying development and operations typically involve taxpayer investment, benefits are measured in terms of out-of-town visitors, occupied hotel room nights, incremental taxes, and sales. Therefore, the success of a convention center is typically measured by its ability to generate economic benefit for the community by attracting regional and national convention business.

Los Angeles' Competitive Position in the Convention Industry

Today, the LACC contains approximately 720,000 square feet of exhibit hall space and approximately 147,000 square feet of meeting room space, totaling approximately 867,000 square feet of functional space. It is located in the heart of a vibrant event and entertainment area in downtown Los Angeles in close proximity to the following:

- Staples Center, a world-class arena and home of four professional sports franchises adjacent to the LACC and was opened in 1999.
- L.A. LIVE, adjacent to the LACC, and opened in 2008 and has significantly enhanced the restaurants and entertainment options near the LACC.
- The JW Marriott and Ritz Carlton hotels at LA Live opened in 2010 and added significant new hotel supply across the street from the LACC.

Competition among convention locations and cities is fierce. Due to the potential for significant economic impact; meetings, conventions and trade shows have become a highly sought after means to spur economic development and to drive direct and indirect revenues to a city. Throughout North America cities wishing to increase their share of the convention market have expanded and upgraded exhibit and meeting space. At the same time, there has been an increase in the sophistication of the industry. Convention organizers are well aware of the economic benefits attached to the convention activity they control and they increasingly require that potential locations bid aggressively for their business.

This fierce competition for convention business combined with savvy and sophisticated meeting planners led to an expansion and renovation boom in the convention center market as mentioned previously. While other cities have been undergoing additions and expansions to their convention centers, Los Angeles has lagged behind. It has been 20 years since LACC's last significant expansion. Consequently, Los Angeles has fallen behind its competition in attracting conventions, trade shows and other events because of inadequate facilities and supporting infrastructure elements. Los Angeles competes for conventions on both a regional (Anaheim, San Francisco, San Diego, Seattle, etc.) and a national basis (Chicago, Las Vegas, New York, etc). Many of these competitive markets have continued to invest in the expansion and renovation of their convention centers. The adjacent list highlights expansion efforts of peer venues.

PEER VENUES

Chicago: Added 500,000 square feet in 2007 for a new total of 2.7 million square feet

Las Vegas: Expansion recently suspended of a 1.94 million-square foot center

New Orleans: Planning renovation of 1.1 million square foot center

San Diego: Planning expansion of 225,000 square feet of exhibit space targeted for 2016 completion.

Anaheim: Studying expansion of 815,000 square-foot center

Salt Lake City: Expanded in 2006, for a new total of 700,000 square feet

Phoenix: Added 400,000 square feet in 2008, for a new total of 645,500 square-foot center

San Jose: Studying expansion or renovation of a 233,000 square foot center

Seattle: Studying expansion of the 205,700 square foot Washington State Convention & Trade Center

Source: Tradeshow Week, Union-Tribune research

A recent report released by Convention, Sports & Leisure (CS&L) notes that Los Angeles risks further erosion of citywide convention activity if it fails to invest further in the LACC. The report states that improvements to LACC and nearby hotel inventory could lead to modest and sustained increases in the level of citywide conventions hosted at the LACC. The report further notes that it is possible for a renovated LACC to boost its annual average of citywide events from the projected average of 24 to approximately 29 events resulting in an increase of approximately $60 million annually to the City.

The LACC faces several challenges relative to its competitors that include the following:

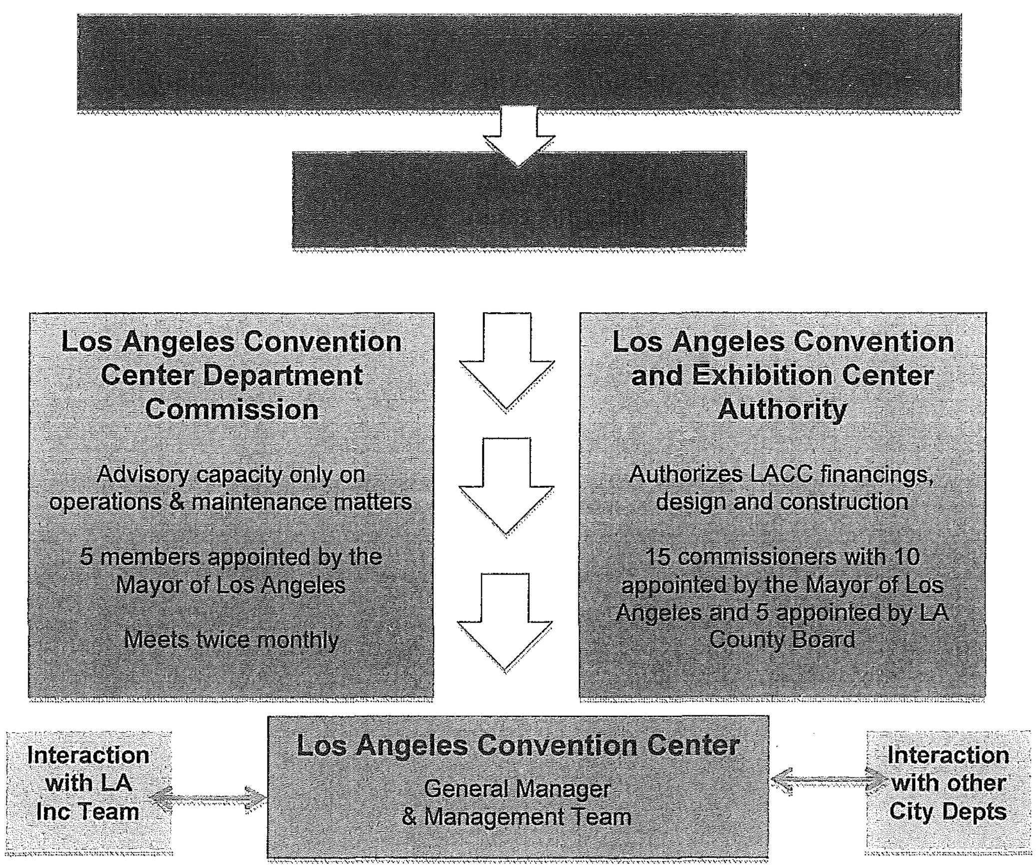
- ***Facility size*** – offers similar amount of exhibit space but less meeting room and ballroom space
- ***Proximate hotel supply*** – while this statistic has improved in recent years with development of L.A. Live and surrounding area, Los Angeles offers significantly less within 0.5 mile of the LACC than its competitors
- ***Market mix*** – lower percentage of citywide conventions/tradeshows
- ***Convention center deficit*** – nearly three times greater than the average of its convention peers
- ***Management*** - perceived within the industry to lack significant, specialized facility management experience and client credibility

Effective management of these challenges requires a renewed and sustained government response built on a tourism strategy and its long-term, innovative plan for the sustainability and growth of Los Angeles' tourism industry.

Summary of Current Management & Governance Structure

Since the opening of the LACC in 1971, the City has had primary responsibility for the building, expansion, financing, operation, management and oversight of LACC. This responsibility has essentially remained unchanged in the intervening years and suffers predominantly from the lack of aggressive day-to-day management that should be driven by a strategic plan and vision for the City's tourism and convention industry. The City's current governance and management oversight of the LACC is fragmented with informal collaborative efforts that lack a true accountability framework designed to drive optimal results. This has led to each unit working independently and myopically. The ideal model would provide for the ability of all relevant stakeholders to work collaboratively and universally in concert with each other to achieve citywide benefits.

The current management and governance structure does not lend itself to consistent and direct management aimed at driving the City's best interests. The net effect of this governing approach is that management and business decisions are not based on achieving conventional goals and objectives. In fact, a more strategic approach adopted by other successful convention destination cities is to utilize their convention center as a key component within a larger strategic framework designed to drive tourism and economic benefit to the City at large. Given the mission of the LACC and the City's historical financial investment, the potential return of LACC operations should be considered in terms of its impact on the broader City economy and not primarily its internal bottom line.



A convention center's management team is responsible for overseeing the day-to-day operations including implementing its mission statement and operating policies. The management structure selected for a facility is important because it impacts all aspects of operations and customer service, including all facets of client management, sales and marketing, facility utilization, financial operations and the overall operating efficiency of the facility.

Reference to **Management Structure** in this report refers specifically to the following issues related to convention center management:

- Public versus private management of the convention center facilities
- Issues of control and decision-making
- Operating policies and procedures

Today, the operation of the LACC remains under control of the City as the Convention Center Department that was established by ordinance in 1973. As outlined in the City of Los Angeles Charter and Administrative Code, the Mayor, subject to confirmation by the City Council, appoints the General Manger. The Convention Center Department is under the control of a General Manager who reports to the Mayor of the City. The General Manager interacts on an advisory and consulting basis only with the Board of Los Angeles Convention Center Commission ("Commission"). This Board is created through the City Charter, Section 8.146.

General Managers of major U.S. convention centers bring a long and distinguished resume with substantial experience in sales, event management and facility management. This depth of expertise in the convention industry is important in that the General Manager must be knowledgeable on the intricacies of facility management and unique client interests. The General Manager serves as the primary point of contact and final arbiter for all decision-making. This experience also serves to bring "best practices" utilized by other facilities nationally. In the case of LACC, this specific industry expertise is lacking and the current management structure is encumbered with distracting political issues focused primarily in driving expedient decisions based on more narrow and shortsighted client and CVB deadlines.

LACC Current Governance Structure

The relationship between convention center owners, operators, and their sales agents varies depending on an individual city's funding mechanisms, legislation, and political environment. While there is no definitive structure for all cities, it is certain that the most effective relationships are those that consider efficient internal communication, clearly defined roles and responsibilities, quality customer service, proper allocation of resources and a framework that supports collaborative decision-making to drive the destination's goals.

Reference to **Governance Structure** refers specifically to the following issues related to convention center management:

- Relationship with other organizations – LA Inc, City departments, and LA Live and future Event Center management
- Government Oversight Structure – City, County, Authority, Commission, etc.

- Linkage with private stakeholders and funding

The current governance structure for the LACC is essentially non-existent and consists of a Commission that is not empowered to drive the City's critical strategic direction for its convention and tourism objectives. The Commission only acts in an advisory and consulting capacity and neither sets policy nor can compel or impact the direction of the convention center or other important stakeholders. This results in the convention center operating relatively independently without the benefit of consistent input and direction from a board or authority that is focused primarily on the City's overall objectives and influenced by input from critical stakeholders.

Resulting Impact on LACC's Current Market Position and Structure

Convention centers do not operate in a vacuum; rather their industry, surrounding environment, governance, and management structure all play a role in their competitive positioning. Economic trends have led the convention and meeting industry to become more competitive over the past two decades. Destinations offering state-of-the-art meeting and convention space are no longer sufficient to ensure success. Communities have increasingly had to invest in supporting infrastructure such as hotels and transportation improvements to maintain market share. Changes are also being made to convention center business structures and strategies to allow these unique publicly owned assets to operate more effectively in a competitive environment. Some have established more flexible governance and management structures, offered rental concessions and reorganized their destination marketing agencies to bolster their chances at success.

While the LACC is among the largest centers in the U.S., and the City offers many necessary destination attributes, it lags behind its primary competitors in terms of its overall destination package, flexibility of operations and unified focus on the City's convention and tourism mission. Despite the City's significant financial investment in terms of general fund subsidy and providing a comparable overall destination marketing budget as its competitors, the LACC hosts a lower percentage of citywide conventions and tradeshows and operates with a higher deficit than its peers. Continuing to operate under the current structure is likely to yield similar or worse results in the future as other communities continue to improve their convention centers, supporting amenities and evolve their operations to meet the changing environment.

The Case for Change

With the accelerated rate of convention center development and expansion over the past 20 years, cities are taking a more strategic approach to ensure their success. As Los Angeles' competitive set has actively engaged in expansion, renovation, privatization, and new paradigms of sales, marketing and governance, the LACC model has essentially remained unchanged. The current Los Angeles convention business model essentially allows the convention center to operate independently without active high-level management and governance. As a result the LACC's performance outcomes and strength of its business mix are seriously lagging and less favorable as compared to its industry peers.

In fact, it is only the emergence of a possible NFL stadium and its associated demands and requests that has spurred the City to visit the issue of private management of the LACC. Assets that are owned and managed by a highly sophisticated and savvy market player found in AEG may soon physically surround the LACC. This will require the City to put itself in the best possible position, led by experienced professionals able to meet its peers and other market developers on equal footing and from a position of strength. This, in addition to the need for the City to undertake its own re-invention of its convention model, is strong impetus to begin the transformation of Los Angeles to a world-class convention city.

The two primary recommendations of this report are as follows:

- **Management Structure** – The procurement of a qualified private management company responsible for management and operation of the LACC

  Recent privatization of major convention facilities such as McCormick Place lends a tremendous amount of credibility to this business model. It is not only the largest convention center in North America but consistently ranked among the top destinations for conventions in the United States. (Please see Appendix B for a more thorough case study related to McCormick Place)

- **Governance Structure** – The creation of a new entity authorized and empowered to strategically govern and guide the LACC as well as the City's overall convention and tourism efforts aligned with the best interest of the City and its hospitality industry stakeholders

  New governing paradigms designed to more aggressively direct, manage and measure outcomes have recently proven successful as evidenced by Detroit where the Detroit Regional Convention Facility Authority was recently created in 2009 to operate its convention center under a long-term lease from the City. (Please see Appendix A for a more thorough case study related to Detroit)

As the expression goes, "you have to start somewhere" and this time is a perfect starting place. Active management of sales and marketing efforts, facility planning as well as tracking key benchmarks such as event mix, occupancy, attendance, rental rates and income, economic impacts, and food and beverage sales are the only methods by which to measure and convey return on investment. Active and performance based management has translated in many other cities into a shifting of responsibilities to private and outside entities who are best suited to govern, manage, market, and/or measure performance.

Fundamentally, the City must acknowledge and act on the notion that there is almost always a path to improvement. Active management of sales and marketing and facility planning along with tracking of key benchmarks are optimal methods by which to measure return on investment. These gauges include hotel and facility occupancy, attendance, rental rates, and income, economic impacts, and food and beverages sales. Active and performance based management has translated in many other cities into a shifting of responsibilities to private sector entities that are best suited to manage, market and measure performance.

Recommendation: Aiming Higher Through Private Management

The market for private convention center management is well established and two national and international firms hold the vast majority of market share in the United States: SMG and Global-Spectrum. After these two firms, there are smaller market players who primarily manage more regional based venues in the United States. The primary advantage of outsourcing convention center management lies in capturing financial and operational efficiencies that positively impact the bottom line of a convention center. Both of these key factors are explored in further detail below.

Large Centers Under Private Management in North America

Convention Center	Location	Exhibit Space
McCormick Place	Chicago	2,600,000
Reliant Center	Houston	1,484,000
Direct Energy Center	Toronto	1,000,000
Moscone Center	San Francisco	738,000
Cobo Center	Detroit	700,000
Colorado Convention Center	Denver	584,000
Salt Palace	Salt Lake City	515,000
Miami Beach Convention Center	Miami Beach	502,000
Atlantic City Convention Center	Atlantic City	500,000

Source: SMG and Global Spectrum websites

Management Motivations

The key to accomplishing these financial benefits is found in the installation of a senior management team with relevant qualifications and in-depth experience in the industry. It cannot be overstated the importance of prerequisite specialist skills necessary to successfully manage convention center facilities and staff, to develop the convention business, and to manage collaborative stakeholder relationships with government, industry, and private sector and commercial stakeholders. Unlike a City employee, the private management team not only has deep expertise and proven track records to call upon but they also have the benefit of a network of hundreds of other nationally situated professionals. This network of expertise brings best practices and creative solutions to unique challenges related to sales, marketing, finance, operations, labor, financial and other pertinent disciplines.

A change to private sector management provides an opportunity to access new industry thinking and expertise and will also serve to align the City's mission, business model and practices with a payment mechanism that drives performance contractually to the City's convention and tourism objectives.

In addition to critical day-to-day management skills, both of the major convention center private management firms previously mentioned have extensive experience in the area of managing and consulting on the pre-opening, development, design, planning and construction of convention centers. The same depth of expertise in running and managing convention centers exists specifically for the building of new centers as well as expansion of centers. Teams with targeted professional experience who have either run facilities that are undergoing expansion or who have been called upon to consult public management teams prep in expansion efforts exist in the marketplace.

Both SMG and Global Spectrum have been involved in numerous pre-opening and/or expansion projects of public assembly facilities including convention centers, stadiums, arenas and performing arts centers. This extensive base of experience places them in a unique position relative to the community leadership for whom they work. They bring expertise from a variety of scenarios under diverse environments that can help the City navigate a similar development while maintaining standards necessary to effectively compete in the convention/meeting industry during and after construction. Please see Appendix E for an illustrative list of centers where SMG and Global Spectrum have provided pre-opening services.

Financial Motivations

There exists measurable financial analysis that provides empirical support for the decision to pursue procurement of a private management model. According to the KPMG report, the general fund subsidy associated with private management alternatives could be less than the existing management approach by an estimated $15 million to $37 million over a five-year period. Additionally, based on assumptions outlined in detail in the KPMG report, the estimated General Fund subsidy under the Private Sector model could be approximately $2.1m to $6.3m lower than the Public Sector Base Case over a five-year period.

Category (in $ million)	Public Sector Baseline FY 2010-11	Public Sector Base Case FY 2011-12	Private Sector Low Case FY 2011-12	Private Sector High Case FY 2011-12
Total Departmental Revenues	$24.0	$24.7	$25.5	$26.4
Total Departmental Expenditures	(25.6)	(26.9)	(25.6)	(22.3)
Net Operating Results	(1.6)	(2.2)	(0.1)	4.1
Total Departmental Non-Operating Accounts	($9.4)	($8.8)	($8.8)	($8.8)
Estimated General Fund Subsidy	**($11.0)**	**($11.0)**	**($8.9)**	**($4.7)**

Recommendation: Setting the Table for Transformation through New Governance

As the City looks to a new business model for its convention and tourism business, answering the questions of how the current management and governance has performed to date is essential to understand, BUT is not the driver to the City's place as a world-class convention destination. This is an important moment in time for the City and it is critical to think long term and to view this as the forward-looking opportunity that it is. Where does the City want to be in the future and does it have the will and the desire to fulfill its potential to become a world class convention center. If so, then the private management and governance changes are necessary first steps in setting the table for this transformation. There can be no additional or significantly impactful changes to the operation, business mix, sales effort, control, additional hotel rooms, stakeholder inclusion or numerous other issues without first adjusting the framework within which all of these areas will be addressed. What is the forum for making changes and how will the City manage this important economic engine? The answer to that question is the salient issue at hand. What structure will optimally provide the ability to take the City's convention and hospitality industry from where it stands today to the next level -- to compete on a regional, national and international basis well into the future.

As in all areas of business it is essential, even critical, to evolve and to stay in front of the competition. In this regard, the convention industry is no different than any other competitive marketplace. The mere fact that a function has always been achieved in a particular way does not make it the best way but only begs the further question as to how the function can be done better, more efficiently and with improved results given the dynamic environment within which the entity operates. Policies that drive successful convention destinations are continually evolving their facility program, destination amenities, governance, management, sales and marketing and business strategies in order to remain competitive.

If the City embraces a private management team to take its convention business to the next level then how will that team be managed and directed to ensure positive financial results and optimal city utilization?

Governing Options

Various options exist as to how the City can restructure its current convention center governance. Generally the benefits of a special purpose authority or entity is such that the resulting authority remains fully accountable to the public sector but operates at arms length to ensure that the public sector's objectives are met in the most efficient and effective manner. If also establishes a new paradigm allowing for more freedom from political pressures, greater business expertise, flexibility and timeliness in decision-making. The entity or authority should have a formal agreement or charter with the City as it relates to ownership and financing of the facilities and future facilities. Any of the options outlined below are likely to strengthen the City's position as each provides new policy, financing, strategic direction and decision-making powers. Below are three viable options for consideration:

Option 1: City of Los Angeles Proprietary Department
The creation of a new Proprietary Department under the City Charter similar to Harbors, Airports and Ports which exist to pursue and fulfill a viable commercial purpose.

Examples: Proprietary Departments are unique to the City of LA's charter and structure

Option 2: Independent Authority Responsible for LACC
The creation of a new and independent authority responsible for strategic direction, policy, finances, contract management, and collaboration with convention stakeholders. This option is well utilized throughout the country and provides for high-level accountability and strategic direction via destination city and state leaders.

Examples: Chicago and Detroit

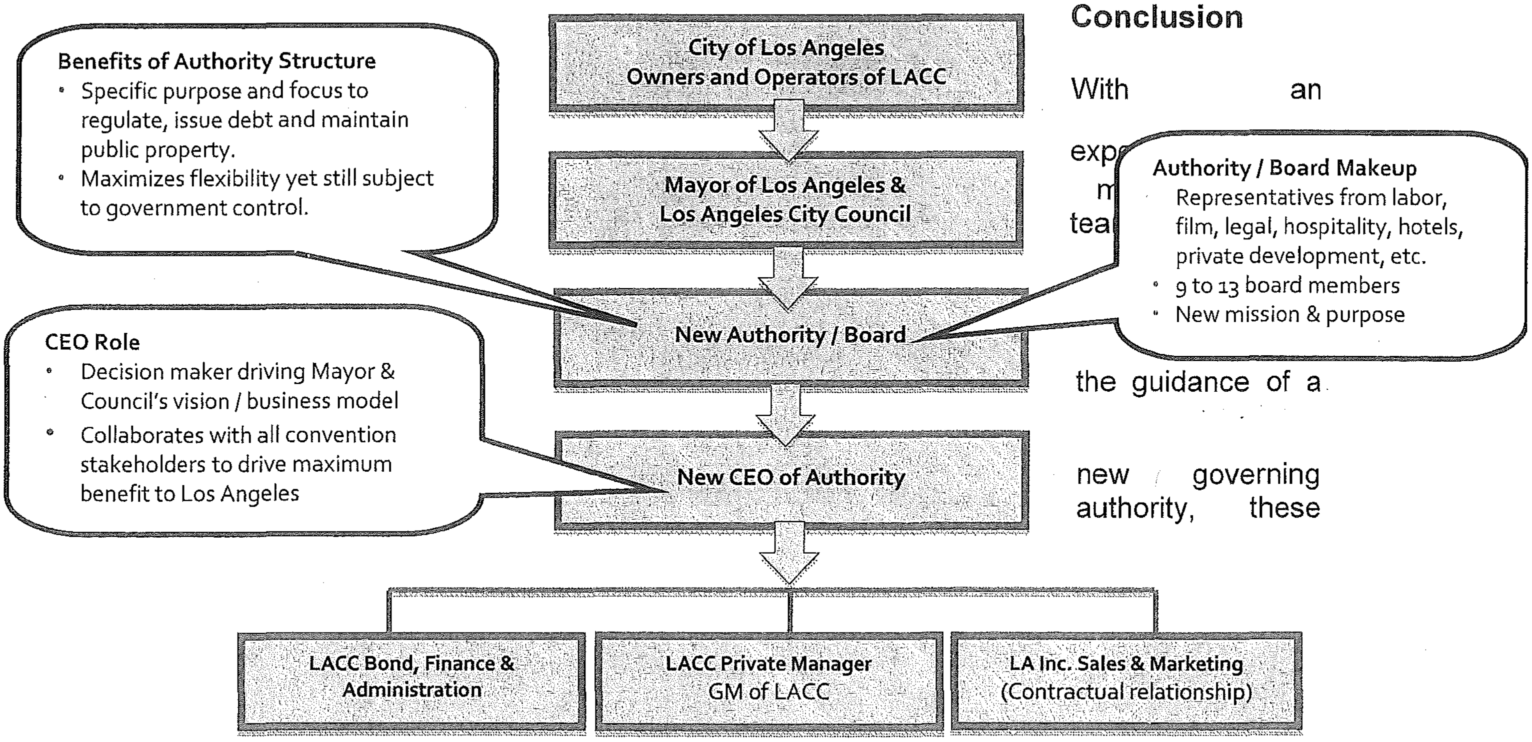
Option 3: Independent Authority Responsible for LACC and CVB
The creation of a new independent authority responsible for strategic direction, policy, finances, contract management of both the convention center and the LA Inc. This option may lack support from private sector stakeholders such as hoteliers and others currently represented on the CVB's board.

Examples: St. Louis and Charlotte (see Appendix for convention destination marketing examples)

<u>Governing Recommendation</u>

Based on the challenges facing Los Angeles, Option 2 presents the most viable and sound method by which to establish accountability and new strategic direction for Los Angeles' convention and meeting approach while limiting opposition from the convention and visitors bureau and hoteliers. Below is an illustrative organization chart that demonstrates the relevant positions and responsibilities if Los Angeles pursues an Authority structure.

Option 2: Independent Authority



Conclusion

With an exp m tea the guidance of a new governing authority, these groups must work together in an expeditious manner to begin tackling the issues and challenges that currently challenge Los Angles from being a world-class convention city. The framework will allow the City to strategically and methodically address issues that will transform the City's convention and tourism competitive position. Key areas to address by the new group will include:

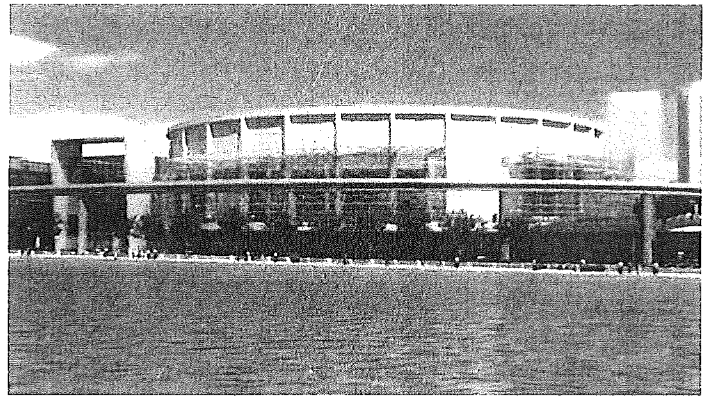
- Availability of hotels in close proximity to the convention center
- Mix of business issues – booking policy
- Effectiveness of sales and marketing efforts
- Ease of transporting attendees to/from location
- Financial operating efficiency
- Measuring and conveying return on investment
- Labor policies and reform

Appendix

Appendix A:	**Case Study: Cobo Center, Detroit Michigan**
Appendix B:	**Case Study: McCormick Place, Chicago, Illinois**
Appendix C:	**Matrix of Los Angeles / Detroit / Chicago Comparison**
Appendix D:	**Examples of Convention Destination Marketing**
Appendix E:	**Private Management Firms – List of Convention Center Pre Opening services**

Appendix A: Case Study: Cobo Center, Detroit Michigan

Cobo Center is one of the largest convention centers in the U.S. Located in downtown Detroit; the facility was originally built by the City of Detroit (City) and opened in 1960. Cobo Center was expanded in 1989 and has recently undergone significant capital improvements. The facility currently offers the following building components:



- Five exhibit halls totaling nearly 700,000 square feet (SF)
- Riverview Ballroom, Portside and Ambassador Dining Rooms totaling 61,000 SF
- 70 meeting rooms totaling approximately 178,400 SF
- Cobo Arena which offers seating for approximately 11,200

Cobo Center hosts a variety of events, the largest of which is the North American International Auto Show (NAIAS). This show has been hosted in Detroit for nearly 50 years and has evolved into one of the largest in the world attesting to the City's history as a leader in auto manufacturing, design and engineering.

Ownership of Cobo Center was transferred from the City to the Detroit Regional Convention Facility Authority (DRCFA) in 2009 by a 30-year leas e. The five-member Authority Board consists of one representative from each of five regional government agencies – the City of Detroit, State of Michigan and the three metro-Detroit counties of Wayne, Oakland and Macomb. The strategic focus of the DRCFA includes five primary areas:

- Financial stability and transparency
- Customer service improvement
- Facility improvement
- Staff training and responsiveness
- Communications and marketing

The DRCFA is currently overseeing a $279 million expansion and upgrade of Cobo Center that is scheduled for completion in 2015. One of the driving forces of the on-going capital improvements are the regions and State's desire to accommodate the modern needs of the NAIAS.

In October 2010, the DRCFA awarded the contract for operations management of Cobo Center to SMG, an industry leader in facility management. According to DRCFA representatives, private management has provided many benefits to the City, region and State including, but not limited to, the following:

- Improved professionalism and quality of convention center staff
- Mix of management staff and their breadth of experience in convention industry

- Improved physical condition of building at the hand of the management company
- Customer service training and on-going initiatives
- Taking steps to make building more environmentally friendly on their own
- Improved communication with clients
- Enhanced food quality
- Financial improvements
- New regional Authority oversight has taken direct financial burden off the City
- New five-year contract signed with NAIAS to retain the auto show through 2017

Prior to establishment of the DRCFA, Cobo Center was a department of the City and depended upon the various services of other departments for its support. Finance, purchasing, maintenance and engineering support services, among others, were not within the operational control of the facility's management.

The following table presents Cobo Center financial operating statements for FY 2010, the last year under public management, and FY 2011, the first year under private management. As shown, facility related operating revenues increased 110% in Cobo Center's first year of private management and expenses associated with personnel services and contracted services decreased.
The day-to-day operations of Cobo Center are funded by a State subsidy to assist the

Cobo Center - Financial Operating Statements
Year Ended September 30

	FY 2010	FY 2011	% Change
Operating Revenue			
State subsidy	$20,000,004	$11,498,087	-42.5%
Federal revenue	$0	$1,176,979	
Other revenue	$3,619,893	$7,602,764	110.0%
Total revenue	$23,619,897	$20,277,830	-14.1%
Operating Expenses			
Personnel services	**$1,775,067**	**$609,541**	**-65.7%**
Repairs and maintenance	$770,404	$1,309,946	70.0%
Property insurance	$1,261,672	$872,325	-30.9%
Contracted services	$3,401,510	$3,216,451	-5.4%
Utilities	$4,760,719	$4,680,957	-1.7%
Payroll expenses	$1,944,591	$3,428,755	76.3%
Depreciation expense	$593,670	$1,083,360	82.5%
Management fees	$0	$400,000	
General, administration, other	$1,772,460	$1,528,230	-13.8%
Total operating expenses	$16,280,093	$17,129,565	5.2%
Other Income/Expense			
Interest income/(expense)	$49,372	-$422,462	-955.7%
Other revenue	$581,992		-100.0%
Total other income	$631,364	-$422,462	-166.9%
Increase in unrestricted net assets	$7,971,168	$2,725,803	-65.8%

Notes: The "Other revenue" line item refers to facility-related operating revenue.

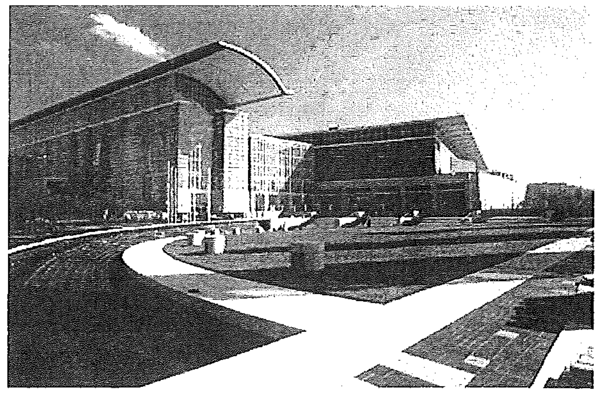
SMG received the maximum incentive fee ($150,000) in their first year in addition to their base fee of $250,000.

DRCFA in its early years. The subsidy is scheduled to decrease to $5.0 million annually beginning in 2018. The Federal subsidy in FY 2011 was awarded by the U.S. Department of Energy to off-set capital improvement costs associated with more efficient energy usage.

According to the FY 2011 audited financial statements, SMG initiated a complete assessment of the facility's overall finances and contracts. Renegotiations of all major contracted services, based on competitive bidding, other service contracts to identify better and more efficient production methods and various support agreements to include security, housekeeping and equipment maintenance were completed. Many of the contract terms are two-years allowing for timelier renegotiation or rebidding as necessary. According to the audit, these changes reduced the operating expenses by approximately $6.0 million.

Appendix B: Case Study: McCormick Place, Chicago Illinois

McCormick Place opened in 1960 with 320,000 square feet and today is the largest convention center in North America with 2,600,000 square feet attracting 3 million visitors a year to its facilities. McCormick Place was rebuilt expanded in 1985, 1996, and most recently in 2007 with the $1 billion West Building addition designed to meet the needs of the growing medical and technology markets. McCormick Place also owns and operates the 800-room McCormick Place Hyatt Regency Hotel that is attached to the Grand Concourse. The size and type of space at McCormick Place is diverse and fulfills the needs of a variety of convention, trade, corporate events by offering the following:



- 2,600,000 sf of exhibit space with 1,300,000 all on one level
- 600,000 sf of meeting space (170 meeting rooms in total)
- 6 ballrooms – one of which is 100,000 sf of column less space
- 4,200 seat theater

McCormick Place is owned and operated by the Metropolitan Pier & Exposition Authority (MPEA) which is a municipal corporation created by the Illinois General Assembly. The Governor of Illinois and the Mayor of Chicago appoint its Board of Directors. The MPEA also owns the historic Navy Pier thus making it the owners and stewards of the State of Illinois' largest tourist attraction and North America's largest convention center.

Sales & Marketing

The mix of business at McCormick Place is heavily reliant on the city-wide convention business and the facility hosts two of the three largest conventions in the United States as ranked by the Trade Show News Network – the International Manufacturing Technology Show which uses over 1,100,000 square feet of exhibit space and the Pack Expo International Expo which uses over 1,000,000 square feet of exhibit space.

The Chicago Convention and Tourism Bureau is the sales and marketing agent for McCormick Place and is responsible for booking conventions, trade shows, and corporate business into the facility that utilize significant city hotel rooms. McCormick Place's booking policy greatly favors convention and trade show business. The facility hosts public shows predominantly only in valleys of the calendar that remain open and unbooked by conventions or other citywide events within 18 months. The major exception is the Chicago Auto Show that has enjoyed relatively stable dates in the February period due to the international auto show schedule.

Recent Legislation and a Phased Approach

In May of 2010, the Illinois General Assembly approved legislation to reform labor rules, establish exhibitor rights and realign McCormick Place operations with its major competitors in the convention industry. As part of the new reforms McCormick Places set forth a new two-phased plan for short and long-term stability that included the following:

- Refinancing MPEA's long term debt
- Development of a new hotel
- Development of a formal Advisory Council
- Privatization of McCormick Place
- New customers initiatives related to electrical, food & beverage and Wi-Fi policies

The new McCormick Place Advisory Council has 23 members and consists of Show Organizers, Exhibitors, Labor, Service Contractors, MPEA management and Chicago Convention and Tourism Bureau Management. The Advisory Council has been an important group that updates and apprises the management and governance team at MPEA as to customer-centric issues and areas of improvement that can be adapted from other facilities.

MPEA's refinancing of debt allowed it to fund an expansion of the Hyatt Hotel and the renovation of existing hotel rooms, to replenish the center's reserve balance and to cover ongoing operating deficits

Private Management

As a key component of reforms designed to streamline operations and lower customer costs, the MPEA Board in May of 2011 selected the private convention venue management firm, SMG to run the daily operations of McCormick Place beginning July 1, 2011. SMG has been in place and operating McCormick Place since July of 2011 and at this time McCormick Place has not yet released results or findings related to the impact of the privatization effort.

Recent Developments

In July of 2011 the MPEA selected a design-build team for the expansion of its hotel that will add 461 hotel rooms in 2013 to the existing Hyatt Hotel attached to McCormick Place. In October of the same year labor organizations and MPEA reached agreement on new work rules changes and reforms that were authorized in the 2010 legislation to improve the customer experience while at McCormick Place.

In March of 2012, MPEA released a draft budget projecting McCormick Place revenues to be $37.6 million in fiscal year 2012 (fiscal year 2011 revenues were $69.3 million). This decline in revenues is attributed to 2010 legislative changes that mandated lower costs to exhibitors. These 2012 projections have significantly less revenue in space rental, food and beverage and electrical fees as a result of the legislation that eliminated profit margins in these areas. To assist in filling this financial gap, the Illinois legislature passed a $20 million per year tax surplus to fund McCormick Place operations. This surplus will remain in existence until the Hyatt Hotel expansion is operational in 2014. At which point, the new incremental revenues from that project are expected to cover the losses created by elimination of the profit centers.

Appendix C: Matrix of Los Angeles / Detroit / Chicago Comparison

	Los Angeles	Detroit	Chicago
Ownership	City of Los Angeles	Detroit Regional Convention Facility Authority	Metropolitan Pier & Exposition Authority
Governance	City Department reports to Mayor – Commission advisory in nature only	Authority appointed by Detroit, State of Michigan and three metro counties	Authority appointed by Mayor and Governor
Management	Public / City personnel	Private / SMG	Private / SMG
Location	Downtown	Downtown	South of downtown
Exhibit Space	720,000	700,000	2,600,000
Meeting Rooms	147,000 sf (64 rooms)	178,000 sf (70 rooms)	600,000 sf (170 rooms)

Appendix D: Examples of Convention Destination Marketing

Marketing for convention centers has traditionally been shared by both the facility and the local destination marketing organization (i.e., CVB). While a variety of structures exist for the marketing of convention facilities, the most typical includes a shared responsibility by facility management (for short-term bookings) and the marketing organization (for long-term bookings). The key to providing consistent marketing and sales efforts with two entities is a clearly articulated mission of the convention center, plainly delineated roles and responsibilities, and a streamlined governance/management structure that allows the two parties to smoothly work together.

Creating new a governance and/or management structure for the LACC may improve working relations with LA Inc. However, other cities offer examples of convention center sales/marketing alternatives regardless of management structure.

Convention destinations that have a successful reputation for marketing/sales include San Francisco that, according to management, attributes its success to their clearly defined mission to generate economic impact and draw overnight visitors. As such, the center's marketing is solely the responsibility of the destination marketing organization that controls the facility's event calendar. Given both entities operate with a unified mission; their efforts serve to complement one another. The city's destination attributes and reputation as one of the country's top visitor destinations also support its ability to remain solely focused on economic-generating events.

San Diego's convention center handled its marketing in-house until just last month when the City voted to give this responsibility back to its CVB. While management spoke positively of their in-house marketing model, area hoteliers wanted greater checks and balances as the facility seeks a hotel tax increase to fund convention center expansion.

Other destinations such as St. Louis and Charlotte have placed their convention centers and CVBs under one broad Authority structure to streamline operations and unify the mission. Regardless of the approached employed, successful convention center marketing typically occurs where there is a streamlined structure, cooperative relationships among entities, and an industry reputation for competitive facility/ destination characteristics.

Appendix E: Private Management Firms – List of Convention Center Pre Opening services (services may include consulting on design, planning, development or construction)

SMG

Convention Centers	Location	Involvement
Moscone Center	San Francisco, CA	Expansion
Cobo Center	Detroit, MI	Renovation / Expansion
Colorado Convention Center	Denver, CO	Expansion
Rhode Island Convention Center	Providence, RI	New
Atlantic City Convention Center	Atlantic City, NJ	New
Broward County Convention Center	Fort Lauderdale, FL	New
Knoxville Convention Center	Knoxville, TN	New
Irving Convention Center	Irving, TX	New
Wilmington Convention Center	Wilmington, NC	New
David L. Lawrence Convention Center	Pittsburgh, PA	New

Global Spectrum

Convention Centers	Location	Involvement
Greater Richmond Convention Center	Richmond VA	Pre opening services
Hy-Vee Hall	Des Moines, IA	Pre opening services
Overland Park Convention Center	Overland Park, KS	Pre opening services

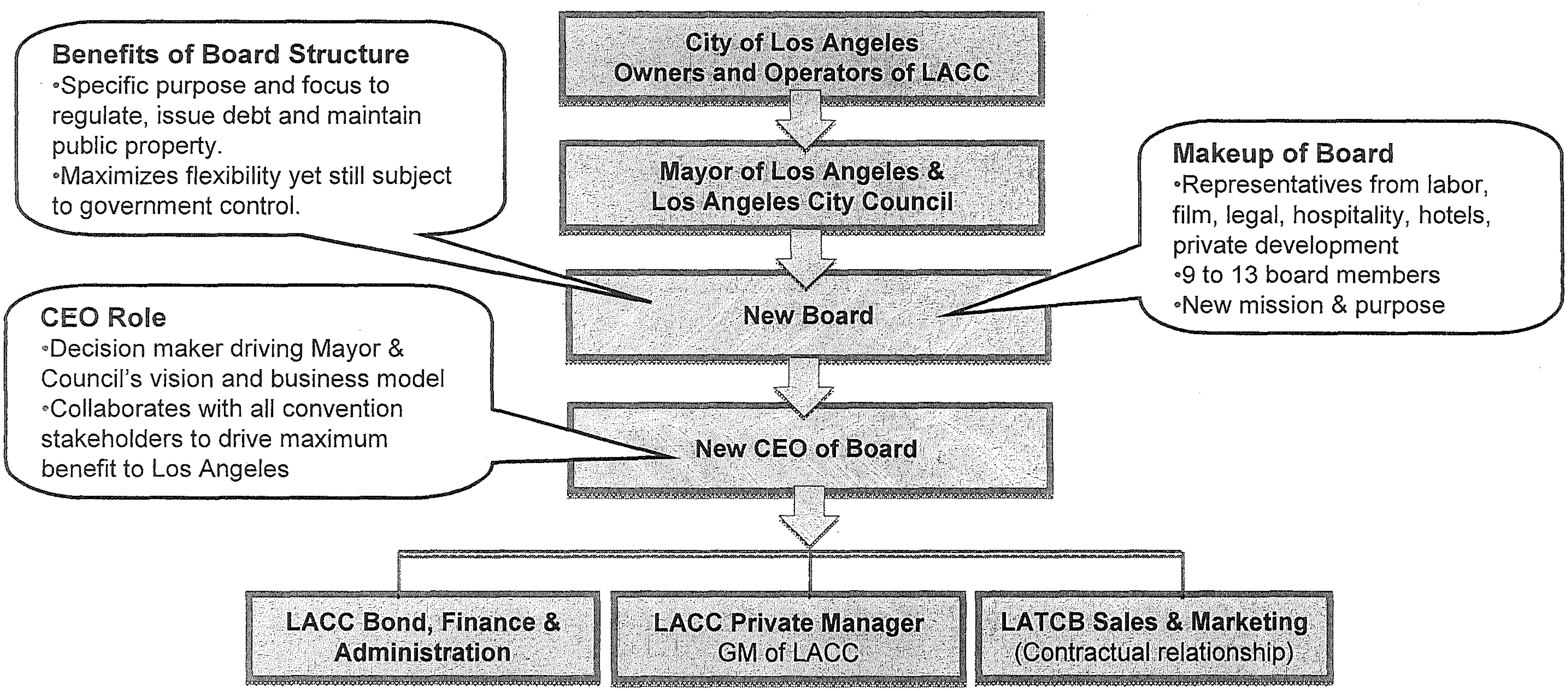
Stadiums & Arenas	Location	Involvement
Citizens Bank Park	Philadelphia, PA	Pre opening services
National Ballpark	Washington DC	Pre opening services
PPL Park	Chester, PA	Pre opening services
University of Phoenix Stadium	Glendale, AZ	Pre opening services
Barclay Center	Brooklyn, NY	Pre opening services
Wells Fargo Arena	Des Moines, IA	Pre opening services
Wells Fargo Center	Philadelphia, PA	Pre opening services

ATTACHMENT 4

ORGANIZATIONAL CHART OF PROPOSED ENHANCED LACC GOVERNANCE STRUCTURE

Recommended Approach for Transformation

A coordinated and accountable structure centered around one objective: Generating citywide conventions



CONFIDENTIAL

ATTACHMENT 5

PROPOSED LACC BOOKING POLICY

LACC BOOKING POLICY

The Los Angeles Tourism and Convention Board (LATCB) shall have sales responsibility for conventions. Conventions are defined as any events which are not normally open to the general public and which generate primary attendance from outside the Los Angeles area. The LATCB shall have authority to book these events one year or more in advance of the move-in date.

The Los Angeles Convention Center (LACC) or a representative thereof, shall have sales responsibility for trade shows, meetings, special events, banquets, entertainment events, consumer shows and other activities which essentially draw from or appeal to the general public. These events may be booked up to one year in advance of the move-in date.

The LACC or a representative thereof, shall be responsible for managing the day-to-day duties of the Master Scheduling Book, however the Chief Executive Officer of the citywide Board on Conventions and Tourism shall retain responsibility for controlling the Master Scheduling Book. Nothing herein is to be construed in such a manner as to prevent the LATCB from booking dates for all or a portion of the Convention Center less than one year in advance.

ATTACHMENT 6

PKF CONSULTING REPORT
DATED SEPTEMBER 24, 2010

PKF Consulting
865 South Figueroa Street
Suite 3500
Los Angeles CA 90017

Telephone (213) 680-0900
Telefax (213) 623-8240
www.pkfc.com

September 24, 2010

Mr. Pouria Abbassi
General Manager & CEO
Los Angeles Convention Center
1201 South Figueroa Street
Los Angeles, CA 90015

Mr. Mark S. Liberman
President & CEO LA INC.
The Los Angeles Convention and Visitors Bureau
333 South Hope Street, 18th Floor
Los Angeles, CA 90071

Dear Messrs. Abbassi and Liberman:

We understand that you are studying the long term booking of the Los Angeles International Auto Show within the context of convention bookings, client relationships and revenues. In accordance with your request, we have completed our analysis and prepared this letter report, which presents our findings and recommendations relative to the booking policy.

Introduction

We were jointly retained by the Los Angeles Convention Center (LACC) and LA INC., The Los Angeles Convention and Visitors Bureau (LA INC.) in February of 2009 to evaluate the current booking policies of the Convention Center, and specifically how these policies relate to future bookings of the Los Angeles International Auto Show. Our study focused on the Auto Show in particular, due to the fact that it is annually the largest single source of revenue for the Convention Center, and that it is one of the few "grandfathered" shows, which affords it a lengthier booking window than the average consumer show. While this analysis was focused primarily on the specific attributes of the Auto Show as compared to a citywide convention, we are of the opinion that the findings and conclusions contained herein would also be applicable to other similar situations that may arise in the future.

It is important to realize within the context of this report that the City of Los Angeles receives positive economic benefits from both LACC in the form of direct revenues and indirectly from LA INC. in terms of transient occupancy taxes and delegate spending generated from conventions booked. It is beyond the scope of our analysis to ascertain how the City should balance the two interdependent revenues streams.

Methodology

In the process of our analysis we were determined to contact as many persons as possible who are involved in the operation, sales and marketing, management, and oversight of the

LACC, as well as those that directly or indirectly benefit from its usage. As the Convention Center is a public entity partially funded by the City of Los Angeles, we first spoke with officials at City Hall, encompassing a number of different departments and disciplines including: the City Administrative Officer, the City Controller, and the Mayor's Office of Economic and Business Policy. We also met with individuals familiar with the day-to-day operations of the Convention Center including the addressees of this report, the respective heads of the Los Angeles Convention Center, and LA INC., The Los Angeles Convention and Visitors Bureau, as well as with the Los Angeles Convention Center Commission President. We also met with the General Manager and Assistant General Manager of the Auto Show. Our second charge was to meet with representatives of entities and attractions that potentially benefit from business originating from the LACC. These organizations included General Managers representing the major downtown Los Angeles Hotels, Anschutz Entertainment Group, Staples Center, LA Live, and the Nokia Theater.

We also asked for, and reviewed as available, historical operating revenues of the LACC, data specific to the Auto Show, historical convention booking trends and projected future utilization of the Convention Center for citywide events, and documents from the City of Los Angeles relative to booking policy dating back to the mid-1980's. Further, we researched competitive national and international auto shows, and determined the respective booking policy of each, including the specific booking and licensing policies of each location. Finally, we asked for information relative to the number of roomnights generated by the Los Angeles Auto Show, and conducted our own independent pick-up study of the 2009 Auto Show to determine the number of room nights generated by the event.

From these interviews and a review of the data provided by the multitude of entities we were better able to understand the positions of both LACC and LA INC., as well as ultimately to come to a conclusion as to what policy would ultimately best benefit the City of Los Angeles.

Overview of LACC

Originally opened in 1971, the Los Angeles Convention Center is located at 1201 South Figueroa Street in downtown Los Angeles. It is the main demand generator for large convention and meeting activity in Los Angeles. The Convention Center, which completed a major expansion in 1993, offers approximately 720,000 square feet of exhibit hall space and 150,000 square feet of meeting space split between its two halls. This makes it one of the largest meeting and convention facilities in the country. LACC is responsible for booking space at the Convention Center and coordinates with representatives and the sales staff of LA INC. to ensure that the facility maintains a high occupancy rate. In the 2008-09 fiscal year LACC hosted nearly 400 events, welcoming approximately 2.5 million guests.

Historically, LA INC. has been given the primary task of booking citywide conventions (defined as 3,000-plus minimum roomnights in total), while LACC has been tasked to book trade shows, consumer shows, special events, and other activities which generate revenues through the sales of services and rentals, but primarily draw a local attendance and generate a limited number of roomnights and economic impact to the City of Los Angeles. These events are typically booked between 12 and 24 months out, except for a collection of "grandfathered" shows, which retained their right to book up to ten years in advance of the show date, due to revisions made to the booking policy in 1992, which remains in effect today.

The Convention Center is one of the most important and unique economic assets in the City of Los Angeles, generating an estimated economic impact of over $1 billion a year. Further, unlike the great majority of municipally owned convention centers around the country, LACC has over the past few years covered its operating expenditures through its revenues. Although, we note that the debt service on the Center has annually been paid with a 25 percent allocation of the Transient Occupancy Tax generated citywide. The largest single revenue contributor to the Center is the Auto Show, which on average has reportedly accounted for nearly 15 percent of the annual net operating revenues. For this reason, LACC is highly interested in continuing their long standing relationship with the Auto Show, which includes, but is not limited to, offering a preferred set of dates and licensing the event as far into the future as possible per the request of the client. In the current economic climate, as well as given concerns of having to tap into the General Fund to cover operating expenses, and the deferred maintenance at the Center, this guaranteed source of future revenue carries perhaps an even greater significance today.

Overview of LA INC.

LA INC., the Los Angeles Convention and Visitors Bureau is responsible for attracting and booking major citywide conventions to meet in the City of Los Angeles and utilize the Convention Center. Secondarily, LA INC. also markets the city as travel destination, regional, nationally, and internationally - promoting tourism and a positive image of the city. As mentioned previously, LA INC. works with LACC to ensure that the Convention Center is fully utilized, with LA INC. being tasked to book conventions occurring typically two or more years into the future which attract out of town visitors requiring a block of hotel rooms within Los Angeles. Bookings are cyclical in nature, reflecting the typical patterns of convention markets, in part because many major conventions either meet in alternate years or in alternate cities according to a set geographical rotation. These citywide conventions are given priority over trade and consumer shows due to the significant economic impact that these events have on the City of Los Angeles, given the consumer spending and applicable taxes. Between 1996 and 2009, LA INC. was responsible for the booking of nearly 3.6 million roomnights and $445 million of room revenues to Los Angeles area hotels. Additionally, according to LA INC., the organization will have created an economic benefit to the City of Los Angeles of more than $1.1 billion between fiscal years 2008 and 2012.

In an effort to attract citywide conventions to downtown Los Angeles, rather than losing them to regional competitors such as San Diego, Anaheim, San Francisco, or Las Vegas, conventions meeting a certain threshold are incentivized to meet at LACC through an abatement of rent payable to the Center. These measures were enacted to better position the City of Los Angeles and the Center relative to the abovementioned regional competitors, which benefit from a larger supply of hotel rooms proximate to the facility and greater and more varied number of entertainment and food and beverage outlets. With the evolution of LA LIVE and the JW Marriott/Ritz Carlton headquarters hotel recently coming to fruition these challenges have been lessened to some extent, although as a convention destination Los Angeles is still evolving into a top tier convention destination.

Overview of the Auto Show
Dating back more than a century, the Auto Show has a long and storied history in the City of Los Angeles. The Los Angeles Auto Show began in 1907 with approximately one hundred vehicles, and as the auto industry grew, the auto show changed venues four times throughout the 1920's to accommodate the growing needs of vendors. The show continued to prove successful throughout the 1930's, but took a down turn during the Second World War and went on hiatus from 1940 through 1951. In 1952, the show re-opened at the Pan Pacific Auditorium with 152 vehicles on display, including for the first time, those from international manufacturers. Throughout the next 50 years, the show continued to grow becoming the success that it is today.

Currently held annually at LACC, the Los Angeles International Auto Show is one of the world's most prestigious automobile expositions and occupies the entire Convention Center for 21 days a year, including ten move in, two press, eight consumer, and three move out days. In an effort to grow both the attendance and stature of the Los Angeles Auto Show, it was moved beginning in 2006 to November, with the final day being the Sunday immediately following Thanksgiving Day. This consistency of dates, and positioning of the show within the international auto show calendar are essential to the future of the Auto Show according to its management.

Historical Perspective
LA INC. and LACC have a unique relationship given that they both share the primary goal of booking the Convention Center so as to provide the greatest benefit to the City of Los Angeles. Both, in good faith, however have somewhat contradictory approaches. It is worth noting that this issue and focus of this report is neither new nor unknown to those familiar with the Convention Center. Not to oversimplify the issue, but ultimately the booking policy question has revolved around whether it is in the best interest of the Convention Center, and by extension the City of Los Angeles, to primarily book citywide conventions or to be self-supporting at an operational level.

Generally speaking, citywide conventions have a much greater economic impact to the city than a trade or consumer show. However, these shows generate less direct revenue to the Center given rental concessions and are not able to be booked with the same degree of certainty as consumer shows. Thus it is important to strike a balance between citywides and trade and consumer shows so that the Center continues to generate a steady revenue stream, while also maintaining the potential to accommodate a large citywide if the opportunity arises. The following excerpt from a March 23, 1992 report from the City Administrative Officer and the Booking Policy Review Committee to The Mayor summarizes the current policy.

> *The LACVB[1] would be responsible for booking conventions from two to ten years in advance. The former Priority Two category[2] would be eliminated. The shows that qualified for the old Priority Two category would continue to be booked by the LACC up to ten years in advance, but the show dates would be subject to a certain flexibility in the event that the LACVB also needs those dates.*
>
> *Although the purpose of this Booking Policy is to increase the number of out-of-town conventions booked into the Convention Center, both the LACVB and LACC must make every effort to keep the Convention Center as fully booked as possible. Nothing herein is to be construed in such a manner as to prevent the LACC and LACVB from agreeing to book a local event more than two years in advance if the LACVB believes that the local event will not conflict with the possible booking of a convention. Similarly, the LACVB is encouraged and authorized to turn over responsibility for all or a portion of the Convention Center to the LACC more than two years in advance if the LACVB has concluded that it is unlikely to book that date or space.*

The above outlining the booking policy well defines the overall direction of each entity, while allowing for real world flexibility. However, at times it is this very flexibility that often creates scheduling conflicts as LA INC. and LACC aggressively attempt to book the Center.

Importance of Auto Show

The Los Angeles International Auto Show is by far the largest source of revenue annually for LACC, generating approximately $4.4 million in fiscal year 2008-2009, the last year for which complete figures were available. Although it is not presently possible to determine the actual profit generated by the Show as LACC does not have a system in place to determine the actual cost to hold each event at the Convention Center, it is reasonable to conclude that it is in the best interest of the City of Los Angeles to maintain its longstanding relationship and to continue to hold the Show at LACC. Not only does the Show provide significant guaranteed revenue to LACC, it also generates a positive (although difficult to measure) economic impact with the visitation of at least 750,000 guests. Further, the Auto Show puts the City of Los Angeles in the national spotlight and supports the city's many auto related industries.

[1] LACVB is the former name of what is currently LA INC., The Convention and Visitors Bureau.

[2] The Los Angeles Auto Show was formerly categorized as Priority Two, and today is able to be booked up to ten years in advance of the event.

A lesser discussed fact is that in addition to being a consumer show, part of the Los Angeles Auto Show should also could be considered a convention or trade show as auto industry executives, manufactures and journalists converge at LACC for two days prior to the beginning of the public portion of the show. In an effort to better compare the Auto Show to an average convention we conducted a pick-up study to determine the number of roomnights generated by the 2009 Los Angeles International Auto Show. Specifically, we contacted 17 hotels located in Downtown Los Angeles to determine the actual roomnights and revenues attributable to the 2009 Show. In total, we determined that the 2009 Show generated 7,119 roomnights between November 10th to December 21st, and a total room revenue of $885,459. These figures should be considered as a minimum given the fact that not all of the hotels surveyed had committed room blocks with the Auto Show and the inherent likelihood of persons booking outside of the block. It should be noted though that while the Auto Show may generate a comparable amount of roomnights to the average citywide convention, citywides do so over a much shorter period, typically only occupying the convention center for a week at a time.

Additionally, we also reviewed a Los Angeles County Economic Development Corporation (LAEDC) report dated January 15, 2009 entitled *The Economic Impact of Los Angeles Convention Center Events, 2006-2007* to further ascertain the estimated economic impact of the Auto Show. According to this report, the LAEDC estimates that in fiscal year 2006-07, consumer shows generated an economic impact of $221 million. Thus then by extension, the Los Angeles International Auto Show (that accounted for 54 percent of all consumer shows that fiscal year) generated an economic impact of $119 million to the City of Los Angeles.

Auto Show Perspective
For consistency and in order to grow the Auto Show, its management wants to book and license the Show to the full extent as dictated by the March 1992 booking policy referenced herein. To this end, Auto Show executives are ready and willing put down a sizeable deposit to ensure that their preferred show dates in November are available for the next ten years. These dates, specifically with the Show ending on Thanksgiving weekend, are anything but arbitrary according to Auto Show executives. To continue to grow the Los Angeles International Auto Show and to build the brand it is vitally important to be appropriately positioned on the international auto show calendar. The collection of prestigious international auto shows follow a well established calendar and it is important to avoid overlap so that the Los Angeles International Auto Show has an advantage in the competition for new vehicle debuts and concept car introductions, which ultimately determines where manufacturers devote their resources.

In addition to the Los Angeles International Auto Show, there are potentially four other shows that have a well established pattern of dates proximate to the Los Angeles Show. Europe's largest auto show alternates between Frankfurt in September and Paris in October, while the Tokyo show is held annually beginning in late-October. The Los Angeles Show is followed in January by the North American International Auto Show in Detroit. There are not any significant automobile shows held in the month of December given the holiday activities that are well underway. Therefore, Auto Show executives believe that the only logical dates to hold the Los Angeles Show is with it ending Thanksgiving weekend. Positioned here it is far enough removed from other major international shows to generate national and international press coverage, to be the first to debut new models and concept cars, and to increase attendance with the Thanksgiving holiday that essentially affords the Show a third weekend from which to maximize guest attendance.

LACC Perspective
Management of the Los Angeles Convention Center operates the Center with a twofold mission: to support the hotel and hospitality industries and to meet the Center's operating expenses through revenue generation. Hosting nearly 400 events a year (many of which have a short booking window), LACC must be aggressive in seeking out new clients and maintaining existing client relationships. To ensure that the Center continues to meet its operating costs through revenue generations, LACC management would prefer to book and license the Auto Show as far into the future as possible. Per the current booking policy LACC is within its right to request and issue a long term licenses for the Auto Show. Like any guest serving business, LACC recognizes the value of the Auto Show, not only in dollars and cents but also that it is one of the Center's longest running shows.

Additionally, in light of the city's budget uncertainty, the potential to capture a guaranteed revenue stream for the next ten years takes on an additional added significance. According to LACC officials, it is estimated that the Los Angeles International Auto Show generates a 42 percent profit margin to the Center on average annual revenue of $4.3 million. Comparatively, citywide events on average annual generate revenues of approximately $6 million, but only return a profit margin of five percent to LACC due to the rental discounts historically afforded to these groups. Therefore on average according to the LACC, the Auto Show has historically generated roughly $1.5 million more in profit to the center than the average citywide convention. Additionally, it was reiterated in our interviews that the Auto Show was one of the key reasons that the Center was able meet their operating costs during the last four years as it helped to absorb fluctuations and a degree of uncertainty inherently present in the convention industry. Finally, we note that this likely long term revenue source should be considered in light of the uncertainty of additional contributions from the City's General Fund, and the necessary capital improvements that need to be made to the Center to ensure that LACC, and by extension, the City of Los Angeles are able to provide superior service and to meet and exceed guest expectations.

LA INC. Perspective
The primary function of LA INC. is to attract, book, and license citywide conventions that will ultimately utilize space at LACC and hotel rooms in Downtown and the greater Los Angeles area. It is generally agreed that booking large conventions is in the best interest of all parties involved, including the ultimate arbiter, the City of Los Angeles. These meetings and conventions attract attendees who book hotel rooms, dine, and shop in Los Angeles, contributing valuable tax dollars to the city. According to a Destination Marketing

Association International, each citywide roomnight generates an economic impact of $894 to the City of Los Angeles. This can be compared to the average consumer or trade show, which typically attracts local day visitors who are estimated by the LAEDC to contribute an economic impact of approximately $43 per attendee. Therefore, while in general economic impact can be a difficult to measure and validate, it is clear that conventions and their respective attendee spending are more valuable to the City of Los Angeles than trade or consumer shows. This was an opinion that was shared by the Office of the City Administrator, and confirmed as city policy.

LA INC. would strongly prefer that the Auto Show (including the start of the move-in period) would not begin until the second half of November at the earliest. Again too, the preferences of LA INC. are anything but arbitrary, and the selection of these dates is based on well documented convention patterns and events held by month. Nationwide, meetings and convention are essentially an 11 month industry, with few events being held post-Thanksgiving until the convention season begins again in earnest mid-January. From Trade Show Week (TSW), the highly-respected source of news and information for trade show professionals for almost 40 years, we were able to obtain a comprehensive listing of large events that were held in November and December of 2009, as well as those currently planned for November and December of 2010. It should be noted that in both instances we only considered events with confirmed total roomnights of 3,000 or more attendees to conform to the current definition of a Los Angeles citywide. This national trend is consistent with an internal analysis conducted by LA INC. that showed that in fiscal years 2008 and 2009, in terms of bookings by arrival month, there were a total of 95 citywide conventions booked for future years, none of which were for the month of December

According to TSW, in November of 2009 there were 35 events held with a total attendance of 519,000 as compared to 11 shows in December hosting a total of 174,200 attendees. A similar pattern holds true for shows planned for Winter 2010, with 33 events and an overall attendance of 640,875 planned for November, versus 13 events with a total attendance 188,950 planned for December. Therefore, although it cannot be certain of bringing a major convention to the Center in November or December, LA INC. is overwhelmingly more likely to do so in the month of November. As such, LA INC. believes that they should have the first priority in booking these dates in the future.

To further illustrate this, executives at LA INC. point to November 2009 as an example of how to best utilize dates and space available at the Convention Center. By delaying the Auto Show move-in until November 23, LA INC. was able to offer more than two weeks of available space in which it was able to book two significant citywide conventions (American Association of Pharmaceutical Scientists and the Microsoft Professional Developers Conference) that according to our analysis generated a minimum of 28,139 room nights and generated an economic impact of more than $25 million to the City of Los Angeles. Further, according to LA INC. executives, if the Auto Show was licensed for its preferred dates at least one, if not both of these conventions would not have come to Los Angeles.

Similarly, LA INC. and LACC have also collaborated recently to secure the commitment of what is anticipated to be one of the city's largest conventions in some time. In working with Auto Show executives to move the already licensed Auto Show to later dates in 2012, LA INC. was able to offer the set of dates preferred by the American Heart Association, which is anticipated to generate more than 45,000 roomnights. We are of the opinion that these examples of flexibility to accommodate major conventions both on the part of LA INC. and LACC highlight the ability of the parties to work together to make business decisions that are ultimately in the best interest of the City of Los Angeles.

Another point of discussion between LA INC. and LACC is how far shows and conventions should be licensed into the future. LA INC. typically books conventions from two years to more than a decade into the future, although these conventions are not typically licensed until two years from the date of the event so as to give LA INC. and LACC the flexibility to continue to book additional, and perhaps overlapping conventions that would result in the need to move existing events on the convention calendar. This practice is standard in the meeting and convention industry, as management continually weighs the need to fully utilize the event venue against the possibility of attracting a more profitable piece of business at a future date. Thus, on principle LA INC. objects to the fact that the Auto Show can be, and currently is, licensed well into the future because to move a licensed show requires a sizeable monetary incentive, which ultimately is paid by the City of Los Angeles to the group in question. This current policy is further called into question by some as the City of Los Angeles is already subsidizing the newly opened JW Marriott/Ritz Carlton headquarters hotel that was constructed in large part to help attract major conventions to Downtown Los Angeles.

Comparable Centers and Shows

The City of Los Angeles is one of a number of municipalities in the United States that host an automobile show each year. Thus, for further information and guidance on this issue we thought it highly appropriate to contact these other U.S. cities that host major auto shows, including: Chicago, Detroit, and Washington, D.C. These convention centers are for the most part similar to LACC, and range from approximately 700,000 to 2.6 million square feet. Of the three cities, only Detroit operates similarly to LACC. The Detroit Metro Convention and Visitors Bureau licenses their auto show five years into the future and has not moved the show to accommodate other pieces of business, although they have negotiated the move in by a week, which typically begins around Thanksgiving each year. Thus given the importance of the automobile industry to Detroit, the convention center affords more than two full months of center space from late November through January for the show. In contrast Chicago, which has also held its annual show for more than a decade does not license the event until one year prior; stating that it does not generate many roomnights and thus is given a lesser priority. Lastly, the Washington Convention and Sports Authority in the District of Columbia has the most comprehensive policy as it relates to the auto show. The Authority will hold dates for many years out, but will not license the show until 18 months out. Further, they will move the auto show to accommodate convention business that brings a minimum of 2,500 rooms on peak to the city, while working to keep the show in the range period that is preferred.

Findings and Conclusion

In completing our analysis of the booking policy we noted, perhaps somewhat surprisingly, that all parties involved in this important issue fundamentally agree on the following tenets. The overriding mission of LACC to act in the best interest of the City of Los Angeles is well understood by all. LA INC. concurs that the Los Angeles International Auto show is important not only to LACC, but also to the greater City of Los Angeles. Similarly, LACC recognizes the important role it shares with LA INC. in supporting the hospitality industry and shares the desire to see the Center first and foremost occupied by large citywide conventions. Thus then from our discussions and findings contained herein, we concluded that the major point of discussion between LACC and LA INC. was in determining and defining the size of a citywide convention that would supersede the continued long term licensing of the Auto Show, as well as the timing of licensing the show into the future.

Given that the Auto Show generates a sizeable attendance, revenue to the Center, roomnights to area hotels, and prestige to the City of Los Angeles, any piece of business that would potentially displace the Auto Show from its preferred set of dates would have to be significant. Further, in the process of marketing the Center, every effort should be made to accommodate the preferred dates of the Auto Show, while retaining the flexibility to attract a major citywide convention in the first two weeks in November. However, we would recommend that if a major convention is willing to license a major citywide convention in the first two weeks of November, it should be given the ability to do so, while thereby altering the move-in of the Auto Show by no more than one week.

In order to determine an appropriately sized convention to alter the preferred Auto Show move-in date, we analyzed our audited roomnight data, which is compiled annually for the City of Los Angeles and presented immediately following on the next page.

LA INC. Citywide Conventions Calendar Years 1996 - 2009				
Year	Number of Conventions	Total Room Nights	Average Room Nights	Major Conventions*
1996	14	212,141	15,153	8
1997	16	161,130	10,071	2
1998	26	343,934	13,228	5
1999	23	328,822	14,297	8
2000	23	374,634	16,288	9
2001	23	256,264	11,142	5
2002	19	184,424	9,707	3
2003	8	70,133	8,767	2
2004	11	163,177	14,834	6
2005	10	180,529	18,053	6
2006	14	179,992	12,857	4
2007	11	110,011	10,001	2
2008	18	199,597	11,089	5
2009	15	141,022	9,401	3
Totals	231	2,905,810	n/a	68
Averages	17	207,558	12,492	5

*Defined as more than 15,000 roomnights
Source: **PKF Consulting**

The 14-year history of citywide conventions provided a strong basis from which to determine the displacement threshold. According to the historical data, LA INC. has on average annually generated 17 conventions and a total of 207,558 accompanying roomnights. Further, the average convention required approximately 12,500 roomnights, although this average has declined somewhat in the past four years. Nonetheless, we find conventions totaling 10,000 or more roomnights to be significant given the historical data obtained, and given the fact that it is highly likely that a convention of this size would utilize the majority of the Downtown Los Angeles Hotels. Additionally, a convention of this size would contribute an additional incremental economic impact to the City of Los Angeles that would more than offset any fees payable to the Auto Show if its preferred set of dates was altered to accommodate a significant citywide convention. Given that direct revenues to the center would likely be diminished in this case, the City of Los Angeles may want to evaluate the manner in which payments to the city in terms of TOT dollars and rental revenues to the center are distributed and accounted for.

It is therefore our recommendation that citywide conventions meeting a minimum of 10,000 guaranteed roomnights and willing to license two years before the beginning of the event should be given preference in booking the Convention Center during the first two weeks of November. It is further recommended that the Auto Show be allowed to continue to book ten years into the future per their wishes and the grandfathered booking policy, but that a license agreement should not be finalized until less than two years from the anticipated Auto Show start date to allow for flexibility and the maximum utilization of the Convention Center. An alternative may be to allow licensing further out with the proviso that move in dates may be compressed without any incentives that would have a cost to the city.

Finally, while the Auto Show is currently licensed through 2017, we recommend that the current policy be explored to a greater extent (including the potential inclusion of the abovementioned proviso) in future contractual discussions between LACC, LA INC., The City of Los Angeles, and The Los Angeles International Auto Show. Ultimately we conclude that it is in the best interest of the city to include contractual language decreasing or eliminating the marketing incentive fee if LA INC. were to book and license a significant citywide convention, defined herein as an event that would generate 10,000 or more roomnights and be willing to execute a licensing agreement at least two years prior to the start of the convention.

It has been a pleasure to work with you on this most interesting assignment. If we can be of any further assistance in the interpretation of our findings, please feel free to contact us.

Sincerely,

PKF Consulting

By Bruce Baltin
Senior Vice President

Addendum

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This report is made with the following assumptions and limiting conditions:

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing this report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimated in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such proximity thereto that it would cause a loss in value. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the projections were formulated assuming the hotel to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS
(continued)

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with proper written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the American Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of the consultant(s).

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Legal Expenses - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

ATTACHMENT 7

2012-13 ECONOMIC FORECAST AND INDUSTRY OUTLOOK REPORT
PREPARED BY
THE LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

THE KYSER CENTER FOR ECONOMIC RESEARCH

2012-2013 ECONOMIC FORECAST AND INDUSTRY OUTLOOK

EMERGING OPPORTUNITIES AND NEW CHALLENGES IN 2012 AND BEYOND




LAEDC

LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

THE LAEDC THANKS THE FOLLOWING BUSINESS LEADERS FOR THEIR GENEROUS SUPPORT:

For information about LAEDC membership, contact Justin Goodkind (213) 236-4813.

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Kyser Center for Economic Research 2012-2013 Economic Forecast and Industry Outlook

California & Southern California
Including the National & International Setting

Prepared by:

Robert Kleinhenz, Ph.D.
Kimberly Ritter-Martinez
Ferdinando Guerra
Rafael De Anda

February 2012

Los Angeles County Economic Development Corporation
The Kyser Center for Economic Research
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Tel: 213-622-4300 or 888-4-LAEDC-1 Fax: 213-622-7100
Web: http://laedc.org

30 YEARS Celebrating Economic Development Leadership

The LAEDC, the region's premier business leadership organization, is a private, non-profit 501(c)3 organization established in 1981.

As Southern California's premier business leadership organization, the mission of the LAEDC is to attract, retain, and grow businesses and jobs for the regions of Los Angeles County.

Since 1996, the LAEDC has helped retain or attract more than 171,300 jobs, providing $8.4 billion in direct economic impact from salaries and more than $144 million in tax revenue benefit to local governments and education in Los Angeles County (numbers last updated on March 31, 2011).

Regional Leadership
The members of the LAEDC are civic leaders and ranking executives of the region's leading public and private organizations. Through financial support and direct participation in the mission, programs, and public policy initiatives of the LAEDC, the members are committed to playing a decisive role in shaping the region's economic future.

Business Services
The LAEDC's Business Development and Assistance Program provides essential services to L.A. County businesses at no cost, including coordinating site searches, securing incentives and permits, and identifying traditional and nontraditional financing including industrial development bonds. The LAEDC also works with workforce training, transportation, and utility providers.

Economic Information
Through our public information and for-fee research, the LAEDC provides critical economic analysis to business decision makers, education, media, and government. We publish a wide variety of industry focused and regional analysis, and our Economic Forecast report, produced by the **Kyser Center for Economic Research**, has been ranked #1 by the Wall Street Journal.

Economic and Policy Analysis Group
The LAEDC Economic and Policy Analysis Group offers thoughtful, highly regarded economic and policy expertise to private- and public-sector clients. The LAEDC takes a flexible approach to problem solving, supplementing its in-house staff when needed with outside firms and consultants. Depending on our clients' needs, the LAEDC will assemble and lead teams for complex, long-term projects; contribute to other teams as a subcontractor; or act as sole consultant.

Leveraging our Leadership
The LAEDC Center for Economic Development partners with the Southern California Leadership Council to help enable public sector officials, policy makers, and other civic leaders to address and solve public policy issues critical to the region's economic vitality and quality of life.

Global Connections
The World Trade Center Association Los Angeles-Long Beach works to support the development of international trade and business opportunities for Southern California companies as the leading international trade association, trade service organization and trade resource in Los Angeles County. It also promotes the Los Angeles region as a destination for foreign investment. The WTCA LA-LB is a subsidiary of the Los Angeles County Economic Development Corporation. For more information, please visit *www.wtca-lalb.org*

Special acknowledgement and thanks to
Kiana Perez, Economic Research Intern

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LAEDC

LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

February 15, 2012

Good morning, Ladies and Gentlemen, and welcome to the LAEDC's 2012-2013 Annual Forecast.

The LAEDC's Economic Forecast is Southern California's premier source for in-depth economic information and analysis on our global, national, state and regional economies. Each forecast release is accompanied by a public event featuring the insights of influential economists and leaders from both the public and private sectors. The forecast report is produced by the LAEDC's Kyser Center for Economic Research, led by its new Chief Economist, **Dr. Robert Kleinhenz**.

A panel of expert economists has joined Dr. Kleinhenz today in his debut forecast for the LAEDC to provide a comprehensive and in-depth analysis of our local, state, national, and global economies. The panel includes: **Kevin Klowden**, Director of the California Center at the Milken Institute; **Dr. Edward E. Leamer**, the Chauncey J. Medberry Professor of Management, Professor of Economics and Professor of Statistics at UCLA; and **Dr. Sung Won Sohn**, Smith Professor of Economics California State University Channel Islands and Vice Chairman of multi-national retailer Forever 21. In addition, **Dr. Christine Cooper**, Vice President of the LAEDC's Economic and Policy Analysis Group, will provide a fresh outlook for the region's top traded and population-serving clusters. Repeating his role as Master of Ceremonies, **Frank Mottek** reports on the regional business and economic news for KNX 1070 NewsRadio where he is the host of the KNX Business Hour, the number one business radio show in Southern California.

This morning's event has been made possible by a number of generous sponsors, including AGF Media Services, Chevron, Deloitte, Insperity, Loyola Marymount University, Manpower, Mercedes-Benz Driving Academy, the Port of Los Angeles, Studley, Union Bank, and Wal-Mart.

We are also pleased to announce the completion of the second year of implementation for the five-year Los Angeles County Strategic Plan for Economic Development. Year two's many successes have been catalogued and will be delivered to the public in a Year Two Progress Report in the coming weeks. As we begin the third year of the plan's implementation, we thank all of you who have turned this consensus plan – comprised of five aspirational goals, 12 objectives, and 52 individual strategies – into an "on-the-ground" program of action.

Due in large part to our shared commitment to implementation, we have seen the Strategic Plan serve as the impetus and model for many other planning efforts going on throughout California. Your ongoing support continues to show California and the nation just what can be achieved when public and private sector leaders come together with environment, education, labor, and community stakeholders to solve difficult problems facing our economy.

If you have not already done so, we would encourage you to find out more about the Strategic Plan at lacountystrategicplan.com and consider an endorsement of the Plan's aspirational goals. Stand with the LAEDC and many other organizations, cities, and public officials who are committed to promoting a sustainable, thriving, and competitive 21st Century economy in Los Angeles County.

Thank you for your continued support of the LAEDC and our mission to attract, retain, and grow businesses and jobs for the people of Los Angeles County.

Sincerely,

Bill Allen

Bill Allen
President and CEO

I. 2012-2013 Forecast at a Glance

The U.S. Economy

- Below par growth and slow improvement in labor market
- Consumer sector key to improvement, potential drag from slower global growth
- Oil prices a perennial concern

	2011	2012	2013
Real GDP (% Change)	+1.7%	+1.9%	+2.3%
Nonfarm Jobs (% Change)	+1.1%	+1.1%	+1.4%
Unemployment Rate	9.0%	8.5%	8.3%
Consumer Price Index (% Change)	+3.2%	+1.8%	+1.9%

Leading Sectors: Consumer Spending, Exports, Business Equipment Spending
Trailing Sectors: Construction, State/Local Government Spending

The California Economy

- State improvement tied to nation and trading partners
- Private sector job gains, public sector job losses, unemployment rate improves slowly
- Working through housing sector problems, but signs of improvement

	2011	2012	2013
Unemployment Rate	11.8%	11.1%	10.3%
Nonfarm Jobs (% Change)	+1.4%	+1.5%	+1.8%
Population Growth (% Change)	+0.7%	+0.9%	+0.9%

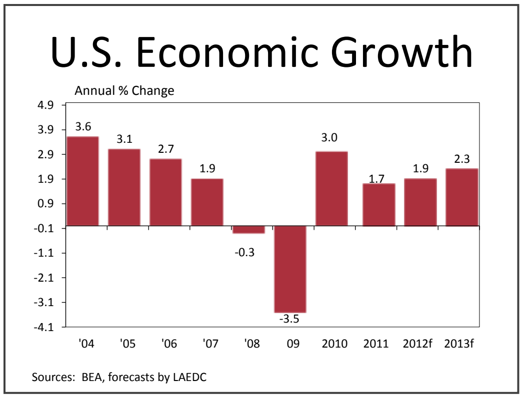
Leading Sectors: High-Tech, Tourism, International Trade
Trailing Sectors: Construction, State/Local Government Spending

Southern California Economy

- Economic gains tied to nation
- Orange County leading region in recovery and expansion
- Recovery proceeds despite concerns about housing and state/local fiscal problems

Leading Sectors: High-Tech, Tourism, International Trade, Entertainment
Trailing Sectors: Construction, State/Local Government Spending

II. Outlook for the U.S. Economy



Most economic data suggest that the economy improved over the past year. Gross Domestic Product (GDP) grew, inflation remained near the historic average, total employment and nonfarm employment both improved, and even the unemployment rate fell.

Economists divide the post-recession part of an economic cycle into two parts: recovery and expansion. Recovery refers to growth in GDP that occurs after the economy hits bottom (the trough), and gives way to expansion when the level of GDP surpasses the previous peak. Based on that definition, the economy entered the expansion phase of the economic cycle in the third quarter of 2011 and has continued to grow since then.

So why do businesses and consumers still "feel" that the recession has ***not*** ended, and that the economy has ***not*** recovered, much less moved into expansion? There are complicated answers to this question, but a few simple observations make the point.

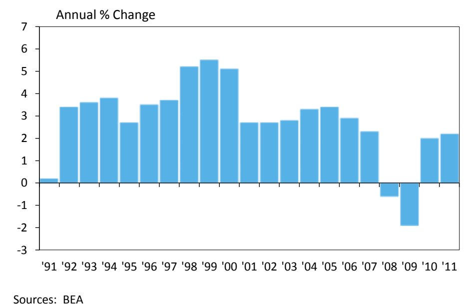
First, the economy is growing but the growth trajectory is lower than is typical of this point in an economic cycle. GDP has grown by an average of 2.8% since 1970, but in post-recession years, the growth rate typically ramps up to rates exceeding 4.0%. Not so this time. GDP grew just 3.0% in 2010 and a meager 1.7% last year.

Second, weak economic growth has spurred anemic gains in the labor market. Yes, the unemployment rate fell last year, but a decline from 9.1% in January of last year to 8.3% in January of this year still leaves the unemployment rate considerably higher than the long-run "normal" unemployment rate, which is probably somewhere around 6.0%.

Third, with uncertainty about their jobs, declines in the value of their assets (both real estate and financial), and tight credit, households have spent tentatively. This is a problem because the consumer sector makes up 70% of economic activity, meaning that households sit in the economy's driver seat. If they step hesitantly on the accelerator, the economy will continue on its slow growth trajectory and improvement in the labor market and elsewhere in the economy will remain painfully slow.

What role will fiscal and monetary policy play in 2012? Significant changes in federal fiscal policy tools, such as changes in government spending and changes in tax policy, probably will be stymied by

U.S. Personal Consumption



concerns with the budget deficit in this election year. Meanwhile, the monetary policy tools at the disposal of the Federal Reserve Bank can work only indirectly through the still fragile and recovering financial system, and will likely do little to accelerate growth. In short, the private sector part of the economy will have to make its way through the year on its own with little help from economic policy.

As we move through 2012, the economic road ahead may look a lot like the road we just traveled in 2011. It may seem as though we are not going anywhere at times, but when we look back in December, we will observe that progress has been made. We're just not going fast enough.

Key Sectors

The consumer sector makes up 70% of economic activity, meaning that households sit in the economy's driver seat.

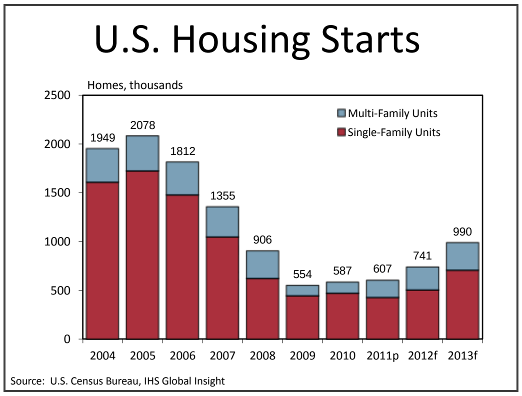
Consumers: The consumer sector will be front and center in 2012. Consumer spending contracted through the recession, but turned around in the past two years with meager annual gains of 2.0% in 2010 and 2.2% last year. Accounting for 70% of economic activity, even a slight change in consumer expenditures has the potential to create significant ripple effects throughout the economy. For this to happen, a few things must change.

The declining trends in labor productivity over the past several quarter s suggests that firms will soon have to increase hiring.

The pace of hiring must accelerate. Up to this point, businesses have maintained lean payrolls while meeting stronger demand for goods and services. GDP has surpassed its pre-recession level but employment clearly has not. Up to this point, businesses have been able to ramp up production by relying on their workers to put in more overtime and by hiring temporary workers. Technology has also helped to keep business payrolls from growing as fast as GDP but that cannot last forever. At some point, expanded production will require more hiring. The declining trends in labor productivity over the past several quarters suggests that firms will soon have to increase hiring.

With increased hiring, consumers will feel better about their own economic situation so consumer confidence will improve. This can only help. If people are uncertain about their economic situation (fear), inaction is the result. Job growth should lend greater certainty to the consumer outlook, prompting households to switch from inaction to action. As households spend more, additional jobs will be created and a positive feedback loop takes off.

Two other variables figure into the situation as well, both in terms of the consumer outlook and consumer behavior. These are household wealth and access to credit. Households suffered a tremendous loss in



wealth during the recession. Household net worth fell 24% between the fourth quarter of 2007 and the first quarter of 2009. Despite improvements over the past two years, household net worth was still 14% shy of the 2007 peak. As of this writing, the Dow had exceeded the 12,000 threshold, recovering much of the loss that was sustained in 2008 and 2009, but still below the 14,000 mark of late 2007. In contrast, real estate related net worth was still lower than the peak by about half.

Meanwhile, households have deleveraged. Total outstanding debt has fallen from a peak of $13.9 trillion in the second quarter of 2008 to $13.2 trillion in the third quarter of 2011, based on the Federal Reserve Bank's Flow of Funds report. Most of the decrease was due to the housing situation. The decline in outstanding non-mortgage consumer credit during the recession bottomed out in late 2010 and has grown modestly over the past year, but remains short of the pre-recession peak. However, the increased appetite for consumer credit continues to bump into supply constraints as evidenced by results from the Federal Reserve Bank Senior Loan Officer Survey that indicate continued hesitation in lending to households.

Consumer incomes rose for the second consecutive year in 2011 and are expected to rise further in 2012. Personal income overall rose 4.7% in 2011 before inflation. Wages and salaries grew by 3.4% in 2011, nonfarm proprietor's income grew by 6.0%, and dividend income rose 10.5%. Of course, net interest fell 0.6% due to low interest rates. For 2012, personal income should grow by 3.5%, and disposable (after tax) personal income should increase 0.9% after an increase of 1.8% last year.

New residential construction has historically been responsible for over 20% of the annual change in GDP, so recovery in housing is essential to faster economic growth.

The housing sector continues to weigh down the economy even as healing in this sector slowly takes place. New residential construction has historically been responsible for over 20% of the annual change in GDP, so recovery in housing is essential to faster economic growth. Housing construction has been a drag on GDP for five years running, but there are signs that the sector is turning around. National housing starts, which hit historically low levels in 2009, have increased in each of the last two years and are expected to rise further in 2012. Although construction levels will fall well below long run averages, the expected increase can only help construction-related employment, which was hit as hard as any segment of the labor market through the recession and its aftermath.

As for the existing home segment, the national housing market has struggled despite historically low mortgage rates, because of large numbers of underwater households and distressed properties, and tight underwriting standards that may be constraining the demand side of the market and contributing to weakness in home prices. Still, there have been improvements: The percentage of underwater households has edged down over the last several quarters while the percentage of non-distressed properties in the market has grown. The market is headed in the right direction, but is proceeding very slowly and full recovery is probably at least two years away. Meanwhile, demographic trends point to pent-up demand for housing that will be unleashed on the market as the economy gathers momentum.

Businesses: Businesses have been poised to grow for at least two years. They pared payrolls and other expenses during the recession, and stand ready to expand production if demand accelerates. To be sure, businesses are spending. Business spending on equipment and software turned around in 2010 with a 14.6% increase and rose again in 2011 by 10.3%. Given the overall state of the real estate market, nonresidential structures took longer to recover, but registered a 4.1% increase last year.

Firms are expected to increase their spending on both categories of business spending in 2012, contributing to expansion in the overall economy. Significantly, more spending should occur across a wide swath of the economy, with increased outlays on computers and peripherals, industrial equipment, transportation equipment, and structures in health care, manufacturing, utilities, and mining. This is yet another sign that more sectors of the economy are headed in the right direction.

Government: Federal, state, and local government will continue to face challenges in 2012 and beyond, with consequences for the labor market, the financial markets, and the overall economy. At the federal level, the budget deficit hit $1.3 trillion in each of the last two years. While down from a $1.4 trillion deficit in 2009, trillion dollar multi-year deficits are a painful reminder of the depth of the recession.

During the recession and recovery period, the U.S. government made extensive use of expansionary fiscal policy:

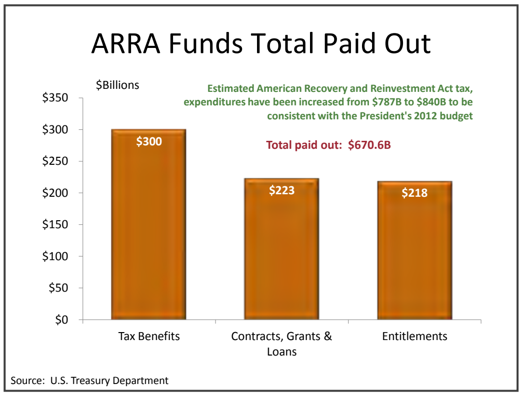
Economic Stabilization Act (2008)

Troubled Asset Relief Plan (2008)

American Recovery Reinvestment Act (2009)

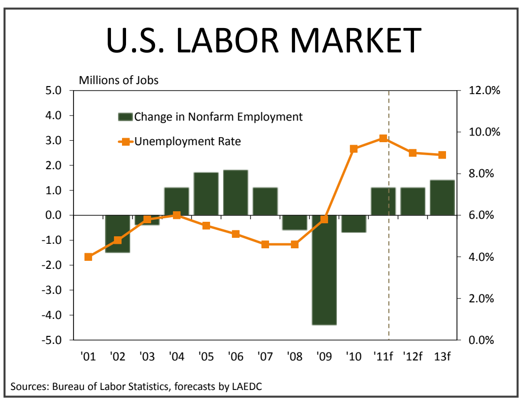
Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act (2010)

High deficits should be a concern for all. But a large portion of the deficit over the past three years was due to the recession, which triggered a decline in federal receipts that has not yet returned to pre-recession levels, and gave rise to elevated outlays. Among these outlays, automatic stabilizers such as unemployment benefits and government health insurance should diminish as the economy improves. Indeed, things are moving in the right direction. The deficit should fall to an even $1 trillion this year, and drop in the coming years as the economy gathers momentum.



Below the federal level, the need to balance budgets has wreaked havoc on state and local government finances and programs. Funds from the 2009 federal American Reinvestment and Recovery Act (ARRA) preserved or created numerous state and local jobs in education, transportation, construction, and health care. But ARRA funding has been winding down and the impact on jobs as of the fourth quarter of 2011 was a third of the impact in the fourth quarter of 2009. As federal assistance has decreased, state and local governments have had to reduce services provided to residents and implement job cuts. Indeed, while 2.9 million total nonfarm jobs were added in theU.S. from January 2010 to December 2011, there was a net decline in the government sector totaling 492,000 jobs, of which 81,000 were lost at the state level and 381,000 were lost at the local level.

Beyond the near term concerns about the fiscal situation for state and local government that have been brought on by the recession and its aftermath, one has to be concerned about long term harm to important parts of the economy such as public infrastructure and education, where catching up will take several years.



Labor: Recovery in the labor market has been painfully slow. As recently as last August, the national unemployment rate was 9.1%. Since then, the unemployment rate has fallen for five consecutive months and stood at 8.3% in January 2012.

A quick look at nonfarm jobs -- another important labor market gauge – shows that progress has surely been over the past year, and more importantly, since the recession ended in mid-2009. Nonfarm jobs grew by 1.2% for all of 2011 over 2010, a gain of 1.5 million jobs. The economy has added nearly 2.9 million jobs from the beginning of 2010 through January 2012, representing a significant recovery of the 8.7 million jobs that were lost from the start of the recession through the end of 2009. Of course, that still leaves a hefty number of unemployed individuals, hence the stubbornly high unemployment rate.

Indeed, this has been accurately dubbed the Great Recession. Just over 1.6 million jobs were lost during the 1990 recession, and the first post-recession job gains occurred just three months after the official end to the recession. During the 2001 recession, 2.2 million jobs were lost, and the first post-recession job gains occurred in the seventh month after the official end to the recession. By contrast, the first job gains in the current post-recession period were 10 months out, but were not sustained (23,000 in first 24 months).

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While this is a welcome development, the rate is well above most estimates of the long-run normal rate of unemployment. This long-run rate, known as the natural rate of unemployment, is thought to range between about 5 and 7%. If one splits the difference and assumes that the natural rate is 6%, there is a 2.3% gap between the January 2012 rate of 8.3% and the natural rate. That gap adds up to over 3.5 million unemployed workers.

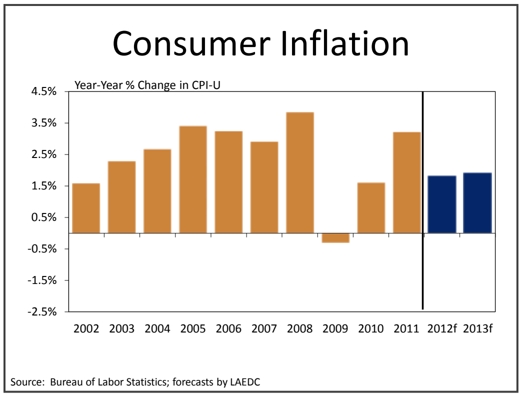
Approximately 200,000 nonfarm jobs were created in the economy each month over the last three months. At this rate of job growth, it would take about four years to get to a 6.0% unemployment rate. Why? Roughly 130,000 individuals enter the labor force each month, so the economy must generate at least that number of jobs just to keep the unemployment rate from increasing. If 200,000 jobs are actually created, approximately 70,000 unemployed individuals will find employment each month. Doing the math (3.5 million divided by 70,000), it would take 49.4 months to bring the unemployment rate back to normal.

Since the recession officially ended nearly three years ago in the second quarter of 2009, this implies a seven year timeline to a fully recovered labor market. However, if job gains ramped up to 300,000 per month – with 170,000 unemployed put back to work each month instead of just 70,000 -- it would take less than two years to get to a 6.0% rate. Which is the more likely scenario?

The labor market lags the economy in recovery. Based on the 1990 and 2001 recession, job growth was very weak over the first 24 months following the end of a recession, averaging 13,000 jobs per month. History also shows that the labor market picked up during the second 24 month period, but still fell short of the 300,000 threshold with an average of 230,000 jobs per month. If the economy averaged that rate of job growth over the foreseeable future, it would take close to three years to close the gap.

This somewhat tedious mathematical exercise lends substance to what so many economists have said about the labor market: all signs point to improvement, but at an uncomfortably slow pace that is measured in years, not in months.

A little bit of optimism can be added to this analysis. The nonfarm job counts used in the preceding calculations include only wage and salary jobs (who generally receive a W-2 form at tax time). It does not include self-employed individuals, contract workers, workers on straight commission and similar types of employment situations. Self-employed numbers typically grow more quickly as the economy



accelerates out of a recession, so the job counts mentioned above may be viewed as conservative, and the economy may actually perform better than expected in the coming year.

Inflation: In addition to slack in the labor market, other measures of slack in the economy show that the economy still has a great deal of room to grow before bumping into resource constraints that would drive up prices. For example, capacity utilization, which measures the share of the nation's industrial production in use, stood at 78.1% in December 2011, well below the 83 to 85% range at which industrial capacity is fully utilized. In general, there is little chance of inflation flaring up from these sources.

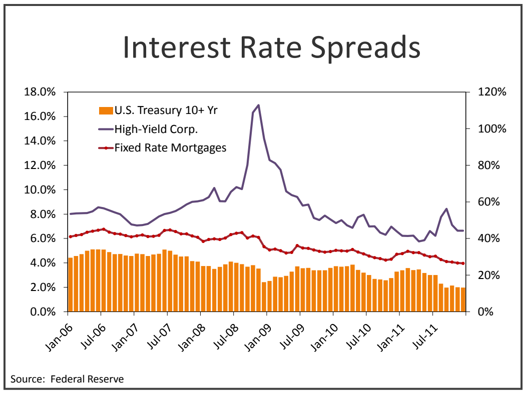
However, commodity prices in general and the price of oil in particular always cause concern as a potential source of inflation. The global economy is expected to grow more slowly in 2012 than was previously anticipated, so that should temper upward pressure on commodity prices. But the price of oil may stay above $100/bbl in 2012 and cause concerns about higher gasoline and energy costs for consumers and businesses throughout the year.

Overall, the rate of inflation as measured by the Consumer Price Index should hold below 2% this year and next.

Monetary Policy and Interest Rates

Target Fed Funds Rate: The Federal Reserve Bank (the Fed)has held the target federal funds rate (the rate banks charge each other for overnight loans) at nearly zero since late 2008. In January, the Fed announced that given the moderate pace of economic growth, it was *likely* the federal funds rate would be held at this level through late 2014. The Fed also released its Economic Projections from the January Federal Open Market Committee (FOMC) meeting, which for the first time, included FOMC participants' projections of the appropriate path for the FOMC's target federal funds rate. The purpose of publishing Federal Reserve officials' own Fed funds rate forecasts is to manage expectations about an increase in the benchmark rate. The theory behind this new openness is that enhanced transparency regarding the future track of monetary policy will boost business and household confidence thus encouraging investment.

Money Supply: It has been more than three years since the worst days of the financial crisis. Since that time, special lending facilities to stablize the financial markets and subsequent "quantitative easing"



Interest Rate Spreads

Another way of looking at interest rates is to compare them in terms of interest rate "spreads". The spread between two interest rates is measured in basis points and is a good indicator of the relative risk between different financial instruments. The chart above shows the spreads between investment grade corporate bonds, 30-year fixed rate mortgages and high yield (junk) bonds over the 10-year U.S. Treasury note. In 2008, when the financial crisis worsened, spreads widened considerably as investors fled from riskier assets to the safety of U.S. treasuries. Then the economy stabilized and investor confidence returned so spreads narrowed.

actions to tackle other problem areas in the economy resulted in thevalue of the Federal Reserve's asset holdings increasing by three-fold to $2.9 trillion. The consequence of these actions was a corresponding expansion of the money supply. Most of the programs implemented by the Fed during the financial crisis were allowed to expire as the credit markets regained their footing.

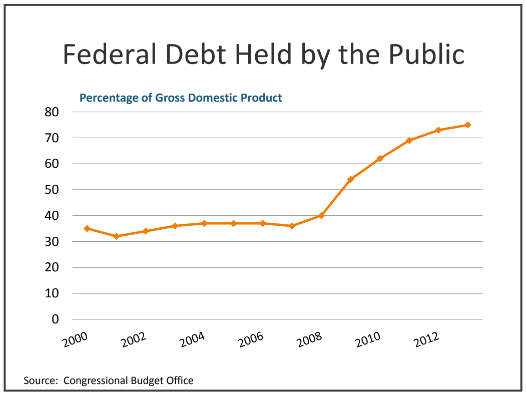
However, as the economy moved from recession to recovery, new challenges arose. The housing market remained in a slump and economic growth failed to gain momentum. The response from the Fed was "quantitative easing". This is a policy used to increase the supply of money when short-term real interest rates are at or near zero. This is accomplished by the Fed creating money (*ex nihilo* i.e. out of nothing), which it then uses to purchase financial assets. The goal is to push down longer-term interest rates and thus stimulate the economy.

To support the ailing housing market and mortgage lending, the Fed began buying mortgage-backed securities (MBS) from Fannie Mae, Freddie Mac and Ginnie Mae in January 2009. This first round of quantitative easing was designed to increase mortgage credit availability and keep interest rates low. As of January 2012, the Fed was holding $853 billion in MBS, down from a high of $1.1 trillion.

In May 2010, the recovery hit a soft patch. The Fed felt that the slow rate of growth was inadequate to bring down the unemployment rate. This fueled fears of deflation at the Fed and led to the second round of quantitative easing. During the period from September 2010 through the following June, the Fed purchased $600 billion in U.S. Treasury securities in an effort to reduce long-term interest rates and jump start economic growth. This program was commonly known as "QEII". The Fed continues to hold approximately $1.6 trillion in U.S. Treasury securities.

The Fed took action again in September 2011, when the FOMC decided to extend the average maturity of its securities holdings by purchasing $400 billion of Treasury securities with remaining maturities of six years to 30 years, and to sell an equal amount with remaining maturities of three years of less. This program, branded Operation Twist changed the composition but not the size of the Fed's balance sheet and is meant to exert additional downward pressure on longer-term interest rates. It is scheduled to run through June 2012.

Much of the money created by the expansion of the Fed's balance sheet resides in commercial bank reserve accounts at the Federal Reserve. Banks' excess reserves ($1.5 trillion as of December 2011)



What is Public Debt?

The debt held by the public is all federal debt held by individuals, corporations, state or local governments, foreign governments and other entities outside the United States Government less Federal Financing Bank securities.

Types of securities held by the public include but are not limited to, Treasury Bills, Notes, Bonds, TIPS, U.S. Savings Bonds, and State and Local Government Series Securities.

earn 0.25% in interest per year. Most banks do not need these reserves at the moment. Demand for bank loans is still relatively weak, and more stringent underwriting requirements mean fewer borrowers would qualify anyway. A $1.5 trillion dollar holding of excess reserves would pose an inflationary risk if banks suddenly decided to drain their reserve accounts and increase lending to businesses and households. However, this is unlikely, at least in the near term.

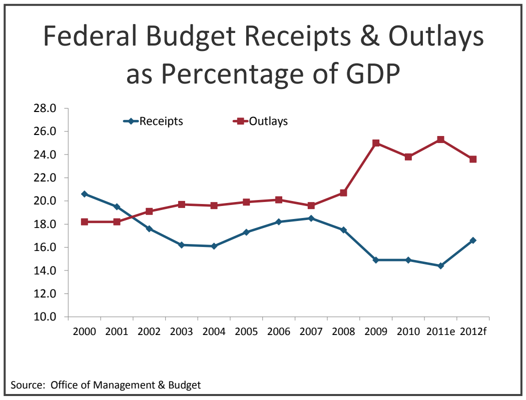
In the longer term, as economic expansion accelerates, the Fed will have to tighten monetary policy to neutralize this risk. Fed officials are considering several new tools to accomplish this task, including raising the interest rate paid on excess bank reserves. Other options include selling off agency debt and MBS outright or simply letting these securities run off as they mature.

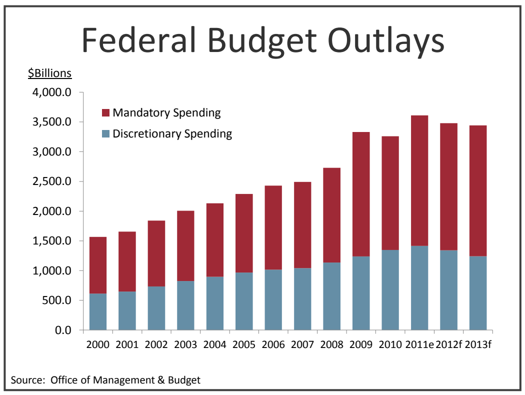
The Fed has purchased more than $2 trillion of securities since the recession began in an effort to reduce unemployment by encouraging investment, spending and economic growth. Results are mixed – interest rates are low, but credit conditions remain tight for most borrowers. There is some indication of underwriting standards easing for the most qualified borrowers and there has been a small uptick in loan demand. Yet, unemployment remains stubbornly high. There is speculation the Fed may consider additional bond purchases sometime in 2012 (perhaps targeting the housing market), but the general attitude appears to be one of wait-and-see how the economy performs in the coming months.

Fiscal Policy

The Congressional Budget Office (CBO) estimates that for 2011, the U.S. federal budget deficit will be $1.3 trillion, which is equal to 8.5% of gross domestic product (GDP). This estimate is much lower than the CBO originally projected ($1.5 trillion or 9.8% of GDP) back in March, but is still far higher than the annual average of 2.8% experienced over the past 40 years. The shortfall projected for 2011 will be the third largest in the past 65 years.

The high deficits of the past three years have pushed public debt from 40% of GDP at the end of 2008 to approximately 67% at the end of 2011. Recent deficits reflect a difference between lower than average revenues and higher than average expenditures. The CBO estimates that for 2011, revenues will be 15.3% of GDP (compared with the 40 year average of 18.0%) and outlays will be 23.8% of GDP (compared with 20.8% on average). The gap between revenues and expenditures





is the result of an imbalance that predates the recession, a decline in revenues and an increase in expenditures associated with the recession, and the cost of federal fiscal stimulus policies that were implemented to combat the recession.

In 2008, as the recession deepened and unemployment rates shot up, the federal government implemented a number of expansionary policies aimed at supporting both businesses and households. During the recovery period, however, focus has shifted to reducing the deficit and federal fiscal policy is tightening in response. The effects of fiscal stimulus began to fade in 2011 and federal support for state and local government spending is winding down. State and local administrations are now relying on budget cuts rather than tax increases to close the gap.

Deficit reduction measures totaling $1.2 trillion required under the **Budget Control Act** are currently slated to be implemented over the 2012-2021 period. Automatic spending cuts (a result of the failure of the super committee) and the expiration of the Bush era tax cuts will kick in beginning in early 2013. Under current laws governing federal spending, the CBO estimates that the deficit will fall to 3.2% of GDP by 2013 and will range from 1.0% to 1.6% over the following several years. The growth path of the federal deficit and debt will depend also on economic growth and improvement in the labor markets. As more people return to work, tax revenues will improve and unemployment benefits as well as other kinds of emergency support will decline, automatically reducing the deficit.

In spite of the attention currently focused on the deficit, there is a great deal of uncertainty surrounding what will actually take place in the near-term. The LAEDC 2012-2013 forecast assumes Congress and the administration will reach an agreement to extend the payroll tax cut and emergency unemployment insurance benefits for all of 2012. Cutting those benefits now would result in an estimated 0.5 percentage point drag on economic growth. The cloudy outlook for domestic policy coupled with 2012 being an election year, is damaging business and consumer willingness to spend and invest. The dilemma faced by the federal government is to find a policy mix that promotes job growth in the near-term and provides a credible long-term plan for achieving fiscal sustainability.

Fortunately, the U.S. government is not having a problem financing its debt. Long-term interest rates have been flat or falling and U.S. government securities continue to be a safe haven for investors around the globe. Private lending demand remains muted. Households and businesses are not competing for available funds and thus driving up interest rates. But, once a widespread pick-up in private lending builds to a sufficient degree, this may or may not remain the case.

U.S. Forecast & Risks

The economy should continue along its 2011 growth trajectory with GDP growth in 2012 and 2013 in the 2.0% range. The labor market will respond with modest gains in nonfarm jobs and slight improvement in the unemployment rate, personal income will rise, and inflation will stay in check. This is a conservative forecast. If consumers genuinely sense that the economy is doing better – that their own circumstances are improving – the economy and labor market could exceed the forecast. On the other hand, there are risks that could slow down the economy.

The initial situation was marked by sovereign debt problems in individual countries like Greece, Italy, Spain, and elsewhere, but the euro zone as a whole must grapple with the consequences and come to a solution. Meanwhile, both the debt problems and the austerity programs in reaction to the problems will likely force at least two European countries (Italy and Spain) and possibly more into recession in 2012. In brief, the situation in Europe has the potential to slow growth in the U.S. economy, but is unlikely to bring on a recession.

- A slowdown in fast-growing Asian economies, especially China, is also a concern. As with the euro zone situation, the likely impact is to slow growth in the U.S., but not cause recession.

- An oil price spike perennially makes any list of economic risks, whether spurred by political instability in oil-exporting parts of the world or by other natural or man-made occurrences that might disrupt the global supply of oil.

- Fiscal austerity efforts to significantly rein in the budget deficit and take action on the national debt seem unlikely in this election year, but the actions of Congress on this matter are difficult to predict.

Table 1: U.S. Economic Indicators

(Annual % change except where noted)	2006	2007	2008	2009	2010	2011	2012f	2013f
Real GDP	2.7	1.9	-0.3	-3.5	3.0	1.7	1.9	2.3
Nonfarm Employment	1.8	1.1	-0.6	-4.4	-0.7	1.1	1.1	1.4
Unemployment Rate (%)	4.6	4.6	5.8	9.2	9.7	9.0	8.5	8.3
Consumer Price Index	3.2	2.8	3.8	-0.3	1.6	3.2	1.8	1.9
Federal Budget Balance (FY, $billions)	-$248	-$162	-$455	-$1,415	-$1,293	-$1,316	-$1,025	-$789

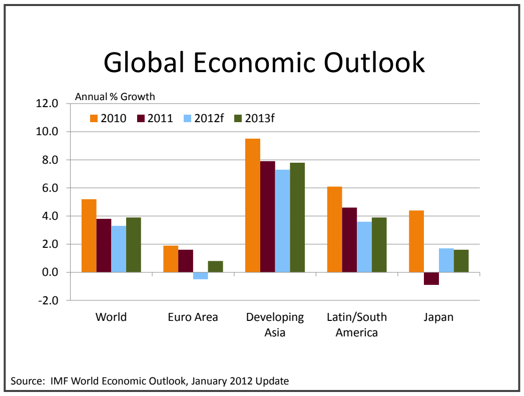
Sources: BEA, BLS and OMB; forecasts by LAEDC

Table 2: U.S. Interest Rates

(Annual Average, %)	2006	2007	2008	2009	2010	2011	2012f	2013f
Fed Funds Rate	4.97	5.02	1.92	0.16	0.18	0.10	0.10	0.10
Bank Prime Rate	7.96	8.05	5.09	3.25	3.25	3.25	3.25	3.25
10-Yr Treasury Note	4.80	4.63	3.66	3.26	3.22	2.78	2.20	2.70
30-Year Fixed Mortgage	6.41	6.34	6.04	5.04	4.69	4.46	4.10	4.50

Sources: Federal Reserve Board; forecasts by LAEDC

III. Outlook for the International Economy



Once again, China and India were the most stellar performers in the global economic arena, while the rest of the emerging and developing economies (especially Indonesia) were among the top performers of 2011. In fact, over the past five years, the emerging and developing economies have completely dominated the global economic growth stage.

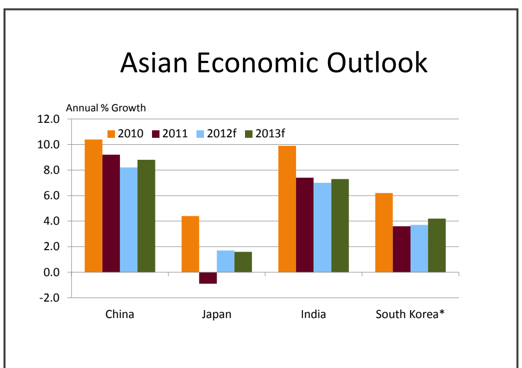
In this post crisis environment, the global economy has taken on a new shape over the past two years. The emerging and developing economies face the opposite set of issues that the advanced economies are addressing. In a strange twist of events, emerging markets are experiencing strong economic growth, inflation, and sound finances that one would have historically associated with advanced economies, while the advanced economies attempt to overcome high unemployment, below-normal output levels (and in Europe a recession), and fiscal deficits, which had historically been problems associated with developing economies. Overall, the global economy has its own concerns involving improved governance, potential protectionism, oil prices, and the impact of geopolitical events (such as the crisis in the Middle East) on global markets. We should all acknowledge this new reality and attempt to understand the implications, particularly for our globally connected regional economy.

All eyes should be focused on the euro zone this year as the European sovereign debt crisis poses the greatest threat to the global economy. The continued failure on the part of European policymakers to resolve this crisis could lead to a global recession and a depression in Europe. Some progress has been made lately as EU leaders agreed in principle to some significant goals including a critical “fiscal compact”. However, there are many unanswered questions regarding these potential new rules, making the outcome highly unpredictable. In fact, a whole new treaty would have to be approved and then the individual nations would have to ratify the new agreement.

This entire international economic outlook is predicated on the euro zone surviving in its current form. For purposes of our outlook we expect the euro zone to not fall apart this year. Even if the worst case scenario does not occur, our outlook for the euro zone is bleak. We project that the euro zone will fall into a mild recession in 2012 due to the debt crisis and the impacts of austerity. The other advanced economies should continue to experience moderate growth over 2012 and avoid recession as they attempt to increase domestic demand in order to overcome the reduction in external demand from Europe, China, and other emerging economies. Meanwhile, the emerging and developing economies will witness a deceleration in growth due to a reduction in external demand from the advanced economies (particularly Europe) and a moderate decline in domestic demand. Developing Asia (led by China) will remain the world's fastest growing region in 2012 and beyond. This will of course bode very well for the Los Angeles Customs District (LACD) and our regional economy.

The following sections provide an overview of the major regions of the international economy and also includes details on the top five trading partners of the Los Angeles Customs District (LACD) – China, Japan, South Korea, Taiwan and Thailand – as well as the top five sources of foreign direct investment into Los Angeles County – Japan, the United Kingdom, France, Germany and Canada.

MAJOR REGIONS



Source: IMF World Economic Outlook, January 2012 Update (*BOK forecasts)

Asia Overview: The greatest threat to Asian economies in 2011 was overheating and inflation. In response to the threat, most Asian economies raised interest rates and introduced other tightening monetary measures. Many nations began to reverse this trend in the latter part of last year as external demand began to recede and commodity prices began to subside. Beginning in the second half of last year, the strong recovery in world trade that began in 2010 came to an end. As a result, Asian exports began to falter substantially since last September mainly due to the crisis in Europe. Exports have dropped in China, South Korea, Taiwan, the Philippines, and Thailand over recent months. This is particularly concerning for those economies that are heavily dependent upon exports and manufacturing for economic growth. Thailand, Taiwan, and South Korea have the most to lose from sluggish global demand, especially from Europe.

In addition, credit conditions in Asia have deteriorated as Europe's banks have reduced foreign lending. These tighter external financing conditions are only exacerbating the economic environment for Asian economies. All of this translates into slower growth for Asia in 2012 when compared to the last few years. Some policymakers across Asia have already begun to shift their attention back to stimulating their economies as sustaining growth supersedes inflationary concerns. Others are likely to follow suit in the coming months as inflation begins to become a secondary concern. Depending upon the severity of the situation in Europe, policy makers across Asia may engage in expansionary fiscal policy to keep their economies from faltering.

Asia will remain the fastest-growing and strongest region in the world in 2012 and beyond. Fundamentally, there are two main reasons along with other factors why Asia is so strong and will maintain its position going forward. First, Asia's key economic fundamentals are in very good shape, especially when compared to Europe and the U.S. Second, Asia now has its own economic superpower (China) that it can rely upon for regional growth. This is extremely important to Asia as it can depend more and more upon Chinese demand (both resources and goods) and markets.

Key Asian Economies – Based on Los Angeles Customs District's (LACD's) Top Trading Partners

**Note that the Los Angeles regional economy is deeply connected to East Asia (China, Japan, South Korea and Taiwan) and Southeast Asia (particularly the ASEAN-5, which includes Thailand, Vietnam, Indonesia, Malaysia, and the Philippines).*

Will China experience a hard or soft landing in 2012? The LAEDC projects a soft landing with some potential turbulence along the way.

China *(LACD's #1 Trading Partner)*: Once again, the Chinese economy performed exceptionally well in 2011, expanding by 9.2%. This growth rate surpassed the usual 8.0% target rate established by the Chinese government and was noteworthy for the first year of a new five year plan (twelfth 5-Year Plan) that began in 2011 and runs through 2015. However, China's economy did decelerate starting from the first quarter of 2011 through the end of 2011 after growing by 10.4% in 2010. Economic growth in the fourth quarter of 2011 was 8.9% when compared to a year earlier, which was the slowest growth rate since the second quarter of 2009. In fact, China's economy will continue to experience a deceleration throughout 2012 and into 2013. The main factors that have led to this slow down include a concentrated effort by policymakers to prevent the economy from overheating, avoiding a real estate bubble, and uncontrollable external events.

The People's Bank of China (China's Central Bank) pursued a contractionary monetary policy (monetary tightening) in 2011 as reducing inflationary pressures was the top priority. Also, the government wanted to ensure that the property market cooled off by reining in credit expansion. The Chinese government has attempted to avoid its own real estate bubble by utilizing aggressive monetary policy such as increasing reserve requirements. Real estate transactions and prices declined in coastal cities such as Shanghai throughout the second half of 2011. Also, the shortage of credit began to negatively impact private-sector firms in the second half of last year. This past October, the level of total loans outstanding experienced its lowest rate of growth since 2008, while the money supply (M2) fell to its weakest growth rate in a decade.

The Chinese economy also began to feel the impact of a reduction in demand from Europe. Key economic indicators such as industrial production and exports began to deteriorate in the third quarter of 2011, both as a direct result of the European situation and the overall global slowdown. The key manufacturing index (PMI) for China actually fell below 50 for the first time in three years in November 2011, which is the level distinguishing expansion from contraction. Exports to Europe have been particularly impacted by the weakening of the euro zone economies. This trend was clearly witnessed in the third and fourth quarters of last year.

Inflation in China has become less of a concern, but remains a serious issue for this year. Price pressures did start to subside in the latter part of 2011 as commodity prices declined and, most importantly, food prices began to recede. A poor harvest and a shortage of pork created a big headache for the Chinese economy. However, policymakers will still have to be very cautious when determining monetary policy as inflation could worsen quickly and it is absolutely essential to keep inflation in check in order to prevent social unrest. Monitoring inflation will be particularly important this year as China undergoes its most significant leadership transition (November 2012) in the past decade. With that in mind, maintaining strong economic growth and maintaining social stability will be the new leadership's top priority.

Over the short term China will undoubtedly produce slower rates of economic growth as domestic and external demand diminish when compared to the past couple of years. Avoiding a real estate bubble and non-performing loans will be critical for the Chinese economy this year and next. One of the other key concerns going forward will ultimately be the outcome of the European debt crisis and how deep the European recession becomes.

In addition, China's dependence upon investment for economic growth represents another unsustainable issue for Chinese policymakers. Investment currently contributes nearly 50% to China's GDP, which has reached an unprecedented level in the economic development of China. According to most experts, this level of dependency on investment for economic growth presents a very dire situation as this leads to wasteful and unproductive assets. In fact, this problem is already occurring in many parts of China. Another significant problem that the current five-year plan will attempt to address is the disparity and inequality between the eastern provinces and the central and western provinces. There has been some improvement in this respect as inland provinces outperformed the coastal provinces in 2011.

Also, China's economy must reduce its reliance upon exports (particularly to the advanced economies) as Europe and the U.S. face debt and low growth in the coming years. Undeniably, China will have to move away from the investment and export-led model that has served it so well towards a more consumer based model in order to avoid the dreaded "hard landing' everyone fears. This will be a very difficult challenge for China and will definitely take time.

China will most likely avoid a "hard landing" this year and ultimately experience a "soft landing" with some potential turbulence along the way such as renewed domestic inflation, a spike in oil prices, asset bubbles, and a more severe drop in exports to Europe. It is critical to understand that Chinese policymakers still have the means (though somewhat diminished due to the 2008 stimulus) to prevent a hard landing from happening. This is already taking place with monetary policy. As a result, China's economy to projected to grow by close to 8.5% in 2012 as both investment and exports decline relative to the last two years.

Japan *(LA County's #1 Source of FDI and the LACD's #2 Trading Partner)*: Japan's economy recovered strongly from the triple disasters – the earthquake, the subsequent Tsunami, and the nuclear fallout - in the third quarter of 2011. It recorded 1.4% GDP growth in the third quarter when compared to the second quarter. This was after experiencing no growth or negative growth for three consecutive quarters. There were some significant economic issues even before the disasters. Japan has demonstrated amazing resiliency since the disasters. Its recovery is an example for all of us. The economy was able to rebound strongly in a very short period of time. Things began to significantly turn around in June just three months after the tragic disasters.

The key point to keep in mind is that the disasters impacted Japan's energy supply – nuclear power plants provide roughly 25% of electricity – and the outcome of this story will go a long way in determining the short and medium term outlooks. Japan's fourth quarter 2011 economic performance was not as strong as expected due to a slowdown in exports and the impact of flooding in Thailand on supply chains. The economic recovery began to stall in the fourth quarter due to the drop in demand from Europe and a rising Yen. The outlook for 2012 is bright particularly over the first half of this year as the rebuilding process continues and acts as a stimulus due to the increase in government spending and investment. As a result, we project GDP to increase by 1.5% to 2.0% this year.

Why won't growth be stronger in 2012? There are three key challenges ahead for Japan. From the supply-side, they include electricity shortages and damaged factories, which would impact production and supply chains. The speed with which the factories come back on line after the flooding in Thailand will also impact supply chains. From the demand-side, a drop in external demand from China (Japan's top export market), Europe (third largest export market and its ties to China will hurt Japan), and other Asian economies (particularly South Korea and Thailand). Domestic demand (which comprises roughly 60% of GDP) is not as strong as it needs to be in order for Japan to really experience any type of robust growth. Real wages have been going down and deflation continues to plague the Japanese economy. Domestic demand will be the key determinant of growth in the medium to long term. Finally, the strength of the Yen poses a challenge in 2012 and into 2013, leading to an increase in investment abroad and erosion of corporate profits due to higher costs.

The Korea-US Free Trade Agreement (KORUS FTA) was approved and is expected to go into effect in 2012.

South Korea *(LACD's #3 Trading Partner)*: Asia's fourth largest economy performed well over the first six months of 2011. The nation continued to be one of the leaders of the global recovery as it benefitted from China's persistent expansion. South Korea's GDP in the first quarter of 2011 expanded by 4.2% and by 3.5% in the second quarter when compared to a year earlier, with exports continuing their strong performance. Exports, which represent about 50% of total economic output, rose by nearly 24% in May 2011 compared to a year earlier. The key was the consistent strength of demand from Korea's Asian neighbors. In particular, demand from China, which takes 33% of South Korean exports, has been instrumental in propelling this growth. Electronics, autos, and shipbuilding have been the most heavily demanded products. However, Korean exports began to face a more difficult environment beginning at the end of the second quarter as external demand from China, the U.S., Europe, and Japan decelerated.

Economic growth in the second half of 2011 decelerated as the global slowdown began to have a real impact by the fourth quarter. Due to its overall exposure to the world economy, the Korean economy has experienced a slowdown in recent months as global demand has deteriorated. The debt crisis in Europe along with the slowdown in China has real repercussions for South Korea. As previously mentioned, exports contribute almost 50% to overall GDP. Its reliance upon exports has been one of the key ingredients to success over the past forty years, but it can also become a major liability during times of global crisis as witnessed during the 2008 financial crisis.

Quarter-to-quarter growth consistently weakened throughout 2011 and the economy in the fourth quarter grew at its lowest level in two years. GDP only expanded by 0.4% on a quarter-to-quarter basis. The overall weakness was attributable to the decline in exports to Europe and to China. Both Japan and South Korea have been indirectly impacted by the events in Europe. When China's exports to Europe decline it inevitably leads to a decline in Japanese and Korean exports as both nations export many of the inputs or intermediate goods that make their way into the final assembled goods that China exports. South Korean exports, investment and consumption dropped every month in the fourth quarter (the first time in two years). The South Korean economy grew by 3.6% in 2011 after expanding by 6.2% in 2010.

The Korean economic outlook for 2012 will depend upon the global economic environment. First, developments in China will have the largest impact on South Korea as China is by far South Korea's largest export market. Second, the situation in Europe will also largely influence the South Korean economy as the global financial system could be greatly impacted by a financial contagion in Europe. A European recession will undoubtedly decrease Korean exports. In addition, the recent slowdown in domestic consumer demand in South Korea poses another significant threat. South Korea will have parliamentary and presidential elections this year, which will definitely have an impact on fiscal, monetary and trade policy. Finally, Korean policymakers will be paying very close attention to what is happening in North Korea over the coming months.

The Bank of Korea has raised interest rates five times since the middle of 2010 in order to counter the inflationary environment. However, monetary policy is expected to reverse course in 2012 as growth concerns begin to supersede inflation concerns. Also, South Korea could possibly conduct some expansionary fiscal policy as well depending on what transpires over the next few months. We expect the South Korean economy to grow at a rate of around 3.5% in 2012.

Taiwan *(LACD's #4 Trading Partner)*: Taiwan's economy relies very heavily on trade, as exports equal nearly 70% of total GDP. As a result, any economic expansion is contingent upon growth in exports. The key to growth in exports has been strong demand from China and the ASEAN economies. A growing percentage of growth in export orders came from members of the ASEAN in 2011 as intra-region trade continues to expand as these economies develop. China (including

Hong Kong), demands over 40% of total Taiwanese exports. Nearly 80% of all Taiwanese exports go to Asia.

Taiwan's economy struggled at the end of the year as exports declined. In fact, exports grew at the slowest pace in over two years in December. Taiwan's GDP grew by 1.9% in the fourth quarter of 2011 when compared to a year earlier. On an annual basis, Taiwan's GDP expanded by 4.0% in 2011. However, the Taiwanese economy officially entered into recession in the fourth quarter of 2011 as the economy contracted for the second consecutive quarter on a quarter-to-quarter basis. This will most likely be the trend going into 2012 as exports are still a big concern. Ultimately, the Taiwanese economy's performance will be dependent upon how strong exports are in 2012. Taiwan's GDP grow in the 3.0% range in 2012. Economic growth could be even stronger if the Chinese economy does not lose too much steam in the coming months.

Thailand *(LACD's #5 Trading Partner)*: Thailand's economy experienced solid growth over the first six months of 2011. However, this past July everything dramatically changed for the Thai people and economy, when Thailand suffered its worst flooding in nearly 70 years. The damage from the floods cost the Thai economy over one trillion baht or the equivalent of 10% of GDP (this includes the cost of lost output as well as damage to infrastructure and factories). The devastation from the flooding greatly impacted both the supply-side and the demand-side of the Thai economy.

The big story was the impact of the flooding on fourth quarter growth, which contributed an estimated 1.0% decline to the overall GDP contraction of 2.8%. Exports declined by 12.4% in November, the worst showing in two years. Officials from the Thai government do not expect a return to normalcy until at least March or April 2012, which does not bode well for economic growth in the first quarter and for trade with the LACD. The rebound is expected in the second quarter or later but will be largely determined by domestic policy decisions and the global economy. Export growth will ultimately boost manufacturing production, employment and investment. Thailand's GDP is projected to grow by nearly 5.0% in 2012 as it recovers from the natural disaster.

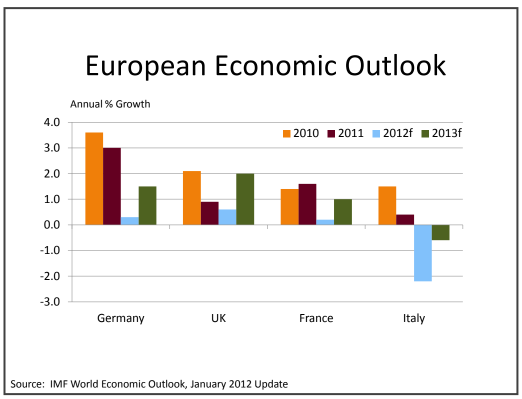
India: India (Asia's third largest economy) continued to lead the global expansion in 2011 and along with China, will lead the world economy once again in 2012. The Indian economy was the second best performer in 2011 (among the largest economies), with domestic demand and manufacturing leading the way. However, India's economic engine did slow down in 2011 as GDP expanded by 7.4% in

2011 after growing by 9.9% in 2010. Manufacturing, personal consumption, government spending and infrastructure investment all decelerated when compared to 2010.

High inflation continues to plague India. The Reserve Bank of India (RBI), the central bank, tightened monetary policy in the first half of 2011. The RBI raised rates ten times in a fifteen month time period from 2010 to the middle of 2011. These actions did begin to have an impact as inflation declined over the second half of 2011. Going forward, the RBI will most likely not make any moves over the beginning of this year.

In the short term, India still faces difficult obstacles to growth such as high inflation and fiscal problems. The budget deficit, along with the decline of the rupee, were the other key issues the Indian economy has had to deal with over the past year. These problems will continue this year and as a result, the Indian economy is forecast to expand by roughly 7.5%.

Europe Overview



The fourth quarter of 2011 saw the euro zone crisis intensify to the point where the collapse of the euro became a serious possibility and contingency plans were introduced. Recent summits produced some progress including an agreement to draft a fiscal compact and to launch the European Stability Mechanism in mid-2012 instead of 2013. In addition, the euro zone members considered more significant cooperation with the IMF and decided that bondholders would not be asked to bear any future losses due to debt restructuring. The events at the end of last year demonstrate that the only real solution to this crisis will come in the form of fiscal consolidation or a fiscal union in order to create a sustainable and viable European Union, which will take a significant amount of resolve on the part of all parties.

The European sovereign debt crisis remains the number one concern for 2012, along with the effects of austerity measures on economic growth. As a result, Europe *will* experience a mild recession in 2012. The future of the euro zone will most likely depend on what happens in Italy.

Germany (*LA County's #4 Source of FDI*): Europe's largest economy began 2011 strongly and then began to taper off over the second half of the year as the euro crisis intensified and as external demand deteriorated. Germany's GDP grew by 3.0% in 2011 when compared to a year earlier, after expanding by 3.6% in 2010. Solid domestic demand helped last year to offset the drop in exports. The German economy is heavily reliant on exports as they comprise roughly 35% of GDP.

Only 17 of the 27 members of the European Union are part of the euro zone including Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain. The UK is not part of the euro zone.

Germany's economy contracted in the fourth quarter of 2011 as business confidence and exports plunged due to the worsening of the debt crisis. New export orders and overall industrial production subsided and is expected to continue this trajectory into the first half of this year. The Germany economy could very well experience a recession in the first quarter of this year, but should regain some of its strength in the second half of the year. Ultimately, the outcome of the euro zone debt crisis along with external demand will determine the performance of the German economy in 2012. Germany's economy will face some very difficult obstacles this year and just barely grow by 0.25% to 0.50%.

France (*LA County's #3 Source of FDI*): The French economy witnessed a relatively strong performance at the beginning of 2011. This condition drastically changed as the year went on and the euro zone debt crisis worsened. The euro zone's second largest economy, France saw investment and manufacturing weaken over the second half of 2011. Unfortunately, this was after manufacturing production had experienced its strongest growth in thirty years over the first three months of 2011. By the second half of the year, government austerity measures began to be implemented which hampered consumer spending, negatively impacted investment, and added pain to a situation that was already marked by high unemployment.

France's economic performance really deteriorated in the fourth quarter of 2011. After nine straight quarters of growth, the French economy contracted in the final three months of the year falling by 0.2%. This weakness is expected to continue over the first quarter of this year leading to a technical recession. As if this was not bad enough news for the French economy, the ratings agency Standard & Poor's took away France's AAA rating in January. Also, the country will have presidential and legislative elections later this year and the performance of the economy along with the deficit environment will play a large role in the outcome. After growing by 1.6% in 2011, expect the French economy to slightly expand by roughly 0.2% in 2012.

United Kingdom (*LA County's #2 Source of FDI*): As expected, the performance of the UK economy has been much weaker than that of Germany and weaker than that of France in 2011. The UK economy grew by 0.9% in 2011 on a year-to-year basis. This slight increase in GDP was mainly due to a climb in exports. In fact, both consumer spending and business investment dropped throughout the year. The draconian government spending cuts greatly impacted private and public spending. In addition, the increase in the British value added tax (VAT) only exacerbated the situation. Consumer spending accounts for the largest percentage of economic output in the UK and the outlook continues to look bleak for 2012. The British economy will also have to contend with headwinds in the form of high unemployment, inflation, slower external demand, and the ongoing debt crisis.

British policymakers will try and boost confidence in the capital markets, keep interest rates low and revive private investment in order to restore real economic growth in the coming months. The UK economy is forecast to barely grow by 0.5% to 0.8% in 2012.

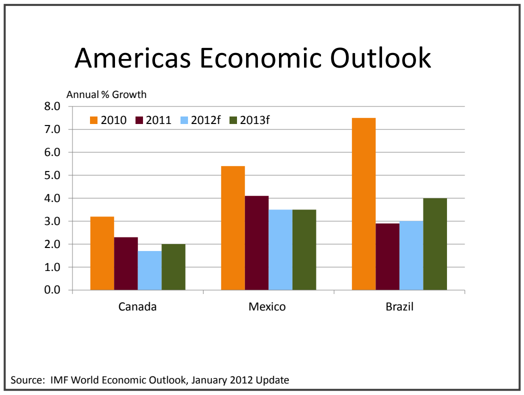
Italy: The euro zone's third largest economy entered into recession after the fourth quarter of 2011 as the lack of economic growth continues to plague Italy. This was the fifth recession since 2001 and many would argue that Italy will never overcome its debt situation until it can resolve the difficult issue of economic stagnation. Poor economic fundamentals have caused a decade of lackluster growth. Industrial production, consumer spending and investment all declined over the course of 2011 as the debt crisis worsened and earlier austerity measures were implemented. Things will further deteriorate over the first half of this year due to draconian austerity measures and a weakening global economy.

Italy was on the precipice of financial and economic disaster by the end of 2011 as market confidence collapsed and its borrowing costs skyrocketed to unsustainable levels. Italy was on the verge of defaulting and potentially destroying the viability of the euro. Italy represented a very different kind of problem relative to Greece, Ireland or Portugal. Unlike Greece, Ireland, or Portugal, Italy was considered to be too big to fail and too big to save as Italy is the third largest economy in the euro zone.

Italy needed to desperately change political, economic, and financial environments and it was able to do so as former Prime Minister Silvio Berlusconi resigned and it welcomed a new technocratic government led by Mario Monti. As a result of the severe spending cuts, tax increases and a decline in exports the Italian economy is projected to contract by nearly 2.0% this year. This means that Italy would be the worst performer of all the advanced economies.

Americas Overview

The Americas have followed Emerging Asia's direction in the global economic recovery process. Mexico was the strongest performer in 2011, followed by Brazil, both of which have acted to prevent their economies from overheating and addressed inflation. Based on initial



estimates Brazil became the sixth largest economy in the world this past year, surpassing both Italy and the UK in just the past two years. Canada's economy also performed relatively well in 2011 as the labor market rebounded strongly and commodity exports performed well (particularly in the first half of 2011).

Brazil: The Brazilian economy experienced two very different economic results in 2011. The first half of the year was a continuation of the strong growth seen in 2010, while the second half was marked by policies to slow the pace of activity and prevent overheating.

With inflation hitting double digits, Brazilian policymakers deliberately applied the brakes by raising interest rates through the first half of 2011. After witnessing 7.5% growth in 2010 and growing by over 4.0% in the first three months of 2011, Brazil had to focus on preventing any further overheating. In addition, domestic demand began to slow down in the middle of 2011 as tax reductions and government subsidies dissipated.

Policy tightening constrained economic growth and it began to effectively lower inflation. At the same time, commodity prices began to fall and the global economy weakened leading to a deceleration in growth. Policymakers began to switch gears once again as the environment had now changed and exports began to decline due to the slowdown in China and Europe. In an about face, the Banco Central do Brasil (Brazil's Central Bank) began a series of interest rate cuts starting last August (which was surprisingly early and the first emerging market to start monetary easing), in an effort to re-kindle growth.

On the downside, a legitimate concern for the near future will be how the European fiscal crisis plays out, particularly in Spain and Portugal. The Brazilian banking sector is heavily exposed to both nations. The Brazilian economy is projected to expand by 3.0% to 3.5% this year due to expansionary monetary policy and capital investment.

Canada (*LA County's #5 Source of FDI*): The economic fundamentals of Canada are strong as the financial sector and government finances are in solid shape. Unlike its southern neighbor, Canada's fiscal house is in order. The Canadian economy expanded by 2.3% in 2011 compared to a year earlier. Most contributors to GDP performed well, as exports, inventories, capital investment and government spending all increased. The Canadian economy will continue to rely on business investment and exports this year in order to make up for the lack of consumer spending.

The continued strength of exports will depend upon the U.S. economic recovery in 2012, as 80% of Canadian exports go to the U.S. Employment figures did improve in 2011 and they should remain relatively strong in 2012. The overall outlook for 2012 is positive. Capital investment should remain strong. Because Canada is a large commodity exporter, it must be very attentive to the prices of oil and other commodities. The price of oil should hold up, but non-oil commodity prices are expected to weaken in 2012 as global demand declines. Another concern in Canada has become averting a housing crisis as housing purchases and prices have surged over the past couple of years. The Canadian economy should continue to expand by roughly 2% in 2012.

Mexico: Mexico's economy witnessed stronger growth than both Brazil and Canada in 2011 as it expanded by 4.1%. It also has a much lower inflation rate than the other nations in Latin America, including Brazil, and its currency has not strengthened as much as the Brazilian Real and the Chilean Peso. Both of these put Mexico at an advantage relative to other countries.

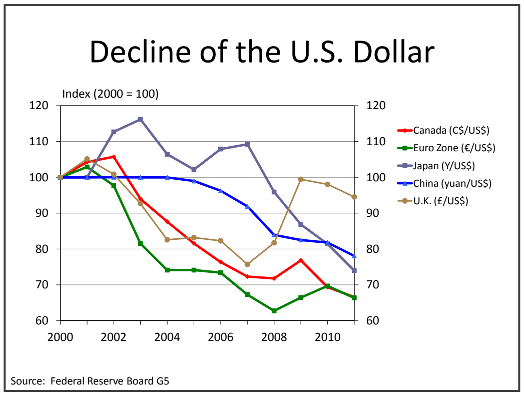
Latin America's second largest economy has directly benefitted from the upturn in the U.S. economy over the last two years, as a strong rebound in American manufacturing increased demand for Mexican exports. Similar to the Canadian economy, U.S. demand is absolutely critical to the Mexican economy as the U.S. receives over 80% of Mexico's manufactured exports.

Strong oil prices this year have increased revenues for the Mexican government and could provide even more support over 2012 as oil prices continue to rise due to increased tensions in the Middle East. Mexico's enduring unemployment problem has improved and this helped consumer spending over the latter part of last year.

Note that a worsening debt crisis in Spain, if it occurs, could negatively affect the banking sector. Many Mexican banks are exposed to Spain and Spanish foreign direct investment would be reduced. For 2012, Mexico's economy should grow by a respectable 3.5%.

FOREIGN EXCHANGE RATES

(Major World Currencies vis-à-vis the U.S. Dollar)



The big foreign exchange story over 2011 was really two stories, as the first half of the year was the exact opposite of the second half. The first half of 2011 saw the rise of currencies in the emerging and developing economies due to capital inflows. These economies had experienced robust economic growth and high inflation because of sharp increases in commodity prices. In response, economic policy mainly focused on controlling inflationary pressures and preventing overheating, as central banks increased interest rates over most of the first half of 2011.

However, all of this moved in the opposite direction in the second half of 2011. All of the major world and emerging economies currencies (with the exception of the yen and yuan) weakened over the past six months of last year as these economies moved away from eased monetary policy in reaction to the global economic slowdown. Also, the euro zone crisis worsened in the fourth quarter leading to a more risk averse environment, which generally leads to U.S. dollar appreciation.

Other key developments in foreign exchange markets included the continued appreciation of the Chinese renminbi/yuan, and the waxing and waning of the European debt crisis (most recently at the end of last year with the Italian debt crisis). Both of these issues impacted the global economy and currency markets over 2011.

The U.S. dollar should remain strong versus the euro at the beginning of this year as the euro zone debt crisis remains in the spotlight. The U.S. dollar will definitely gain further strength if the European debt situation worsens this year. Overall, the U.S. dollar is expected to strengthen over the first half of this year vis-à-vis most currencies and then depreciate over the second half of this year.

Los Angeles Customs District's Top Five Trading Partners Currencies

Chinese Renminbi/Yuan: From January to December 2011, the renminbi/yuan appreciated (strengthened) by 3.6% vis-à-vis the U.S. dollar moving to 6.34 renminbi/yuan per U.S. Dollar. The expectations are for the renminbi/yuan to continue to strengthen in 2012, though at a slower pace as they need to minimize the impact on exports and as profit margins become a bigger concern for Chinese manufacturers.

The strength of the Yen presents an excellent opportunity for Japanese investors to invest in the U.S. and in LA County.

Japanese Yen: The yen has reached 15-year highs over the past two years, which has led the Japanese government to devalue the yen multiple times. In addition, the G-7 nations decided to intervene in order to prevent the yen from gaining any additional strength after the disasters, which would have negatively impacted Japanese exports and any hope for economic recovery. These moves only provided temporary relief. In fact, since April of last year the yen appreciated vis-à-vis the U.S. dollar by almost 12% moving back to 75 yen per U.S. dollar, following a similar 12% appreciation in 2010. The demand for safe-haven currencies will continue this year and should keep the demand for the yen strong.

South Korean Won: Similar to most currencies, the won strengthened over the first half of 2011 and then depreciated over the second half. At the beginning of 2011, capital moved into South Korea as the economy grew. All that changed after July as the won depreciated and ultimately weakened by nearly 3.0% versus the U.S. dollar for the year. The won is expected to depreciate further in 2012. The U.S. dollar-won exchange rate will play a bigger role in determining two-way trade flows between South Korea and the LACD once the KORUS FTA goes into effect.

Taiwanese Dollar: In 2011, the Taiwanese dollar depreciated by 3.0% versus the U.S. Dollar. The Taiwanese Dollar started the year by slightly appreciating versus the U.S. dollar. However, that trend did not continue as the Taiwanese dollar weakened at the same time the other emerging currencies lost steam and actually depreciated by more than 4.0%. The Taiwanese dollar should also continue to weaken, particularly over the first half of 2012.

Thai Baht: The Thai baht weakened by over 2% vis-à-vis the U.S. dollar in 2011 after appreciating by over 10% in 2010. The Thai baht is projected to weaken over the first half of 2012 due to the floods and the weaker global environment. However, the recovery process will likely have a positive impact on the baht over the second half of the year.

Other Key Currencies Linked to our Local Economy

Canadian Dollar: The year began with the Canadian dollar gaining strength versus the U.S. dollar and then the Canadian dollar gave back all of its gains and more by the end of the year. Overall, the Canadian dollar depreciated by 3.0% vis-à-vis the U.S. Dollar in 2011. The short term outlook is for the Canadian dollar to remain slightly weaker than the U.S. dollar.

Mexican Peso: Over the past year, the peso has weakened by 13.2% versus the U.S. dollar after strengthening by over 5.0% vis-à-vis the U.S. dollar in 2010. The outlook for 2012 is for the peso to gain strength as the economy outperforms its neighbors and demand should be relatively strong due to higher interest rates in Mexico.

Euro: The euro ended 2010 down by 8% versus the U.S. dollar. The euro continued to perform well over the first half of 2011 as countries continued to implement fiscal reforms. However, when the situation in Greece deteriorated again in June the euro was never able to regain its strength and weakened over the last few months of 2011. As the situation in Italy deteriorated, the euro was on the verge of collapse. Overall, the euro depreciated vis-à-vis the U.S. dollar by 15% last year. The short-term outlook for the euro is to weaken as Europe faces a recession and some big decisions.

British Pound: Similar to the euro, the pound strengthened versus the dollar over the first part of 2011. In fact, the pound appreciated by nearly 4.0% from January to August before it began to weaken. From August to December the pound lost all of its strength and depreciated by nearly 5.0%. Over the year, the pound only depreciated by 1.0% versus the U.S dollar. The outlook is most likely for the British pound to weaken as the economy will at best experience very sluggish growth due to the austerity measures that were put into place in the middle of 2010.

TABLE 3: FOREIGN EXCHANGE RATES OF MAJOR U.S. TRADING PARTNERS

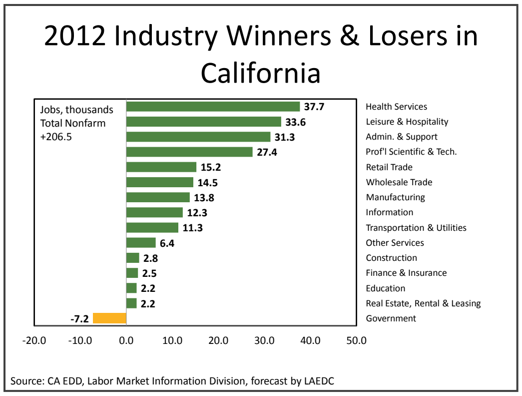
Country (Currency)*	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Broad Currency Basket (index)	125.93	126.66	119.09	113.63	110.71	108.52	103.40	99.90	105.69	101.85	97.17
Canada (US$/C$)	1.549	1.570	1.401	1.302	1.212	1.134	1.073	1.066	1.141	1.030	0.989
China (US$/yuan)	8.28	8.28	8.28	8.28	8.19	7.97	7.61	6.95	6.83	6.77	6.46
Euro Zone (US$/€)**	0.895	0.945	1.132	1.244	1.245	1.256	1.371	1.473	1.393	1.326	1.393
Japan (US$/¥)	121.6	125.2	115.9	108.2	110.1	116.3	117.8	103.7	93.7	87.8	79.7
Mexico (US$/peso)	9.34	9.66	10.79	11.29	10.89	10.91	10.93	11.14	13.50	12.62	12.42
South Korea (US$/₩)	1292	1250	1192	1145	1024	954	929	1099	1275	1156	1107
United Kingdom (US$/£)**	1.440	1.503	1.635	1.833	1.820	1.843	2.002	1.855	1.566	1.545	1.604

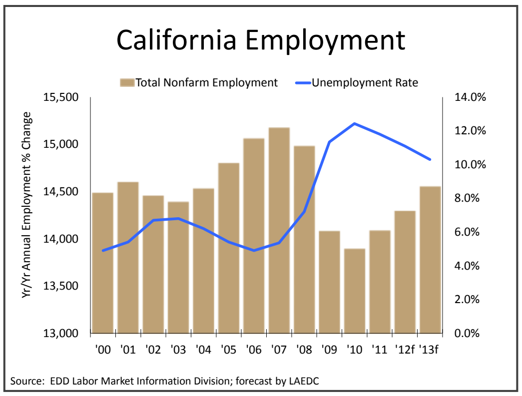
Percent Change***	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Broad currency basket (index)	5.4%	0.6%	-6.0%	-4.6%	-2.6%	-2.0%	-4.7%	-3.4%	5.8%	-3.6%	-4.6%
Canada (C$)	4.3%	1.4%	-10.8%	-7.1%	-6.9%	-6.4%	-5.3%	-0.7%	7.0%	-9.7%	-4.0%
China (yuan)	0.0%	0.0%	0.0%	0.0%	-1.0%	-2.7%	-4.6%	-8.7%	-1.7%	-0.9%	-4.5%
Euro Zone (€)	3.0%	-5.6%	-19.7%	-9.9%	-0.1%	-0.9%	-9.1%	-7.4%	5.4%	4.8%	-5.1%
Japan (¥)	12.8%	3.0%	-7.4%	-6.7%	1.8%	5.6%	1.2%	-11.9%	-9.6%	-6.3%	-9.2%
Mexico (peso)	-1.3%	3.5%	11.7%	4.6%	-3.5%	0.1%	0.2%	2.0%	21.2%	-6.5%	-1.6%
South Korea (₩)	14.2%	-3.2%	-4.7%	-3.9%	-10.6%	-6.8%	-2.7%	18.3%	16.0%	-9.4%	-4.2%
United Kingdom (£)	5.0%	-4.4%	-8.8%	-12.1%	0.7%	-1.3%	-8.6%	7.4%	15.6%	1.3%	-3.8%

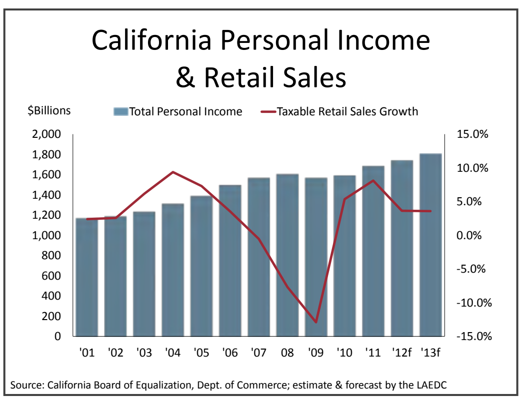
Source: Federal Reserve Statistical Release G.5A; Average Rates

Notes:
*Foreign currency units per U.S. dollar
**The value in U.S. dollars versus the foreign currency
***Performance of U.S. dollar versus the foreign currency

IV. Outlook for the California Economy







Like the U.S., California's labor market registered gains for all of 2011, albeit at an uneven pace during the course of the year. On an annual basis, the state unemployment rate fell modestly from 12.4% in 2010 to 11.8% in 2011. After languishing around 12% for over two and a half years, the monthly unemployment rate fell from 12.1% in August to 11.1% by December. Clearly, the labor market was beginning to improve as 2011 drew to a close.

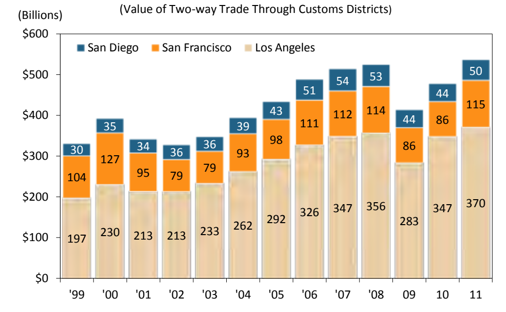
Similarly, California's 193,900 annual gain in nonfarm jobs from 2010 to 2011 was a welcome turn around in the market after three successive years of job losses totaling 1.3 million jobs. In a rare instance of California outperforming the nation, the state's 1.4% annual gain edged out the national labor market's 1.2% gain.

Across the major industries of the state, 2011 brought some much needed relief after years of job losses. Most, but not all, industries in the state registered gains, with the largest percentage increases coming in Information, Education, and Administrative and Support Services. However, Real Estate and Leasing, Government, and Management of Enterprises, and Other Services saw continued job losses, but on a smaller scale than in previous years.

Trends in Major Industries

Agriculture: After falling to a low of 371,800 jobs during the recession of 2009, employment in this sector came back over the last two years. Farm related jobs totaled 379,700 in 2011, which was down from 381,600 jobs in 2010, but was roughly on a par with the 10-year average of 379,400 jobs. After a recession-induced 6.7% decline in 2009, farm receipts experienced back-to-back increases over the past two years, with an 8.6% gain in 2010 and a 9.7% year-to-date gain through November 2011. Livestock receipts were by far the most volatile with a 26.0% decline in receipts in 2009, followed by gains of 25.2% in 2010 and 24.9% (year-to-date through November) in 2011. Exports of California-grown and -bottled products increased by 17.4% during the first 11 months of 2011 after increasing by 17.1% in 2010.

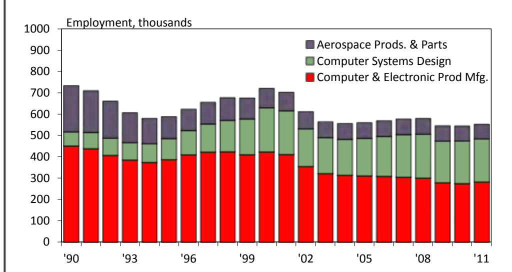
International trade: International trade plays an important role in driving the California economy. Although imports and exports through California's three customs districts surged 21.6% in 2010 and recovered



California International Trade

Source: USA Trade Online

most of trade activity that was lost the previous year during the Great Recession. Expansion occurred at a more moderate pace in 2011 with an 11.9% increase in the value of two-way trade (year-to-date for based on available data for January through November). The value of two-way trade for 2011 is expected to surpass the previous peak by year end. During the same period, imports grew by 11.0%, while the value of exports through the state's customs districts rose by 13.8%. Although exports account for just less than a third of two-way trade, exports suffered a smaller decline through the recession and have come back more strongly than imports, as economic activity among key Asian trading partners held somewhat better through the recession, and demand in these economies grew quickly during its aftermath. Imports lagged in recovery because of the slow pace of growth in the U.S., but should exceed pre-recession peak levels when the final numbers are in for 2011. Trade flows through California will increase at a moderate pace in 2012 and 2013.



TECHNOLOGY JOB TRENDS IN CALIFORNIA

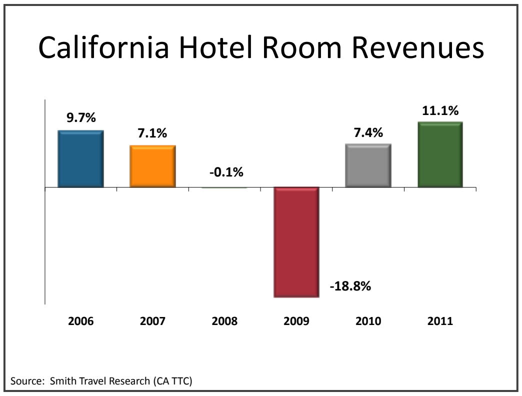
Source: EDD Labor Market Information Division

Technology and Aerospace: The various components of California's technology sector have somewhat disparate outlooks. Business demand for technology products has been strong in the past two years, and is expected to rise at a healthy pace over the next two years. Sales of consumer technology products have also done well in the post-recession years. Innovation moves quickly with consumer technology, and many households are eager to have the latest in computers, tablets, smart phones and other personal mobile devices. This is reflected in employment trends, with jobs in these industries stabilizing in 2011 after both trend and cyclical decreases in the last decade.

The industries with the largest percentage increases were seen in Information, Education, and Administrative and Support Services.

California's aerospace sector continues to hold its own but has struggled to maintain aerospace-related employment numbers. Overall, Airbus shipped 534 planes last year and Boeing delivered 477. Commercial aircraft orders have come back after sharp decreases during the recession. Commercial satellites and even commercial space vehicles are in various stages of planning and production.

In the defense aerospace sector, a number of major government-sponsored defense projects are underway. Boeing expects to continue production of the C-17 over the next few years by supplementing production for US military needs with production destined for customers elsewhere in the world, such as India and the United Kingdom. Military satellite and communications orders with Boeing and Northrop Grumman were also announced in 2011. It remains to be seen how anticipated cuts in federal defense spending will affect programs in the state.

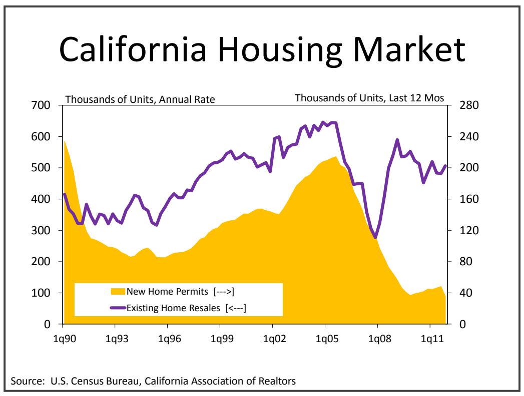


Source: Smith Travel Research (CA TTC)

Tourism: California's tourism industry continued to rebound from the 2009 recession, with improvement in nearly every part of the state. According to Smith Travel Research, the state's hotels reported a 5.4% increase in occupancy rates from 64.1% in 2010 (January through November) to 67.5% over the same time period in 2011. Room rates rose 5.5% for the same time period in 2011 compared to a year earlier, resulting in an 11.1% rise in room revenue statewide.

All major markets reported improved occupancy rates and room rates, driving room revenues up in 2011, led by a 20.1% jump in the San Francisco/San Mateo market, a 12.3% increase in Los Angeles, and a 10.0% gain in Anaheim/Santa Ana.

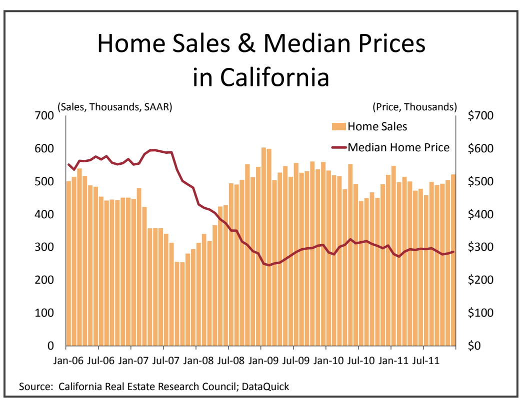
Tourism industry revenues should rise modestly in 2012, as the general economy improves and the pace of business and leisure travel quickens. Intra-state travel also is likely to show steady improvement.



Source: U.S. Census Bureau, California Association of Realtors

Housing: While it will be at least two years before the housing market fully recovers, 2012 will mark a transition point on the road to recovery. For most households, the price of existing homes is what counts. However, it is the new home market where the potential for large job gains resides.

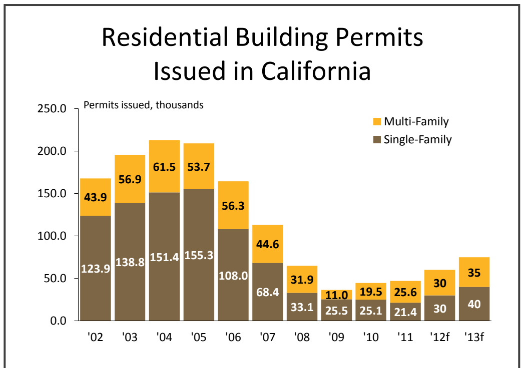
Existing home prices fell across much of the state in year-to-year terms throughout 2011, but held steady in month-to-month comparisons through much of the year. The mix of sales has already tilted away from distressed sales (bank-owned REO sales and short sales) in favor of non-distressed sales, a trend that should continue in 2012.



Source: California Real Estate Research Council; DataQuick

Existing home prices in many parts of the state could firm up with genuine improvement in the economy, mainly through heightened demand for homes. But this also depends on the flow of properties through the foreclosure pipeline, which has been fairly steady for over two years, the availability of mortgage money, and some easing in qualifying standards. While no one wants to go back to the "if you can fog a mirror" days of qualifying for a mortgage, there is evidence that qualifying standards are high. The National Association of Realtors reported that the typical FICO score for approved Fannie Mae and Freddie Mac loans was about 760, about 40 points higher than normal. A differential of 40 points is equivalent to 15 to 20% of the population, which has clear implications for the number of available buyers.

Before leaving this side of the housing market, it is worth noting that existing home sales have been at respectable levels the last two years. A normal housing market should be able to sustain statewide home sales



Source: Construction Industry Research Board; forecast by LAEDC

of roughly 500,000 to 550,000 homes annually. In both 2010 and 2011, home sales fell just shy of the lower bound with sales in the low 490,000 range. So the market is functioning despite the woes it has faced in recent years.

As for new homes, one could say that it is difficult to justify building new homes when recently built homes that are short sales or REO sales are selling at a fraction of the cost of new construction. Indeed there is some veracity to this statement. New home prices continue to struggle, and new home construction has languished at very low levels for years. Total housing permits have declined from just shy of 213,000 at the peak of the most recent cycle to 47,016 in 2011. Significantly, the mix of permits has shifted in favor of multifamily, a fact that should not be entirely surprising when one considers that the distressed properties seem to be most prominent among single family homes, *and* when one observes that multifamily, especially rentals, have historically been undersupplied to the state's housing market.

Beyond these near-term market considerations, weakness in new home construction will likely collide with demographic trends in the long run. Population gains in California continued throughout the recession, driven mainly by internal dynamics, i.e. births minus deaths, but that demographic trend still resulted in population gains of 282,000 in 2011, with similar population gains expected in the coming years.

Having a more direct connection to housing, the number of households increased by 300,000 over the past five years and will grow by another 850,000 over the next five years. The number of new homes constructed over that time period will undoubtedly fall short of that total, which sets the state up for a housing shortage at some point in the second half of the decade.

California should experience modest improvement in economic conditions over the forecast period, growing by 1.5% and adding over 200,000 jobs. For 2012, the unemployment rate will average 11.1%.

Nonresidential Construction: Nonresidential construction appears to be slightly ahead of the curve in making a comeback when compared with residential construction. Nonresidential construction permits fell by more than half from the 2007 peak levels of $27.3 billion to a recession low of $10.9 billion in 2009. Following a small 3.1% turnaround in 2010, nonresidential permits surged by 16.3% to $13.0 billion last year. Modest gains are expected this year and next, with a 7.5% gain slated for 2012 and a 9.3% increase expected the following year. The state will continue to receive American Reinvestment and Recovery Act (ARRA) funds for a number of construction projects, but that support should provide less of a stimulus as ARRA winds down further in 2012.

State of California Budget: When the proposed fiscal year (FY) 2012-13 California State Budget was submitted in January, the updated budget for the current FY 2011-12 (which ends June 30, 2012) showed a 9.0% decline in general fund revenues, primarily because of large declines in sales and use taxes, and corporate taxes. With the expiration of the temporary 1% sales tax increase, sales and use tax receipts fell by 26.4% from June through December 2011 compared with the same period in 2010.

Over the same time period, disbursements fell by 3.5%, with universities and the legislative/executive/judicial operations experiencing the largest state program cuts at 22.7% and 11.5% respectively. Total local assistance fell by 10.9%, with K-12 education absorbing an 11.9% cut.

The proposed FY 2012-13 budget includes an anticipated 7.7% gain in general fund revenues and a 7.0% increase in outlays. Several areas are slated for increased funding, including K-12 schools, corrections, and legislative/judicial/executive operations, partially restoring funds that have been cut in recent years. The state legislature managed to pass the FY 2011-12 budget on time last year. Time will tell whether they will deliver a repeat performance.

California Forecast: California should experience modest improvement in economic conditions over the forecast period, growing by 1.5% and adding over 200,000 jobs this year, with a 1.8% next year, which is equivalent to nearly 260,000 jobs. For 2012, the unemployment rate will average 11.1%, with further improvement to 10.3% in 2013. As mentioned throughout this report, the economy will continue to heal but the process is uncomfortably long.

GROSS PRODUCT[1]

Los Angeles County has the 19th largest economy in the world.

Which are the world's largest economies? People frequently ask how California's gross domestic product (GDP) ranks among the nations of the world. They also ask about where the Los Angeles five-county area and Los Angeles County would rank if they were sovereign countries.

Based on the final results for 2010[2], California fell from eighth to ninth place in the rankings behind Brazil and Italy, whereas the five-county area retained its 16th place ranking. Los Angeles County moved up one slot to 19th place. Los Angeles County is now just behind the Netherlands, Turkey, and Indonesia, and ahead of Switzerland, Poland and Belgium, Sweden, Saudi Arabia, Taiwan and Norway.

In *nominal* terms (not adjusted for inflation and based on market exchange rates), GDP growth rates in 2010 for the U.S., California, the Los Angeles five-county region and Los Angeles County were not nearly as high as in most emerging and developing nations. Taiwan, India, and China were the only economies that experienced double-digit growth rates in both nominal and real (adjusted for inflation and constant prices) terms in 2010.

China surpassed Japan to become the second largest economy in the world in 2010 (on a nominal basis). Other notable developments include Spain falling from 9th to 12th place, while Canada, India and Russia all moved up one spot in the rankings.

When compared in *real* GDP terms, the emerging and developing economies also posted much stronger growth than the California and Southern California economies. Taiwan, India, and China experienced the largest GDP gains, boosted by government spending, exports, and consumer spending. Other notable performances in real terms during 2010 included the economies of Turkey, Brazil, South Korea, and Indonesia. The worst performances of the year occurred in some of the euro zone economies.

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[1] This list is based on market exchange rates (nominal method) and not adjusted for purchasing power parity (PPP) utilizing PPP exchange rates.

[2] International gross domestic product figures (IMF) and domestic regional figures (BEA) are published in the third quarter following the previous year end. Thus, the figures reported in Table 4 lag by one year.

Table 4: Gross Product Comparisons

($Billions, 2010 figures)

Rank	Country/State/Region	2010	Nominal GDP '09-'10 % Chg	Real GDP '09-'10 % Chg
1	United States	$14,526.55	4.2%	3.0%
2	China	5,878.26	17.8%	10.3%
3	Japan	5,458.80	8.5%	4.0%
4	Germany	3,286.45	-0.6%	3.6%
5	France	2,562.74	-2.6%	1.4%
6	United Kingdom	2,250.21	3.1%	1.4%
7	Brazil	2,090.31	30.6%	7.5%
8	Italy	2,055.11	-2.9%	1.3%
	California	**1,901.09**	**2.9%**	**1.8%**
9	India	1,631.97	29.0%	10.1%
10	Canada	1,577.04	17.9%	3.2%
11	Russia	1,479.83	21.1%	4.0%
12	Spain	1,409.95	-3.9%	-0.1%
13	Australia	1,237.36	25.2%	2.7%
14	Mexico	1,034.31	17.6%	5.4%
15	South Korea	1,014.48	21.6%	6.2%
	Los Angeles 5-co. area	**881.30**	**2.3%**	**1.2%**
16	Netherlands	780.67	-1.9%	1.6%
17	Turkey	735.49	19.7%	8.9%
18	Indonesia	706.75	31.3%	6.1%
	Los Angeles County	**543.74**	**8.8%**	**0.3%**
19	Switzerland	527.92	7.2%	2.7%
20	Poland	469.40	9.0%	3.8%
21	Belgium	467.78	-0.9%	2.1%
22	Sweden	458.73	13.7%	5.7%
23	Saudi Arabia	448.36	18.9%	4.1%
24	Taiwan	429.85	13.9%	10.9%
25	Norway	412.99	11.4%	0.3%

Note: Based on market exchange rates and not on purchasing power parity exchange rates
Note: Nominal GDP figures are not adjusted for inflation
Sources: IMF WEO -- September 2011, BEA -- September 2011, and LAEDC estimates

Table 5: California Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Value of Two-way Trade ($Billions)	Housing Unit Permits Issued	Nonresidential Buidling Permist
2001	34,481.8	14,602.0	5.4	1168.7	33,893	294.0	340.7	148,757	23,455
2002	34,867.8	14,457.8	6.7	1187.3	34,051	301.6	328.1	167,761	19,835
2003	35,236.6	14,392.8	6.8	1233.0	34,992	320.2	348.0	195,682	18,628
2004	35,538.3	14,532.6	6.2	1312.2	36,924	350.2	394.8	212,960	19,718
2005	35,770.7	14,801.3	5.4	1387.7	38,794	375.8	433.8	208,972	21,469
2006	35,947.5	15,060.3	4.9	1495.5	41,602	389.1	487.6	164,280	23,298
2007	36,185.9	15,173.5	5.2	1566.4	43,289	387.0	512.9	113,034	23,733
2008	36,538.0	14,981.4	7.2	1604.2	43,905	357.3	523.3	64,962	19,588
2009	36,887.6	14,084.7	11.3	1567.0	42,480	311.2	413.3	36,421	10,866
2010	37,318.5	13,896.4	12.4	1590.3	42,614	327.9	502.6	44,762	11,200
2011e	37,578.6	14,090.3	11.8	1681.9	44,757	354.5	559.7	47,015	13,029
2012f	37,916.8	14,296.8	11.1	1737.6	45,827	367.4	578.3	60,000	14,000
2013f	38,258.1	14,554.1	10.3	1804.5	47,167	380.6	606.0	75,000	15,300
% Change									
01/00	1.4%	0.8%		2.9%	1.5%	2.4%	-13.1%	0.1%	-12.2%
02/01	1.1%	-1.0%		1.6%	0.5%	2.6%	-3.7%	12.8%	-15.4%
03/02	1.1%	-0.4%		3.8%	2.8%	6.2%	6.1%	16.6%	-6.1%
04/03	0.9%	1.0%		6.4%	5.5%	9.4%	13.4%	8.8%	5.9%
05/04	0.7%	1.8%		5.8%	5.1%	7.3%	9.9%	-1.9%	8.9%
06/05	0.5%	1.7%		7.8%	7.2%	3.5%	12.4%	-21.4%	8.5%
07/06	0.7%	0.8%		4.7%	4.1%	-0.5%	5.2%	-31.2%	1.9%
08/07	1.0%	-1.3%		2.4%	1.4%	-7.7%	2.0%	-42.5%	-17.5%
09/08	1.0%	-6.0%		-2.3%	-3.2%	-12.9%	-21.0%	-43.9%	-44.5%
10/09	1.2%	-1.3%		1.5%	0.3%	5.4%	21.6%	22.9%	3.1%
11/10	0.7%	1.4%		5.8%	5.0%	8.1%	11.4%	5.0%	16.3%
12/11	0.9%	1.5%		3.3%	2.4%	3.6%	3.3%	27.6%	7.5%
13/12	0.9%	1.8%		3.9%	2.9%	3.6%	4.8%	25.0%	9.3%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce Construction Industry Research Board; estimates and forecasts by the LAEDC

TABLE 6: CALIFORNIA NONFARM EMPLOYMENT

Annual averages, thousands; March 2010 benchmark

Year	Total Nonfarm Payroll	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2001	14,602.0	25.6	780.4	1,778.6	1,161.4	617.2	658.9	1,575.9	514.1	551.9
2002	14,457.8	23.1	774.4	1,631.8	1,047.0	584.9	652.1	1,582.2	491.0	497.3
2003	14,392.8	22.2	796.8	1,542.4	976.4	566.0	649.5	1,588.4	480.6	476.1
2004	14,532.6	22.8	850.4	1,521.3	963.9	557.4	655.1	1,617.8	482.8	482.4
2005	14,801.3	23.6	905.3	1,502.6	956.9	545.7	675.8	1,659.3	487.1	473.6
2006	15,060.3	25.1	933.7	1,488.0	945.4	542.6	702.5	1,680.1	496.1	466.0
2007	15,173.5	26.7	892.6	1,464.4	927.9	536.4	715.3	1,689.9	507.6	470.8
2008	14,981.4	28.7	787.7	1,425.3	899.8	525.6	703.5	1,640.9	504.6	475.5
2009	14,084.7	26.1	623.1	1,281.9	798.9	483.0	645.3	1,523.0	474.0	440.4
2010	13,896.4	26.8	559.8	1,242.4	770.1	472.3	643.2	1,508.8	464.9	429.0
2011e	14,090.3	27.4	567.9	1,251.3	778.8	472.6	660.7	1,518.6	468.8	453.3
2012f	14,296.8	27.4	570.7	1,265.1	787.3	477.8	675.2	1,533.8	480.1	465.6
2013f	14,554.1	27.4	577.8	1,289.1	804.6	484.5	690.7	1,550.7	495.5	480.5

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2001	562.6	267.2	945.6	284.5	957.1	237.3	1,216.9	1,365.1	499.2	2,382.1
2002	578.5	268.2	913.8	266.8	939.3	245.5	1,259.7	1,382.4	505.7	2,447.1
2003	606.6	272.2	906.6	247.7	931.0	258.2	1,285.0	1,400.1	504.3	2,426.1
2004	618.8	276.4	918.9	231.3	947.8	262.9	1,304.1	1,439.4	503.9	2,397.7
2005	636.6	283.6	970.2	222.1	968.3	272.2	1,321.2	1,475.2	505.5	2,420.2
2006	639.3	288.5	1,026.5	212.6	1,003.3	277.6	1,343.8	1,519.0	507.1	2,452.3
2007	613.1	283.5	1,060.4	207.2	997.9	289.3	1,388.9	1,560.4	512.2	2,494.6
2008	566.0	275.9	1,079.6	207.2	951.6	300.6	1,432.6	1,572.6	511.3	2,518.9
2009	528.1	254.9	1,014.5	197.3	847.4	304.3	1,455.7	1,503.1	486.1	2,479.6
2010	511.9	247.9	1,020.6	190.5	858.3	307.9	1,479.0	1,493.7	484.7	2,427.1
2011e	511.7	245.0	1,054.7	189.3	895.2	325.6	1,508.7	1,527.6	482.7	2,401.9
2012f	514.2	247.2	1,082.1	189.7	926.5	327.8	1,546.4	1,561.2	489.1	2,394.7
2013f	516.8	249.4	1,111.3	190.3	980.2	329.4	1,583.5	1,589.3	495.1	2,397.1

TABLE 7: CALIFORNIA REGIONAL NONFARM EMPLOYMENT

Annual averages for major metropolitan areas, thousands; March 2010 benchmark

		Northern California			Central California					Southern California				
\ MSA	State of California	Oakland	San Francisco	San Jose	Bakersfield	Fresno	Modesto	Sacramento	Stockton	Los Angeles	Orange	Riverside-San Bernardino	San Diego	Ventura
Year \														
1990	12,499.8	879.2	947.3	824.2	170.7	224.5	117.5	618.5	152.7	4,135.7	1,172.4	712.6	966.6	230.3
1991	12,358.9	879.7	939.5	815.4	177.3	227.3	117.8	630.9	155.2	3,982.7	1,143.7	718.9	962.6	230.4
1992	12,153.5	870.2	914.4	801.7	173.3	230.2	120.0	623.2	154.8	3,804.5	1,126.0	729.6	947.7	226.6
1993	12,045.4	873.5	908.3	806.7	169.9	233.6	121.6	626.0	156.2	3,707.6	1,115.4	733.9	947.2	227.0
1994	12,159.5	877.4	903.6	810.3	170.8	237.2	122.2	643.8	157.3	3,701.9	1,126.8	751.3	955.5	233.3
1995	12,422.0	897.5	916.5	842.8	172.8	243.5	124.0	662.8	160.3	3,746.6	1,151.7	779.9	978.7	237.3
1996	12,743.4	915.4	948.2	891.9	174.9	246.8	127.8	681.5	163.5	3,788.5	1,184.3	803.5	1,006.4	237.9
1997	13,129.7	948.6	983.5	939.7	179.2	249.8	131.7	702.0	167.4	3,865.0	1,233.8	841.5	1,054.6	242.7
1998	13,596.1	976.2	1,012.2	969.7	184.3	253.5	137.2	731.4	171.5	3,943.5	1,299.1	882.2	1,105.8	252.3
1999	13,991.8	1,008.4	1,040.0	985.1	188.8	262.0	141.7	770.5	178.7	4,002.9	1,345.2	939.0	1,153.4	263.6
2000	14,488.2	1,046.7	1,082.1	1,044.3	194.1	270.6	144.2	797.1	185.8	4,072.1	1,388.9	988.4	1,194.3	275.0
2001	14,602.0	1,054.5	1,053.9	1,017.9	202.2	275.9	149.7	818.9	191.1	4,073.6	1,413.7	1,029.7	1,218.6	279.9
2002	14,457.8	1,039.0	987.1	917.2	205.1	282.0	150.7	832.2	194.0	4,026.8	1,403.7	1,064.5	1,230.8	281.8
2003	14,392.8	1,024.8	950.7	870.3	207.1	282.7	152.3	846.0	197.3	3,982.9	1,429.0	1,099.2	1,240.1	284.2
2004	14,532.6	1,022.9	939.3	862.0	211.8	286.9	154.6	859.1	200.7	3,996.5	1,456.7	1,160.0	1,260.3	286.2
2005	14,801.3	1,031.4	945.8	869.9	222.1	294.3	159.1	880.9	205.8	4,024.2	1,491.0	1,222.0	1,282.1	291.2
2006	15,060.3	1,044.6	964.4	891.2	233.3	302.6	159.8	899.0	209.1	4,092.5	1,518.9	1,267.7	1,301.6	297.7
2007	15,173.5	1,048.2	989.1	911.2	238.7	306.4	160.1	903.0	211.5	4,122.1	1,515.5	1,270.9	1,308.8	296.8
2008	14,981.4	1,030.4	996.7	914.9	238.0	303.0	156.4	882.1	205.7	4,070.7	1,481.6	1,223.8	1,298.7	291.3
2009	14,084.7	968.0	945.3	856.4	227.1	286.4	146.7	831.5	193.8	3,824.1	1,372.1	1,134.8	1,231.4	275.6
2010	13,896.4	948.4	935.2	852.4	224.3	279.8	145.3	807.9	188.0	3,769.0	1,352.9	1,111.2	1,220.2	272.5
2011e	14,090.3	946.4	942.4	874.2	227.3	279.6	145.0	802.1	187.9	3,785.4	1,367.2	1,113.8	1,239.6	274.8
2012f	14,296.8	960.6	953.7	889.1	229.8	280.7	146.6	811.7	189.2	3,808.1	1,389.1	1,130.1	1,260.7	279.5
2013f	14,554.1	976.0	966.1	903.3	233.5	284.9	148.9	825.5	192.1	3,853.8	1,414.1	1,150.5	1,283.4	284.2

Sources: California EDD, Labor Market Division, Current Employment Series; forecasts by LAEDC

TABLE 8: TOTAL NONFARM EMPLOYMENT IN SOUTHERN CALIFORNIA

Actual Data & Forecasts (Annual averages in thousands)

Year	Los Angeles	Orange	RC-SBC	Ventura	LA 5-Co.	San Diego	California
2002	4,026.8	1,403.7	1,064.5	281.8	6,776.8	1,230.8	14,457.8
2003	3,982.9	1,429.0	1,099.2	284.2	6,795.3	1,240.1	14,392.8
2004	3,996.5	1,456.7	1,160.0	286.2	6,899.4	1,260.3	14,532.6
2005	4,024.2	1,491.0	1,222.0	291.2	7,028.4	1,282.1	14,801.3
2006	4,092.5	1,518.9	1,267.7	297.7	7,176.8	1,301.6	15,060.3
2007	4,122.1	1,515.5	1,270.9	296.8	7,205.3	1,308.8	15,173.5
2008	4,070.7	1,481.6	1,223.8	291.3	7,067.4	1,298.7	14,981.4
2009	3,824.1	1,372.1	1,134.8	275.6	6,606.6	1,231.4	14,084.7
2010	3,769.0	1,352.9	1,111.2	272.5	6,505.6	1,220.2	13,896.4
2011e	3,784.6	1,367.2	1,113.8	274.8	6,540.5	1,239.6	14,090.3
2012f	3,808.1	1,389.1	1,130.1	279.5	6,606.8	1,260.7	14,296.8
2013f	3,853.8	1,414.1	1,150.5	284.2	6,702.6	1,283.4	14,554.1

Numerical Change from Prior Year (in thousands)

Year	Los Angeles	Orange	RC-SBC	Ventura	LA 5-Co.	San Diego	California
2002	-46.8	-10.0	34.8	1.8	-20.2	12.4	-144.8
2003	-43.9	25.3	34.7	2.4	18.5	9.3	-65.0
2004	13.6	27.7	60.8	2.0	104.1	20.2	139.8
2005	27.7	34.3	62.0	5.0	129.0	21.8	268.7
2006	68.3	27.9	45.7	6.5	148.4	19.5	259.0
2007	29.6	-3.4	3.2	-0.9	28.5	7.2	113.2
2008	-51.4	-33.9	-47.1	-5.5	-137.9	-10.1	-192.1
2009	-246.6	-109.5	-89.0	-15.7	-460.8	-67.3	-896.7
2010	-55.1	-19.2	-23.6	-3.1	-101.0	-11.2	-188.3
2011e	15.6	14.3	2.6	2.3	34.9	19.4	193.9
2012f	23.5	21.9	16.3	4.7	66.3	21.1	206.5
2013f	45.7	25.0	20.4	4.7	95.8	22.7	257.3

% Change from Prior Year

Year	Los Angeles	Orange	RC-SBC	Ventura	LA 5-Co.	San Diego	California
2002	-1.1%	-0.7%	3.4%	0.6%	-0.3%	1.0%	-1.0%
2003	-1.1%	1.8%	3.3%	0.9%	0.3%	0.8%	-0.4%
2004	0.3%	1.9%	5.5%	0.7%	1.5%	1.6%	1.0%
2005	0.7%	2.4%	5.3%	1.7%	1.9%	1.7%	1.8%
2006	1.7%	1.9%	3.7%	2.2%	2.1%	1.5%	1.7%
2007	0.7%	-0.2%	0.3%	-0.3%	0.4%	0.6%	0.8%
2008	-1.2%	-2.2%	-3.7%	-1.9%	-1.9%	-0.8%	-1.3%
2009	-6.1%	-7.4%	-7.3%	-5.4%	-6.5%	-5.2%	-6.0%
2010	-1.4%	-1.4%	-2.1%	-1.1%	-1.5%	-0.9%	-1.3%
2011e	0.4%	1.1%	0.2%	0.9%	0.5%	1.6%	1.4%
2012f	0.6%	1.6%	1.5%	1.7%	1.0%	1.7%	1.5%
2013f	1.2%	1.8%	1.8%	1.7%	1.5%	1.8%	1.8%

Sources: EDD, Labor Market Information Division; all estimates & forecasts by LAEDC

TABLE 9: CALIFORNIA TECHNOLOGY EMPLOYMENT

Annual averages, thousands, March 2010 benchmark , based on NAICS

		Manufacturing			Services				
Year	Total Technology Employment	Electronic Product Manufacturing	Aerospace Product & Parts Manufacturing	Pharmaceutical & Medicine Manufacturing	Software Publishers	ISPs, Web Portals, Data Processing	Computer Systems Design & Rel. Services	Management, Scientific & Technical Consulting	Scientific R&D Services
2001	1,019.0	409.7	86.3	39.2	52.6	28.8	204.4	99.1	99.1
2002	922.0	353.7	79.6	39.5	48.8	20.7	177.1	102.1	100.5
2003	876.8	320.9	73.6	39.1	44.7	18.7	168.8	109.7	101.2
2004	876.9	313.4	73.7	40.6	42.6	18.5	168.5	119.0	100.8
2005	902.6	310.8	73.4	42.0	41.6	19.6	175.6	135.4	104.2
2006	932.2	308.2	73.0	44.0	41.3	20.9	187.3	151.3	106.2
2007	950.4	304.1	72.8	44.2	43.0	20.7	199.2	159.0	107.6
2008	971.2	300.0	73.7	43.6	44.9	20.4	205.8	166.8	116.1
2009	924.0	278.6	71.3	43.5	45.0	19.3	195.5	156.1	114.9
2010	933.9	274.6	69.0	43.5	44.8	19.3	200.4	164.2	118.3
2011e	959.8	281.9	67.9	44.6	46.2	19.6	202.4	175.1	122.1

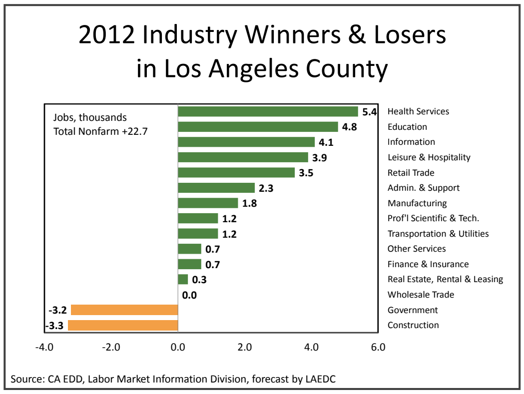
Sources: California Employment Development Department, Labor Market Information Division; estimates by LAEDC

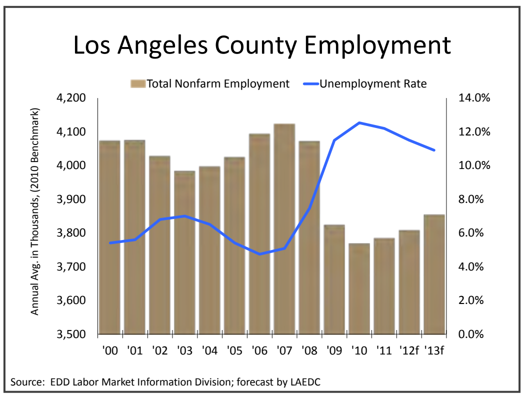
Table 10: Population Trends in California & the Los Angeles 5-County Area

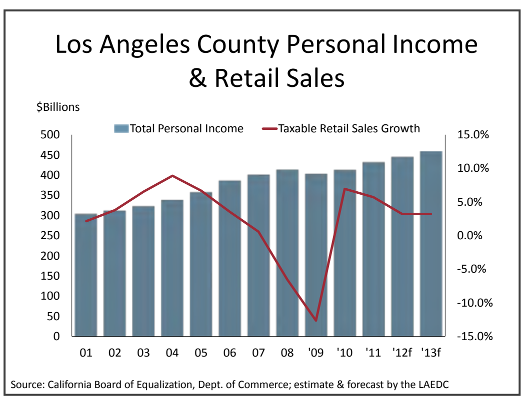
Year	Los Angeles County		Orange County		Inland Empire		Ventura County		San Diego County		State of California	
	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ
1980	7,500	\	1,945	\	1,572	\	532	\	1,873	\	23,782	\
		18.1%		24.0%		66.7%		25.7%		33.7%		25.4%
1990	8,860	/	2,412	/	2,620	/	669	/	2,505	/	29,828	/
1991	8,955	1.1%	2,459	1.9%	2,751	5.0%	677	1.2%	2,555	2.0%	30,459	2.1%
1992	9,060	1.2%	2,512	2.2%	2,833	3.0%	686	1.4%	2,590	1.4%	30,987	1.7%
1993	9,084	0.3%	2,550	1.5%	2,885	1.8%	694	1.1%	2,598	0.3%	31,314	1.1%
1994	9,106	0.3%	2,576	1.0%	2,920	1.2%	701	1.0%	2,611	0.5%	31,524	0.7%
1995	9,101	-0.1%	2,605	1.1%	2,960	1.4%	705	0.6%	2,615	0.2%	31,712	0.6%
1996	9,108	0.1%	2,646	1.6%	3,007	1.6%	710	0.8%	2,627	0.5%	31,963	0.8%
1997	9,186	0.9%	2,700	2.0%	3,063	1.9%	722	1.6%	2,680	2.0%	32,453	1.5%
1998	9,266	0.9%	2,750	1.9%	3,117	1.8%	729	1.0%	2,726	1.7%	32,863	1.3%
1999	9,394	1.4%	2,803	1.9%	3,198	2.6%	743	1.9%	2,776	1.9%	33,419	1.7%
2000	9,544	1.6%	2,854	1.8%	3,276	2.4%	757	1.9%	2,828	1.9%	34,001	1.7%
2001	9,634	0.9%	2,890	1.3%	3,376	3.0%	765	1.1%	2,870	1.5%	34,482	1.4%
2002	9,718	0.9%	2,914	0.8%	3,483	3.2%	776	1.5%	2,910	1.4%	34,868	1.1%
2003	9,782	0.7%	2,940	0.9%	3,610	3.7%	783	0.9%	2,944	1.2%	35,237	1.1%
2004	9,808	0.3%	2,957	0.6%	3,743	3.7%	787	0.5%	2,963	0.7%	35,538	0.9%
2005	9,802	-0.1%	2,957	0.0%	3,859	3.1%	786	-0.2%	2,970	0.2%	35,771	0.7%
2006	9,756	-0.5%	2,955	-0.1%	3,965	2.8%	787	0.2%	2,983	0.4%	35,948	0.5%
2007	9,728	-0.3%	2,966	0.4%	4,044	2.0%	789	0.2%	3,014	1.1%	36,186	0.7%
2008	9,772	0.4%	2,983	0.6%	4,089	1.1%	794	0.6%	3,051	1.2%	36,538	1.0%
2009	9,832	0.6%	2,999	0.5%	4,181	2.3%	801	0.9%	3,078	0.9%	36,888	1.0%
2010	9,881	0.5%	3,017	0.6%	4,231	1.2%	810	1.2%	3,105	0.9%	37,319	1.2%
2011	9,920	0.4%	3,044	0.9%	4,286	1.3%	821	1.3%	3,131	0.9%	37,579	0.7%

Source: California Dept. of Finance, Demographic Research Unit

V. Outlook for Los Angeles County







Los Angeles County, one of California's original 27 counties, was established Feb. 18, 1850. It is one of the nation's largest counties with 4,084 square miles and 88 cities. With nearly 10 million residents, it has the largest population of any county in the nation, and accounts for 27% of California's total population.

Los Angeles was hit hard by the Great Recession. Over 350,000 jobs were lost and the unemployment rate rose to 13%. Nevertheless, the county saw job gains in both the important education sector and the health services sector throughout the recession. Los Angeles County has participated somewhat unevenly in the economic gains of the past two years, but recovery is lagging the state as a whole.

Industry Outlook

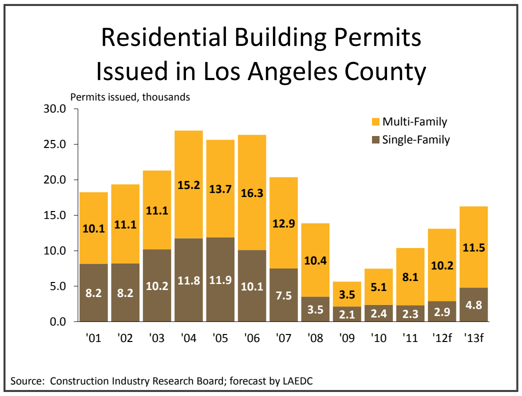
The Los Angeles economy eked out a slight improvement of 0.4% in nonfarm jobs last year, but several industries are poised for growth over the forecast period as the national economy continues to expand and recovery takes a firmer hold in the state economy.

International trade activity finished 2011 just behind the prior year, but only because of a strong finish in December. With gradual improvement in the national economy, trade gains are in store for the year ahead as are increases in jobs. However, there are concerns about the impact of slower global economic growth on trade coming through the ports and the airports.

Entertainment industry activity has increased as well, with overall film production rising modestly last year after a large rebound in 2010. More motion pictures and commercials were filmed locally in 2011, but television pilots and shows declined slightly.

Tourism also has turned up with new hotels downtown and in Hollywood drawing more business and leisure travelers. Occupancy rates averaged better than 70% last year, room rates rose 5.6% over 2010, and room revenue rose 12% over 2010. The sector should see more gains in 2012 and 2013.

Private education jobs grew throughout the recession, and the sector is poised for continued growth over the forecast period. A number of local universities have national, if not global, recognition that can play an important role in attracting the region's next generation of highly



trained workers. This sector also includes private K-12 schools and job training institutions that attract workers and those seeking training for better jobs.

Healthcare services also added jobs during the course of the recession, and should see job gains continue this year and next. While many medical professionals serve the local population, university/teaching hospitals also attract patients from out of the area. Good hospitals attract excellent physicians, and L.A. County has some of the best. Healthcare reform has lent uncertainty to this sector's future.

Retail sales will respond to improving conditions for households, with a marginal uptick in retail sales and employment in 2011 giving way to somewhat faster growth in 2012 and 2013.

Major construction projects will support the Los Angeles economy this year. Partly funded by the federal government, LAX, Metro, and the two ports all have significant construction programs underway. Other projects are in progress elsewhere in the county, notably the new courthouse building in Long Beach. Overall, nonresidential activity will be a bright spot in an otherwise hard-hit sector with increases in valuations last year as well as the next two years. Residential permits will register sizable percentage increases, but this part of housing is coming off a very low base and will take years to recover. Construction activity will take time to recover but even a modest rise in job counts will be welcome.

Local Government Finance will remain a big concern as it has during the recession and in the years since. The state's chronic budget problems have hurt school district, city and county budgets. More layoffs and service cuts are expected in 2012, but jobs should turn slightly positive in 2013.

The largest employment gains during 2012 will come in health services, education, information, and leisure & hospitality.

Summing up: The unemployment rate will edge down over the next two years, but at a painfully slow pace. Total nonfarm employment in the county added 15,600 jobs in 2011 and should see an additional 22,700 jobs this year, but it will take years for the county to return to the four million nonfarm job threshold that marked most of the last decade. Still, progress will be made with this year's 0.6% increase in employment to be followed by a stronger 1.2% performance in 2013.

Numerically, the largest employment gains during 2012 will come in: health services (+5,400 jobs), education (+4,800 jobs), information (+4,100 jobs), and leisure & hospitality (+3,900 jobs). Budget problem will force government entities to shed more jobs (-3,200 jobs) and private-sector job cuts will come in construction (-3,300 jobs).

Total personal income in the county grew by an estimated 4.6% in 2011, and is expected to grow by approximately 3.0% this year and next.

Los Angeles County's Largest Industry Clusters by Employment (2010)

Leading Traded Clusters
(Traded clusters drive wealth creation in a region)

1. Entertainment	159,900
2. Trade (transportation, logistics, distribution)	157,200
3. Business Services	143,200
4. Knowledge Creation	89,900
5. Fashion	68,500

TABLE 11: LOS ANGELES COUNTY ECONOMIC INDICATORS

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Value of Two-way Trade ($Billions)	Total Overnight Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)	Chg. in CPI (%)
2001	9,633.7	4,073.6	5.7	303.4	31,498	71.8	212.2	22.8	18,253	3,539	3.3
2002	9,717.8	4,026.8	6.8	311.4	32,041	74.5	212.8	22.1	19,364	2,920	2.8
2003	9,781.8	3,982.9	7.0	322.3	32,946	79.4	232.9	23.3	21,313	2,932	2.6
2004	9,808.4	3,996.5	6.5	338.2	34,482	86.5	261.7	24.3	26,935	3,174	3.3
2005	9,802.3	4,024.2	5.4	357.2	36,439	92.3	291.6	25.0	25,647	3,824	4.5
2006	9,755.9	4,092.5	4.8	385.7	39,537	95.5	326.4	25.4	26,348	3,896	4.3
2007	9,728.0	4,122.1	5.1	400.4	41,156	96.1	347.3	25.9	20,363	4,739	3.3
2008	9,771.5	4,070.7	7.5	412.6	42,229	89.8	355.8	25.6	13,704	4,491	3.5
2009	9,831.9	3,824.1	11.5	402.5	40,934	78.4	282.9	23.8	5,653	2,674	-0.8
2010	9,880.6	3,769.0	12.6	412.2	41,722	83.9	346.9	25.8	7,468	2,677	1.2
2011e	9,920.1	3,785.4	12.2	431.1	43,459	88.7	388.1	26.5	10,380	3,129	2.7
2012f	9,959.8	3,808.1	11.5	444.2	44,602	91.5	401.0	26.8	13,100	3,525	1.5
2013f	10,009.6	3,853.8	10.9	458.0	45,754	94.5	420.8	26.9	16,250	4,000	2.5

% Change										
01/00	1.0%	0.0%		6.5%	5.5%	2.2%	-7.8%	-5.8%	6.9%	7.4%
02/01	0.9%	-1.1%		2.6%	1.7%	3.8%	0.3%	-3.1%	6.1%	-17.5%
03/02	0.7%	-1.1%		3.5%	2.8%	6.5%	9.5%	5.4%	10.1%	0.4%
04/03	0.3%	0.3%		4.9%	4.7%	8.9%	12.4%	4.3%	26.4%	8.3%
05/04	-0.1%	0.7%		5.6%	5.7%	6.7%	11.4%	2.9%	-4.8%	20.5%
06/05	-0.5%	1.7%		8.0%	8.5%	3.5%	11.9%	1.6%	2.7%	1.9%
07/06	-0.3%	0.7%		3.8%	4.1%	0.6%	6.4%	2.0%	-22.7%	21.6%
08/07	0.4%	-1.2%		3.1%	2.6%	-6.5%	2.5%	-1.2%	-32.7%	-5.2%
09/08	0.6%	-6.1%		-2.5%	-3.1%	-12.7%	-20.5%	-7.0%	-58.7%	-40.5%
10/09	0.5%	-1.4%		2.4%	1.9%	7.0%	22.6%	8.4%	32.1%	0.1%
11/10	0.4%	0.4%		4.6%	4.2%	5.7%	11.9%	2.7%	39.0%	16.9%
12/11	0.4%	0.6%		3.0%	2.6%	3.2%	3.3%	0.9%	26.2%	12.7%
13/12	0.5%	1.2%		3.1%	2.6%	3.2%	4.9%	0.6%	24.0%	13.5%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, LA Inc. Construction Industry Research Board; estimates and forecasts by the LAEDC

TABLE 12: LOS ANGELES COUNTY NONFARM EMPLOYMENT

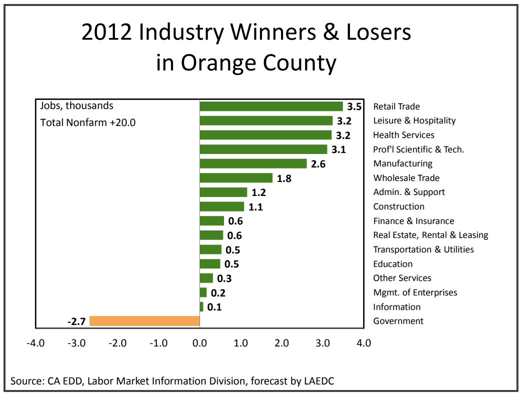
Annual averages, thousands; March 2010 benchmark

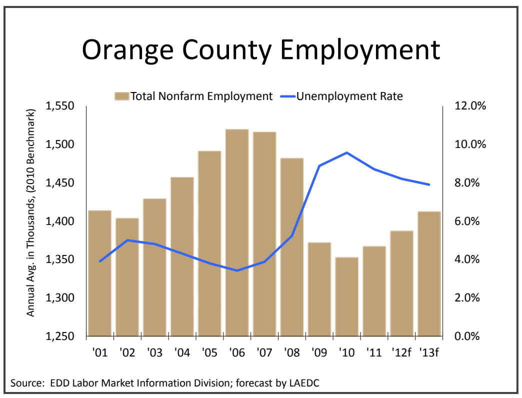
Year	Total Nonfarm	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2001	4,073.6	3.8	136.8	577.9	*325.4*	*252.5*	219.4	394.8	175.6	226.3
2002	4,026.8	3.7	134.5	534.8	*299.3*	*235.5*	217.3	398.2	167.2	207.3
2003	3,982.9	3.8	134.6	500.0	*276.2*	*223.8*	214.1	399.2	161.5	202.3
2004	3,996.5	3.8	140.2	483.6	*267.8*	*215.8*	215.1	405.4	161.1	211.9
2005	4,024.2	3.7	148.7	471.7	*263.4*	*208.3*	219.3	414.4	161.7	207.6
2006	4,092.5	4.0	157.5	461.7	*257.3*	*204.4*	225.7	423.3	165.2	205.6
2007	4,122.1	4.4	157.6	449.2	*250.9*	*198.3*	227.0	426.0	165.6	209.8
2008	4,070.7	4.4	145.2	434.5	*243.2*	*191.2*	223.7	416.5	163.1	210.3
2009	3,829.4	4.1	117.3	389.2	*217.5*	*171.6*	204.5	387.0	151.2	191.2
2010	3,769.0	4.2	104.3	374.2	*207.2*	*166.9*	202.9	385.2	150.3	192.4
2011e	3,785.4	4.1	100.1	373.4	*206.0*	*167.4*	201.4	386.8	148.3	205.0
2012f	3,808.1	4.1	96.8	375.2	*206.8*	*168.4*	201.4	390.3	149.5	209.1
2013f	3,853.8	4.1	100.8	378.5	*208.2*	*170.3*	203.2	395.0	151.0	215.4

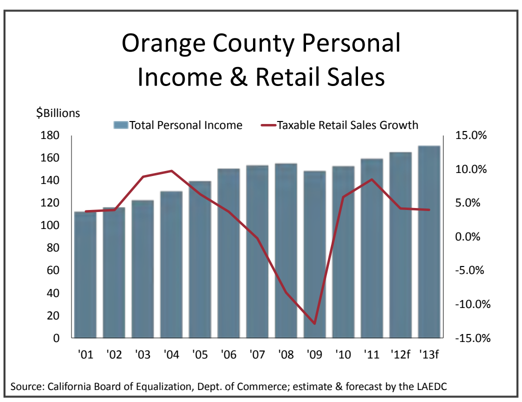
Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2001	154.5	72.7	233.6	84.4	270.0	88.6	345.3	348.5	143.2	598.3
2002	158.0	72.8	231.6	82.5	261.0	93.0	359.2	354.2	145.6	606.1
2003	163.1	74.8	233.5	77.4	249.1	94.8	367.5	362.6	145.5	599.3
2004	163.0	76.7	237.7	71.2	253.6	95.4	373.6	372.8	144.7	587.1
2005	164.3	77.8	250.9	67.6	257.7	97.4	375.8	377.8	144.3	583.7
2006	166.9	79.8	264.0	63.0	271.9	99.4	381.4	388.6	145.2	589.4
2007	163.6	80.3	273.9	58.8	272.7	102.9	389.7	397.9	147.1	595.7
2008	153.9	79.4	269.6	56.7	256.4	105.1	400.7	401.6	146.1	603.7
2009	142.3	73.8	250.2	54.4	225.3	110.1	404.6	385.6	137.9	595.8
2010	137.8	71.4	245.7	52.1	228.3	112.2	410.5	384.6	136.3	576.6
2011e	135.7	71.1	247.0	51.8	231.8	117.7	417.2	390.7	135.0	567.5
2012f	136.4	71.4	248.2	51.9	234.1	122.5	422.6	394.6	135.7	564.3
2013f	137.5	71.8	250.4	52.0	237.4	126.9	428.5	399.0	135.7	566.6

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC.

VI. Outlook for Orange County







Orange County was created by the California State Legislature in 1869. Initially a part of Los Angeles, population growth in the region led to its formation as a separate county. Now the third most populous county in California, Orange County has transformed itself from a rural bedroom community to a prosperous hub for the high-tech, aerospace, manufacturing and tourism industries.

In September 2010, as the economy began to recover, Orange County became the first metropolitan area in the state to post positive year-over-year job growth. The county currently has the lowest unemployment rate in Southern California, 7.8% in December. Orange County's economy will continue to expand in 2012 with all major private industry sectors adding jobs. However, the pace of job growth will be slow. Many of the attributes that have historically supported Orange County's economic strength, namely its tourist attractions, universities and high tech industries, remained intact through the recession and are growing again.

Industry Outlook

The **Health Services** industry is one of the leading segments of the Orange County economy. There are several large hospital expansions in progress that will enable Orange County to meet growing demand for health care in the region. Kaiser Permanente is close to completing a 400,000 square foot hospital in Anaheim. This $461 million facility is part of a planned $800 million campus that includes two medical office buildings, a support building, and a parking structure. St. Jude Medical Center in Fullerton is planning a 200,000 square foot, $285 million expansion that is scheduled to be completed during the summer of 2014. Children's Hospital of Orange County (CHOC) is near completing a 425,500 square foot patient tower that is at the heart of a $562 million expansion.

The county's **life science and medical instrument makers** are also a source of economic growth. This industry sector includes both medical device manufacturing and pharmaceuticals. Several firms have announced expansion plans. New products are in the approval pipeline and others will be hitting the market this year.

Orange County's **high tech** industries are thriving. The county's largest computer products makers are adding jobs. Business tech spending will be key to growth in the region, but demand for consumer

Big Data is a general term used describe the huge amounts of unstructured and semi-structured data a company creates – data that would take too much time and cost too much money to load into a regular data base. Big Data is not another word for a lot of data. It is large files of data that need to be manipulated so a firm can analyze it to unlock some business value. For example, the data Amazon accumulates from its customers' purchases to recommend other items to buy.

electronics is also on the rise. Information technology will be the big winner as spending increases for smartphones, tablet computers, mobile networks, social networking and big data analytics (see side bar). Moderate growth for 2012 is expected for the county's computer chip makers after a record year in 2011. One exception is the county's telecommunications companies. Consolidation and restructuring within the industry has resulted in the fifth straight year of jobs cuts. A large percentage of the county's high tech products are exported. Slower growth abroad in 2012 will have some impact on sales but even so, demand from overseas will continue to provide a boost to the local economy.

Travel and tourism in Orange County rebounded last year and will expand further in 2012 as more leisure and business travelers take to the road. The Anaheim Convention Center will see an increase in the number of meetings and conventions held this year. The convention center is moving forward with plans for a $17 million expansion that will add 100,000 square feet of outdoor event space that is scheduled to be completed before the end of next year. The county's lodging sector is also doing quite well. Occupancy rates are up and average daily room rates are expected to increase in 2012 after two years of declines. In addition to a number of extensive hotel and resort renovations, new hotel construction is making a cautious comeback.

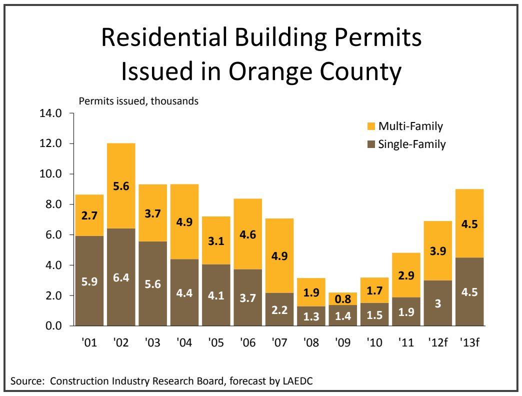
The number of *patents awarded* to Orange County firms rose by 14% in 2011 to 2,709. Orange County accounted for 1% of total number of patents issued in the United States last year. The largest number of new patents in the county were awarded to makers of computer chips, pharmaceuticals and disk drives.

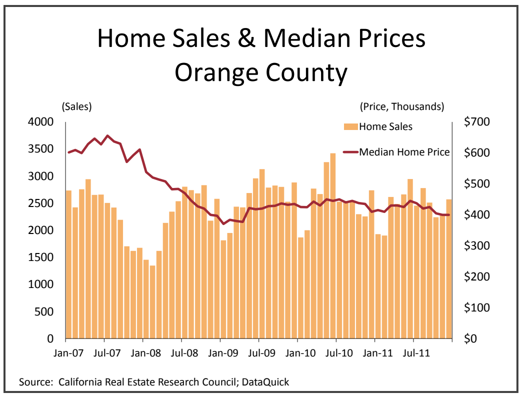
Orange County's tourist attractions are expanding as well. Disneyland's new Cars Land at its California Adventure Park is scheduled to open later this year and Knott's Berry Farm debuted its new Windseeker ride this past summer. Orange County's Great Park (located on the former El Toro Marine base) is slated for a $70 million expansion plan.

The John Wayne International Airport opened its new Terminal C in November, the last major element of a $543 million expansion and renovation project. Expected to begin mid-year 2012, new nonstop service from John Wayne to Mexico City and Cabo San Lucas will provide a lift for the local tourism industry by making it more convenient for tourists from Mexico to visit Orange county.

Orange County ranks as the 10th largest county in the nation in terms of *manufacturing* employment.

Manufacturing employment will continue to make small gains in 2012. Manufacturing establishments make up about 22% of all business firms in Orange County. Expansion is being fueled by both domestic demand and export demand (principally from Asia) for the county's computer products, medical devices, industrial goods and apparel. Growth in defense related activities will be flat this year due to Federal budget cuts and military downsizing. Boeing has trimmed hundreds of jobs at various Orange County operations, but remains one of the





area's largest local employers. The major risks for manufacturing over the course of 2011, a resurgence of energy prices and rising prices for commodities, will be less of a factor this year, while concerns about slower economic growth abroad move to the forefront.

The **finance** sector is stirring again. Orange County Banks hired more workers last year and are reporting modest loan growth for commercial and industrial loans. Still, businesses remain very cautious about capital spending. Banks are competing for well qualified customers, which is pushing down interest rates and fees. On the consumer side, loan demand is flat. Lending standards are still generally restrictive but many banks are reporting improved credit quality. Loan growth will improve as economic activity picks up speed. Risks to the industry include low interest rates that reduce investment returns, market volatility that inhibits risk taking, and tighter regulations that increase costs.

This year may prove to be pivotal for **residential real estate** in Orange County. Much will depend on improvement in the labor markets and an easing of mortgage lending standards. The year 2011 closed with median home prices below year-ago levels. Falling home prices not only block new home construction, but can lead to more conservative appraisals of existing homes. Sales in Orange County are strongest for homes priced less than $300,000 (particularly condos) while tight lending standards and lower loan limits for loans guaranteed by Fannie Mae and Freddie Mac constrain sales at the upper end of the market. New home construction was up over the year in 2011 (albeit from very low levels) and is expected to post additional gains in 2012. New apartment construction will do better than new single-family home construction. Recovery may be just over the horizon - expect 2012 to be a transitional year for Orange County's housing sector with prices bottoming out and a small upswing in sales and new home construction.

Commercial real estate is showing signs of recovery. Industrial vacancy rates, while high by pre-recession norms, are starting to fall. Office vacancy rates are improving but remain stubbornly high. Industrial lease rates have ticked up in recent months, but office lease rates are still declining, making office space a bargain for Orange County renters. Investors are seeing increases in the sales price of prime commercial properties. New commercial construction was up in 2011 compared with 2010. Gains were made in new retail and hotel space but new industrial and office construction remained well below the low levels of 2010. Again, improvement here as elsewhere in the economy reverts back to progress in the labor markets. As firms pick up the pace of hiring, demand for Orange County commercial space will increase, eventually sparking a turnaround in nonresidential construction.

Summing up: Orange County's economy is moving beyond "recovery" and into expansion. Growth will accelerate as the year progresses with the local economy adding jobs at a slow but steady rate. Orange County has several attributes that have historically supported strong economic growth, namely its, universities, high tech industries and the pull of its tourist attractions. Going forward these core strengths will provide a firm base for continuing expansion.

Orange County's Largest Industry Clusters by Employment (2010)

Leading Traded Clusters
(Traded clusters drive wealth creation in a region)

1. Business Services	73,500
2. Trade (transportation, logistics, distribution)	44,500
3. Hospitality and Tourism	37,800
4. Financial Services	24,400
5. Information Technology	23,600

Table 13: Orange County Economic Indicators

Year	Population as of July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Total Overnight Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2001	2,889.9	1,413.7	3.9	112.2	38,841	28.5	18.2	8,646	1,350
2002	2,914.4	1,403.7	5.0	116.0	39,804	29.6	18.3	12,020	1,209
2003	2,939.7	1,429.0	4.8	122.4	41,646	32.3	19.1	9,311	1,006
2004	2,956.5	1,456.7	4.3	130.3	44,080	35.4	19.8	9,322	1,133
2005	2,957.2	1,491.0	3.8	139.4	47,143	37.7	20.2	7,206	1,495
2006	2,955.4	1,518.9	3.4	150.6	50,956	39.1	20.0	8,371	2,401
2007	2,965.8	1,515.5	3.9	153.4	51,738	39.0	19.7	7,072	2,005
2008	2,982.8	1,481.6	5.2	155.1	51,988	35.8	18.9	3,159	1,439
2009	2,998.8	1,372.1	8.9	148.4	49,477	31.2	18.0	2,200	952
2010	3,017.1	1,352.9	9.6	152.6	50,573	33.0	18.7	3,091	1,152
2011e	3,044.0	1,367.2	8.7	159.3	52,340	35.8	19.3	4,818	1,299
2012f	3,062.2	1,387.2	8.2	165.1	53,902	37.3	19.8	6,900	1,400
2013f	3,080.6	1,412.2	7.9	170.8	55,439	38.8	20.1	9,000	1,525

% Change									
01/00	1.2%	1.8%		2.5%	1.3%	3.8%	-2.2%	-30.1%	-23.4%
02/01	0.8%	-0.7%		3.3%	2.5%	4.0%	0.5%	39.0%	-10.4%
03/02	0.9%	1.8%		5.5%	4.6%	8.9%	4.4%	-22.5%	-16.8%
04/03	0.6%	1.9%		6.4%	5.8%	9.8%	3.7%	0.1%	12.6%
05/04	0.0%	2.4%		7.0%	6.9%	6.3%	2.0%	-22.7%	32.0%
06/05	-0.1%	1.9%		8.0%	8.1%	3.7%	-1.0%	16.2%	60.6%
07/06	0.4%	-0.2%		1.9%	1.5%	-0.2%	-1.5%	-15.5%	-16.5%
08/07	0.6%	-2.2%		1.1%	0.5%	-8.3%	-4.1%	-55.3%	-28.2%
09/08	0.5%	-7.4%		-4.3%	-4.8%	-12.9%	-4.8%	-30.4%	-33.8%
10/09	0.6%	-1.4%		2.8%	2.2%	5.9%	3.9%	40.5%	21.0%
10/11	0.9%	1.1%		4.4%	3.5%	8.5%	3.2%	55.9%	12.8%
11/12	0.6%	1.5%		3.6%	3.0%	4.2%	2.6%	43.2%	7.8%
13/12	0.6%	1.8%		3.5%	2.9%	4.0%	1.5%	30.4%	8.9%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, Orange County Visitor & Convention Bureau, Construction Industry Research Board; estimates and forecasts by the LAEDC

Table 14: Orange County Nonfarm Employment

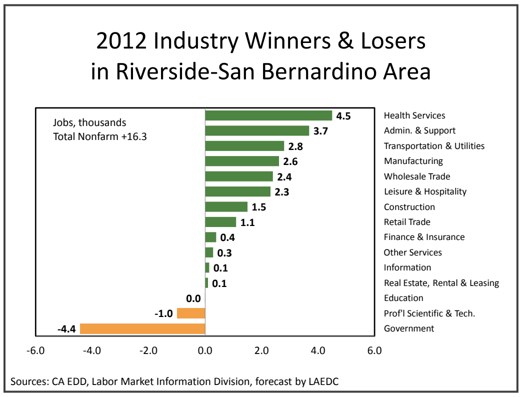
Annual averages, Thousands, March 2010 benchmark

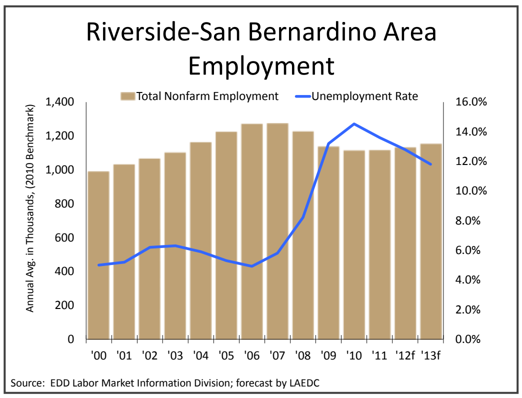
Year	Total Nonfarm Payroll	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2001	1,413.7	0.6	80.7	208.5	*147.8*	*60.7*	83.9	150.1	30.4	40.2
2002	1,403.7	0.6	79.2	190.8	*133.6*	*57.2*	82.4	151.4	28.7	36.8
2003	1,429.0	0.5	83.7	183.9	*127.2*	*56.7*	83.2	152.8	29.0	35.2
2004	1,456.7	0.6	92.2	183.5	*127.1*	*56.4*	82.4	153.2	29.2	33.8
2005	1,491.0	0.7	99.9	182.9	*128.3*	*54.6*	83.0	158.1	28.7	32.8
2006	1,518.9	0.6	106.6	182.7	*128.0*	*54.7*	83.7	160.8	28.2	31.9
2007	1,515.5	0.6	103.1	180.4	*126.2*	*54.2*	86.9	161.2	28.9	31.2
2008	1,481.6	0.6	91.2	174.0	*122.5*	*51.5*	86.7	155.6	29.3	30.1
2009	1,372.1	0.5	74.2	154.8	*109.1*	*45.7*	79.4	142.3	27.8	27.3
2010	1,352.9	0.5	67.1	150.3	*106.2*	*44.1*	77.4	140.1	26.7	25.0
2011e	1,367.2	0.4	67.8	150.7	*106.8*	*43.9*	77.7	139.3	27.0	26.6
2012f	1,387.2	0.4	68.9	153.3	*108.9*	*44.4*	79.5	142.8	27.5	26.7
2013f	1,412.2	0.4	72.3	155.8	*110.9*	*44.9*	81.2	145.9	28.1	26.9

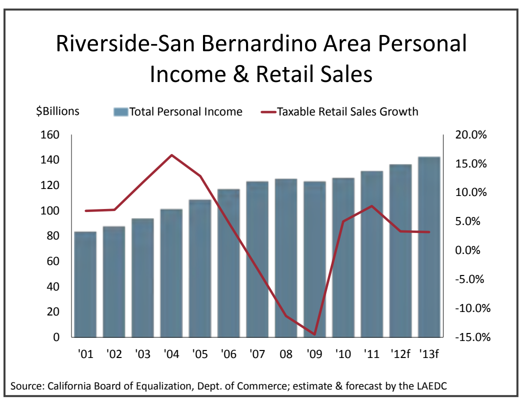
Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2001	73.8	32.1	94.3	39.7	114.5	16.0	98.6	154.3	45.2	150.9
2002	77.4	32.7	95.1	35.8	118.0	15.9	102.5	155.4	45.9	155.1
2003	88.0	34.2	96.4	32.9	123.3	18.9	107.5	158.6	46.7	154.2
2004	96.0	36.3	97.6	30.6	126.7	19.2	111.8	162.9	47.4	153.4
2005	100.9	37.5	103.2	30.0	131.1	19.8	113.7	165.0	48.4	155.3
2006	99.0	39.1	109.3	28.9	136.4	20.8	117.0	169.6	47.7	156.7
2007	89.1	38.6	113.5	27.9	132.0	21.6	121.1	172.9	47.4	159.4
2008	76.1	37.0	116.1	26.1	124.5	23.6	127.1	176.4	46.5	160.8
2009	70.6	34.5	107.3	24.3	108.7	23.4	128.8	169.1	42.6	156.6
2010	69.1	34.5	105.7	22.7	114.4	23.8	132.2	168.7	42.4	152.5
2011e	69.2	34.6	107.9	22.1	113.5	25.0	134.7	176.3	41.5	151.0
2012f	69.8	35.2	111.0	22.3	114.7	25.5	137.9	179.5	41.8	148.3
2013f	70.8	36.1	115.0	22.6	116.0	26.1	141.6	181.0	42.5	147.0

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

VII. Outlook for Riverside and San Bernardino Counties (Inland Empire)







The outlook for the Inland Empire area has begun to brighten in 2012 as the employment situation improves. Even the outlook for housing and the construction industry has improved somewhat for 2012. The Inland Empire experienced encouraging growth over the last four months of 2011. The region has taken a long time to recover after suffering a long and deep recession marked by a surge in the number of foreclosures along with plummeting home values and soaring joblessness.

The region began to turn around in 2010 along with the rest of Southern California, but the recovery has been extremely slow and, unfortunately it has more ground to make up due to its exposure to the housing collapse. The construction, manufacturing and trade related sectors are the key drivers of the Inland Empire economy. The construction and manufacturing sectors continued to struggle in 2011, while the trade related sectors have performed the best as trade volumes held up last year. Although the employment situation deteriorated somewhat in the first half of last year, the second half of 2011 produced higher than expected job gains which translated into a surprising net gain for the year.

The economy of the Inland Empire will not advance strongly until the housing market recovers and that is not expected for at least a few years. The Inland Empire registered more defaults and foreclosures per capita during the economic downturn than any other area of Southern California. However, median housing prices have appreciated by nearly 11.0% when compared with the lows of 2009, although the median price of an Inland Empire home is still significantly below where it was before the crisis (from the $390,000s to the $170,000s).

Total nonfarm employment increased by 16,300 jobs in 2011 when compared to a year earlier. The biggest industry winners in the Inland Empire were healthcare, transportation, wholesale trade and administrative services. However, the big losers continue to be construction, along with professional, scientific and technical services, private educational services, and government.

The region's construction industry has been hit the hardest and the results show in the employment figures. Construction employment in 2011 dropped by 3.5% from 2010, and was 55% below the peak level of June 2006. New industrial and office construction permits declined

The largest employment gains during 2012 will come in health services, administrative and support services, wholesale trade, and transportation.

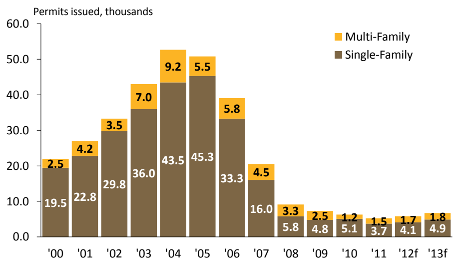
dramatically during the recession but 2011 saw slightly better activity. Nonresidential construction should continue to improve slightly in 2012, but will remain well below peak levels reached prior to the recession.

The unemployment rate in the Inland Empire fell to 13.6% in 2011 after reaching a high of 14.5% in 2010 and is expected to come down to 12.8% by the end of 2012. Persistently high unemployment has been very difficult for the Inland Empire to overcome and the results can be clearly seen, as retail sales also have suffered. Taxable retail sales improved last year as unemployment declined and are again expected to improve this year and next as unemployment falls and personal income increases.

Recovery in the Inland Empire will still lag other parts of California and the U.S. as the area is climbing out of a very deep hole. The good news is the dramatic declines seen in 2009 have ended and the area beat expectations last year. Still, the recovery in the Inland Empire will seem slow as unemployment and housing remain significant issues during the forecast period. Nonfarm employment is expected to increase by 1.5% in 2011 and to increase further by 1.8% in 2013.

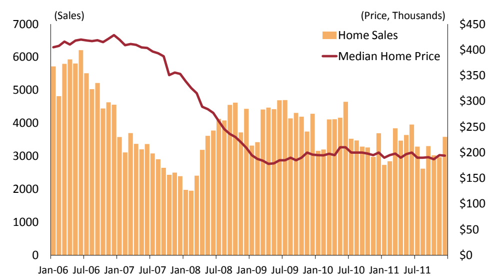
The continued strength in two-way trade flows at the twin ports had positive results once again for the Inland Empire's transportation and wholesale trade sectors in 2011. The area should see even more positive results in the coming months. The Inland Empire plays a pivotal role as a distribution center for many of the goods flowing through the ports of Long Beach and Los Angeles. World trade volumes rose by roughly 6.5% in 2011 after increasing by 16.0% in 2010. World trade volumes are projected to increase by about 4.0% this year. Imports from Asia to the U.S. rose by roughly 8.0% in 2011. It is important to remember that over 40% of the U.S.'s imported containers come through the ports of L.A. and Long Beach and roughly 20% to 30% of these imports are bound for Southern California. The improvement in trade activity will translate into positive results for the transportation and logistics sector in the Inland Empire for 2012 and into 2013.

The severe downturn of the Inland Empire economy brought migration into the area to a halt. Again, what formerly was a part of the Inland Empire's competitive advantage has become a detriment to recovery. Rapid population growth, particularly from 1998 to 2008 was the one of the key economic drivers for the area. However, with the economy stabilizing, the decline in migration has abated, leading demand for housing, retail and services to grow again, but very slowly through 2013.



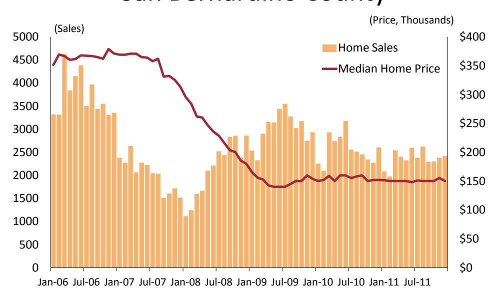
Residential Building Permits Issued in the Inland Empire

Source: Construction Industry Research Board, forecast by LAEDC



Home Sales & Median Prices Riverside County

Source: California Real Estate Research Council; DataQuick



Home Sales & Median Prices San Bernardino County

Source: California Real Estate Research Council; DataQuick

Eventually, the region's competitive advantages will lead to a resurgence in economic activity. The availability of abundant undeveloped land had been the major economic driver propelling the area's economic growth. The recession reversed that advantage as the downturn negatively impacted the industries that most rely on cheap land. However, the Inland Empire will recover strongly when new home construction and manufacturing make a comeback. These areas should finally witness improvements this year and next.

The Inland Empire economy continues to show great potential in the long run due to its position as the central hub for logistics related to international trade and as the area where the most significant population growth is expected. The key advantages for the Inland Empire will once again be the affordability of housing, population growth and available low-cost land for additional warehouse construction. For the Inland Empire patience will continue to be the watchword, as the region is not expected to see the pre-recession glory days for at least two to three years.

Industry Outlook

Housing: High rates of defaults and foreclosures will still pressure home values this year. However, foreclosures have finally begun to slow down. Housing affordability is much greater than just before the recession. Going forward, housing in the area will remain extremely affordable relative to earlier years and to the rest of Southern California. Although construction employment is expected to slightly improve, it will still be nowhere near its 2006 peak.

Goods Movement: Trade volumes at the local ports did increase in 2011 (when considering loaded containers). They are expected to grow again in 2012 and in 2013. The increase in activity will positively impact the Inland Empire warehouse and distribution system network.

Healthcare and Social Assistance: This is the only large sector that grew in 2009 and 2010. It continued that trend in 2011. Expectations are for this to continue in 2012 and in 2013.

Industrial Real Estate: In 2011, Skechers opened a 1.8 million square-foot facility in Moreno Valley and Castle & Cook moved into its new 520,000 square-foot center in Riverside. Also, the industrial vacancy rate in the Inland Empire has improved substantially over the past couple of years – falling from 12.4% in 2009 to 10.0% in 2010 to just over 6.0% in 2011.

Commercial Real Estate: Office vacancy rates are still very high (over 23% in 2011) and will continue to be a concern in 2012 and beyond.

State and Local Government sector: Local governments will continue to face significant financial issues over the next few years as property revenues decline. State and local government employment declined over 2011 and should decline next year as well due to revenue constraints.

Inland Empire's Largest Industry Clusters by Employment (2010)

Leading Traded Clusters
(Traded clusters drive wealth creation in a region)

1. Trade (transportation, logistics, distribution)	35,000
2. Business Services	27,400
3. Tourism	17,800
4. Financial Services	8,600
5. Heavy Construction Services	8,000

TABLE 15: RIVERSIDE-SAN BERNARDINO AREA ECONOMIC INDICATORS

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billons)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2001	3,375.7	1,029.7	5.3	83.5	24,747	26.7	27,541	1,423
2002	3,482.5	1,064.5	6.3	87.6	25,143	28.6	33,280	1,473
2003	3,609.8	1,099.2	6.4	93.7	25,958	31.9	43,001	1,720
2004	3,743.0	1,160.0	5.9	101.1	27,015	37.2	52,696	2,485
2005	3,858.5	1,222.0	5.3	108.6	28,145	42.0	50,818	2,394
2006	3,965.0	1,267.7	4.9	116.9	29,489	44.0	39,083	2,852
2007	4,044.1	1,270.9	5.8	123.0	30,426	42.6	20,457	2,824
2008	4,088.6	1,223.8	8.2	125.0	30,579	37.8	9,101	1,781
2009	4,180.7	1,134.8	13.2	123.0	29,413	32.3	6,685	710
2010	4,230.6	1,111.2	14.5	125.8	29,730	33.9	6,404	792
2011e	4,286.2	1,113.8	13.6	131.1	30,587	36.5	5,214	921
2012f	4,346.2	1,130.1	12.8	136.4	31,377	37.7	5,800	975
2013f	4,407.0	1,150.5	11.8	142.2	32,275	38.9	6,700	1,050
% Change								
01/00	3.0%	4.2%		8.3%	5.2%	6.8%	25.2%	-7.4%
02/01	3.2%	3.4%		4.8%	1.6%	7.0%	20.8%	3.5%
03/02	3.7%	3.3%		7.0%	3.2%	11.8%	29.2%	16.8%
04/03	3.7%	5.5%		7.9%	4.1%	16.5%	22.5%	44.5%
05/04	3.1%	5.3%		7.4%	4.2%	12.8%	-3.6%	-3.7%
06/05	2.8%	3.7%		7.7%	4.8%	4.8%	-23.1%	19.1%
07/06	2.0%	0.3%		5.2%	3.2%	-3.2%	-47.7%	-1.0%
08/07	1.1%	-3.7%		1.6%	0.5%	-11.3%	-55.5%	-37.0%
09/08	2.3%	-7.3%		-1.6%	-3.8%	-14.5%	-26.5%	-60.1%
10/09	1.2%	-2.1%		2.3%	1.1%	5.0%	-4.2%	11.5%
11/10	1.3%	0.2%		4.2%	2.9%	7.7%	-18.6%	16.3%
12/11	1.4%	1.5%		4.0%	2.6%	3.3%	11.2%	5.9%
13/12	1.4%	1.8%		4.3%	2.9%	3.2%	15.5%	7.7%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, Construction Industry Research Board; estimates and forecasts by the LAEDC

TABLE 16: RIVERSIDE-SAN BERNARDINO AREA NONFARM EMPLOYMENT

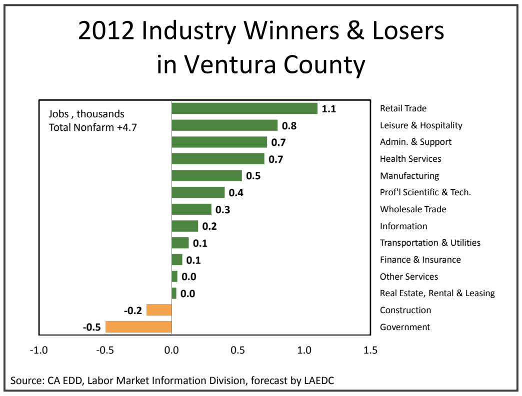
Annual averages, Thousands, March 2010 benchmark

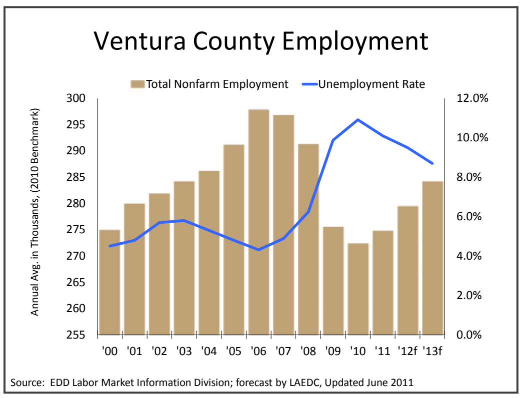
Year	Total Nonfarm Payroll	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2001	1,029.7	1.2	88.5	118.7	84.2	34.4	41.6	132.5	45.7	14.6
2002	1,064.5	1.2	90.9	115.4	82.0	33.4	41.9	137.5	46.8	14.1
2003	1,099.2	1.2	99.0	116.1	82.4	33.7	43.5	142.7	50.1	13.9
2004	1,160.0	1.2	111.8	120.1	85.5	34.6	45.6	153.8	55.5	14.0
2005	1,222.0	1.4	123.3	121.0	86.1	35.0	49.9	165.7	60.2	14.5
2006	1,267.7	1.4	127.5	123.4	86.9	36.5	54.2	173.2	63.8	15.3
2007	1,270.9	1.3	112.5	118.5	82.1	36.5	56.8	175.6	69.5	15.4
2008	1,223.8	1.2	90.7	106.9	72.5	34.3	54.1	168.6	70.2	14.8
2009	1,134.8	1.1	67.9	88.8	58.1	30.6	48.9	156.2	66.8	13.5
2010	1,111.2	1.0	59.5	84.6	55.0	29.6	48.8	154.6	66.5	15.9
2011e	1,113.8	1.0	57.4	84.4	55.2	29.2	50.8	155.1	68.9	16.2
2012f	1,130.1	1.0	58.9	87.0	56.7	30.3	53.2	156.4	71.7	16.4
2013f	1,150.5	1.1	62.1	89.2	58.1	31.1	55.6	157.5	73.8	16.6

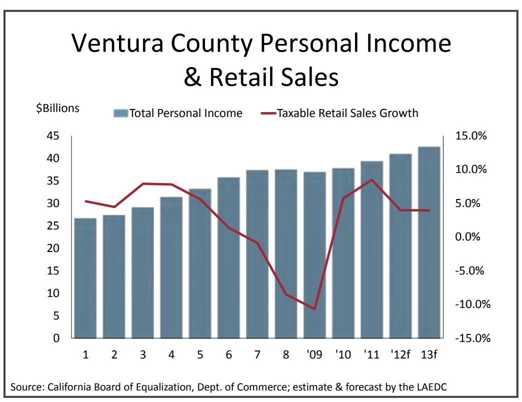
Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2001	22.0	15.3	24.6	10.6	66.6	11.8	94.3	104.5	37.1	200.2
2002	23.5	15.9	27.1	11.3	68.4	12.6	99.8	107.2	38.1	212.7
2003	25.7	16.9	28.7	11.0	75.7	13.2	102.7	109.0	38.4	211.6
2004	28.0	17.7	31.0	11.6	82.9	13.4	104.9	116.7	39.3	212.5
2005	30.1	18.9	35.0	12.0	86.2	13.6	106.3	122.6	40.8	220.4
2006	31.6	19.9	39.9	10.8	91.7	14.1	108.1	128.1	42.5	222.5
2007	30.3	19.5	40.5	9.8	94.9	15.0	112.2	132.6	41.2	225.3
2008	27.4	18.7	40.5	9.7	87.5	15.7	116.0	131.0	40.8	230.0
2009	26.0	16.6	37.8	8.9	77.6	16.3	117.3	123.8	37.3	227.3
2010	25.5	15.5	35.2	8.6	77.7	16.1	117.8	122.1	37.5	224.3
2011e	26.2	14.8	33.1	8.3	80.0	15.1	121.6	121.9	37.5	221.5
2012f	26.6	14.9	32.1	8.1	83.7	15.1	126.1	124.2	37.8	217.1
2013f	27.0	15.0	31.6	8.0	86.9	15.2	128.8	125.9	38.2	217.9

Sources: California Employment Development Department, LMID; forecasts by LAEDC

VIII. Outlook for Ventura County







Ventura County encompasses a population of 821,000 people. Much of the county's population resides in Simi Valley, Oxnard, Thousand Oaks, and Ventura. Port Hueneme, the only deep-water port between Los Angeles and Oakland, is a major gateway for automobiles and food.

Ventura County has a significant concentration of high tech firms, a thriving agriculture industry, and important military facilities. Like residents of the Riverside and San Bernardino counties, many living in Ventura County commute to work in Los Angeles.

Ventura County continues to grapple with symptoms of a fragile economic recovery. The unemployment rate has come down but is still high at 10.1%. Per capita income rose in 2011 and stood at $47,800 in 2011. Consumer spending remains subpar – taxable retail sales in 2011 were 6.7% below their peak level of $8.9 billion reached in 2006.

The median home price in Ventura County is generally higher than median prices throughout the rest of the five-county region. Many cities were originally established with *master plans* and adopted *SOAR* initiatives *(see side bar, next page)*. As occurred up and down the state in 2011, home prices fell as a result of the ongoing problems in the housing sector.

There were industry winners and losers in 2011, and the same can be expected in 2012 and 2013. The unemployment rate is expected to hover near 9.5% in 2012 and sink to 8.7% in 2013. In doing so, Ventura County will add 4,700 nonfarm jobs each year and per capita income is expected to rise to $49,200 in 2012 and $50,500 in 2013. Retail sales are expected to increase 4.0% per year in 2012 and 2013.

Industry Outlook

Agriculture is a large industry in the county and makes up 8% of the county's employment, more than any other county in Southern California. Cash receipts for crops and livestock improved throughout California in 2011. Agriculture in Ventura County, which mostly produces fruit (strawberries) and nut crops and vegetable crops (celery), has benefited from rising food prices around the world. Meanwhile, production of nursery stock in Ventura County, the next largest cash crop, has been cut by roughly one third since 2008.

Many cities in Ventura County originally established with a master plan to set apart land and prohibit any future development. *SOAR* (Save Open Air and Agricultural Resources) prevents changes in specified land use categories of the general plan without approval by a majority of voters. *SOAR* was approved by the Ventura County in 1998.

Nursery stock relies heavily on new home building, still a depressed industry throughout the Southern California region.
Farm employment decreased by 3.3% in 2011, but is still much larger than in the 1990s and early 2000s. Expect farms to re-hire workers in 2012 and 2013 as the new U.S. free trade agreements boost demand for Ventura County's agriculture products.

The **construction** sector will continue to struggle for at least two more years. Construction jobs, which make up 3.5% of Ventura County jobs, decreased to 10,600 in 2011 from 11,300 jobs in 2010. This was the fifth consecutive year that construction jobs declined.

Home sales edged down. There were 8,400 homes[3] sold in 2011, compared with 8,500 homes in 2010 and 9,200 homes sold in 2009. It will be difficult for construction employment to recover without a corresponding recovery in the housing market. Construction-related employment is expected to fall to 10,400 workers this year, but the county should see construction industry begin to add jobs again in 2013.

There are roughly 930 **manufacturing** establishments in Ventura County, a number that has remained consistent since the recession, even as jobs disappeared. The 32,500 manufacturing jobs in 2011 make up 11% of all Ventura County employment.

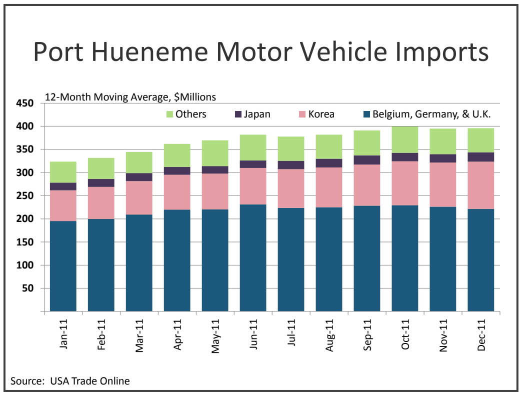
AMGEN is the only Fortune 500 company headquartered in Ventura County (Thousand Oaks). With revenues of $15.6 billion in 2011, *AMGEN* employs 17,000 throughout the world, including approximately 6,200 in Ventura County.

Durable goods manufacturing in Ventura County is comprised primarily of fabricated metal products, machine shops, machinery, and semiconductors. Many **high-tech** companies have been outsourcing manufacturing jobs while retaining local research and development units. Recent reports suggest some manufacturing jobs may be returning to the state. High tech manufacturing is likely to be one of the first sectors to see an increase in manufacturing employment. Ventura County has a well-educated labor force and many of today's hi-tech manufacturing jobs require advanced training. For example, Ventura based Solarsilicon recently moved to a larger facility in order to expand their local manufacturing operations.

Manufacturing of chemical goods and pharmaceuticals struggled in 2011. Amgen, the county's largest biotech manufacturer, restructured its research operations and reduced its workforce. Other nondurable goods manufacturers picked up the slack.

Ventura County manufacturing employment is expected to increase by 500 jobs in 2012, and by an additional 700 jobs in 2013.

[3] New and resale single-family homes and condos (DataQuick)

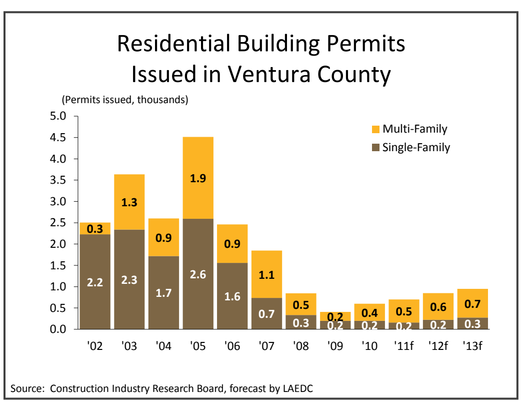


Trade, transportation, and utilities in Ventura County is a key industry sector centered at Port Hueneme. Trade at Port Hueneme, unlike the Ports of Los Angeles and Long Beach, is focused on two products: automobiles and food.

BMW, Hyundai, and Kia increased exports to the U.S. to compensate for a shortfall from Japanese automakers due to the catastrophes in Japan and Thailand in 2011. Since the port handles a relatively small volume of Japanese cars, the local trade, transportation, and utilities industries have benefited mainly from the increase in European and South Korean motor vehicle imports.

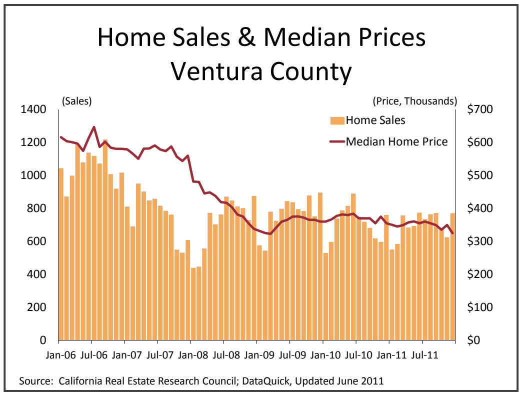
Trade, transportation, and utilities make up 17.5% of Ventura County jobs. In 2011, there were 12,200 wholesale trade jobs, 34,900 retail trade jobs, and 5,400 jobs in transportation & utilities. Wholesale trade employment is expected to increase by 300 jobs each year this year and next. Retail trade employment is expected to increase by 1,100 jobs this year and by 700 jobs in 2013. Transportation and utilities employment is expected to increase by 100 jobs in 2012, by an additional 200 jobs next year. If these expectations are met, aggregate employment in trade, transportation, and utilities would rise to 55,200 jobs by 2013, up 5.3% from 52,500 jobs in 2011.

Travel and tourism activity in Ventura County held its ground in 2011, after experiencing a bounce-back year in 2010. Ventura County benefits from the local "drive" market, providing a quick weekend get-away for residents of neighboring counties and further afield. Hotel occupancy rates were mostly flat in 2011 but are expected to improve in 2012. The *Ventura County Lodging Association* has undertaken a campaign to encourage vacationers to visit Ventura County, particularly the coastal communities in the western portion of the county.



Reflecting recent trends in travel and tourism, the number of jobs in leisure & hospitality services for 2012 is expected to surpass pre-recession levels increasing to 32,200 jobs.

As a result of the state's budget woes**,** Medi-Cal funding has declined, hurting the Ventura County **health services** industry. Local facilities cut 400 jobs in 2011, bringing health services employment down to 28,000 jobs. Health service jobs make up 9.4% of all Ventura County jobs, a smaller percent than the Los Angeles, San Diego, Orange, and Inland Empire counties, but still an important component of the local economy. A $250 million renovation project will begin at the Ventura County Medical Center this year.



In 2012, health services employment is projected to be 28,700 and is expected to increase 29,400 in 2013.

Finance and insurance jobs in Ventura County edged up throughout 2011 and ended the year on a high note. Since the financial crisis, many local banks have merged or been acquired by larger and more stable banks. The County Commerce Bank, Santa Clara Valley Bank, and Ojai Community Bank, each headquartered in Ventura County, experienced positive earnings in each of the first three quarters of 2011.

The 16,500 jobs in finance and insurance in Ventura County were the highest recorded since before the financial crisis. Growth in the industry is uncertain as worries of a euro zone recession loom. In 2012, an increase of 100 jobs in finance and insurance are expected, but no additional growth is forecast for 2013.

Residential real estate prices declined in 2011. The median price of existing single-family homes decreased by 5.5% to $418,270. New housing permits rose to 702 in 2011, but remain severely below the recent peak of 4,516 residential building permits issued in 2005. In 2012, the number of building permits issued is expected to rise to 850, and to 950 in 2013. A return to peak levels is still many years away.

Commercial real estate was a mixed bag last year as evidenced by the relatively high vacancy rates for office space and low vacancy rates for industrial space. In the third quarter of 2011, 20.3% of office space was vacant in Ventura County, the highest office vacancy rate in the county since 1993. On the other end, the 5.1% industrial vacancy rate recorded in the third quarter of 2011 was the lowest in three years. The value of nonresidential building permits decreased by 8.1% to $147 million in 2011. Nonresidential building permits are expected to increase to $150 million in 2012 and to $155 million in 2013 – good news, but still far below the $350 million level seen in the mid 2000s.

Summing up: Ventura County's economy is recovering at a slower pace than the rest of the state. Ventura County benefits from a well-educated labor force that can find ways to innovate and create new technologies. Look for retail sales, personal income, and jobs numbers to gain ground in 2012 and 2013.

The California Association of Realtors reports that the median existing home price in Ventura County was $418,270, down by 5.5% from a year ago.

Ventura County's Largest Industry Clusters by Employment (2010)

Leading Traded Clusters (Traded clusters drive wealth creation in a region)

1. Business Services	9,500
2. Agricultural Products	7,800
3. Trade (transportation, logistics, distribution)	7,500
4 Financial Services	4,900
5. Education and Knowledge Creation	4,000

TABLE 17: VENTURA COUNTY ECONOMIC INDICATORS

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2001	765.2	279.9	4.8	26.6	34,793	6.8	3,446	309
2002	776.4	281.8	5.8	27.3	35,224	7.2	2,507	289
2003	783.3	284.2	5.8	29.1	37,113	7.7	3,635	379
2004	787.3	286.2	5.4	31.3	39,802	8.3	2,603	353
2005	785.5	291.2	4.8	33.2	42,205	8.8	4,516	372
2006	787.3	297.7	4.3	35.7	45,355	8.9	2,461	326
2007	788.7	296.8	4.9	37.3	47,299	8.8	1,847	346
2008	793.7	291.3	6.2	37.5	47,191	8.1	842	345
2009	801.1	275.6	9.9	36.9	46,018	7.2	404	153
2010	810.4	272.5	10.8	37.7	46,549	7.6	592	160
2011e	820.9	274.8	10.1	39.3	47,834	8.3	702	147
2012f	830.7	279.5	9.5	40.9	49,219	8.6	850	150
2013f	839.9	284.2	8.7	42.4	50,530	8.9	950	155
% Change								
01/00	1.2%	1.8%		2.6%	1.4%	5.3%	-13.2%	9.6%
02/01	1.5%	0.7%		2.7%	1.2%	4.5%	-27.2%	-6.5%
03/02	0.9%	0.9%		6.3%	5.4%	7.9%	45.0%	31.1%
04/03	0.5%	0.7%		7.8%	7.2%	7.8%	-28.4%	-6.9%
05/04	-0.2%	1.7%		5.8%	6.0%	5.6%	73.5%	5.4%
06/05	0.2%	2.2%		7.7%	7.5%	1.4%	-45.5%	-12.4%
07/06	0.2%	-0.3%		4.5%	4.3%	-0.9%	-24.9%	6.1%
08/07	0.6%	-1.9%		0.4%	-0.2%	-8.5%	-54.4%	-0.3%
09/08	0.9%	-5.4%		-1.6%	-2.5%	-10.7%	-52.0%	-55.7%
10/09	1.2%	-1.1%		2.3%	1.2%	5.7%	46.5%	4.6%
11/10	1.3%	0.9%		4.1%	2.8%	8.5%	18.6%	-8.1%
12/11	1.2%	1.7%		4.1%	2.9%	4.0%	21.1%	2.0%
13/12	1.1%	1.7%		3.8%	2.7%	4.0%	11.8%	3.3%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce Construction Industry Research Board; estimates and forecasts by the LAEDC

Table 18: Ventura County Nonfarm Employment

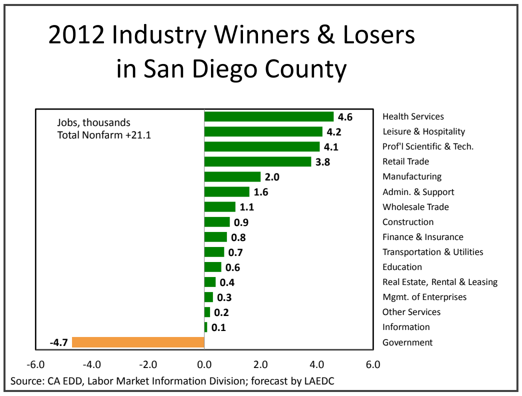
Annual averages in thousands, March 2010 Benchmark

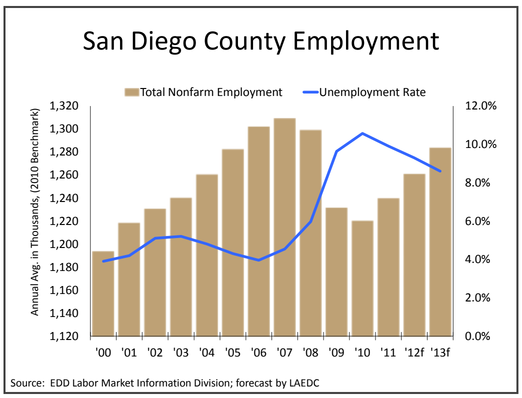
Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	Mfg. -- Durable	Mfg. -- Nondurable	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2001	279.9	0.6	16.1	40.5	*26.6*	*13.9*	11.0	34.0	5.9	8.4
2002	281.8	0.7	15.7	38.0	*24.9*	*13.1*	11.7	34.2	5.8	8.1
2003	284.2	0.6	16.6	37.1	*24.0*	*13.0*	11.8	34.5	5.6	7.2
2004	286.2	0.7	16.9	38.3	*24.2*	*14.1*	12.2	35.3	5.7	6.8
2005	291.2	0.8	18.8	37.7	*23.9*	*13.9*	12.5	36.5	5.8	6.2
2006	297.7	1.1	20.5	38.4	*24.1*	*14.3*	12.6	37.6	6.1	6.0
2007	296.8	1.1	18.8	38.0	*23.9*	*14.1*	13.0	37.6	6.1	5.8
2008	291.3	1.2	16.7	35.9	*23.2*	*12.7*	12.8	37.3	6.0	5.6
2009	275.6	1.2	13.2	32.6	*20.4*	*12.2*	12.0	35.1	5.4	5.3
2010	272.5	1.2	11.3	31.6	*19.6*	*12.0*	12.3	35.2	5.4	5.2
2011e	274.8	1.3	10.6	32.5	*19.8*	*12.7*	12.2	34.9	5.4	5.3
2012f	279.5	1.3	10.4	33.0	*20.0*	*13.0*	12.5	36.0	5.5	5.5
2013f	284.2	1.3	10.7	33.7	*20.3*	*13.3*	12.8	36.7	5.7	5.6

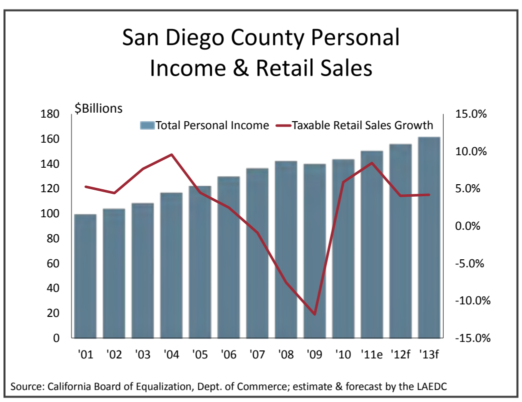
Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2001	15.5	4.2	13.8	3.4	20.0	2.8	22.6	26.6	9.6	45.1
2002	17.7	4.6	13.7	3.3	19.6	2.9	23.4	27.2	10.2	45.3
2003	19.2	4.3	13.6	3.9	19.4	3.3	24.4	27.6	10.4	44.8
2004	19.8	4.4	14.2	3.6	19.5	3.5	24.0	28.5	10.3	42.5
2005	20.0	4.4	15.1	3.5	19.8	3.5	24.8	29.2	10.4	42.2
2006	19.6	4.5	16.0	3.3	20.1	3.5	25.4	30.5	10.2	42.5
2007	17.9	4.8	16.2	3.2	18.9	4.0	26.5	32.0	9.9	43.0
2008	16.4	4.7	16.7	3.1	18.6	4.4	27.4	31.5	10.0	43.1
2009	16.1	4.3	16.2	2.9	17.0	4.4	27.9	29.8	9.3	42.9
2010	16.2	4.0	15.5	2.7	17.3	4.4	28.4	30.3	8.9	42.6
2011e	16.5	4.0	15.6	2.6	18.5	4.4	28.0	31.4	8.7	43.1
2012f	16.6	4.0	16.0	2.6	19.2	4.4	28.7	32.2	8.7	42.6
2013f	16.6	4.0	16.5	2.7	20.3	4.4	29.4	32.7	8.8	42.1

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

IX. Outlook for San Diego County







San Diego County has a long history in California. Created in 1850 as one of California's original 27 counties, San Diego County is home to 3.1 million people, making it the second largest county by population in California.

San Diego County's economy is diverse. The region is a thriving hub for the biotech and telecommunications industries. San Diego is also an important manufacturing center and a popular travel destination. Since the end of the Cold War, the military's presence has diminished but remains an important driver of the region's economy.

The outlook for San Diego County in 2012 is for expanding, but moderate economic growth. Employment is improving (if slowly), tourists are coming back and many of the county's key industries are growing again. Some important sectors continue to lag. Housing and new construction are getting better but have not yet turned the corner. Still, the region's diverse economy, highly educated workforce and desirable location place San Diego County on a solid footing for accelerating growth over the next two years.

Industry Outlook

The region's **health care** industry will continue to grow. The San Diego area attracts a significant number of retirees, a demographic group that requires a larger share of health care services. Medical office vacancy rates are falling and new construction for health care facilities is on the rise. Several of the region's major health care providers have expansion plans underway or have announced future projects: Sharp Healthcare, Scripps Health and Kaiser Permanente. Risks to the health care industry in San Diego stem primarily from health care reform. The Affordable Health Care Act has prompted providers to focus on driving down costs and increasing efficiency. Many practitioners will delay long-term investment decisions until the scope of Medicare and other reforms are known.

Federal government and Pentagon initiatives to cut back on **defense** spending will have a significant impact on San Diego's economy. According to the San Diego Military Advisory Council's 2011 annual report, the military currently supports 385,000 direct and indirect jobs in the region and contributes an estimated $35.7 million to the local economy. Fortunately, the region is home to significant military commands and training centers. Additionally, the Department of Defense is shifting its focus to the Pacific and deploying more forces in

San Diego. As a result, defense dollars should continue to flow into the county.

Although defense related firms are rightly concerned about Federal budget cuts, a large proportion of the work being done by local contractors is related to the development of unmanned aerial vehicles (UAVs) and cyber security systems. The last major shipyard on the west coast (General Dynamics Nassco) is also located in San Diego. Through the third quarter of 2011, military contracts awarded to firms in the region totaled nearly $2.3 billion.[4] Nassco received a $744 million contract (62% benefiting San Diego County) for the design and construction of two Navy ships, with the first scheduled to be delivered by spring 2013 and the second by early 2014. The USAF awarded $247 million (100% to San Diego) to Northrop Grumman for logistics support for the Global Hawk UAV which will support 290 jobs in San Diego County. The Army awarded a $300 million contract (100% to San Diego) to General Atomics Aeronautical Systems for the purchase of system hardware for the Army's Gray Eagle UAV.

The San Diego International Airport is the second busiest single runway airport in the world behind Gatwick in London

San Diego's **travel and tourism industry** is growing again. In the lodging sector, fundamentals continue to improve – demand for hotel rooms is up and occupancy rates are rising. Room rates have not yet regained all the ground lost during the recession but are starting to improve. New hotel construction remains at very low levels. It is still a challenge to obtain financing for large construction projects. Instead, existing hotels are upgrading and modernizing their facilities. As the number of visitors increases, the lack of new supply will help push up room rates. While growth will continue in 2012, it will be at a slower pace as visitor numbers start to stabilize.

A plan to expand the San Diego Convention center has been under evaluation for some time. Approval is pending, but if the expansion goes forward, the $550 million project would begin in 2013 and be completed by 2016. In 2011, convention center activities generated an estimated 704,000 room nights and are projected to generate 763,000 room nights in 2012.[5] This year, 98 events including 65 conventions are scheduled. If the expansion occurs, additional and larger conventions would be attracted to San Diego, increasing lodging demand.

The "drive" market is also very important to San Diego's hotel industry. Short stay travelers have nearly as large an impact as convention visitors. As the economies and employment outlook of the

[4] San Diego Business Journal (November 7, 2011)
[5] San Diego Convention Center Corporation

region's feeder markets (e.g. Los Angeles, Orange County, and Phoenix, AZ) continue to improve, San Diego's tourism industry will benefit.

Some trouble spots remain. San Diego has a large cruise ship business which was, until recently, heavily focused on the Mexican Riviera. Over the past few years, however, demand for cruises to Mexico has declined and cruise lines have been shrinking their presence in San Diego. It may be several years before the industry recovers. Much will depend on repairing Mexico's image as a tourist destination.

40% of San Diego's adult population has a bachelor's degree or higher.

San Diego has the nation's highest per capita concentration of PhD degrees.

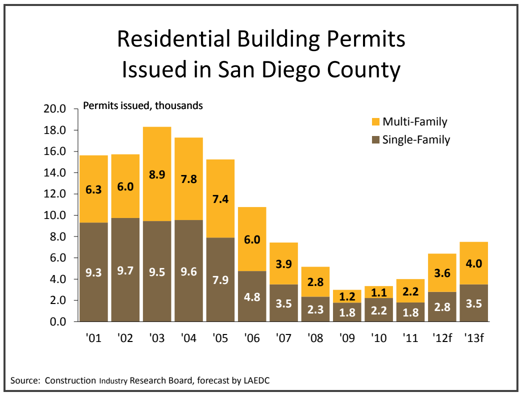
The number of overnight visitors will increase by about 1.3% to 15.8 million in 2012. San Diego's attractions, beaches, casino gaming and sports venues will continue to make San Diego a popular destination for both domestic and international travelers. LEGOLAND, the San Diego Zoo and SeaWorld have all announced or will debut new attractions in 2012, and British Airways' daily direct flights from San Diego to London are having a positive impact on the number of European visitors.

22 Companies in San Diego County made Deloitte, LLP's 2011 Technology Fast 500 list of fastest growing technology companies in the United States

The **manufacturing sector** will employ more workers this year. Technology firms in particular are hiring more engineers, software developers and software support staff. San Diego County has the benefit of several innovative clusters including communications, bio-fuels, genomics, energy storage, cyber-security and clean-tech. San Diego also is home to one of the nation's largest biotech sectors. Navy cargo ships and drone aircraft are made in San Diego as well as electronic products for the military, aviation and space. Benefiting from a highly educated workforce, San Diego is a hub of research and innovation in biotechnology, communications and software development.

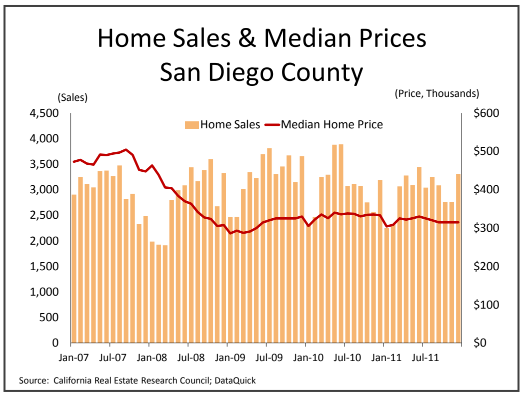
While smaller than it once was, San Diego's **agricultural** industry is still significant. It ranks as the 17th largest agricultural economy among counties in the United States. The region has 6,687 farms (covering 302,713 acres), more than any other county in the U.S. The total value of the county's agricultural output in 2010 was $1.6 billion,[6] an increase of 7% from the previous year. The largest commercial crops were nursery plants (59% of the total dollar value of output) and avocados (9%). In spite of having what the National Weather Service describes as the most nearly perfect climate in the country, San Diego growers do face some considerable challenges – land costs are high and water supply is an ongoing concern, specifically the increasing

[6] Farm Bureau San Diego, County of San Diego Department of Agriculture, Weights & Measures, 2010 Crop Statistics & Annual Report



Residential Building Permits Issued in San Diego County

Source: Construction Industry Research Board, forecast by LAEDC



Home Sales & Median Prices San Diego County

Source: California Real Estate Research Council; DataQuick

In 2011, 18 office property sales transactions over $10 million were recorded compared with 10 in 2010 and just three in 2009

cost of water. This accounts for the region's concentration on high-value crops. San Diego produces the highest dollar value per acre of any county in California.

Residential real estate is improving but will not see a significant turn-around this year. Local home sales are rising, especially in the multi-family sector. Demand for homes priced in the $300,000 to $500,000 range has increased. New lower loan limits for mortgages eligible for backing from Fannie Mae and Freddie Mac went into effect last October. While this will impact a relatively small number of homes, potential buyers looking in high-cost areas will find it harder to get a loan if the home exceeds the new limits.

Home prices, on the other hand, are still trending down. The large number of distressed properties and foreclosures on the market continue to exert downward pressure on home prices in the region. This makes it difficult for local builders to compete with existing home sales. Still, new home construction was up over the year in 2011 and is expected to post additional gains in 2012. New apartment construction will do better than new single-family home construction. One indication that San Diego's residential real estate market may be on the verge of turning is residential land prices are starting to tick up – the limited supply of land in the county means builders have to compete for desirable properties, especially apartment builders in core urban areas.

In addition to working through the region's foreclosure inventory, employment is a key driver of new home construction. Builders look for land near markets where employment is likely to exhibit strong growth over the coming years.

Nonresidential real estate is on the mend, but remains a long way from fully recovered. Office and industrial vacancy rates remain high, but appear to be stabilizing in some sub-markets. Rents are starting to flatten out in a few markets, but are still declining in others. The flight to quality continues with landlords offering discounted rents and other incentives. Still, steady job growth is raising demand for office and other types of commercial real estate.

San Diego County's commercial real estate (CRE) market weathered the recession better than many regions because the overbuilding seen elsewhere in the country did not occur in San Diego. A study by PwC[7] ranked San Diego's CRE market 10th in the nation (behind list toppers

[7] *2011 Emerging Trends in Real Estate*, PwC LLC & Urban Land Institute

Washington DC, Austin, San Francisco, New York and Boston) among real estate markets to watch for investment opportunities.

The life sciences sector was a strong performer in 2011 and will continue to expand in 2012. San Diego was ranked seventh in the nation for real estate expansion by life sciences companies.[8] Expansions by defense contractors also helped pare industrial vacancy rates. Purchases and new lease activity by defense contractors include General Atomics, Northrop Grumman, BAIC Systems, and SAIC. R&D space is being snapped up by high tech manufacturers in the biotech, telecom and info tech firms.

This year should see continuing, if not spectacular, improvement in San Diego's commercial real estate markets. New development will be focused on redevelopment projects (renovations and additions) or replacement of older buildings.

Summing up: San Diego's economy will expand in 2012. Growth will be slow through the first half of the year, but will pick up steam as the year progresses. Job creation in San Diego will continue to improve as expansion accelerates in key industries (tourism, healthcare and high tech). San Diego has the benefit of a near perfect climate, which attracts an educated and talented workforce; a steady influx of well-off retirees and the presence of the U.S. Navy and Marine Corps. All these attributes mean San Diego is poised for healthy growth in 2012 and beyond.

San Diego County's Largest Industry Clusters by Employment (2010)

Leading Traded Clusters
(Traded clusters drive wealth creation in a region)

1. Business Services	58,200
2. Education and Knowledge Creation	32,000
3. Hospitality and Tourism	37,800
4. Trade (transportation, logistics, distribution)	23,000
5. Financial Services	15,900

[8] Life Sciences Cluster Report, Global 2011; Jones Lang LaSalle

TABLE 19: SAN DIEGO COUNTY ECONOMIC INDICATORS

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Value of Two-way Trade ($Billions)	Total Overnight Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)	Chg. In CPI (%)
2001	2870.1	1218.6	4.2	99.4	34,648	26.3	33.6	14.8	15,638	1,194	4.6
2002	2910.4	1260.8	5.2	103.8	35,670	27.4	35.9	15.0	15,738	1,169	3.5
2003	2944.0	1240.1	5.2	108.3	36,786	29.5	35.7	15.4	18,314	1,169	3.7
2004	2963.4	1260.3	4.7	116.6	39,362	32.3	39.5	15.7	17,306	1,288	3.7
2005	2970.1	1282.1	4.3	122.0	41,086	33.8	43.4	15.7	15,258	1,382	3.7
2006	2982.8	1301.6	4.0	129.6	43,444	34.6	49.8	15.8	10,777	1,622	3.4
2007	3014.2	1308.8	4.5	136.2	45,185	34.3	54.2	15.4	7,445	1,417	2.3
2008	3051.3	1298.7	6.0	142.0	46,529	31.7	54.0	15.2	5,154	1,062	3.9
2009	3077.6	1231.4	9.6	139.6	45,352	28.0	44.0	14.4	2,990	584	0.0
2010	3104.6	1220.2	10.5	143.3	46,171	29.6	48.6	15.1	3,346	659	1.3
2011e	3131.3	1239.6	9.9	150.0	47,905	32.1	53.0	15.6	5,223	1,072	3.7
2012f	3162.6	1260.7	9.3	155.5	49,175	33.4	55.9	15.8	6,375	1,300	2.1
2013f	3197.4	1283.4	8.6	161.1	50,400	34.8	58.9	15.9	7,500	1,450	2.4

% Change										
01/00	1.5%	2.0%		4.1%	2.6%	5.3%	-4.0%	-2.6%	-1.8%	-14.2%
02/01	1.4%	3.5%		4.4%	2.9%	4.4%	6.8%	1.4%	0.6%	-2.1%
03/02	1.2%	-1.6%		4.3%	3.1%	7.7%	-0.6%	2.7%	16.4%	0.0%
04/03	0.7%	1.6%		7.7%	7.0%	9.6%	10.6%	1.9%	-5.5%	10.2%
05/04	0.2%	1.7%		4.6%	4.4%	4.4%	9.9%	0.0%	-11.8%	7.3%
06/05	0.4%	1.5%		6.2%	5.7%	2.5%	14.7%	0.6%	-29.4%	17.4%
07/06	1.1%	0.6%		5.1%	4.0%	-0.9%	8.8%	-2.5%	-30.9%	-12.6%
08/07	1.2%	-0.8%		4.2%	3.0%	-7.6%	-0.4%	-1.3%	-30.8%	-25.1%
09/08	0.9%	-5.2%		-1.7%	-2.5%	-11.8%	-18.5%	-5.3%	-42.0%	-45.0%
10/09	0.9%	-0.9%		2.7%	1.8%	5.9%	10.5%	4.9%	11.9%	12.8%
11/10	0.9%	1.6%		4.6%	3.8%	8.4%	9.0%	3.3%	56.1%	62.7%
12/11	1.0%	1.7%		3.7%	2.7%	4.0%	5.5%	1.3%	22.1%	21.3%
13/12	1.1%	1.8%		3.6%	2.5%	4.2%	5.3%	0.6%	17.6%	11.5%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce Construction Industry Research Board, Tourism Economics; estimates and forecasts by the LAEDC

Table 20: San Diego County Nonfarm Employment

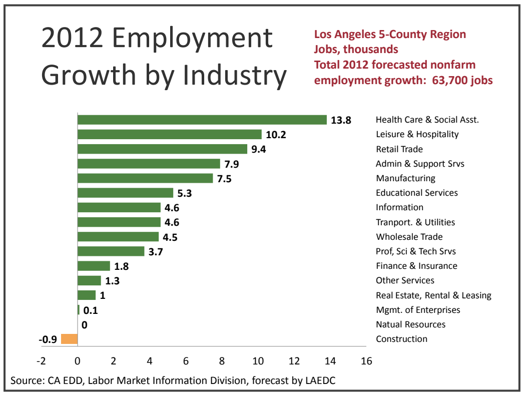
Annual averages in thousands, March 2010 Benchmark

Year	Total Nonfarm Payroll	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2001	1,218.6	0.3	75.1	119.1	*89.3*	*29.8*	41.5	135.6	32.0	35.5
2002	1,230.8	0.3	76.4	112.4	*84.7*	*27.7*	41.3	138.0	29.3	34.4
2003	1,240.1	0.3	80.2	105.3	*78.8*	*26.5*	41.6	140.8	27.3	33.4
2004	1,260.3	0.4	87.7	104.3	*78.1*	*26.2*	41.9	144.9	28.4	32.5
2005	1,282.1	0.4	90.8	104.5	*79.1*	*25.4*	43.6	147.4	28.4	36.6
2006	1,301.6	0.5	92.7	103.9	*78.4*	*25.5*	45.1	148.3	28.7	31.7
2007	1,308.8	0.4	87.0	102.5	*77.3*	*25.2*	45.5	148.1	28.8	31.3
2008	1,298.7	0.4	76.1	102.8	*78.1*	*24.7*	44.9	142.0	29.0	31.4
2009	1,231.4	0.4	61.1	95.3	*73.1*	*22.2*	40.6	131.6	27.4	28.2
2010	1,220.2	0.4	55.5	92.4	*70.6*	*21.8*	39.2	130.0	27.5	25.2
2011	1,239.6	0.4	53.9	92.3	*70.4*	*21.9*	41.4	130.9	28.1	24.9
2012f	1,260.7	0.4	54.8	94.3	*72.0*	*22.3*	42.5	134.7	28.8	25.0
2013f	1,283.4	0.4	57.0	95.6	*73.0*	*22.6*	43.4	137.5	29.4	25.2

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2001	44.9	27.2	101.7	18.6	81.3	17.2	98.8	131.4	44.9	213.8
2002	47.3	27.7	104.2	19.9	81.0	17.2	102.5	133.8	45.6	219.7
2003	51.2	28.8	105.1	19.1	80.5	18.8	103.0	140.7	46.8	217.3
2004	52.8	29.1	103.9	18.2	86.6	20.1	101.6	145.7	47.9	214.3
2005	53.5	29.7	110.8	17.4	87.2	21.1	101.4	149.6	48.8	215.1
2006	53.2	30.5	115.3	16.9	87.1	21.3	103.8	156.5	48.4	217.9
2007	50.2	30.1	118.6	16.1	88.4	22.0	107.6	161.8	48.3	222.4
2008	46.1	29.2	120.4	15.9	85.9	24.4	112.9	164.0	48.4	225.1
2009	43.3	26.5	116.7	16.0	74.1	26.7	117.5	154.2	46.8	224.5
2010	41.4	25.7	117.9	16.9	73.2	26.6	120.6	154.6	47.2	226.0
2011	42.1	25.6	121.4	17.1	74.1	26.8	126.0	160.1	46.4	225.4
2012f	42.9	26.0	125.5	17.4	75.7	27.4	130.6	164.3	46.6	220.7
2013f	43.8	26.6	130.5	17.7	76.9	28.0	134.5	167.1	47.2	219.0

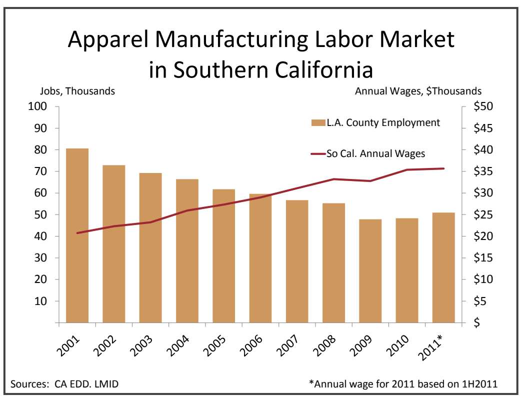
Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

X. Major Industries of the Southern California Economy



Having coped with job losses in over the past few years, the Los Angeles region experienced a modest turnaround in 2011. The performance across the region's industries was uneven, but most finished the year with at least a slight gain in employment. Health care and related industries led the way with the biggest job gains, while construction alone registered yet another year of job losses. The fate of the industries in the Los Angeles region over the next two years depends largely on the trajectory of the national economy.

Apparel Design & Manufacturing



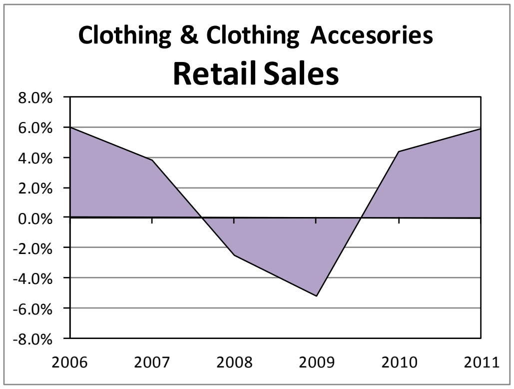
The apparel design and manufacturing industry makes a significant contribution to the Southern California economy, particularly in Los Angeles County. There is strong demand for the "Made in Los Angeles" label both in the U.S. and abroad. In 2011, the growing fashion industry increased employment in local apparel manufacturing for the first time in a decade. Apparel manufacturing employment in Southern California has been in decline for several years. Labor-intensive production of apparel has largely shifted to lower wage countries in Latin America and Asia, particularly China. On the other hand, design related activity has expanded helping Southern California to retail a strong presence in the apparel industry.

Southern California Manufacturing: The 50,900 workforce in apparel manufacturing in Los Angeles County was 5.9% higher in 2011 than 2010. The average wage for Los Angeles County apparel manufacturing employees increased by 0.8% (to $34,500 a year) during the first half of 2011 compared with same period in 2010.

85% of Southern California apparel manufacturers are employed in Los Angeles County.

What is the future of local apparel manufacturing? The *fast fashion* model will continue to provide local employment. Los Angeles based companies rely on a rapid production cycle, locally manufactured apparel instead of waiting for overseas shipments.

In spite of rising demand for Los Angeles fashion, increasing local production is hindered by trade barriers. The apparel and accessories export-to-import ratio is roughly 1:40, measured by dollar value. The disparity reflects import tariffs by countries protecting their own large apparel manufacturing industries. Small- to medium-sized companies, in particular, struggle to gain a foothold with foreign retailers. Recent



Many local apparel wholesalers are self-employed. More than 60% of the remaining establishments are composed of 1-4 employee firms.

free trade agreements may help garment exports destined for South Korea, Panama, and Columbia.

Southern California Design: Thanks to the many apparel design and merchandising schools located in the region, the design sector is thriving. These schools attract students from throughout the world. Big name local brands employ numerous design related workers, but the majority of local designers work independently. The California Fashion Association estimates that there are 1,050 independent fashion designers in the area.

Retailers: Throughout the U.S., retail clothing stores had a much better 2011 compared to 2010. National apparel sales were especially good this holiday season. The Census Bureau reports that apparel sales increased by 5.9% to $226.5 billion in 2011 compared with 2010. Southern California accounts for about 8.3% of the total.

Southern California retailers employed 102,400 persons in apparel and apparel accessories 2011, unchanged from 2010. Los Angeles County apparel wholesalers increased employment to 21,000 jobs in 2011 from 20,500 in 2010.

Textile Mills: The floods in Thailand caused a shortage of textile supplies in Southern California. The producer price of textile products and apparel is a major risk to the apparel industry moving forward. In 2011, the price of textile products and apparel increased by 7.7%, according to BLS preliminary estimates. In a similar survey, the price of fuels and related products increased by 16.5% in 2011 and by 17.1% in 2010, which hurt companies that outsource production segments. Employment in local textile mills has been disappearing for the last decade. The 6,900 jobs in textile mills was 400 less than in 2010.

Business & Professional Management Services

In 2011, California added nearly 70,000 business and professional management services jobs, which represented an increase of 3.3% over the year. In Los Angeles County, nearly 4,600 jobs were added in 2011, an increase of 0.9%. With its high number of white collar and high skill jobs, this diverse sector is expected to be one of the fastest growing in the state and throughout the region in 2012.

Once again the **advertising industry** has perhaps the best growth prospects in 2012 for this sector. In the U.S., spending on advertising rose by 3.4% to $158.9 billion in 2011. The online portion of advertising in the U.S. grew at an even faster rate, increasing by 23% to $32 billion in 2011. Increasingly, more money is being directed to online advertising because of the growing amount of time consumers are spending with digital platforms. The Internet is also a more measurable medium than traditional print and TV advertising. Total ad spending across all media in the U.S. is forecast to increase in 2012 by 6.7% to $169.5 billion.[9]

The summer Olympics and the U.S. Presidential election will provide a boost to ad expenditures this year. Many corporations have built up large cash reserves and will be investing a portion of those reserves in advertising to stimulate consumer demand and build market share. Much of the growth in the advertising industry will depend on increases in consumer spending.

Mergers and acquisitions (M&A) activity is growing increasingly contentious and legally complex. After a promising start last year, deal activity fell during the second half of 2011 by 23.9%. Over the year, deal volume was down by more than 19.0% while values plunged by 35%.[10] Volatile markets and depressed stock prices took a toll on the number of transactions. Deals took longer to complete, especially in industries like telecommunications which are subject to heavy regulatory scrutiny. The financial industry was also hit hard in terms of deal volume. Regulatory and compliance concerns more than ever must be factored in to deal-making. Private equity deals, the one bright spot last year, stepped up both in terms of volume and the value of deals completed in 2011 versus 2010.

As to 2012, there is still an appetite for growth among companies with strong cash reserves and untapped capital to expend. Mergers and acquisitions activity will likely rebound once market volatility subsides. M&A activity benefits everyone needed to complete a deal: accountants, lawyers, investment bankers, advisors and consultants (strategic, valuation, etc.).

Commercial real estate in major metro areas is beginning to improve. There is still little activity on the new construction front, but buying/selling activity for Class A properties is on the upswing. That benefits agents, brokers, lawyers, title companies – anyone involved in the mechanics of property transfer. Additionally, there is still a substantial amount of work to be done by firms handling property workouts or foreclosures.

[9] www.eMarketer.com
[10] *The Gloves are Off,* Thomson Reuters (January 26, 2012)

Business conditions at **architectural** firms are improving in most regions of the U.S. December 2011 marked the second straight month that the AIA's architecture Billings Index increased. This was the first back-to-back gain since February-March 2011. However, the December index indicated the billings figures for the Western region (which includes California) were still too weak to generate growth. Nationwide, most major construction sectors are reporting gains. Firms specializing in residential, commercial/industrial, and institutional projects all reported gains in December. Activity levels will remain volatile during 2012, but cautious optimism is making its way back into architectural firms' outlook.

Financial Services

Many segments of the financial services industry were hard hit by the mortgage meltdown and broader financial crisis that accompanied the Great Recession. Across the state, the industry lost more than 160,000 jobs over four successive years before eking out a slight gain in 2011. But the industry still has some distance to travel before it is fully on the mend.

Financial institutions with large real estate exposure continue to work through loan delinquencies and foreclosures. On the residential side, the number of foreclosures and short sales has probably peaked, but the distressed sale pipeline will be full for at least two more years. As economic and housing market conditions improve this year and next, both the number of underwater properties and the number of delinquencies will even out and decline. Moreover, since tighter underwriting standards have been in place for a number of years, the number of new delinquencies in the coming years should likely decline, and banks should begin to see the light at the end of the tunnel.

Financial institutions still face legal and regulatory hurdles in the years ahead. As of this writing, government officials and five major banks reached an agreement valued at $26 billion to settle alleged foreclosure abuses by lenders. Other lawsuits and legal battles stemming from their lending and investing practices before, during, and after the financial crisis may still be forthcoming. They must also implement measures to comply with financial and consumer protection regulations that passed in 2010.

The future of Fannie Mae and Freddie Mac is still uncertain, and Congress is unlikely to act substantively on this matter until 2013, after the November election passed. Once Congress takes action, actual changes to government's role in real estate finance will take years to implement.

In sum, these legal and regulatory developments may affect the financial industry's willingness and ability to provide more liquidity to businesses and households as the overall economy improves.

Health Services

The Health Services industry is one of the leading segments of the Southern California economy. Anchored by leading medical facilities through the region, the industry accounts for 10% of regional jobs.

Healthcare services added jobs during the course of the recession, and should see job gains continue this year and next. This trend will be driven by demographics, notably continued population growth, longer life expectancy, and increasing numbers of older Southern California residents. One also expects more households to have a greater ability to afford insurance and medical treatment as their finances improve along with the performance of the economy.

In response to growing healthcare needs, several institutions have expanded their facilities or have plans to do so:

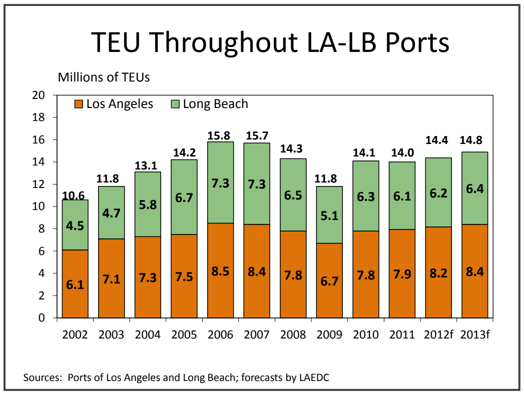
- Los Angeles County: Long Beach Children's Hospital
- Orange County: Kaiser Permanente, St. Jude Medical Center, and Children's Hospital Orange County in Orange County
- Ventura County: Ventura County Medical Center
- San Diego: Sharp Healthcare, Scripps Health and Kaiser Permanente

In addition to providing treatment, several medical research institutions are located in the region. Medical research and production of medical instruments and pharmaceuticals are also an important source of economic growth.

Employment in the health services industry of Southern California is expected to see job growth accelerate from 2.0% in 2011 to 2.7% in 2012, with an additional 2.3% increase in 2013.

International Trade/Goods Movement

International trade has played a critical role in our regional economy's recovery over the past two years. In fact, international trade related employment has rebounded strongly since 2009 starting at the local



The Port of Long Beach just recently signed a 40-year $4.6 billion lease with Orient Overseas Container Line (OOCL). This is the largest deal of its kind in U.S. seaport history. The deal secures a tenant for the Middle Harbor Project.

ports and spreading from the coast to the Inland Empire. This sector has a significant economic impact (both directly and indirectly) on the regional economy and the industrial real estate markets in L.A. County (which has the lowest industrial vacancy rate of any metropolitan area), Orange County and the Inland Empire.

International trade is the *key* driver of goods movement in Southern California. The main components of this sector include general freight trucking, marine cargo handling, air freight, shipping agents and logistics firms.

The 2011 trade figures for the San Pedro Bay Ports (Port of Los Angeles and the Port of Long Beach) were weaker than expected, primarily on the import side, as exports did exceptionally well. Import growth started to taper off in the second quarter of 2011 due to the disasters in Japan, higher oil prices, and the euro zone debt crisis. Moreover, the normal holiday peak season was not as strong this year as retailers restocked inventories less aggressively. As a result, loaded inbound containers barely declined by 0.2% at the San Pedro Bay ports in 2011.

The local ports experienced a decline of 0.7% in total containers in 2011. However, the ports did witness an increase in *total loaded containers* in 2011. The combined ports experienced a jump of 1.9% in total loaded containers, mainly led by loaded outbound containers at the Port of Los Angeles.

The Port of Long Beach experienced a drop in total containers of 3.2% in 2011 as imports fell by 3.3% and exports dropped by 3.6%. However, the big story this past year at the Port of Long Beach was the loss of one of its seven container terminal customers. The departure of the Hyundai to the Port of Los Angeles was the main reason for the drop in activity. On a positive note, the remaining six container terminals actually witnessed strong growth of 8.1% in 2011. Imports climbed by 10.1%, while exports rose by 7.8%.

The Port of Los Angeles experienced a rise in total containers in 2011, registering a 1.4% expansion. Loaded inbound activity rose by 2.3%, while loaded outbound TEUs grew by 14.6. The Port of Los Angeles recorded the highest level of exports in history during 2011. Exports totaled 2,109,394 TEUs surpassing last year's record of 1,841,274 TEUs.

The Port of Los Angeles and Port of Long Beach maintained their top two rankings in the U.S. during 2011, handling a total of 14.0 million containers (down from 14.1 million containers in 2010). The Los

Angeles Customs District (LACD) maintained its number one position in the U.S. in 2011 (through November) with a two-way trade value of $355 billion. The Port of Los Angeles remained the top port in the nation with regards to total container traffic with 7.9 million containers, while the Port of Long Beach maintained its number two ranking with a total of 6.1 million containers. Through November 2011, the value of total two-way trade had increased by 12.3% on a year-to-date basis.

The outlook for 2012 is positive as the global recovery continues, but with many significant risks lingering this year, including the European sovereign debt crisis, oil prices, and the slowdown in China. The Asian economies are once again expected to lead the way with higher rates of growth compared with the economies of Europe and North America, which bodes well for trade volumes at the local ports. However, the Asian economies are not projected to see the growth rates they experienced two years ago or last year as they face lower exports and high inflation rates. Still, the LACD's top five trading partners are all projected to post growth rates of 3% or higher with the exception of Japan.

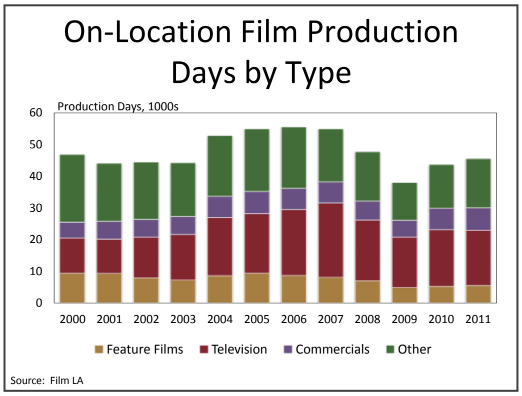
The forecast for 2012 calls for an increase in total trade volumes for both local ports. Total container traffic at the Port of Los Angeles and the Port of Long Beach is projected to expand in 2012 to 14.4 million TEUs, an increase of 2.8% and in 2013 to 14.8 million TEUs, also a rise of 2.8%. Both imports and exports should improve this year with exports outperforming imports. The expected improvement in trade will positively impact both ports as well as all the other goods movement industry players, from the longshoremen's union to the independent truck drivers to the railroads.

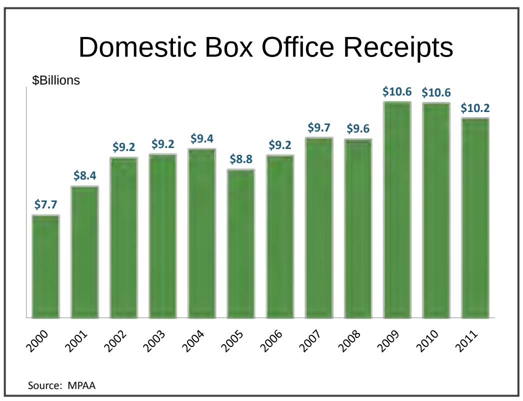
The Big Questions: For the international trade industry, the two main questions are: ***How well will the global economy perform in 2012? When will we see the peak trade volume years of 2006-2007 return?***

The pace of global economic recovery will slow in 2012. The recovery will continue to reflect two different economic stories. The developing economies (especially in Emerging Asia) will lead the global recovery (albeit at a much slower pace than in the last two years), while the advanced economies will see modest improvements in GDP growth and some will fall into recession (i.e. Europe). The growth in Emerging Asia bodes well for trade volumes at our local ports. Overall, the results for 2012 should be healthy as growth will exceed 2011 levels.
The answer to the second question has become more difficult to answer after last year's somewhat disappointing performance. Trade

volumes performed worse than expected last year, which is a bit concerning. Most importantly, there were slightly fewer total containers in 2011 when compared to 2010. As a result, trade volumes are not projected to return to the glory days of 2006-2007 for at least another few years.

MOTION PICTURE/TV PRODUCTION





The Los Angeles entertainment industry, of which motion picture and TV production (MPTP) is a large part, plays a key role in the regional economy. One of Los Angeles' signature industries, MPTP is a major driver of economic activity in the area. For example, when a movie is filmed, actors, costume designers and special effects creators benefit, but so do persons working in industries as disparate as food services, security, transportation and florists. L.A.'s billing as entertainment capital of the world also draws millions of tourists to the region each year.

Since the end of the recession, motion picture and TV production has created a significant number of jobs. In 2011, the industry added 11,700 employees. This represented a gain of 9.6% making MPTP one of the fastest growing industries in the region in terms of direct employment.

On-location film activity also increased in 2011 but has not yet regained all the ground lost during the recession. Measuring film activity by permitted production days does not capture filming that takes place on sound stages, but is still a good proxy for industry activity. Total permitted production days (PPD) were up by 4.2% last year following a post-recession bounce of 14.9% in 2010.

Permitted feature film production rose by 5.7% over the year in spite of a 26.4% decline in the fourth quarter. Commercials were up by 4.4% (setting a new annual record at 7,079 PPD) and "other" jumped by 12.6%. This category includes documentaries, industrial videos, music videos, still photography and student films. Somewhat disturbing was a decline in TV production. The number of TV PPD dropped by 2.7% in 2011. In the fourth quarter, the Los Angeles area lost *ten* one-hour TV drama series to other states.[11]

Fewer people went to the movies last year. Domestic box office receipts last year declined by 3.7% to $10.2 billion in 2011 compared with 2010. Movie theater attendance was down by 4.6% making last

[11] Film L.A., Inc.

year's movie audience the smallest since 1995, while the average price of a ticket edged up by 0.9% to $7.96.[12]

Although 2011 saw employment numbers rebound to a ten-year high, the entertainment industry continued to grapple with a number of complex issues that took root prior to the onset of the recession. Foremost is the role of new technologies that have changed how people consume entertainment. Related to this development is the issue of protecting intellectual property rights and stemming the flow of illegally downloaded media. There is also debate surrounding California's film tax credit and the outflow of movie and TV production from the region.

For consumers of entertainment media, connectivity is critical. Newly connected PCs, Blue-ray players and other network devices using Wi-Fi technology have dramatically changed how consumers access entertainment. The challenge is how to deal with rapidly changing consumer preferences and shorter product life-cycles. Consumer spending on home entertainment was down by 2% in 2011, the seventh consecutive annual decline.[13] Recent attempts by Hollywood to keep people buying movies as they ditch DVD discs in favor of Internet-connected TVs, smartphones and tablets were slow in coming and have gotten off to a rocky start. The recent launch of Ultra Violet is one example. The service was jointly developed by movie studios, electronics makers and retailers to build an "ecosystem" for buying and watching movies across multiple platforms. Some early adopters reported that the service was "confusing and buggy". Still, Ultra Violet represents an important step forward for the industry.

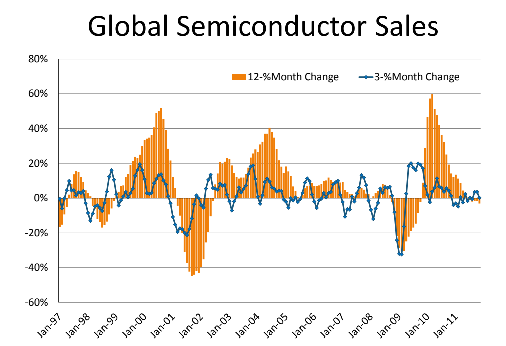
The issue of how much people are willing to pay and how to charge for content across multiple platforms is a contentious one. Piracy and illegal file sharing are an ongoing threat to the industry. Media companies have had some success cracking down on file sharing outfits. Financial losses are hard to quantify but it is safe to say foregone revenues are substantial. The recent showdown between entertainment companies and Internet providers over the Stop Online Piracy Act (SOPA) was a clear demonstration of the competing interests and complexity involved in tackling this problem.

The outward migration of film production has slowed due to the state's program of film tax credits, which took effect in 2009. The state has allocated $100 million annually beginning fiscal year 2009-2010 through fiscal year 2013-2014. The program provides a 20% to

[12] Box Office Mojo
[13] Digital Entertainment Group

25% tax credit on qualified production expenses that can be used to offset state income or sales tax liabilities. A number of cash-strapped states that offer film tax credits have questioned the cost effectiveness of their incentive programs and some are scrapping them, which might reduce competition for local production. On the other hand, other states such as New York, which offers more than four times the amount of funding than does California, continue to aggressively lure production away from California.

TECHNOLOGY



Source: Semiconductor Industry Association

LAVA (Los Angeles Venture Association) is forum where venture capitalists, entrepreneurs, angel investors, and professional advisors meet to discuss possible investment opportunities, especially for local businesses.

The rate of technological innovation continues to grow at a rapid pace. Incentives to innovate are at an all time high with big names filing for initial public offerings (IPO) in 2011 garnering large sums of cash. Meanwhile, jobs in high tech manufacturing were similar to 2010. Global semiconductor sales were flat throughout 2011.

Technology in Southern California reflects a U.S. trend: growth in the demand for tech services outweighs the growth in the demand for manufactured goods.

Technology Service Industry: Southern California's technology service industry is mostly composed of computer systems design, software publishers, management & technical consulting services, and research & development.

Employment in these tech service industries in Southern California for the first half of 2011 was higher than pre-recession levels as tech service employment in these combined industries reached 284,900 workers. The average tech service worker's wage increased by 9.1% to $94,400 annually in the first half of 2011 from the same period in 2010. Wages in tech services are 40% higher than in 2002.

While the top ten Tech IPOs of 2011 failed to feature any Southern California companies (Activision was the closest), development has been rising. Locally created Fandango (movie tickets) and Hulu (video streaming) benefited from their proximity to NBC Universal and Disney in Southern California. **LAVA** has also helped many start-ups get off the ground.

Technology Manufacturing Industry: Southern California's computer & electronic products manufacturing includes computer & peripheral equipment, bare printed circuit boards, semiconductors, fiber optic cables, and many other related products. Some local fast growing companies manufacturing goods have been thriving, but the overall trend slopes downward in terms of employment.

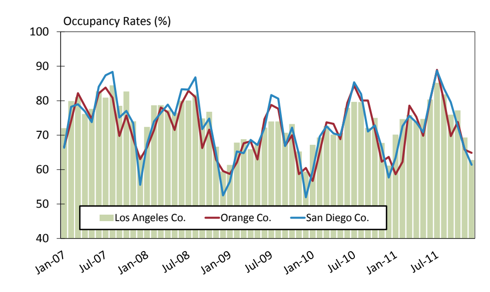
Patents protect the creators of new technologies and encourage innovation. According IFI Claims Patent Services, 224,505 utility patents were filed in 2011. Companies filing the most utility patents were IBM, Samsung, Canon, Panasonic, and Toshiba

Employment in computer & electronics products manufacturing was 115,200 workers in the first half of 2011, 4.7% lower than the same period in 2010. Going into 2010, computer & electronics products manufacturing employment had decreased for five consecutive years.

Expectations for Technology in 2012 and 2013: The technology industry can best exemplify the increasingly connected global economy. When large tech- corporations in Silicon Valley or elsewhere boost or cut budgets, local branches and other businesses follow suit. If the following year is anything like the last, expect large corporations to focus on **patent acquisitions**, mobile web browsing applications, and designing thinner, faster, and visually clearer computer tablets.

TRAVEL & TOURISM[14]

HOTEL OCCUPANCY RATES



Source: PKF Consulting

Travel and tourism is one of L.A.'s largest industries, employing thousands of people and generating billions of dollars in economic activity. Los Angeles County hosted a record 26.9 million visitors last year, a 4.2% increase over the previous year. Tourists and business travelers spent $15.2 billion in 2011, an increase of 7.8% over 2010, also a record high.

More international travelers arrived in Los Angeles last year – 5.9 million, an increase of 6.7% compared with 2010. The largest number of international visitors came from Mexico (1.6 million) and Canada (675,000). Australia topped the list of *overseas* residents who came to Los Angeles in 2011, followed by the United Kingdom, China, France, Germany and South Korea. International travelers accounted for nearly 22% of the total number of visitors who arrived in L.A. last year and 36.8% of total visitor spending.

Regarding the area's hotel industry, demand was strong in 2011 with gains made in occupancy rates and average daily room rates. As 2012 progresses, the lodging sector will benefit from growth in corporate profits, international visitation, personal income growth (particularly among the professional ranks) and limited new supply. Several sub-markets in the Los Angeles area are expected to return to or surpass peak-2007 occupancy levels.

The outlook for the region's large tourist industry is looking brighter, but there are still concerns. One is the economic problems in Europe

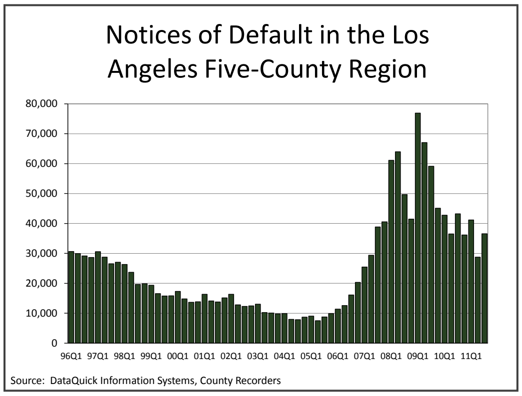
[14] Visitor counts and spending figures provided courtesy of LA INC.

and the Euro's decline in value against the U.S. dollar. This could hurt travel to Southern California from such key markets as Germany, the UK and France. Slower growth in many emerging economies could also have a negative impact on the region's tourism industry. On the domestic front, although the labor markets are on the mend, unemployment remains very high – a deterrent to discretionary travel. Like most industries, the travel and tourism sector is also seeking to use new technologies to attract consumers and influence their travel decisions. Meanwhile, consumers are using mobile devices and social networks to track down the lowest prices and most desirable amenities siphoning pricing power away from airlines, hotels and other travel services providers.

Of course there is always competition from other popular travel destinations in the United States. There are a number of efforts underway to maintain L.A.'s position as a premier travel destination. The Tom Bradley International Terminal at LAX is undergoing a major face lift that will make it more attractive and user friendly for travelers. Local theme parks opened several new attractions last year and more are in the works. A number of hotels are renovating and upgrading their facilities. Los Angeles is also gaining popularity as a convention destination and new attractions such as the Broad Contemporary Art Museum are broadening the region's cultural appeal.

XI. Outlook for Construction and Retailing

Residential Real Estate



During the opening months of 2011, several of the ingredients needed for a real recovery in the housing market appeared to be in place. Employment growth was stronger, consumer spending was up and the rental markets were tightening. Depressed home prices, rising rental rates and near-record low mortgage interest rates combined to bring down the cost of homeownership. And yet, as the calendar turned to 2012, the timeline for recovery in the housing market continued to be measured in years and not in months.

There are a number of obstacles blocking the recovery of Southern California's housing and homebuilding industries.

- While existing home sales in the region are only slightly below normal, tighter mortgage lending standards and fundamentals such as slow job growth and flagging consumer confidence have dampened demand.

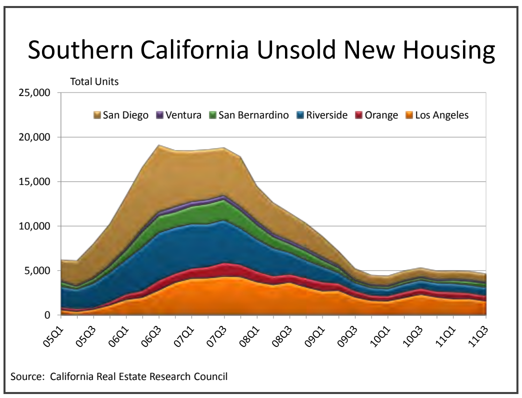
- Home prices fell in 2011 compared with 2010. Remember, though, that home prices received a boost from the home buyer tax incentives in 2010 so last year's decline is somewhat distorted. Still, there are several factors continuing to exert downward pressure on home prices. First and foremost is the large overhang of foreclosures and short sales. Home sales still include a high concentration of distressed and foreclosed properties. The result is a drop in median price.

- Low prices also have the effect of increasing the number of underwater mortgage holders, placing more homes at risk of default and foreclosure.

- Lower conforming limits for loans guaranteed by Fannie Mae and Freddie Mac make it harder for potential buyers of more expensive homes to obtain financing, further skewing sales and prices toward the low end of the market.

New Home Construction: 2011 was one of the worst years on record for new home construction. Five years after the onset of the housing crisis, the market for new homes is still facing significant challenges on the demand side: the glacial pace of new job creation, tighter bank underwriting standards, and conservative appraisals. Foreclosure activity continues to push back the recovery horizon because builders cannot compete with current existing home prices. California has the second highest foreclosure rate in the nation, just behind Nevada.

Uncertainty about how many foreclosures are in the pipeline and how lenders will manage their inventories of foreclosed homes is exerting additional downward pressure on prices. The unknown number of homes that comprise this "shadow" inventory continue to weigh on the housing market by encouraging appraisers to be overly conservative and by keeping mortgage underwriting tighter than it would otherwise be. In December, foreclosures in Southern California accounted for 32.5% of existing home sales. As bleak as this sounds, however, it is still a vast improvement over February 2009, when foreclosure sales peaked at 58.5%.[15]



Builders are reporting a modest uptick in buyer traffic, especially near key employment centers with established infrastructure and desirable amenities, but this is not yet translating into significant sales activity. In Riverside and San Bernardino counties, epicenter of the region's foreclosure crisis, new home inventories increased in the third quarter of 2011 by 1.2% and 59.3% respectively on a year-over basis. After falling in 2008 through mid-2010, unsold inventories in the Inland Empire have increased over the last five quarters. In Los Angeles County, the inventory of new unsold homes declined by 32.3% during the third quarter and in Orange County, new home inventories fell by 12.0%. In Ventura County, the unsold new home inventory increased by 32.4% during the third quarter of 2011.

In 2011, the number of new residential construction permits issued in the five-county area was up by 20.3% to 21,114 new single- and multi-family units compared with 2010 and by 41.3% from 2009 when only 21,114 permits were issued.

- In Los Angeles County, total residential construction permits increased by 39.0% to 10,380 units in 2011. Multi-family homes accounted for 77.6% of permits issued last year, with single-family homes making up the remaining 22.4%.

- In Orange County, a total of 4,818 residential permits were issued in 2011, which was up by 55.9% compared with 2010. Multi-family homes made up 60.8% of new home permits with single-family residences accounting for 39.2%.

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[15] *Ibid.*

- Alone among the regions of the Los Angeles five-county area, the Inland Empire posted a decline in new home construction in 2011. Permits fell by 18.6% to 5,214 units last year, which was down by 90% from the region's new home building peak in 2004. Single-family permits continue to dominate in the Inland Empire, making up 71.6% of the total number of new housing permits.

- In Ventura County, a total of 702 residential permits were issued during 2011, an increase of 19.0% from the previous year. Of the housing permits issued in 2011, 77.1% were for multi-family residences. Compared with the rest of the region, less new home construction occurs in Ventura County. Barriers include a lengthy permitting process, limited land availability, and median prices that are relatively high compared with the rest of the Los Angeles five-county area.

Resale Housing: In 2011, existing single-family home sales in California edged up by 1.1% over the year, while the median price fell by 6.3%. Although prices are still declining on a year-over basis, the month-to-month numbers are beginning to exhibit some stability.

Median prices for existing single-family homes by county in 2011:[16]

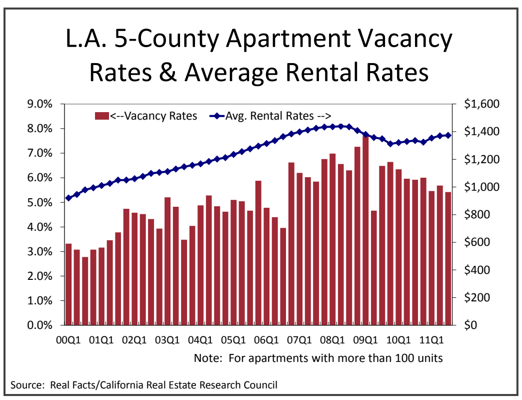
- In Los Angeles County the median price was $307,660, which was down by 4.8% over the year.
- In Orange County, the median home price declined by 6.2% to $512,500.
- The median price in the Inland Empire fell by 3.9% to $172,820.
- Ventura County had a median price of $418,270, a decline of 5.5% from a year ago.

Foreclosure activity has declined significantly from its peak in 2009, but remains at extremely high levels and is largely responsible (along with the lack of financing for higher priced homes) for concentrating sales at the low end of the market. Investors, many of whom pay cash, are filling in some of the gap left by the lack of entry level buyers. In December, investors were responsible for 26.4% of existing home sales in the region. Sales of higher-end homes (priced $500,000 or more) made up just 17.8% of sales in December, hampered by tight credit conditions and since last October, lower conforming loan limits. The ten year monthly average for homes sold in this price range is nearly 28% of total sales (although the decline in median price would affect the number of homes offered at that price point). [17]

[16] California Association of Realtors
[17] Southland December Home Sales (December 17, 2012); DQNews.com

Unsold inventories of resale homes are fairly low. According to the California Association of Realtors, the unsold inventory in California represented a 4.2 month supply at December's sales rates. This was down from 5.0 months in December 2010 (the average for California is about seven months). Normally, this would be a good sign because low inventories lead to increasing prices. However, these are not normal times. Homeowners who would like to sell may be keeping their home off the market because of low prices. On the demand side, the shortage of inventory may be discouraging potential buyers.

To date, rock bottom mortgage interest rates and good affordability have not been enough to entice buyers back to the market. What happens in the 2012 will depend on how fast lenders work through their foreclosure files. Would-be buyers are waiting for prices to stabilize. Also needed are stronger job growth, a more normal rate of household formation, and a greater willingness on the part of lenders to make loans to qualified buyers. Perhaps equally important, is greater confidence on the part of potential buyers that the benefits of purchasing a home will, in the long-term, outweigh the risks.



Apartments: Demand for rental units continued to increase in 2011. The economy is adding jobs enabling more young people to establish independent households. Many potential entry-level home buyers are hesitating to commit to home ownership and are choosing to rent instead. Also adding to the pool of potential renters are former homeowners who lost their homes to foreclosure and will likely have to rent for many years to come.

Apartment vacancy rates were mostly down in the third quarter of 2011 compared with the same period in 2010. The vacancy rate in Los Angeles County was 4.9% compared with 6.1% a year ago. Apartment vacancy rates in Orange County averaged 5.3% (unchanged from a year ago). Riverside County also experienced a decline in vacancy rates over the year, from 7.1% to 6.4%. In San Bernardino County, the rate edged up slightly to 5.7% from 5.6% and in Ventura County it dropped to 4.8% from 5.5%.

Rental rates are also improving. The average rental rate in the Los Angeles five-county region increased by 2.8% during the third quarter on a year-over basis. Rental rates in Los Angeles County were up by 4.1%. Orange County saw an increase of 4.2% over the year. Rents also rose in Riverside County (1.5%) and San Bernardino County (2.6%). In Ventura County the average apartment rent ticked up by 1.0%.

Apartment fundamentals are relatively healthy compared with the detached for-sale housing market. Transaction costs associated with renting are lower than buying, renting does not tie up funds in the form of a down payment, and renting offers greater flexibility if an individual needs to move to obtain a job. Additionally, the apartment market did not suffer from excess supply problems and was less affected by foreclosure crisis. On the other hand, increasing rental rates may lead to a reassessment of the "rent-or-buy" calculation for some households as their financial situation improves along with the economy.

Multi-family construction has been the one bright spot in the residential real estate market during the past year and momentum is building. Many families and individuals are rethinking the choice between purchasing a single-family home in a distant area for the sake of affordability versus long commutes to work. Younger people are embracing the flexibility afforded by renting. New apartment construction remains at relatively low levels but as more people return to work, demand will increase pushing up rents and encouraging builders to forge ahead with new developments.

Housing Forecast: The housing market in Southern California will be better in 2012. Economic reports dealing with housing indicators are showing a little more strength lately. Low mortgage interest rates make buying a home more affordable, the employment outlook is stronger, some easing of mortgage underwriting standards has been reported, and demand appears to be firming a bit.

The biggest risk to the housing market is if the pace of job growth fails to accelerate. Foreclosures and negative equity remain significant hurdles to recovery. Foreclosures will continue to be a major driver of sales in Southern California's distressed areas in 2012 and well into next year. Until that process plays out, the market outlook will remain uncertain. Job growth is essential to reducing foreclosures and delinquencies which, in turn will help stabilize prices – a prerequisite to luring discretionary buyers back to the market. Tight lending standards also threaten to hold back the housing recovery. Many would be borrowers have not been able to benefit from low interest rates because they do not have enough equity in their current homes or have a blemish on their credit or have had uneven income over the past few years.

Despite all of this, the LAEDC expects a modest rise in home sales and new home construction in 2012. We will have to wait for 2013 to see a more robust turn-around. The LAEDC forecasts that a total of 26,650 new housing units will be permitted during 2012 in the five-county region, an increase of 26.2% from 2011, but still down by 70.9% from the 2004 peak level of 91,556 units. Gains in 2012 will stem from improvements in the rest of the economy, particularly stronger job and income growth, increased household formation and better housing affordability. Pent up demand for housing is building. At some point, population growth and young people striking out on their own will reignite demand for housing.

Table 21: Median Existing Single-Family Home Prices

Year	L.A. County	Orange County	Inland Empire	Ventura County
2001	242,426	353,740	147,703	322,560
2002	287,176	408,638	167,726	372,395
2003	348,409	488,439	217,953	462,521
2004	435,954	642,577	295,173	599,282
2005	517,853	706,555	364,407	668,138
2006	577,147	732,517	383,580	685,957
2007	589,166	727,570	367,248	673,940
2008	382,714	540,650	230,710	463,560
2009	299,268	505,589	161,114	416,770
2010	323,290	546,385	179,268	442,820
2011	307,660	512,500	172,280	418,270

Annual % Change

Year	L.A. County	Orange County	Inland Empire	Ventura County
2001	12.3%	11.9%	6.6%	9.3%
2002	18.5%	15.5%	13.6%	15.4%
2003	21.3%	19.5%	29.9%	24.2%
2004	25.1%	31.6%	35.4%	29.6%
2005	18.8%	10.0%	23.5%	11.5%
2006	11.4%	3.7%	5.3%	2.7%
2007	2.1%	-0.7%	-4.3%	-1.8%
2008	-35.0%	-25.7%	-37.2%	-31.2%
2009	-21.8%	-6.5%	-30.2%	-10.1%
2010	8.0%	8.1%	11.3%	6.3%
2011	-4.8%	-6.2%	-3.9%	-5.5%

Source: California Association of Realtors

Table 22: Total Housing Permits
(In millions of dollars)

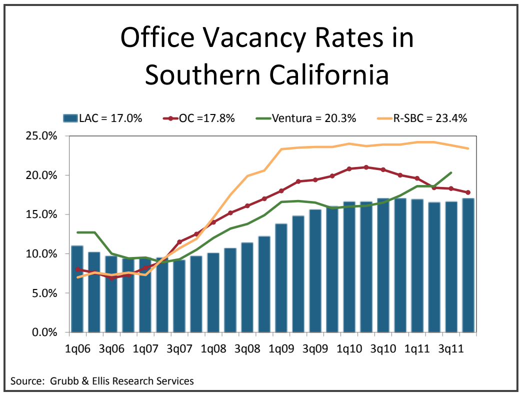
Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2001	18,253	8,646	27,541	3,446	57,886
2002	19,364	12,020	33,280	2,507	67,171
2003	21,313	9,311	43,001	3,635	77,260
2004	26,935	9,322	52,696	2,603	91,556
2005	25,647	7,206	50,818	4,516	88,187
2006	26,348	8,371	39,083	2,461	76,263
2007	20,363	7,072	20,457	1,847	49,739
2008	13,704	3,159	9,101	842	26,806
2009	5,653	2,200	6,685	404	14,942
2010	7,468	3,091	6,404	590	17,553
2011e	10,380	4,818	5,214	702	21,114
2012f	13,100	6,900	5,800	850	26,650
2013f	16,250	9,000	6,700	950	32,900

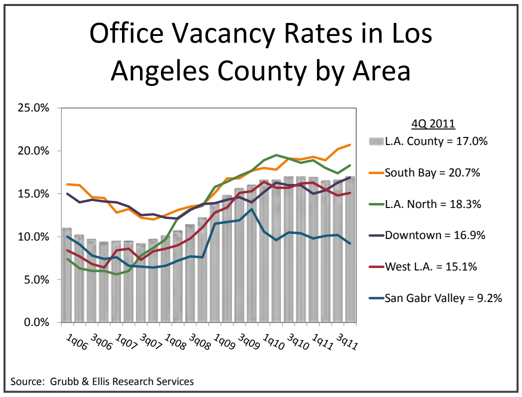
Annual % Change

Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2001	6.9%	-30.1%	25.2%	-13.2%	4.5%
2002	6.1%	39.0%	20.8%	-27.2%	16.0%
2003	10.1%	-22.5%	29.2%	45.0%	15.0%
2004	26.4%	0.1%	22.5%	-28.4%	18.5%
2005	-4.8%	-22.7%	-3.6%	73.5%	-3.7%
2006	2.7%	16.2%	-23.1%	-45.5%	-13.5%
2007	-22.7%	-15.5%	-47.7%	-24.9%	-34.8%
2008	-32.7%	-55.3%	-55.5%	-54.4%	-46.1%
2009	-58.7%	-30.4%	-26.5%	-52.0%	-44.3%
2010	32.1%	40.5%	-4.2%	46.0%	17.5%
2011e	39.0%	55.9%	-18.6%	19.0%	20.3%
2012f	26.2%	43.2%	11.2%	21.1%	26.2%
2013f	24.0%	30.4%	15.5%	11.8%	23.5%

Sources: Construction Industry Research Board, forecasts by LAEDC

NONRESIDENTIAL REAL ESTATE





Office Space: After more than three years of economic growth following the end of the recession, recovery in Southern California's office market is slowly starting to gain traction. Demand for office space is up, reflecting an uptick in hiring and near record low levels of new construction. Most leasing activity is still concentrated in renewals, which quite often involve less space, or in firms with stronger balance sheets taking advantage of low lease rates and moving to higher quality space in more desirable areas. This trend is known as "flight to quality" and has been seen in every market across the region. Leasing activity is expected to increase in 2012, but rents will remain soft. Vacancy rates are so high that even with the declines expected this year, the impact on rental rates will be minimal.

For the time being, the office market is tilted in favor of tenants – high rates of space availability encourage renters to trade up and to demand greater concessions from landlords who desperately want to keep buildings occupied.

Los Angeles County: After showing improvement over the first three quarters of 2011, the Los Angeles County office market closed the year right back where it was at the end of 2010. The average office vacancy rate was 17.0% in the fourth quarter, unchanged from the same period last year. Net absorption for the year was negative 189,272 square feet. The volume of new space under construction was 526,000 square feet, mainly in West Los Angeles.

On average, the county's soft market for office space pushed Class A asking rents down to $2.90/SF in the fourth quarter compared with $2.99/SF during the same period in 2010. Vacancy rates will remain mostly flat during the first half of 2012, but should start to fall during the second half of the year as the economy expands further and as the labor markets to improve. Asking rents are projected to remain flat, with landlord concessions widely available.

Orange County: In Orange County, the average office vacancy rate declined in the fourth quarter of 2011 to 17.8% from 20.0% a year ago. There was no new office construction in Orange County in 2011 and the county posted positive net absorption for the year – leasing almost two million square feet over what was given up.

Orange County had the lowest unemployment rate in the region at 7.8% in December and was creating jobs at a faster rate than the statewide average. Many of these were white collar jobs in professional and technical services that need office space. Many tenants expanded into larger spaces after downsizing during the recession. The increase in demand for office space, however, has not yet translated to higher lease rates. Class A asking rents were mostly flat over the year at $2.18/SF

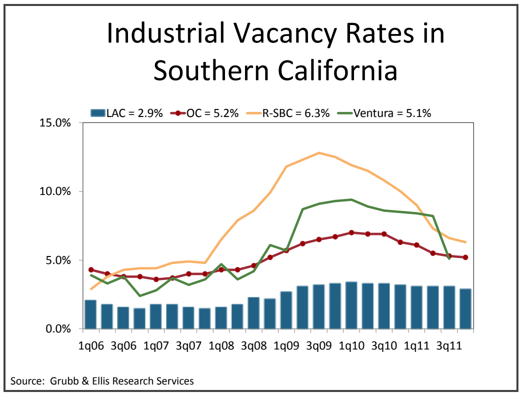
Looking ahead, gains in 2012 will build on last year's improvements. Growth will be slow and steady. With very little new office construction expected this year, and a faster pace of job creation, vacancy rates will continue to edge down. Overall asking rents appear to have bottomed out. Supplies of Class A space and of spaces over 100,000 SF are dwindling. Rental rates should firm up later this year and begin to inch towards the end of 2012.

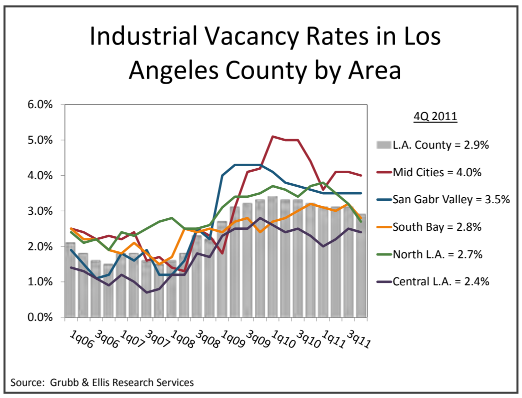
Inland Empire: In the Inland Empire, the vacancy rate was 23.4% in the fourth quarter of 2011, down marginally from the same period in 2010 (24.9%). Rental rates fell by 4.5% to $1.93/SF in the fourth quarter of 2011 compared with $2.02/SF during the same period in 2010. Total net absorption in 2011 was negative 37,000 square feet.

Modest employment gains in the Inland Empire did little to offset tenant downsizing and move-outs. Additionally, of the nearly 2.7 million square feet of speculative construction built since 2007, nearly half was still vacant at the end of 2011. Fallout from the crash of the region's housing market is still impacting industries linked to the housing market. White collar hiring is on the increase, but is not expanding fast enough to fill the large amount of available space. Little improvement is expected for 2012. Recovery in the office leasing market is closely tied to improvement in the region's base of finance, business services, and related sectors, but it will be some time before they absorb the available space.

New Office Construction: During 2011, office building permits valued at $264.6 million were issued in the five-county region. The value of new office construction dropped by 6.9% from 2010's already low levels. Los Angeles County accounted for 59% by valuation of office building permits issued in the five-county region year-to-date compared with 47% during the 2010. Orange County accounted for a 33% share, roughly the same as in 2010. The Inland Empire's share was 7% and Ventura County held a 1% share.

Industrial Space: Southern California is a major center for manufacturing, international trade and logistics, and entertainment. Los Angeles County is the nation's largest manufacturing center and is home to its biggest port complex.





Los Angeles County: The region's manufacturing and logistics industries, both of which are major users of industrial space, persist as the bright spots in an otherwise subdued recovery. The market for industrial property in Los Angeles County held its ground fairly well. At the close of 2011, the Los Angeles County average industrial vacancy rate was 2.9% (the lowest industrial vacancy rate in the nation); down from 3.2% a year ago. New industrial space under construction totaled 531,390 square feet at the close of 2011 and net absorption for the year was positive.

Increased leasing activity has helped stabilize vacancy rates, but there are signs leasing rates might soon turn the corner. Prospective tenants are still aggressive in their lease negotiations, and leases are taking a long time to close. Over the year, the average asking rent for industrial space in Los Angeles County held steady at $0.51/SF. Improvement in 2012 will depend largely on increases in port activity, manufacturing and population growth.

Industrial vacancies in Los Angeles County ended the fourth quarter of 2011 at relatively low levels. Long one of the tightest submarkets in the region, the vacancy rate in Central Los Angeles stood at 2.4%. Central Los Angeles is the county's largest industrial submarket and one of the densest in the nation. Industrial markets elsewhere in the county also remained tight during 4Q11:

Orange County: Orange County's industrial real estate market made significant gains in 2011. The average vacancy rate in the last quarter of 2011 was 5.2% down from 6.3% a year ago. No new space is currently under construction and net absorption for 2011 was positive. During the recession, 6.2 million square feet of industrial space was vacated – since then 3.7 million feet has been reabsorbed.

Demand for industrial space in Orange County is starting to catch up with supply. Rental rates have remained mostly flat in 2011 at $0.71/SF but should start to firm this year. Recovery in Orange County, as elsewhere, will depend on job growth (particularly in the county's technology and biomedical sectors) and stronger consumer demand.

Inland Empire: During the years leading up to the recession, the large influx of distribution businesses into the Inland Empire competed for space with rapidly spreading low-cost housing developments, creating a tight regional industrial real estate market. Conditions deteriorated markedly during the recession as the housing crisis unfolded, unemployment soared and trade related activity declined. The market was flooded with new space built by speculators just as businesses were downsizing or closing up altogether. Vacancy rates soared to nearly 13% and effective rents declined to historic lows.

The latest numbers, however, show the Inland Empire has made significant gains over the past year. The fourth quarter vacancy rate was 6.3%, still somewhat elevated compared to pre-recession levels, but down from 10.0% during the same period last year – a remarkable turnaround. Net absorption was positive in 2011 and when the year ended, 4.5 million square feet of speculative new industrial space was under construction, the first in the region since 2009. The rebound in international trade and strong growth in retail sales have pushed the Inland Empire industrial real estate market out of the trough. Asking rents are strengthening ($0.33/SF versus $0.31/SF a year ago). In 2012, strong demand for Class A warehouse space and limited supply will drive up lease rates, especially for buildings in excess of 100,000 square feet.

New Industrial Construction: During 2011, industrial building permits valued at nearly $214 million were issued in the five-county region. The value of industrial permits nearly doubled compared with 2010. Most of the gain occurred in Los Angeles County, which garnered 64% of the industrial permits issued last year, followed by the Inland Empire with just over 28%.

Forecast for Nonresidential Construction: The value of total private nonresidential construction in the five-county region increased to $5.5 billion in 2011, up by 14.9% compared with 2010. Activity will increase modestly in 2012, with a forecast total permit value of $6.0 billion (or 10.1%). While conditions have mostly stabilized, commercial real estate still has some distance to travel on the road to recovery. The mountain of troubled commercial real estate loans is beginning to erode, mostly due to write-downs and a dearth of new lending, but there are still billions of dollars of real estate loans that will be maturing over the next five years. Special servicers are holding back on disposing of problem assets, playing a game of extend and pretend. As long as the economy continues to expand, banks will continue to resolve troubled loans at an unhurried pace to avoid a refinancing crisis.

Private nonresidential building permit values in Los Angeles County rose by nearly 17% in 2011, will continue on an upward path in 2012, rising by 12.7%. Orange County's total nonresidential construction activity value increased by nearly 12.8% in 2011 and will expand again in 2012, rising by 7.8%. The Riverside-San Bernardino area's total nonresidential building permit values climbed by 16.3% in 2011.

Although fundamentals in the region have improved, nonresidential construction will grow at a slower pace in 2012 (5.8%). Ventura County's total nonresidential construction permit values declined by 8.3% in 2011 but should turn the corner next year and increase by about 2.0%.

For the most part, office space development will be restrained in all five counties of the Southern California region. Office vacancy rates around the region should be stable during 2012 and begin to decline in some areas as the employment situation improves. Average rents may continue to soften in some areas, but also appear to be stabilizing. Recovery will be helped along by the lack of new construction and stronger employment growth. Changes in workplace organization will present a challenge going forward. The necessity of reducing office space during the recession taught companies to use less space per worker. This will slow the office market's return to health unless the pace of job creation picks up significantly.

The outlook for industrial space development is much brighter throughout Southern California. Improvements in vacancy rates and rents will depend largely on growth in trade and manufacturing activity. Another factor is the rate at which speculative developments come on line, particularly in the Inland Empire. Too much supply added too fast could derail recovery. Gasoline prices, which affects the cost of trucking goods from the ports to warehouses, will also have an impact as firms weigh transportation costs against rental rates in cheaper (Inland Empire) versus more accessible areas such as Los Angeles.

Table 23 Office Building Permits Issued
(In millions of dollars)

Year	Los Angeles County	Orange County	Riverside County	San Bernardino County	Ventura County
2001	547	174	43	20	30
2002	209	150	36	30	5
2003	182	118	85	61	40
2004	307	133	127	84	18
2005	233	313	148	85	23
2006	241	578	192	115	52
2007	716	282	224	118	55
2008	446	114	118	33	26
2009	192	5	27	8	6
2010	133	98	41	7	5
2011	156	86	17	1	5

Source: Construction Industry Resource Board

Table 24: Industrial Building Permits Issued
(In millions of dollars)

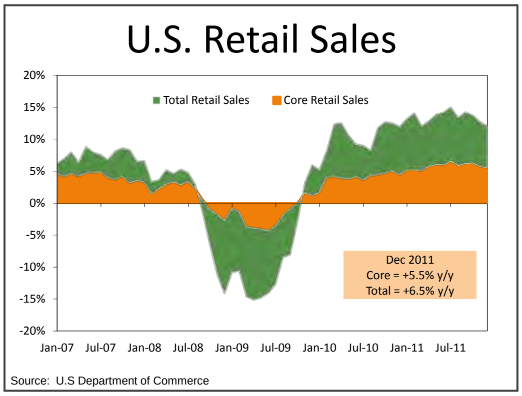
Year	Los Angeles County	Orange County	Riverside County	San Bernardino County	Ventura County
2001	202	90	75	331	76
2002	225	62	81	243	31
2003	276	68	113	245	47
2004	178	26	203	436	45
2005	277	27	120	322	23
2006	182	91	288	373	21
2007	109	52	185	351	29
2008	135	14	70	92	57
2009	40	0	12	34	17
2010	56	23	7	22	0
2011	136	10	10	51	7

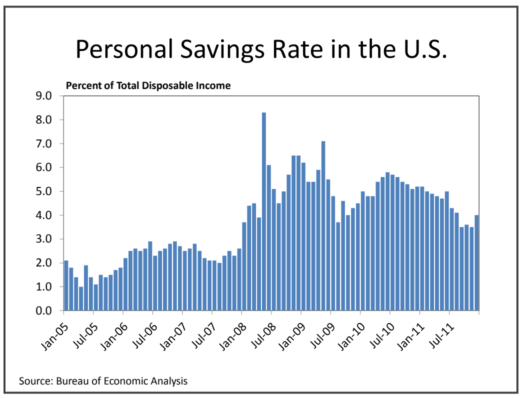
Source: Construction Industry Resource Board

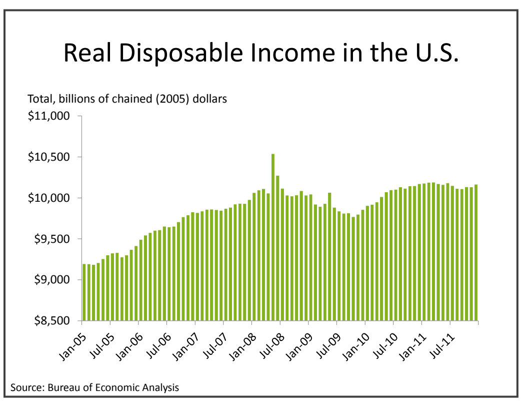
Table 25: Retail Building Permits Issued
(In millions of dollars)

Year	Los Angeles County	Orange County	Riverside County	San Bernardino County	Ventura County
2001	434	207	191	178	48
2002	459	194	231	163	81
2003	356	78	231	225	55
2004	484	118	406	176	90
2005	552	133	345	232	69
2006	482	178	372	294	54
2007	493	319	388	351	50
2008	469	132	317	243	63
2009	222	65	56	34	16
2010	263	54	130	27	36
2011	223	78	127	58	24

Source: Construction Industry Resource Board







Southern California Retail Sales Trends

The U.S. retail sector performed strongly in 2011 and will continue to improve in 2012. In December, retail sales posted results up by 6.5% compared with the same period in 2010. Stripping out the more volatile components of retail sales - automobiles, gasoline stations and building & garden centers - to arrive at "core" retails sales, the numbers still looked good. Core retail sales, which make up about 65% of total retail sales were up by 5.5% last year.

There were fewer store closings in 2011 than there were during the previous year. Most retailers have already closed underperforming stores and have made operations as lean as possible. Retailers have also adapted to the post-recession environment where consumers are focused on necessary rather than discretionary purchases. Cost conscious consumers have grown accustomed to waiting for sales and shopping around for the best prices (facilitated by the Internet and mobile apps). Department stores are promoting money-saving private-label and exclusive apparel lines. Demographic changes are also impacting this sector. Large discounters like Target and Wal-Mart turned their attention to underserved urban consumers, concentrating expansion efforts on smaller stores in densely populated city centers and adding more grocery items.

Technology will play an increasing role in the retail industry. Many retailers, large and small are focusing expansion efforts on on-line operations and are increasingly pursuing their customers through a variety of channels. Consumers are making more purchases on-line and are becoming accustomed to self-service checkout and touch screen kiosks. More and more retailers are attempting to influence buying decisions through mobile phone apps and social media. Increasingly popular in the U.S. (which lags Asia and Europe in the spread of this technology), near field communication (NFC) enabled smart phones will allow consumers to tap a product that has an NFC tag on it while inside a store to receive information about the product. The same technology can be used to turn a smart phone into a mobile wallet. An NFC-enabled phone can be used to pay for goods by tapping it at a point of checkout, easing the transaction for the customer and reducing transaction costs for the retailer.

Mirroring the rebound in other commercial property sectors, leasing and occupancy of malls and shopping centers is slowing improving. The retail property sector continues to be hampered by the struggling housing market and weak job growth. Retail vacancy rates were stable at neighborhood centers, while the vacancy rate for malls was up a bit as retailer further reduced footage or abandoned expansion plans.

Power centers did a little bit better, posting a slight decline in vacancy rates. While sales trends have been encouraging, this has yet to translate into demand for more space. On the supply side, developers have added little new speculative construction in the last two to three years which will channel demand to existing centers, helping to fill empty space. Permits for new retail construction in the five-county region totaled $509 million in 2011, unchanged from 2010, but down by 68% compared with the recent peak reached in 2009.

High vacancy rates are creating opportunities for non-traditional tenants to move into high quality retail space in good locations. These kinds of tenants include fitness centers, day care centers, cooking schools, churches and even indoor go-cart tracks. This trend is the result of constrained consumer spending and retail overbuilding. According to the International Council of Shopping Centers, 17% of leasable mall space is occupied by non-retail and non-restaurant businesses, but could climb as high as 25% within a decade.

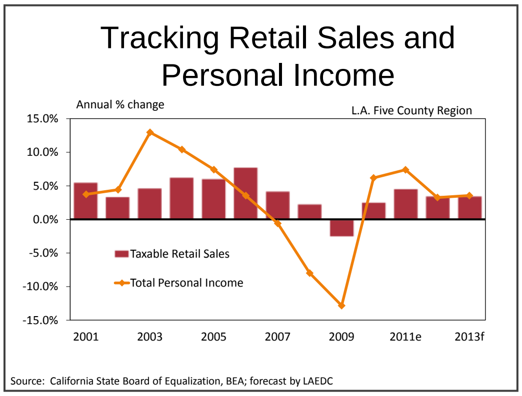
In Los Angeles County, the total retail vacancy rate fell to 4.8% during the fourth quarter of 2011 after averaging 5.1% in 2010. Average rents for retail space in the fourth quarter were down by 2.7% from the average rent in 2010. The Orange County retail vacancy rate was 6.0% in 4Q11, down slightly from 6.1% in 2010. Average rents slipped by 1.0% over the year. In the Inland Empire, the vacancy rate was 8.8%, down from an average of 9.0% during 2010, while retail rents remained steady.[18] Ventura County saw its retail vacancy rate decline to 5.3% at the end of 2011, from an average of 6.0% in 2010, while rents fell by nearly 5.0%. In 2012, vacancy rates and rents will show modest improvement as the economy continues to improve.

Table 26: Los Angeles County Retail Real Estate Market

Type of Retail Space	Total Stock (SF)	Total Vacancy	Q3 2011 Net Absorbtion	YTD Net Absorption	Q3 2011 Average Rent	Y-Y Change
Total Retail	447,755,111	4.9%	445,785	1,272,886	$24.26	-3.60%
Malls	43,142,640	3.1%	-27,243	29,386	$26.92	1.70%
Power Centers	20,546,076	5.7%	-40,334	-18,164	$23.41	-42.30%

Source: Jones Lang LaSalle

[18] Jones, Lang, LaSalle



Trends: Southern California retail sales will continue to grow in 2012. As the employment situation improves, consumer confidence will strengthen and retail sales will enjoy healthy sales gains. Consumer confidence made back-to-back gains during the final two months of 2011 after tumbling to recession era lows earlier in the year. Consumers are feeling better about the short-term economic and the labor market outlooks. Even so, consumers are still facing considerable challenges: sluggish income growth, weak labor markets, high debt levels and loss of wealth resulting from the drastic decline in home prices.

Cost-conscious consumers are flocking to discount retailers, many of which not only weathered the downturn, but thrived and are now expanding. Big ticket purchases for things like appliances and furniture are doing less well, while spending is up on health and personal care, food and beverages and sporting goods. Luxury retailers are also doing well as their affluent clientele tends to be more insulated from the ups and downs of the economy. Mid-level retailers are still experiencing difficulties as middle income shoppers shift their spending to discount retailers.

The LAEDC is forecasting moderate increases in taxable retail sales in 2012 that will range from 4.2% in Orange County to 3.2% in Los Angeles County. San Diego and Ventura counties are both expected to see an increase of 4.0% and in the Inland Empire, retail sales should rise by 3.3%.

The retail real estate market will post more modest progress this year. Growth will vary by sector and region. The areas that were hit hardest by the housing crisis and are saddled with too much supply will be slower to regain lost ground.

The risks to the forecast include slow employment and wage growth. Inflation is muted and expected to remain tame during 2012. The exception could be gasoline prices. Higher prices at the gasoline pump curtail demand for more discretionary purchases. Gasoline (and food) demand is relatively inelastic, that is people have to fill up their gas tanks to get to work and put food on the table. High unemployment and weak wage growth make it hard for retailers to pass through cost increases, hurting their bottom line. Likewise, if shoppers are faced with higher prices and lackluster income growth, discretionary retail purchases could suffer as a result.

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ATTACHMENT 8

DRAFT REQUEST FOR PROPOSAL FOR
MANAGEMENT AND OPERATION OF
THE LOS ANGELES CONVENTION CENTER

REQUEST FOR PROPOSALS

**MANAGEMENT AND OPERATION OF THE
LOS ANGELES CONVENTION CENTER**

FOR THE

CITY OF LOS ANGELES

ISSUED BY

CITY OF LOS ANGELES
CITY ADMINISTRATIVE OFFICER

July xx, 2012

Request for Proposals

DATE ISSUED:	July xx, 2012
TITLE:	Management and Operation of the Los Angeles Convention Center
DESCRIPTION:	The City of Los Angeles (“City”) is seeking proposals from experienced organizations or firms interested in managing and operating the Los Angeles Convention Center for the City.

DEADLINE FOR SUBMITTING PROPOSALS:	Proposals must be received as the address shown below by [two months after issue date] **September xx, 2012**, 5:00 p.m. (Pacific Time)
PROPOSAL DELIVERY ADDRESS:	City Administrative Officer Room 1500, City Hall East 200 North Main Street Los Angeles, CA 90012 Attention: Diana Mangioglu
QUESTIONS REGARDING THE RFP PROCESS:	Submit in writing via e-mail to Diana Mangioglu at cao.debt@lacity.org no later than 5:00 p.m. (Pacific Time), August [one month after issue date] xx, 2012.
PROPOSERS’ CONFERENCE:	A mandatory Proposers’ Conference will be held on day, August xx, 2012 [one month after issue date], 1:00 p.m. at 200 North Main Street, Room 1500, City Hall East, Los Angeles, CA 90012. **All Proposers are required to attend.**

REQUEST FOR PROPOSALS

MANAGEMENT AND OPERATION OF THE
LOS ANGELES CONVENTION CENTER

FOR THE
CITY OF LOS ANGELES

July xx, 2012

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CITY OF LOS ANGELES
REQUEST FOR PROPOSALS
FOR THE MANAGEMENT AND OPERATIONS
OF THE LOS ANGELES CONVENTION CENTER

I. INTRODUCTION

The City of Los Angeles (City) seeks an experienced organization or firm to manage and operate the Los Angeles Convention Center (LACC) for the City. The City invites submittals from qualified firms that have proven experience in providing comprehensive management, operation and food and beverage services at major market convention or exhibition facilities.

This Request for Proposal (RFP) is for consolidated services only. <u>That is, proposers must agree to provide all of the above services.</u> However, the City will consider a proposer's use of affiliated companies, joint ventures, or subcontractors to provide consolidated services.

At the conclusion of the RFP process described herein, and upon execution of an Alternative Management Structure Agreement (Agreement), the selected proposer will be responsible for the comprehensive management and operation of the LACC. The selected proposer shall be an independent contractor and shall furnish all management, supervision, labor, and any or all other services, as required by the City, consistent with generally accepted operations of a first-class convention center. The selected proposer shall be responsible for the maintenance of the land, building, furniture, fixtures and equipment; local marketing of the LACC; management of various product and service providers; coordination of LACC utilization, coordinating with the Los Angeles Tourism and Convention Board (LATCB), scheduling, negotiating and licensing of events with the assistance of the City Attorney and the City's Risk Manager. Coordination of events and utilization of the LACC may also involve future Farmer's Field events that will be addressed as part of a macro-booking policy for the greater campus area (including LACC, Staples, Farmer's Field and LA Live); as well as any other responsibilities that may be required in the Agreement.

The City is considering the creation of a Board of Commissioners (Board) to oversee and implement the City's policies as it relates to tourism and convention business in Los Angeles. A Chief Executive Officer would be appointed to serve as a liaison to the Board, the Mayor and the City Council. The selected proposer would be reporting directly to the Chief Executive Officer and may be requested to participate in public discussions directed by the Board.

It is the desired goal of the City to have an executed Agreement with the selected proposer no later than Spring 2013.

II. OBJECTIVE

The City strives to operate a first-class, high-quality, state-of-the-art convention center that is competitive in the industry. The first priority is to meet the needs of citywide events including conventions and trade shows, and the second priority is to meet the needs of local events and activities including other trade shows, consumer shows, meetings, filming, entertainment, and community events.

The City currently subsidizes the LACC's debt service and related costs. The City strives to reduce the impact on the General Fund and is seeking proposers with operational plans that would limit the City subsidy and achieve cost savings by reducing the City's subsidy.

III. GOALS

In pursuing a private management alternative, the City has identified the following operational goals for the LACC. The intent of transitioning to a private management structure is to achieve these goals in a more timely and cost efficient manner than may be possible under the current management structure. Proposers should consider these goals an important part of the RFP process, as their ability to meet them will be carefully evaluated in the selection process.

- Achieve the greatest possible financial returns, consistent with other City objectives, including maximizing the generation of hotel room occupancy and transient occupancy taxes.
- Manage day-to-day operations of the LACC in a cost efficient, high quality and effective manner.
- Manage operational expenses within annual operating budget approved by the City.
- Provide superior services to patrons and visitors utilizing and attending events at the LACC, thereby maximizing customer satisfaction as exhibited by an industry-wide positive image and maximizing LACC re-bookings.
- Develop and implement innovative initiatives to penetrate new markets, attract new events and promote the LACC to enhance usage and occupancy within the City's booking policies.
- Work cooperatively with THE LATCB in attracting citywide events including national conventions, tradeshows, and meetings to LACC, to better compete in the national marketplace.
- Identify and implement initiatives to enhance LACC revenues, while ensuring that the LACC remains economically competitive with other convention centers.

- Procure and negotiate various contracts and agreements involving facilities, products and services related to the LACC, with the assistance of the City.
- Properly maintain and safeguard the City's capital investment in the LACC through the exercise of the highest standards of maintenance and preservation, and, as the need arises, recommend capital improvements.
- Respond to the ever changing needs of the community and users of the facility with recommendations for expansion, renovations and upgrades of services.
- Achieve all objectives in a professional manner, consistent with industry best practices and all applicable laws and ordinances.

IV. FACILITY OVERVIEW AND FUTURE DEVELOPMENT

A. Facility Overview

Owned and operated by the City, the LACC is one of the most efficiently designed and technologically advanced convention and exhibition facilities in the world. Its trademark glass and steel pavilions, which house the exhibition halls, towers and lobbies are conveniently linked by a meeting room concourse forming a grand unified center.

The LACC opened in 1971 with 210,685 square feet of exhibit space, 21 meeting rooms and 9,230 square feet of pre-function/registration space. A major expansion was completed in 1993, adding 347,000 square feet of exhibit space, 43 meeting rooms and a 299-seat theater. Kentia Hall with 162,000 square feet of exhibit space was added in 1997. The LACC currently offers:

- 720,000 square feet of exhibit hall space
- 64 meeting rooms totaling 147,000 square feet and a 299-seat presentation theater
- Sun-filled spacious lobbies with artworks by nationally recognized artists
- Three food courts
- Full-service business center
- On-site parking for 5,600 vehicles including electrical charge stations
- Ample shuttle bus pick-up and drop-off areas
- Advanced fiber optics, power and data/network systems
- Marriott/Ritz Convention Center Headquarters Hotel
- Sports & entertainment venues including LA Live & Staples Center

B. Proposed Convention Center Renovation Project and Downtown Event Center

On August 9, 2011, the City Council adopted a Memorandum of Understanding (MOU) that outlines a development model in response to a proposal presented by the Anshutz Entertainment Group (AEG), to develop a 70,000-seat event center in Downtown Los Angeles (Project), immediately adjacent to the Staples Center on land currently occupied by the West Hall of the LACC. The MOU is a non-binding framework that will guide discussions on the Definitive Agreements, and the contractual documents that would implement the Project. The Project includes the construction of the New Hall and parking garages located on Cherry Street and Bond Street, followed by demolition of the West Hall and construction of the event center. The event center would host a National Football League (NFL) team, concerts, and other sports and entertainment events.

The selected proposer shall be an active participant and a representative of the LACC on matters that involve, but are not limited to, facility design, operations and management, coordination and policy.

The City anticipates to return to the City Council by August 2012. Concurrently the Council will consider the environmental review conducted as part of the California Environmental Quality Act. If approved by the Council, the City anticipates the following timeline:

Summer 2013	Initiate construction of the New Parking Structures and New Hall upon execution of contract between AEG and an NFL team
Summer/Fall 2014	Opening of the New Parking Structures and New Hall and
	Initiate construction of the Event Center
Summer 2016	Opening of the Event Center

V. MANAGEMENT AND RESPONSIBILITIES

A. City of Los Angeles

The CAO will be the City's representative and contract administrator. The CAO will oversee the performance of the City's responsibilities and obligations under the contract including, but not limited to, the following:

1. Funding the annual debt service for the Convention Center through the annual City budget process;

2. Monitoring the selected proposer's performance on a regular basis through quarterly reports and periodic audits by the City Controller to review the performance and finances;

3. Reviewing and forwarding annual reports from the selected proposer to the Mayor and Council;

4. Approve all agreements necessary for the operations of the LACC, as set forth in the Agreement;

5. Oversee capital repair and replacement efforts; and

6. Approve pricing, policies and other arrangements necessary for the operations of the LACC.

B. LATCB

The City has hired LATCB to provide citywide marketing services for the purposes of generating a local economic benefit and attracting overnight visitors that will support Transient Occupancy Tax (TOT) revenues. LATCB is also actively involved in booking citywide conventions and meetings at the LACC. The selected proposer will work with LATCB in coordinating bookings and supporting efforts that attract citywide events.

The mission of LATCB is to advance the local economy by marketing and selling Los Angeles as the premier destination for conventions, events and leisure travel worldwide. The LATCB is a private, nonprofit 501(c)(6) business association contracted by the City. The LATCB receives an amount equivalent to one percent of the TOT. Headquartered in Los Angeles and staffed with 75 employees, LATCB has sales representation throughout the United States. The LATCB also maintains international marketing offices in alliance with Los Angeles World Airports (LAWA) in Tokyo, London and Beijing.

In particular, the LATCB represents the Los Angeles destination to the meetings and convention industry nationwide; the international travel trade and traveler; the cruise passenger and cruise lines; the domestic leisure traveler; as well as the worldwide travel media.

C. Selected Proposer

The Agreement may include and is not limited to the following items.

MANAGEMENT

1. The selected proposer shall manage and operate the LACC in accordance with policies approved by the City. The selected proposer shall be responsible for all day-to-day functions and operations of the LACC and shall operate the LACC at all times in the public interest and in accordance with the highest professional and ethical standards. Day-to-day functions include, but are not limited to:

    - Food service
    - Parking
    - Grounds keeping
    - Custodial and building maintenance services
    - Security
    - Booking/scheduling within an agreed upon window
    - Sales and marketing
    - Advertising/sponsorship
    - Event setup and take down
    - Event coordination/supervision
    - Event services
    - Staff scheduling
    - Staff training
    - Box office operations/ticketing
    - Information technology services
    - Web site maintenance
    - Financial and administrative services such as accounting, budgeting, purchasing, personnel, and contracting of outside services

2. The selected proposer shall be responsible for recommending to the City or its authorized representatives, all rental rates, fees, and charges for services provided throughout the LACC.

3. The selected proposer shall establish an effective system of communication that encourages linkages and collaborative efforts between the LACC and other segments of the hospitality industry, including the LATCB, the Los Angeles hotel industry and other visitor industry segments.

4. The selected proposer will administer, negotiate and execute agreements with service providers, subcontractors, and licensees. The selected proposer shall work with the City Attorney in developing a standard license agreement. Non-standard license agreements shall be reviewed by the City Attorney as to form and legality. The City shall administer the procurement for agreements that in the City's opinion may create potential conflicts of interests for the selected proposer. Agreements that may have

a private business use impact shall be reviewed by the City's Bond Counsel. The City's Risk Manager shall determine the insurance requirements.

5. The selected proposer shall be responsible for and pay all federal, county, city and state taxes arising as a result of the Agreement.

6. The selected proposer shall constantly endeavor to improve the operation of the LACC and to provide the most efficient and highest quality in service to customers, minimizing operating costs, while increasing the quality of maintenance and security, and maximizing gross receipts without negatively impacting exhibitor or show manager costs.

7. The selected proposer shall require that its employees maintain a professional appearance and conduct him or herself in a business-like manner consistent with the requirements of the Agreement.

8. The selected proposer shall maintain the tax exempt status of outstanding bonds which financed and refinanced the LACC by entering into a contract that complies with IRS Revenue Procedure 97-13.

FOOD AND BEVERAGE

The food and beverage service at the LACC must continue to provide the highest level of service and product selection and be able to support high end demand catering functions. In addition, the program must reflect the stature of Los Angeles as a leading international city that is committed to environmental stewardship. Contractors submitting proposals must be mindful of competition from branded upscale restaurants located within LA Live. Therefore, the City is looking for a management company that is able to upgrade the foodservices at the LACC to encourage conventioneers and other attendees to remain in the facility at meals periods and use the center's culinary sales locations.

1. The selected proposer will be responsible for the operation of all mobile/fixed concession stands; all catering and banquet services; all meeting rooms with supporting areas; and all other services associated with food/beverage sales.

2. The selected proposer shall be responsible for the purchase, storage, preparation, sales, marketing and service of food, alcoholic and non-alcoholic beverages as well as other related food items for LACC catered and non-catered events.

3. The selected proposer should operate food/beverage facilities that consistently provide the highest level of service, product selection, customer satisfaction and revenue generation.

LACC MARKETING

The selected proposer shall establish a positive relationship with the LATCB, LA Live, area associations, hotels, and other appropriate agencies to develop and engage in advertising, solicitation and promotional activities, as required to develop the full potential of the LACC. The marketing responsibilities shall consist primarily of those activities performed to attract events within the adopted operating policies in existence, and to support the LATCB for events that it books on behalf of the City and in cooperation with the selected proposer. The selected proposer will develop printed promotional material and maintain the LACC website.

MAINTENANCE AND REPAIR

1. The selected proposer will have responsibility for preventative maintenance, general maintenance and repair. The interior, exterior, and infrastructure of the physical facility and grounds will be maintained by the selected proposer. The selected proposer shall also be responsible for informing the City of degraded conditions. The proposer is further responsible for taking all actions necessary to maintain the validity of all warranties and for ensuring that repairs to any part of the LACC or Furniture, Fixtures and Equipment (FF&E) that is under warranty is accomplished under the warranty.

2. All areas of the LACC are to be kept clean, orderly, attractive, and sanitary at all times.

3. No alterations or additions shall be made to the LACC, or any part thereof, without first having obtained the written consent of the City's Contract Administrator or an authorized representative. Authorized alterations or additions shall become the property of the City at the expiration date/or termination of the Agreement.

4. The selected proposer shall not remove any FF&E furnished to the LACC without the written consent of the City.

5. The selected proposer shall replace, at its own expense, any FF&E provided under the Agreement that has been destroyed or damaged with like equipment.

6. At the conclusion of the term of the negotiated agreement, the selected proposer shall be responsible for returning the LACC and FF&E to the City

in the same condition in which they were provided, except for normal wear-and-tear.

SIGNAGE AND ADVERTISING

No signs or advertising identifying the selected proposer or its subcontractors shall be placed on the premises unless provided by written approval by the City's Contract Administrator or authorized representative.

MAINTENANCE OF RECORDS AND REPORTS

The selected proposer must maintain accurate and complete books and records relating to the Convention Center, including all revenues and expenditures in accordance with generally accepted accounting principles. The City shall have the right to inspect and audit such books and records at reasonable times during normal business hours and upon reasonable prior notice to the selected proposer. The selected proposer must agree to allow the City Controller to audit and permit access to all financial and other records. All such books and records shall be maintained by the selected proposer in accordance with City record retention policies.

Quarterly status reports to the City, due within 15 working days after the end of the quarter, will be required of the selected proposer during the term of the agreement and will include the following information:

- Financial statements;
- Booked and licensed events;
- Major issues encountered and proposed solutions;
- Future problem areas and recommended countermeasures.

The selected proposer will be required to submit annual unaudited financial statement of operations of the LACC within 90 days after the end of the fiscal year and annual independent auditor’s reports prepared by a certified public accountant within 180 days after the end of the fiscal year.

Additionally, the selected proposer will be required to inform the City within three days after the selected proposer becomes aware of any substantial change in key personnel, major problems or inability to fully comply with any contract provision. The selected proposer must inform the City within five days after it learns of a likely litigation or receives notice of claim, report of litigation or serious personal injury to any person at the Convention Center. The selected proposer must inform the City within 10 days of learning of any material damage to City property at the LACC.

LACC GENERAL MANAGER

The LACC shall be operated by a competent, selected general manager capable of, and empowered to operate the LACC and to be responsive to the desires and directives of the City in the areas of contract enforcement, scheduling, personnel relations and any and all other matters pertinent to the operation and management of the LACC. It is expressly understood that the General Manager of the LACC will be located on-site.

CONFIDENTIALITY OF INFORMATION

All information and data furnished to the selected proposer by the City, and all other documents to which the selected proposer's employees have access during the term of the agreement, shall be treated as confidential information to the extent permitted by law, and any oral or written disclosure to unauthorized individuals except as permitted by law, is prohibited. Because the City will continue ownership of the Convention Center, including but not limited to grounds, parking structures and facility, the selected proposer is obligated to provide public access to information that is normally considered a matter of public record at any publicly-owned facility.

VI. PROPOSAL REQUIREMENTS

This section will explain the procedure which will be followed by all proposers. Proposers are cautioned to carefully read and follow the procedures required by this section. Material deviations from these requirements may cause rejection of proposals.
All proposers must submit:

One (1) original proposal and a cover letter, each signed in ink, six (6) unbound hard copies and one (1) electronic copy in the form of a compact disk or flash drive. Proposal package must be hand-or-courier delivered in a sealed package by 5:00 PM PST on **September xx, 2012**, to the following address:

Office of the City Administrative Officer
Attention: Diana Mangioglu
200 N. Main Street
City Hall East, Room 1500
Los Angeles, CA 90012-4190

In addition, all proposers must supply one unbound copy of their proposal with any redacted sections "blacked out" (see Section X – Confidential Information), for a total of seven unbound copies. The "blacked out" copy will be used to respond to a request under the California Public Records Act pursuant to applicable provisions.

Persons who hand-deliver proposals shall be issued a “Notice of Receipt of Proposal.” The original copy of proposals submitted will be marked with a time and date stamp. Timely submission of proposals is the sole responsibility of the proposer. The City reserves the right to determine the timeliness of all submissions. Late proposals will not be reviewed. **All proposals submitted after the deadline will be returned unopened to proposers.**

The copies must be numbered on the upper right hand side of the cover to indicate “Copy No.” Each copy must include all forms, attachments, appendices, exhibits and cover letter. All pages must be firmly secured. Pages should be double-sided. Neon or fluorescent paper shall not be used in any written documents submitted. Proposals should be typed and may be bound in a three-ring binder, without card stock or colored paper. Submitted materials will not be returned to the sender after the proposals have been opened.

A. Written Submissions Format

To be considered responsive, a proposal must be submitted in writing. All applicable documents, including forms, attachments, appendices and exhibits to this RFP, must be completed, signed and returned with the proposal. Each page of the proposal, including exhibits, must be numbered sequentially at the bottom of the page to indicate Page __ of __ .

Proposals must be submitted in the English language in accordance to the following standards.

- Font size – 12 points
- Margins – At least 1 inch on all sides
- Line spacing – Single-spaced
- Plain white paper

Numerical data must be in the English measurement system; costs must be in United States dollars.

Please use the indicative mood (will, shall, etc.) in narratives rather than the subjective (would, should, etc.) so that proposals can be easily converted to contract form.

B. Detailed Company Information – Cover Letter

Each proposal must be accompanied by a cover letter limited to one page that references the title of this RFP and includes the following detailed company information:

1. Full legal name of the proposer;

2. Legal business status (individual, partnership, corporation, etc.), address, telephone number, fax number and e-mail of the person(s) authorized to represent the proposer and each collaborator;

3. If proposer is a corporation, partnership, LLP, LLC, etc., identify the state under whose laws proposer is organized. Otherwise, if proposer is an individual, identify the state where proposer is domiciled;

4. Name, title, email address, telephone number and mailing address of the person or persons who will be the primary contact and is authorized to represent the proposer in order to enter into negotiations with the City with respect to the RFP and any subsequent awarded contract. The cover letter must also indicate any limitation of authority for any person named;

5. Identify the individual or firm which prepared or assisted in preparing the proposal. If that individual or firm will not participate in the implementation of the project, describe how the transfer of responsibility will occur to ensure timely implementation;

6. State that the proposal is in response to this RFP and will remain firm for a period of one hundred twenty (120) days from its due date and thereafter until the proposer withdraws it, or a contract is executed, or the procurement request is terminated by the City, whichever occurs first; and

7. Be signed in accordance with Section VI (D).

C. <u>Table of Contents</u>

Show page locations of each heading of the required content as well as additional exhibits provided as a part of the proposal.

D. <u>Narratives</u>

Responses to this RFP must be made in accordance with the requirements set forth herein. Failure to adhere to these requirements may be cause for rejection of the proposal as non-responsive. In completing the narratives and exhibits, including the budget, clearly identify the services to be provided, the service provider, and the demonstrated ability of subcontractors, if any.

This outline is not all-inclusive and professional management companies can add information as deemed appropriate. In order to ensure a uniform review process and to obtain the maximum degree of comparability, the proposals must be organized in the following manner:

BACKGROUND AND PROJECT SUMMARY

Provide a description of the proposer's overall philosophy and approach for the management and operation of the LACC. Provide information describing the proposed strategies, policies and procedures to be employed in managing the LACC that clearly addresses the scope of services presented in this RFP.

FIRM QUALIFICATIONS

a) Summarize the proposer's experience and number of years in managing and operating major market exhibition facilities or convention centers, including a list of current and former clients. Include a minimum of three references for facilities managed by the proposer, including name, mailing address, e-mail address and telephone numbers of key individuals who may be contacted. Also, include the listing and size of other facilities/centers the proposer has managed. <u>A minimum of five (5) years experience managing and operating similar major market exhibition facilities or convention centers is required.</u> A firm that has not been in operation for the minimum of five (5) years may present a submittal so long as the key personnel can demonstrate the minimum of five (5) years of upper-level management experience of major market exhibition facilities or convention centers.

b) Proposers should have a minimum of five (5) years of selected experience providing food and beverage services, inclusive of full-service catering operations, in a similar major market exhibition facility or convention center with gross food/beverage sales of at least $10 million or more per year, per facility.

c) Similar facilities for subsection a) and b) are defined as a major market exhibition facility or convention center of 300,000 - 700,000 gross square feet with approximately 200,000 – 500,000 square feet of exhibition space and 100,000 – 200,000 square feet of ballroom and meeting room space.

CORPORATE MANAGEMENT QUALIFICATIONS

Proposers will be required to detail the experience and qualifications of the proposer's corporate management team and include resumes outlining the experience, education, and performance record of individuals who will have supervisory responsibility over the LACC. Address any plans to provide home office and corporate regional support to the proposer's resident LACC manager for LACC events with unusual requirements, as well as any type of recurring support that the proposer will provide to its proposed manager.

MARKETING PLAN

a) Provide a summary of components of a marketing plan that you would consider for use at the LACC. Discuss elements that address proposer's innovative and creative approach to the unique conditions with respect to the LACC. Focus your discussion on your strategy for marketing short-term events that are the proposer's responsibility as well as how you envision supporting the marketing efforts of the LATCB. Provide specific approaches for working with the LATCB on improving short and long-term bookings.

b) Provide a brief description of the proposer's experience in working with Destination Marketing Organizations, including detail as to programs, goals and results for selected projects that distinguish the proposer's ability to work in conjunction with these organizations.

STAFFING AND ORGANIZATION PLAN

a) Submit an organizational chart that outlines the proposed staffing plan for the LACC. Provide descriptions of functional responsibilities as appropriate to ensure understanding of each part of the organization.

b) Submit position descriptions for its key personnel proposed to be assigned to the LACC operations, food and beverage, marketing and financial areas including, at a minimum, the facility manager, the director of operations, the executive chef, the director of food and beverage, the director of marketing, director of sales and the director of finance. (The position titles used herein are for example only and are not intended to define or describe an organizational structure.) The proposal must adequately describe each proposed individual's qualifications and experience.

c) Identify at least three (3) candidates for General Manager who will have overall responsibility for the operation of the LACC on a day to day basis. Each candidate must demonstrate extensive experience with operations of large exhibition and convention center facilities. Proposers are encouraged to provide several highly qualified candidates. Provide a description of the process you will follow which allows the City the opportunity to meet and evaluate your proposed candidates. The City will have the ultimate approval authority of the General Manager position throughout the life of the agreement.

SUBCONTRACTOR INFORMATION AND QUALIFICATIONS

Identify those services the selected proposer may elect to subcontract. While certain of these subcontractors may not be identified until after award of the

Agreement, the selected proposer must identify the specific service, roles and responsibilities of the subcontractor.

FOOD AND BEVERAGE OPERATIONS

It is the City's intent to provide food and beverage services and related customer service at the highest quality. Please describe your approach to providing food and beverage operations at the LACC. If you plan on providing food and beverage operations through a division or subsidiary company controlled by the management company, please detail what fees and profits the parent company will earn and how the management company will be able to control their own affiliate.

Describe your approach to pricing, quality, variety, purchasing procedures, surplus/loss, delivery approaches, vendors (including branded food/beverage vendors) and operating procedures. Provide examples of specialty food items which it believes would work well at the LACC. Provide a proposed menu and proposed pricing schedule for the public food areas at the LACC including cafes and concession stands. Provide sample banquet/catering menus with pricing for breakfasts, lunches, and dinners.

OPERATIONS AND MANAGEMENT

a) Operations Plan - Provide an operational plan that describes the operating policies and procedures for managing and operating the LACC, including approaches related to security, customer service, repair and maintenance and other primary building functions. Describe training programs offered to staff. Describe your firm's approach to financial management, risk management, life/safety management, employee management and administrative policies and procedures. Describe your firm's event management and accounting systems and provide sample records illustrating the capabilities of your system (include samples of monthly and annual reports). Describe your firm's approach to implement and maintain an effective system of internal controls.

b) Management Plan - Submit the key elements of a management plan for the LACC to include considerations for cost containment/expense reduction, revenue enhancement (including non-operating revenue sources), customer service improvement, improvements to building maintenance procedures, and other key LACC operational characteristics.

FINANCIAL PRO FORMA

Provide an estimated financial pro forma for LACC operations for the contract term. The pro forma should itemize estimated revenues and expenses by major line item as well as supporting assumptions related to LACC operations including a summary of event activity for the length of the contract. Provide your strategy for minimizing the operating expenses and maximizing the annual operating revenues. Discuss the financial package you would likely provide for your employees in terms of annual salary, bonus/incentive compensation, and benefit package of employees. Copies of the Convention Center's previous budget are available upon request.

All revenues derived from the operations of the Convention Center shall be used solely for the operation and enhancement of the Convention Center.

Proposers must ensure that any proposed revenue-generating activities are in compliance with the City's policies.

PREVENTATIVE MAINTENANCE PROGRAM

Provide Preventive Maintenance Programs (PMP) for the proposed term of the Agreement. Please provide examples of a PMP in effect at comparable facilities managed by proposer. Include in the program proposer's methods for assuring that all maintenance work is scheduled, completed, documented, and performed in a manner that is consistent with generally accepted standards for building maintenance.

TRANSITION PLAN

Submit an overview of key elements of a transition plan, which shall include:

- A plan to interview and consider for hire LACC City employees as employees of the proposer;
- Recommendations for transitioning financial systems; and
- The anticipated timeframe for execution of the transition plan for complete handover of LACC operations to the selected proposer.

Unless approved for an exemption, contractors under contracts primarily for the furnishing of services to or for the City and that involve an expenditure or receipt in excess of $25,000 and a contract term of at least three (3) months, lessees and licensees of City property, and certain recipients of City financial assistance, shall comply with the provisions of Los Angeles Administrative Code Sections 10.37 et seq., Living Wage Ordinance (LWO) and 10.36 et seq., Service Contractor Worker Retention Ordinance (SCWRO). Proposers shall refer to Appendix x and xx "Living Wage Ordinance" and "Service Contractor Worker Retention Ordinance" for further information regarding the requirements of the Ordinances.

Proposers who believe they meet the qualifications for one of the exemptions described in the LWO List of Statutory Exemptions shall apply for exemption from the Ordinance by submitting with their proposal the Bidder/Contractor

Application for Non-Coverage or Exemption (Form OCC/LW-10), or the Non-Profit/One Person Contractor Certification of Exemption (OCC/LW-13). The List of Statutory Exemptions, the Application and the Certification are included as Appendix x.

FEE PROPOSAL

State the following: (i) the annual management fee required to operate the LACC (inclusive of fixed and variable fees), and (ii) a proposed incentive fee component. Together, these two fees would constitute the proposer's total compensation for performance under the contract.

The LACC is financed with tax-exempt bonds. Additional tax-exempt bonds may be issued in the future to finance additions and/or improvements on the LACC. Thus, the final agreement between the City and the selected provider of management and operational services must comply with federal tax laws that restrict the "private business use" of facilities financed with tax-exempt bonds. Proposers will be required to ensure that their proposals are in full compliance with IRS procedures and guidelines and federal tax laws governing private business use of facilities financed with tax-exempt bonds, and the proposed term should not exceed five years. Proposers are expected to adhere to IRS Safe Harbor provisions found in Revenue Procedure 97-13 and proposals should include an analysis of the basis on which the provider believes its proposed contract terms comply with this Revenue Procedure.

The term of the Agreement will be for five years. The City intends, effective the last day of the third year, and anytime thereafter, to have the right to terminate the Agreement with or without cause and without payment of any penalty, fee or premium. Cancellation without cause may be exercised by the City after the initial three years of the Agreement, as mandated by the applicable IRS regulations.

a) Fixed Fee: Propose a compensation arrangement, which includes an annual fixed management fee. Proposers must indicate whether or not all or any part of the Executive Management (facility manager(s) and directors) salary(ies) is to be derived from the management or incentive fees. Any portion of Executive Management (facility manager(s) and directors) salary(ies) which is not derived from the management or incentive fee must be included in the staffing plan and proposed operating budgets for the LACC.

b) Incentive Fee: Propose an incentive fee, which shall be applicable during the operating period of the Agreement. The incentive component is designed to reward superior performance in the areas of customer satisfaction, innovative and selected marketing, revenue enhancement, cost containment, and facility maintenance. The incentive is to be based on goals which exceed historical and currently contracted performance levels. Provide a proposal for the basis of these incentives, which will be finalized though negotiation with the City. In providing a proposal for an incentive fee arrangement, reference again is made to Revenue Procedure 97-13 which restricts the types of incentive or variable fees which may be included in a contract designed to comply with these safe harbors.

c) Capital Investment: Provide the dollar amount and plan for how that money will be allocated and what it is expected to generate in terms of new revenues.

The Proposer must submit a financial pro forma as described in more detail earlier in this section of the RFP. Due to the nature of the RFP and the information provided, it is understood that any pro formas and proposed compensation structure will be subject to further negotiation, review, and clarification of the detailed financial information.

FINANCIAL SUSTAINABILITY

Provide the following financial documents. Items one (1) through six (6) below must be audited financial statements in US GAAP.

1. Balance Sheets for prior three years.
2. Income Statements for the prior three years.
3. Statements of Cash Flows for the prior three years.
4. Statement of changes in stockholder's equity for the prior three years.
5. Notes to Financial Statements.
6. Corporate/partnership federal income tax return for the last completed fiscal year.
7. Credit report (e.g., Dun & Bradstreet report).
8. Credit history letter(s) from financial institution(s).
9. Most recent quarterly financial statement.

In any event, should the City require additional evidence of financial stability other than what is submitted, the proposers will be expected to provide such acceptable evidence in order for their proposer to be considered responsive to this RFP.

APPROACH TO ENVIRONMENTAL SUSTAINABILITY

Summarize the approach to ensuring environmental sustainability as part of the operations of the LACC, and with respect to capital repairs to the extent the proposer has been involved in such projects. Reference specific examples of sustainability initiatives employed at other centers managed by the proposer, and describe their approach to maintain the LACC's LEED certification.

TERMINATED CONTRACTS

List any contracts of the proposer for management and operation services of a facility that were terminated or not renewed within the past ten (10) years, including reasons for termination or non-renewal and whether the termination or non-renewal was initiated by the proposer or the facility.

D. <u>Signature Requirements</u>

All documents, forms, attachments, appendices, and exhibits, including the cover letter, must be signed by a representative or officer of the proposer. That representative shall have authority to bind the proposer to all provisions of the proposal, the RFP, any subsequent changes, and to the contract if an award is made.

If the proposer is a partnership, the proposal and cover letter must be signed in the name of the partnership by a general partner thereof. If the proposer is a corporation, the proposal and cover letter must be signed on behalf of the corporation by two (2) authorized officers (a Chairman of the Board, President or Vice-President and a secretary, treasurer or chief financial officer) or an officer authorized by the Board of Directors to execute such documents on behalf of the corporation.

All the above signatures must be original and in ink.

E. <u>General Proposal Conditions</u>

1. Costs Incurred by Proposers

   All costs of proposal(s) preparation shall be borne by the proposer. The City shall not, in any event, be liable for any pre-contractual expenses incurred by proposers in the preparation and/or submission of the proposals. Proposals shall not include any such expenses as part of the proposed budget.

   The City will not provide parking, clerical, office/storage space, telephone services or reproduction services throughout the proposal process.

2. Best Offer

   The proposal shall include the proposer's best terms and conditions. Submission of the proposal shall constitute a firm and fixed offer to the

City that will remain open and valid for a minimum of one hundred and twenty (120) days from the submission deadline.

3. Accuracy and Completeness

   The cover letter and proposal must set forth accurate and complete information as required in this RFP. Unclear, incomplete, and/or inaccurate documentation may not be considered. Falsification of any information may result in disqualification from the selection process, or in termination of a contract, if discovered in the future. If a proposer knowingly and willfully submits false performance or other data, the City reserves the right to reject the proposal. If it is determined that a contract was awarded as a result of false performance or other data submitted in response to this RFP, the City reserves the right to terminate the contract. Portions of a proposal that include content from this RFP that have been altered in any manner must be footnoted and referenced in a separate appendix to the proposal. Unnecessarily elaborate or lengthy proposals or other presentations beyond those needed to give a sufficient, clear response to all the RFP requirements are not desired.

4. Withdrawal of Proposals

   Proposals may be withdrawn by written request of the authorized signatory on the proposer's letterhead or by telegram at any time prior to the submission deadline.

5. General City Reservations

   a. The City reserves the right to extend the submission deadline should this be in the interest of the City. Proposers have the right to revise their proposals in the event that the deadline is extended. In the event this date is changed, notice will be posted on the City's Business Assistance Virtual Network (BAVN) at www.labavn.org.

   b. The City reserves the right to withdraw this RFP at any time without prior notice. The City makes no representation that any contract will be awarded to any proposer responding to the RFP. The City reserves the right to reject any or all submissions.

   c. If an inadequate number of proposals is received or the proposals received are deemed non-responsive, not qualified or not cost effective, the City may at its sole discretion reissue the RFP or execute a sole-source contract with a vendor.

   d. The City shall review and rate submitted proposals. The proposer may not make any changes or additions after the deadline for receipt of proposals. The City reserves the right to request additional information or documentation, as it deems necessary.

e. The City reserves the right to verify all information in the proposal. If the information cannot be verified, and if the errors are not willful, the City reserves the right to reduce the rating points awarded.

f. The City reserves the right to require a pre-award interview.

g. The City reserves the right to waive minor defects in the proposal in accordance with the City Charter.

h. If the selection of the proposer is based in part on the qualifications of specific key individuals named in the proposal, the City must approve in advance any changes in the key individuals or the percentage of time they spend on the project. The City reserves the right to have the contractor replace any project personnel.

6. Contract Negotiations

Proposers approved for funding shall be required to negotiate a contract with the City on an offer/counter-offer basis. The best terms and conditions originally offered in the proposal shall bind the negotiations. The City reserves the right to make a contract award contingent upon the satisfactory completion by the proposer of certain special conditions. The contract offer of the City may contain additional terms or terms different from those set forth herein.

7. Standing of Proposer

a. Regardless of the merits of the proposal submitted, a proposer may not be recommended for funding if it has a history of contract non-compliance with the City or any other funding source, poor past or current contract performance with the City or any other funding source, or current disputed or disallowed costs with the City or any other funding source.

b. Contractors/Organizations that have been sanctioned because of non-compliance with Single Audit Act requirements for managing grant funds will be eligible to apply; however, they will not be eligible to receive any funding, if awarded under this RFP process, until this sanction is removed.

c. The City will enter into an agreement only with entities that are in good standing with the California Secretary of State.

8. Proprietary Interests of the City

The City reserves the right to retain all submitted proposals which shall then become the property of the City and a matter of public record. Any department or agency of the City has the right to use any or all ideas presented in the proposal without any change or limitation. Selection or rejection of a proposal does not affect these rights. All proposals will be considered public documents, subject to review and inspection by the public at the City's discretion, in accordance with the Public Records Act.

9. Confidential Information

Proposals made in response to this RFP may contain technical, financial, or other data whose public disclosure could cause substantial injury to the proposer's competitive position or constitute a trade secret. To protect such data from disclosure to the extent permitted by law, the proposer should specifically identify the pages of the proposal that contain confidential information by properly marking the applicable pages and inserting the following notice in the front of the proposal:

"NOTICE"

"The data on the pages of this proposal identified by an asterisk (*) or marked along the margin with a vertical line, contain information which are trade secrets and/or whose disclosure would cause substantial injury to the proposer's competitive position. The proposer requests that such data be used only for the evaluation of its proposal, but understands that disclosure will be allowed to the extent that the City determines that the data or information is not confidential and must be released pursuant to federal, state, or local law."

In proposals containing proprietary information, proprietary paragraphs and/or data should be clearly marked as noted above. The proposer must include one additional unbound copy of the proposal with the confidential material totally blacked out or removed from the text so that one copy is available as public material. In accordance with the California Public Records Act, this information may, upon request, be released to the public including the blacked out or removed material if determined by the City that disclosure pursuant to the law is required.

The City assumes no responsibility for disclosure or use of unmarked data for any purposes. In the event properly marked data are requested, the proposer will be advised of the request and may expeditiously submit to the City a detailed statement indicating the reasons it has for believing that the information is exempt from disclosure under federal, state, and local law. The City will exercise care in applying this confidentiality standard, but will not be held liable for any damage or injury that may result from any disclosure that may occur. The proposer agrees to assume and pay for all costs incurred by the City, including attorneys' fees awarded by the court, if proposer requests the City to resist disclosure of material provided to the City by the proposer, provided the City determines the said materials are exempt under federal, state, and local law. Further should a proposer request that portions of the proposal remain confidential and not be disclosed, the proposer must conform assurance to indemnify, defend and hold harmless the City by including the following statement in the cover letter:

> "The proposer agrees to indemnify the City and its officers, employees and agents and hold them harmless from any claim or liability and will defend any action brought against the City for its refusal to disclose copyrighted material, trade secrets, or other proprietary information to any person making a request therefore."

Failure to include such a statement shall constitute a waiver of a proposer's right to exemption from disclosure.

Note that wholesale use of headers/footers bearing designations such as "confidential", "proprietary", or "trade secret" on all or nearly all of a proposal is not acceptable, and may be deemed by the City as a waiver of any exemption claim. The identification of exempt information must be more specific.

10. Assurances

As a condition to the award of financial assistance from the Department of Labor under Title I of WIA, the grant applicant assures that it will comply fully with the nondiscrimination and equal opportunity provisions of the following laws:

a. Section 188 of the Workforce Investment Act of 1998 (WIA), which prohibits discrimination against all individuals in the United States on the basis of race, color, religion, sex, national origin, age, disability, political affiliation or belief, and against beneficiaries on the basis of either citizenship/status as a lawfully admitted immigrant authorized to work in the United States or participation in any WIA Title I financially assisted program or activity;

b. Title VI of the Civil Rights Act of 1964, as amended, which prohibits discrimination on the basis of race, color and national origin;

c. Section 504 of the Rehabilitation Act of 1973, as amended, which prohibits discrimination against qualified individuals with disabilities;

d. The Age Discrimination Act of 1975, as amended, which prohibits discrimination on the basis of age.

e. The grant applicant also assures that it will comply with 29 CFR Part 37 and all other regulations implementing the laws listed above. This assurance applies to the grant applicant's operation of the WIA Title I financially assisted program or activity, and to all agreements the grant applicant makes to carry out the WIA Title I financially assisted program or activity. The grant applicant understands that the United States has the right to seek judicial enforcement of this assurance.

11. Limitations on Bidder Contributions and Fundraising

Bidders must submit CEC Form 55 (provided in Appendix X) to the awarding authority at the same time the response is submitted. The form requires bidders to identify their principals, their subcontractors performing $100,000 or more in work on the contract, and the principals of those subcontractors. Bidders must also notify their principals and subcontractors in writing of the restrictions and include the notice in contracts with subcontractors. Responses submitted without a completed CEC Form 55 shall be deemed non-responsive. Bidders who fail to comply with City law may be subject to penalties, termination of contract, and debarment. Additional information regarding these restrictions and requirements may be obtained from the City Ethics Commission at (213) 978-1960 or ethics.lacity.org.

E. <u>General Requirements</u>

The proposal must conform to the "General Requirements" included in the Attachment. PROPOSERS ARE STRONGLY ENCOURAGED TO READ THE GENERAL REQUIREMENTS CAREFULLY AND TO PROVIDE ALL REQUESTED INFORMATION.

VII. COMMUNICATION PROTOCAL

Throughout the course of the City's process to award the Contract, the following communications protocol will apply.

A. The individual at the City (the "Response Coordinator") tasked with assuring that all proposers are treated consistent with this protocol and to whom all communications should be directed is:

Diana Mangioglu
Office of the City Administrative Officer
City of Los Angeles
200 N. Main Street,
City Hall East, Room 1500
Los Angeles, CA 90012
Telephone: (213) 473-7557
Email: cao.debt@lacity.org

B. Each proposer shall receive the same information in the same method at substantially the same time as all other proposers. No confidential information about the City or the LACC will be shared with one proposer unless it is shared with all proposers.

C. All technical assistance questions must be submitted by e-mail to cao.debt@lacity.org. Please identify the RFP title on the subject line of your message.

D. To ensure the fair and consistent distribution of information, all questions will be answered by a Question-and-Answer (Q&A) document available on the CAO website at http://cao.lacity.org/. No individual answers will be given. The Q&A document will be updated on a regular basis to ensure the prompt delivery of information. If you do not have access to the Internet, the Q&A document will be available by fax or by pick-up at the address on the front cover.

E. After the submittal of proposals and continuing until a contract has been awarded, all City personnel involved in the project will be specifically directed against holding any meetings, conferences or technical discussions with any proposer except as provided in the RFP. Proposers shall not initiate communication in any manner with City personnel regarding this RFP or the proposals during this period of time, unless authorized, in advance, by the City. Failure to comply with this requirement may terminate further consideration of that proposer's proposal(s). Each proposer must report any meetings or calls with City officials, City staff, or Financial Advisors, to the CAO within 48 hours of such contact. Failure to promptly report such contact may be grounds for disqualification of the proposer from further consideration, at the City's sole discretion.

F. Each proposer must immediately disclose the name of any lobbyist or advisor paid to assist in securing this contract.

VIII. PROPOSER EVALUATION

The City, at its option, may reject any and all proposals submitted in response to this RFP, or waive any informalities in a proposal when to do so would be to the advantage to the City or its taxpayers.

A. Evaluation Committee

The City will use an Evaluation Committee (Committee) to review and evaluate the proposals. Each proposal will first be analyzed to determine overall responsiveness and completeness. Failure to comply with the instructions or submission of a proposal may result in the proposal being deemed non-responsive and may, at the discretion of the Committee, be eliminated from further consideration.

As part of the proposal review process, the Committee may request additional information or a presentation from management companies who have been ranked highly based upon the evaluation of the responses to this RFP. The presentation will cover the information included in the proposal and will be utilized as a means to further assess qualifications. Discussions shall not be initiated by proposers.

The General Manager who will be assigned to the convention center is a critical factor in the committee's decision making process. As such, the City expects that the proposed on-site General Manager or the potential candidates under consideration for the position of General Manager will attend the presentation. In addition, the City reserves the right throughout the RFP evaluation process to request more information from all respondents regarding submitted proposals.

At the conclusion of the evaluation process, the Committee shall recommend to the CAO, Mayor and City Council the award be made to the proposer whose proposal is determined to be the most advantageous to the City. The CAO will then submit the Committee's recommendation to the Mayor and Council for consideration of executing an Agreement.

B. Evaluation Criteria

The City may use some or all of the following criteria in its evaluation and comparison of proposals submitted. The criteria listed are not necessarily an all-inclusive list. The order in which they appear is not intended to indicate their relative importance:

- Experience and Qualifications: Experience, qualifications, performance and national stature of the firm and experience in managing major market convention centers and exhibition facilities that are similar in scope, complexity and size.

- Management Team: Experience and qualifications of the proposer's convention industry management team and the resumes outlining the experience, education, and performance record of individuals who would be instrumental in the management and operation of the LACC and upper-level regional or national management personnel who will have supervisory responsibility over the LACC.

- Approach and Methodology: Plan for the management, operation, marketing, and maintenance of the LACC consistent with the Goals outlined in the RFP.

- Coordination with THE LATCB: Initiatives that have been used in other proposer-managed centers to coordinate the convention sales process between the center and DMO management, and otherwise have assisted the DMO meets is strategic priorities.

- Fee Proposal: Management and incentive fee proposals for the management, operation and food and beverage services at the LACC.

- References: Demonstrated record of success by the proposer on work previously performed.

- Financial Stability and Capability: Demonstrated financial stability and capability of the proposer.

IX. AWARD OF CONTRACT

If recommended for award, the proposer shall be required to enter into an agreement with the City and comply with the requirements listed below. Failure to comply with these requirements will result in non-execution of the contract. A copy of the City's Standard Agreement is available upon request. The agreement with the selected proposer(s) will be on a VARIABLE to-be-negotiated fee-for-performance basis.

A. Secretary of State Documentation

All contractors are required to submit one copy of their Articles of Incorporation, partnership, or other business organizational documents (as appropriate) filed with the Secretary of the State. Organizations must be in good standing and authorized to do business in California.

B. Corporate Documents

All contractors who are organized as a corporation or a limited liability company are required to submit a Secretary of State Corporate Number, a copy of its By-Laws, a current list of its Board of Directors, and a Resolution of Executorial Authority with a Signature Specimen.

C. Proof of IRS Number (W-9)

All contractors are required to complete and submit Proof of IRS Number (W-9) Form.

D. Certifications

Contractor shall provide copies of the following documents to the City:

a) Certification Regarding Ineligibility, Suspension and Debarment as required by Executive Order 12549.

b) Certification and Disclosure Regarding Lobbying (not required for contracts under $ 100,000). Contractor shall also file a Disclosure Form, at the end of each calendar quarter during which any event requiring disclosure, or which materially effects the accuracy of the information contained in any previously filed Disclosure Form, occurs

c) A Certificate Regarding Drug-Free Workplace Requirements (if applicable).

E. Collaboration

The City may, at its discretion, require two or more proposers to collaborate as a condition to contract execution.

F. Contractor Evaluation

At the end of the contract, the City will conduct an evaluation of the Contractor's performance. The City may also conduct evaluations of the Contractor's performance during the term of the contract. As required by Section 10.39.2 of the Los Angeles Administrative Code, evaluations will be based on a number of criteria, including the quality of work product or service performed, the timeliness of performance, the Contractor's compliance with budget requirements, and the expertise of personnel that the Contractor assigns to the contract. A copy of the Contractor Evaluation Form is available upon request. The Contractor will be provided with a copy of the final City evaluation and allowed fourteen (14) calendar days to respond. The City will use the final City evaluation, and any response from the Contractor, to evaluate proposals and to conduct reference checks when awarding other contracts.

X. PROTEST PROCEDURES

The purpose of these protest procedures is to provide a method for resolving protests regarding the award of the Agreement before the City awards an Agreement. Proposers will have an opportunity to protest the recommendation of award of the Agreement under this RFP. These procedures will enable the City to ascertain the facts necessary to make an informed recommendation regarding the award of the Agreement.

Any protest as to the RFP documents or matters or procedures referred to therein must be submitted in detail and in writing to the “Response Coordinator” and postmarked within fourteen (14) days after issuance of this RFP to the proposers. Any protest as to any other matter must be submitted in detail and in writing and submitted to and received by the City by 12:00 PM, PST, on the fifth (5) business day after the City notifies the proposers by e-mail of its recommendation to the award the Agreement. The protest shall contain a full and complete statement specifying in detail the grounds of the protest and the facts in support thereof.

All protests must include the following information:

- The name, address and telephone number of the person representing the protesting party;
- Name of the RFP;
- The initial protest document must contain a detailed statement of the legal and factual grounds of the protest, including copies of relevant documents; and,
- Statement as to the form of relief requested.

The procedure and time limits set forth in this Section are mandatory and are the sole and exclusive remedy in the event of protest. Failure to comply with these procedures shall constitute a waiver of any right to further pursue the protest, including filing a Government Code claim or legal proceedings.

The City will only consider protests by or against any proposer(s) who appears to have a substantial and reasonable prospect of receiving an award if the protest is denied or sustained, as applicable.

Protests meeting the above criteria will be reviewed and will be submitted to the City. Protesting parties will be notified of the time and date that the protest will be considered by an administrative panel or body. The panel or body will issue a report to the Los Angeles City Council regarding the protest.

XI. PROPOSERS' CONFERENCE

A ***mandatory*** Proposers' Conference will be held on this day, August xx, 2012 at 2:00 p.m. at 200 N. Main Street, Room 1500, City Hall East, Los Angeles, CA 90012. All prospective proposers are required to attend. This requirement will be waived if the proposer certifies in writing prior to the pre-proposal meeting that it is informed as to the project requirements.

XII. NEXT STEPS

The following is a tentative timeline for the RFP submittal, review, selection, and contract approval.

Activity	**Date**
Issue RFP	July x, 2012
Conduct Optional Pre-Proposal Submission Meeting/Site Visit	August x, 2012
Deadline for Receipt of Written Questions	August x, 2012
Deadline for Receipt of Proposals	September x, 2012
Oral Interviews with Proposers (Tentative) Proposers Must Hold These Dates for Possible Interviews	October x, 2012
Proposal Evaluation Completed	November x, 2012
Award Recommendation Presented to City Council for Approval	November x, 2012
Contract Executed	January x, 2012

ATTACHMENT 9

MOTION PERRY/ZINE (C.F. NO. 12-0692)

12-0692

TRADE, COMMERCE & TOURISM

MAY 0 8 2012

MOTION

Los Angeles is the second most visited City in the United States for international travelers and the fifth most visited by U.S. residents. Nearly 27 million visitors in 2011 spent over $15 billion on goods and services. The tourism and hospitality industry is a leading employer in Los Angeles County, with one in ten jobs serving the millions of visitors who come hear each year.

One of the most important facilities serving visitors to the City is the Los Angeles Convention Center (LACC). The primary purpose for expanding the LACC in the late 1980s was to provide a world-class facility that would attract national and international conventions. Current efforts related to the Event Center and New Hall project continue the City's commitment to providing the best convention facility possible.

A significant factor in the effort to attract national and international conventions is the LACC Booking Policy. The City Council and Mayor have established policies that seek to improve the ability to attract these events and bolster tourism in the City. With pending changes in the LACC exhibit halls, as well as improvements in the greater LACC campus, South Park and Downtown, it is essential that the Council review these policies to ensure that they are focused on attracting national and international events. The LACC Booking Policy has not been reviewed or evaluated in several years and it is critical that such a review be conducted now.

I THEREFORE MOVE that the City Council instruct the City Administrative Officer, with assistance of the Los Angeles Convention Center and the Los Angeles Tourism and Convention Board, to report on the status of the Convention Center booking policy, with recommendations as to how the City can more effectively attract national and international convention business.

PRESENTED BY: ______________________
Jan Perry
Councilmember, 9th District

SECONDED BY: ______________________

jw

ATTACHMENT 10

LACC DISCOUNTY POLICY

Attachment

Discount Policy

I. BASIC DISCOUNT POLICY

The Discount Policy authorizes the Los Angeles Convention and Visitors' Bureau (LACVB) to offer reductions in rental rates to Conventions and Tradeshows in order to provide an incentive to Conventions and Tradeshows to hold their events at the Los Angeles Convention Center (LACC). The LACVB may offer discounts of up to 100% of LACC space rental costs to prospective clients, subject to the limitation that the amount discounted may not exceed the amount of Transient Occupancy Tax (TOT) revenues the event produces for the City of Los Angeles.

II. PURPOSE

The Discount Policy is intended to give the LACVB an additional marketing tool so that it can successfully sell Los Angeles and the LACC as a destination for Conventions and Tradeshows. It is also intended to protect the City's financial position by minimizing any negative impact of the LACC's operations and of the debt service requirements for the LACC expansion project completed in 1992 on the City's General Fund. As long as the TOT revenues received by the City equal or exceed the amount of the discount provided to an event, the City's interests are protected while the goal of stimulating the local economy by attracting out-of-town Conventions and Tradeshows to the area is advanced. The Discount Policy is not to be interpreted and applied so rigidly that application of the Policy thwarts the City's goals.

III. DETERMINATION OF DISCOUNT AMOUNT

Factors to Consider. The amount of discount to be offered a prospective client is determined through negotiations and is necessarily subjective. The following factors, which are listed in their approximate order of importance, shall be considered by the LACVB in determining the maximum discount to be offered to any given event:

- Estimated amount of TOT revenue to be generated for the City by the event compared to the full rental cost for the event.
- Number of projected hotel room nights and the number of hotels and their locations required to accommodate the event.
- Projected demand for the LACC at the time of the event, considering the general demand for the LACC at that time of year, the length of time before the event, and the perceived likelihood that another event can be booked for the same dates.
- Estimated future value of the event to Los Angeles.
- Past history of the event in Los Angeles and other cities.
- Multi-year commitment to hold subsequent events in Los Angeles.
- Competition for the event from competing venues.
- Exposure the event will provide showcasing Los Angeles and the LACC to other potential clients as well as to the rest of the State, the Nation and the world.

The LACVB shall develop standardized guidelines and procedures to ensure consistency among its sales representatives in determining the discount amount that may be offered to prospective clients.

General Guidelines. The goal is to attract events to Los Angeles in order to provide an economic stimulus to the local economy and to generate additional revenues to the City. Discount incentives are offered to prospective clients in order to overcome the current competitive disadvantage the City has in providing sufficient quality hotel rooms within walking distance of the LACC. Accordingly, the amount of rental discount to be offered an event should be directly related to the benefit the event will bring to the local economy and the City's revenues and to the additional costs and inconvenience the event and its participants will incur by selecting Los Angeles for their event.

As a general guideline, proper application of the Discount Policy should result in the following:

- The greater the number of people occupying hotel rooms for an event, the greater the economic stimulus the event will provide to the local economy and the more revenues it will generate for the City. Consequently, events with large numbers of attendees are more likely to receive a proportionately greater discount than events with fewer attendees.

- The greater the difference between the estimated TOT an event will generate and the full rental cost for the space it requires, the greater the amount of revenue the City will receive net of the discount provided. Consequently, events that provide significantly more TOT than the full rental cost for the event are more likely to receive a proportionately greater discount than events for which the TOT is only slightly more than the full rental cost for the event.

- The greater the number of attendees for an event, the more dispersed those attendees will be among City hotels and the greater will be the cost and inconvenience of moving attendees to the LACC from their hotels. Consequently, events that cannot be fully accommodated in downtown area hotels are more likely to receive larger discounts than events that will primarily occupy hotels located downtown.

IV. ELIGIBLE EVENTS

Only Conventions and Tradeshows (Defined as Category 1 events under the Booking Policy definition) booked into the LACC by the LACVB are eligible to be offered a rental discount. These events are normally, but not always, booked by the LACVB two or more years in advance of the actual event. These events are distinguished from non-eligible Category 2 (local trade and consumer shows) events in that they typically require hotel night occupancy for the majority of their attendees.

V. ESTIMATING TRANSIENT OCCUPANCY TAX

The LACVB shall develop a standardized set of assumptions and a standardized procedure for estimating the TOT events are expected to generate. The goal is to develop a method for ensuring consistency among all events in how TOT to be generated by each event will be estimated and to provide a realistic estimate of the TOT that will be generated.

- **Room Night Projections.** The LACVB shall develop a procedure for estimating room nights based on the history of the event the last three times it was held. The procedure shall use a shorter period when a three-year history is not available. It shall provide a method for estimating future year increases in room nights projections for subsequent events to be held through a multi-year agreement, which projection shall be subject to first event performance goals. The Discount Approval Form shall indicate the number of room nights from each of the proceeding three events and shall provide a brief explanation of how the room nights projection was derived from the history.

- **Room Rate Projections.** Room rate projections shall be based on widely published studies of current average room rates by geographic area of Southern California (e.g., Pannell Kerr Forster's periodic room rates published in the Los Angeles Business Journal). The published rates shall be adjusted in accordance with assumptions agreed to by the LACVB, LACC and the CAO. The following factors shall be considered in adjusting the published rates: current trends, economic forecasts, anticipated hotel development and inflation. Each year's projected room rates may not be more than 3% greater than the preceding year's projected or actual room rates. More than one room rate may be established for a single period of time and within each year. The LACVB shall provide a clear explanation of how the appropriate rate(s) will be identified when estimating TOT for any given event. The room rate projections shall be reviewed and revised annually.

- **City versus Non-City Hotels.** The TOT calculation shall be based only on hotels an event may use that generate TOT for the City. The LACVB shall develop a procedure for excluding the estimated number of non-City room nights when estimating the TOT an event will generate. This procedure must be approved by the City Administrative Officer (CAO) and the LACC.

Approval of TOT Estimating Procedures and Assumptions. The LACVB shall first submit the procedure for estimating TOT and the proposed room rate assumptions to the LACC for review and approval. If the LACC disagrees with the procedures and assumptions as submitted, the LACC and the LACVB shall attempt to resolve any disagreements by revising the procedures and assumptions. After the LACC indicates its approval of the procedures and assumptions in writing, the procedures and assumptions shall be submitted to the CAO for review and approval.

If the LACC and the LACVB are unable to concur on the procedures and/or assumptions, the LACC shall forward the proposed procedures and assumptions to the CAO with its written comments as to the areas of disagreement. The CAO shall make the final decision to resolve any areas of disagreement. Resolution shall be based on the goals of making TOT projections as realistic as possible and of making the calculation of TOT consistent between events.

The procedures and assumptions shall become effective once approved in writing by the CAO. These procedures and assumptions shall be adhered to by the LACVB in making offers to clients.

Annual Revisions to TOT and Room Nights Estimating Procedures. Annually, the LACVB shall initiate a review of the procedures and estimated room rate assumptions used in estimating TOT.

It shall also initiate a review, at any time, if it believes there are problems with the procedures and assumptions that need to be addressed or if the actual TOT consistently varies significantly from the estimates. The LACC and the CAO shall participate in any such reviews.

VI. ESTIMATING SPACE RENTAL COSTS

Determination of Event Needs. The LACVB and the LACC shall work jointly with each event to develop a realistic estimate of the space and other needs actually required for an event. Estimates shall be subject to minimum rental requirements that comply with the industry standard.

Rental Costs that May be Discounted. Space rental cost calculations shall include Exhibition Hall and Meeting Room space rentals for the actual days of the event, the standard number of move in and move out days which are provided at no additional charge, and any additional move in and move out days actually required for the event. All rental costs determined as being required for an event may be discounted.

Move In / Move Out Days. Events will be given the standard number of move in and move out days, based on the number of exhibition days, at no charge. Additional move in and move out days may be provided, at the request of the event, if the LACC and the LACVB agree that the additional days are actually required for the event. Rent for additional move in and move out days may be discounted provided the discount vs. TOT criteria is met. Licensing of the event shall include any additional move in and move out days determined as required prior to the event being licensed.

Licensed Value of the Discount. A flat incentive amount will be determined so the client fully understands that the event is responsible for any additional rent. The amount of the incentive shall be expressed in dollar terms clearly indicating the dollar value of the space discounted based on estimates made at the time of negotiations, TOT to be generated, space rental costs, and the amount of space being contracted for. The License for the event shall clearly identify the dollar value of the discount. References to reducing rental costs to $1 or to providing free rent shall not be made either in the License or in representations to the client.

VII. MAXIMUM DISCOUNT

Except as provided below, the offered discount amount may not exceed the TOT an event is estimated to generate.

VIII. EXCEPTIONS TO BASIC DISCOUNT POLICY

The following may be offered Discounts that exceed the TOT the event will generate:

- **Industry-Wide and Travel Association Events.** Meetings of national and regional Industry-Wide and Travel Associations may have a significant impact on future business and tourism. They showcase Los Angeles to potential clients. In recognition of this, the LACVB may offer 100% discounts to such Associations even though the discount may exceed the estimated TOT the meeting will generate.

  Associations eligible for 100% discounts are: American Society of Association Executives (ASAE), American Society of Travel Agents (ASTA), International Association for Exhibition Management (IAEM), Professional Convention Management Association (PCMA), Meeting Professionals International (MPI), National Tour Association (NTA), National Business Travel Association (NBTA), Society of Government Meeting Planners (SGMP), Society of Independent Show Organizers (SISO), National Coalition of Black Meeting Planners (NCBMP) and POW/WOW.

In addition, if the LACVB believes additional organizations, not listed above, fall into the broad category of national or regional Industry-Wide or Travel Association, it may offer a 100% discount to such organization after first obtaining the written concurrence of the LACC and the CAO that such Association's purposes fall within the intent of this paragraph.

- **Multi-Year Licenses**. As an incentive for organizations to make a commitment to return their event to the LACC within five years of their first Los Angeles event, the LACVB may offer up to a 100% discount on rental fees for the first event provided in a multi-year License, without consideration of the estimated TOT the event will generate. Discounts provided for subsequent events under the License may not exceed the estimated TOT the subsequent events will generate and will be subject to all other Discount Policy requirements.

  If a multi-year incentive is offered, it will be based on minimum performance standards that will be established at the time of negotiation and Licensing. Should these not be met, all terms for future events included in the multi-year agreement are subject to renegotiation.

  This exception shall apply only to new events licensed after approval of this Discount Policy by the City.

- **Exceptional Events.** Periodically the opportunity arises to book an event that does not meet the Discount Policy requirements of generating more TOT than the amount of the discount, but that substantially furthers the goals of the City which were identified above. Such events may provide a substantial benefit to the local economy and may provide substantial business to the hotel industry. They may showcase Los Angeles to industry leaders who are able to direct additional business to the LACC. They may provide substantial national and even international publicity further promoting and showcasing Los Angeles as a tourist and convention destination. They may be events that other venues compete strongly for and that require additional incentives to select Los Angeles. They may be so highly sought that they refuse to accept proposals that require payment of rent. They may provide substantial additional revenues to the LACC, thereby reducing the risk that the City's General Fund may have to subsidize the LACC's operations and the debt service for the expansion.

  When the LACVB believes it has the opportunity to book such an event, the LACVB shall submit a proposal to the LACC requesting the LACC's concurrence that the event be designated an "Exceptional Event" and be exempted from the standard Discount Policy requirements. The request shall indicate all of the information normally required under the Discount Policy (i.e., estimated TOT, discount amount, estimated room nights, etc.). It will also provide a written statement as to the reasons the LACVB believes the event should be exempted from the normal Discount Policy requirements.

  The LACC shall respond in writing to the LACVB within one week of receiving the request. The response shall indicate either its concurrence that the event be exempted from the standard requirements of the Discount Policy, or it shall indicate that the LACC does not agree with exempting the event. If the LACC disagrees with exempting the event, it will provide a written statement of the reasons why it does not concur.

If the LACVB and the LACC concur that the event should be exempted from the Discount Policy requirements, the LACVB shall transmit a request for approval of the exemption to the Mayor. The transmittal shall include the response of the LACC.

If the LACVB and the LACC do not concur, the LACVB shall consider the response of the LACC and shall decide whether to pursue the matter further. If the LACVB decides to further pursue the matter, it will submit a request that the event be exempted to the Mayor. The submittal shall include the response sent by the LACC as to why it does not concur with exempting the event.

In both instances, the Mayor shall make the final determination and may either authorize that the event be exempted or deny the request.

It is anticipated that very few events are so exceptional as to merit consideration under this exemption provision.

IX. GUARANTEES

Licensing Commitment. The License Agreement shall obligate the event to pay the difference between the verified TOT and the final value of the discount if the verified TOT is determined to be less than the value of the discount.

Guarantees to cover any TOT vs. Discount Shortfall. It is preferred that the event guarantee to pay for any shortfall. This encourages the event to work with the LACVB and the LACC to minimize space requirements to what is necessary, avoid last minute move-in increases in the space utilized, and minimize the number of move in/move out days the event requests. It also encourages the event to direct as much hotel room registration as possible to hotels that generate TOT for the City.

LACVB may elect to pay for the shortfall itself. The LACVB shall attach a statement to the Discount Approval Form identifying the reason for LACVB agreeing to pay for any shortfall. Possible reasons for the LACVB electing to guarantee to pay for any shortfall include, but are not limited to:

- The client has a satisfactory history with the LACC demonstrating its ability to generate sufficient TOT to the City to offset space rental costs.
- The client signs a multi-year agreement to hold at least two events at the LACC.

In cases where the LACVB agrees to guarantee to pay for any shortfall, the LACVB shall prepare and execute an agreement with the client outlining the terms of the guarantee. The agreement between the LACVB and the client shall not preclude the LACC from collecting the full amount from the client. The Convention Center, however, may accept payments directly from the LACVB in fulfillment of such obligation. The LACVB shall provide the LACC and CAO with a copy of the agreement.

X. APPROVAL OF DISCOUNTS

Discounts must be approved in writing by the CAO and included in the LACC License Agreement. It is the intent of this Discount Policy that the LACVB shall comply with the requirements of this Policy when developing proposals and making offers to potential clients. The LACVB shall inform potential clients that discounts offered during negotiations are subject to the City's final review and approval. Close coordination with the LACC will be required to insure the availability of dates and the accuracy of space usage estimates when developing offers. Once an offer is made by the LACVB and accepted by the client, subject to the approval of the City, the discount request will be reviewed by the LACC, and then by the CAO, for compliance with the Discount Policy and its standardized procedures.

Nothing herein is intended to prevent or delay the LACVB from developing and making offers to potential clients. Offers that comply with the provisions and procedures of this Policy shall be approved by the CAO. The LACVB has the burden of demonstrating that an offer complies with the Discount Policy, that the estimates were developed in accordance with the Policy's procedures, and that the discount offered is consistent with other discounts offered to other events under the general guidelines of this Policy.

Discount Approval Forms. The LACVB shall complete a Discount Approval Form for each discounted event. The Form shall contain all relevant information related to the event. This shall include, but not be limited to:

- An estimate of TOT to be generated by the event.
- An estimate of the number of room nights the event will generate.
- An estimate of the space and other relevant requirements for the event.
- An estimate of the full undiscounted space rental cost for the event.
- Where available, a history of the room nights generated by the event for the three most recent events.
- A written statement of the business reasons for discounting the event.
- An explanation of how the amount of the discount was derived.
- A written statement of any contingencies included in the offer to the event.
- A statement that the event agrees to pay for any difference between the TOT the event actually generates and the amount of the discount and whether the LACVB will guarantee the payment of such shortfall.

LACC and LACVB Joint Review. The LACVB will submit a completed Discount Approval Form to the LACC as soon as possible, but not later than 30 days following acceptance of an offer by a client. The LACC and the LACVB shall jointly review the Form to verify compliance with the Discount Policy and with the standardized procedures of the Policy. Review of the form shall include verifying rental costs, event date availability, room nights estimates, the TOT estimate, the discount amount, and space needs. The LACC and the LACVB shall attempt to resolve any issues over the application of the Discount Policy and procedures and the information submitted on the form. The LACC shall then submit the Discount Approval Form to the CAO with a recommendation that the discount either be approved or disapproved. This transmittal is to be completed within ten days of the LACC's receipt of the Discount Approval Form.

If the LACC believes the request complies with the Discount Policy and its procedures, and agrees with the information contained in the request, the LACC shall recommend approval of the discount. If the LACC believes the request in some way varies from the Discount Policy and its procedures, or disagrees with the information provided, the LACC shall provide a written statement of its concerns and shall recommend either approval, despite the apparent problem, or disapproval of the discount.

CAO Review and Approval/Disapproval. The CAO shall verify that the information provided supports the conclusion that the estimated TOT exceeds the value of the discount and that it is consistent with the policies and procedures contained herein. The CAO shall review the amount of the discount for adherence to the general guidelines and shall consider the recommendation of the LACC. Any contingencies that are part of the agreement shall also be reviewed. This review is to be completed within ten business days from receipt of the Discount Approval Form by the CAO.

The CAO shall sign the Discount Approval Form, approving the discount, once he is satisfied that the offer complies with the Discount Policy and its procedures and that the information provided supports the discount granted.

If the CAO believes the request varies in some aspect from the Policy and its procedures, the CAO may, at his sole discretion, either approve or disapprove the request, subject only to the requirement that the approved discount may not exceed the estimated amount of TOT the event will generate.

Any Policy and procedure variations and any differences concerning information included in the Form will be reviewed jointly by the CAO, LACC, and LACVB and action taken to avoid similar situations from arising in the future.

The CAO's written approval will constitute formal approval of the discount and will establish the maximum dollar value for the discount. Any subsequent adjustments to the discount amount, which result in an increase in this dollar amount, are unauthorized and shall not be honored by the City unless approved by the CAO in writing prior to the event as required by this policy. Adjustments to the discount amount that reduce the amount of the discount do not require the CAO's approval unless the adjustment was due to a change in the TOT estimate.

Licensing of Event. After the Discount has been approved, the LACC shall proceed with licensing the event in accordance with the provisions of the approved Licensing and Deposit Policies.

Client Jurisdiction. Prior to executing the License for the event, the LACC shall work cooperatively with the LACVB to assist in the negotiations and to work with the client to determine client needs and to resolve issues related to Convention Center use. However, prior to executing the License, the LACVB will be solely responsible for all negotiations and for presenting and revising proposals in accordance with this Discount Policy. After the License is executed, the LACC shall be solely responsible for all client contacts and shall be responsible for negotiating any revisions to the License as client needs change.

XI. ADJUSTMENTS TO APPROVED DISCOUNTS

It may be necessary to review and recalculate the amount of the authorized discount for one or more of the following reasons:

- **Changes to Room Nights Estimates.** If an event reduces its room nights estimate, the value of the TOT the event will generate will most likely be reduced. The maximum allowable discount amount will be recalculated and the amount of discount that the City is willing to offer shall be re-determined based on a review of all the factors that were used to determine the amount of the original discount. If the room nights estimate is increased, the discount will also be reviewed to determine whether or not to increase the discount to be provided an event.

- **Adjustments for Inadequate Performance.** For multi-year Licenses, if the actual TOT generated by an event differs significantly from the estimated TOT, the License will be reviewed by the LACVB and the LACC for events to be held in subsequent years of the License. The discount provisions may be revised unless the City is willing to accept a greater guarantee from the event.

- **Adjustments to Space Rental Costs for Additional Space.** After the event is licensed, if it wishes to increase its space requirements, the rental cost for such additional space will be determined through negotiations between the LACC and the event, subject to the requirement that the total space rental discount for the original and additional space may not exceed the TOT the event is estimated to produce. The addition of exhibit space or meeting rooms shall be based on availability as determined by the LACC. The revised amount of the discount must be approved by the CAO if it is increased over the previously approved discount amount.

- **Adjustments to Space Rental Costs for Reductions in Space.** If an event reduces its space requirement, either before or after a License has been issued, the space rental costs shall be recalculated and the amount of the discount adjusted in a manner consistent with the basis used to determine the original discount amount. If the released space cannot be rebooked, the original rental provisions will continue and the event will be charged the standard undiscounted rate for the unused space. If an event books more space than it actually uses, it will also be charged the full rental rate for the unused space.

- **Rescheduled Events.** From time to time, it may be desirable to move an event's scheduled dates in order to accommodate a different event. The rescheduled event may be offered a discount as compensation for the change of date. In such instances, the additional TOT generated by the new event, after accounting for discounts, must offset the value of the additional compensation provided to the rescheduled event.

  The LACC and the LACVB shall jointly prepare a revised Discount Approval Form for the rescheduled event. This Form shall be submitted to the CAO with the Discount Approval Form for the new event. The revised discount for the rescheduled event shall not be effective until approved by the CAO.

XII. POST EVENT RECONCILIATION OF ACTUAL TOT TO THE RENTAL DISCOUNT

TOT and Room Nights Verification and Reporting. The LACVB shall contract with an independent consultant to determine the TOT and number of room nights actually generated by each event. The selection of the consultant must be approved, in writing, by the CAO and the LACC.

The consultant's report shall identify the TOT and the number of room nights generated by each event by hotel. Information shall be aggregated separately for hotels that generate TOT for the City and for those hotels that do not. Verification is to be completed within 60 days following the conclusion of each event. Verification shall be obtained only from the hotels in the identified hotel block for each event.

The LACVB shall include in its quarterly reports a comparison of the actual TOT generated by each event to the estimated TOT used in establishing the discount. The value of the TOT generated shall also be compared to the value of the actual discount provided. The reports shall indicate the shortfall or overage between the verified TOT and the actual value of the discount. Any variations between the actual value of the discount and the originally approved discount value will be explained. All information shall be provided on an event-by-event basis with aggregate figures also provided. The consultant's verification reports shall be attached to and transmitted with the quarterly reports to the CAO.

The LACC shall provide the LACVB with any information it possesses that is required to complete these reports.

Appeals by Events. Events shall have the right to appeal the TOT amounts determined by the consultant. Appeals will be approved only if the event provides satisfactory evidence that the actual TOT generated is greater than that identified by the consultant. Satisfactory evidence may be provided either by a recognized housing service (firms that assist convention organizers in managing room reservations) involved in booking the event, or by a legitimate room verification. Such evidence shall be accepted and the TOT and room nights figures adjusted.

Concurrence with Procedures by Events. At the time of Licensing, events shall be fully informed of the process by which TOT and room nights verification is obtained. This shall include the identification of which hotels in the hotel block will be considered in determining the TOT generated. Events shall be informed of what forms of evidence are accepted in appealing the TOT verification figures.

Payment of TOT versus Discount Shortfalls. The LACC shall initiate procedures to collect any amounts owed by events upon receiving the consultant's verification reports from the LACVB. For events where the LACVB has agreed to cover any shortfall, the LACC may accept payments directly from the LACVB for the fulfillment of such obligations. Overages from events where the TOT generated exceeds the amount of the discount may not be used as a credit to offset any shortfalls.

XIII. REPORTING

Each quarter the LACVB and the LACC shall independently submit reports to the CAO indicating the following:

- Status of number of bookings by event year.
- Status of Convention and Tradeshow business receiving discounts.
- Status of room nights booked per event year.
- Status of events held during the quarter.
- Summary of the value of discounts for events held.
- Summary of the consultant verification of TOT and room nights generated and a copy of the consultant's reports.
- Reports on any cancellations and the reasons therefore.
- Explanation of any major variations between actual event performance and the original estimates.

XIV. EVALUATING DISCOUNT POLICY PRACTICES OF THE LACVB

As part of a broader annual review of the LACVB's performance, the CAO shall include an evaluation of the LACVB's activities as they relate to the Discount Policy. The CAO shall include in the Discount Policy portion of the evaluation a determination of the following:

- Percentage of events that generated TOT equal to or more than discounts granted over total number of events granted discounts.
- Accuracy of room night projections for completed events.
- Adherence to the general guidelines for discounting events booked during the year.
- Compliance with procedural requirements.
- Timeliness, accuracy, and completeness of reports.
- Effectiveness of the use of discounts in securing new bookings.
- Use of discounts to secure multi-year commitments.

XV. MODIFICATIONS TO DISCOUNT POLICY

Annual Reviews. Annually, the CAO, the LACC, and the LACVB shall jointly review the City's experience under the Discount Policy. The provisions of this Policy may be modified with the unanimous concurrence of the CAO, the LACC, and the LACVB subject only to the requirement that the discount provided to an event may not exceed the TOT estimated to be generated by the event. Any modifications agreed to by the three parties shall be reported to the Mayor and the City Council. Modifications will be deemed approved unless the Mayor and Council reject the changes.

Cancellations. The CAO, the LACC, and the LACVB shall jointly review the causes of any cancellations that occur once a discount has been approved. They shall also review any failures to obtain a booking when the LACVB believes that the operation of the Discount Policy was a major factor. The purpose of these reviews is to determine whether modifications are needed to improve the usefulness of the Discount Policy and to address issues before they lead to additional cancellations or rejections.

XVI. APPROVALS

Written approvals required under the provisions of this Policy require the signatures of the following:

- For the LACC, the General Manager or his designee.
- For the LACVB, an Executive Vice President
- For the CAO, the CAO or his designee (Chief Administrative Analyst level or higher).

XVII. EXPIRATION OF DISCOUNT POLICY

This Discount Policy shall expire on July 1, 2012, unless terminated earlier by the City. Upon the opening of a Convention Center Hotel, the CAO shall review, with the assistance of the LACC and the LACVB, the issue of whether or not the City needs to continue offering discounts as an incentive to attract events, and shall report thereon, with recommendations, to the Mayor and City Council. This review shall be repeated every two years until the Discount Policy terminates.

After the expiration of the Discount Policy, the LACVB shall no longer be authorized to offer rental discounts without additional City authorization. Discounts offered to events prior to the expiration date shall be honored even if the actual event occurs at a date subsequent to the expiration of this Policy.

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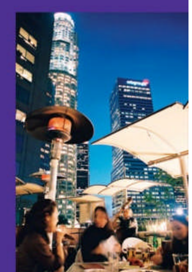
ATTACHMENT 11

DOWNTOWN LOS ANGELES DEMOGRAPHIC STUDY 2011
PREPARED BY
THE DOWNTOWN CENTER BUSINESS IMPROVEMENT DISTRICT

Downtown Center Business Improvement District

DOWNTOWN LOS ANGELES

Demographic Study 2011



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Cover Photo: Downtown Skyline View by Andrew Murray

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"We are an urban downtown, but one in which we increasingly feel a sense of community, of being a part of a neighborhood and all of the good things that go with it."

Carol E. Schatz
President and CEO
Downtown Center Business Improvement District

Welcome to the Downtown Center Business Improvement District's **Downtown Los Angeles Demographic Study 2011**.

For many of us in an increasingly analytical world, numbers help to clarify and define an experience; they can give support to supposition and dispel conventional wisdom. We hope you will find all of that in the results of our polling.

This is our third study of the demographics of Downtown Los Angeles in the last five years, and we continue to be amazed at how the findings mirror what we see every day on the sidewalks, in our work places, in the restaurants and concert halls, on buses and trains and when we're just out walking the dog in Downtown.

Those of us who live, work, play or visit Downtown LA already see a vibrant, diverse community. We see a young and affluent community. We see the skyline change with new towers; historic movie palace marquees light up anew and another storefront, bar or restaurant open every day.

We hear applause spill out of the concert halls, the sounds of cash registers ringing, music in the parks and the lively chatter from block-long lines of patrons waiting outside Downtown's trendiest and hottest night spots.

We are an urban Downtown, but one in which we increasingly feel a sense of community, of being a part of a neighborhood and all of the good things that go with it. We know the comfort of familiarity of our favorite places and the excitement of new ideas, new opportunities, new neighbors and old friends. First it was pets on a leash, and now we're seeing more and more baby strollers. Those are the signs that a city has become a neighborhood and that 9-to-5 workers and visitors have become residents.

In the following pages you will see all of this displayed in the numbers. You will be able to see where we are in terms of employment, education and income. You will see how we spend our time and our money. You will see how we have changed since our last report in 2008.

Like the nation as a whole, we took some hits in the recession and the slow recovery, and you will find this in the figures as well. But I believe that, like me, you may be surprised to see how Downtown has continued to grow – more housing units and more residents in them.

Learning is an active two-way communication. We're sure that after reviewing the 2011 Demographic Study you may have additional questions. We are here to help with those as well. You can visit our website at **DowntownLA.com**, or contact me or Hal Bastian, our Senior Vice President & Director of Economic Development, at (213) 624-2146 x 213 / hbastian@downtownla.com for more information.

Welcome to Downtown Los Angeles.

Carol E. Schatz

Executive Summary

BACKGROUND AND PURPOSE

The Downtown Center Business Improvement District (DCBID) is a coalition of Downtown property owners, encompassing a 65-block district in the heart of Downtown that funds safe-and-clean programs, economic development programs, and extensive marketing to support Downtown businesses.

This demographic study was conducted to provide economic and demographic data about who lives, works, plays and visits in Downtown LA, thus improving the DCBID's ability to recruit and retain retailers, restaurants, and other consumer businesses and amenities to Downtown Los Angeles.

To that end and to update its Downtown Los Angeles Demographic Survey 2008,[1] the DCBID retained Horizon Consumer Science (HCS) to manage and conduct comprehensive market research of demographic/ household characteristics among the current population of Downtown residents, employees and visitors, as well as to compare results and changes from the 2008 study.

DEMOGRAPHIC STUDY 2011 METHODOLOGY

The 2011 study was facilitated as an Internet survey to a self-selected sample across the central Downtown LA population, in particular any resident, employee, visitor, and cultural arts and sports event attendee. This was not a "census" but rather a comprehensive survey of Downtown residents and consumers.

To publicize the survey, the DCBID undertook an extensive outreach effort throughout Downtown. Media advertisements, postcards and door hangers directed potential respondents to access the survey through a "*url*" link, DowntownLA.com/survey posted on the DCBID website, DowntownLA.com. A total of 11,323 usable surveys were received. This sample has a variance of not greater than 0.9% at the 95% confidence level.[2]

DEFINITION OF "DOWNTOWN LA"

For the purpose of this study, the Downtown "population" is defined as residents, workers, visitors and others who are in Downtown for a variety of reasons including business, shopping, attending cultural, sports or special events, within the following boundaries:

[1] Downtown Center Business Improvement District, Downtown Los Angeles Demographic Survey 2008, (April 2009)

[2] Where any response to a question with the full base is 50%, this is the level of variance. For any response lower than 50%, the variance will be lower.

North: 101 Freeway and the Chinatown area
South: 10 Freeway
East: Los Angeles River
West: 110 Freeway and the City West area

OVERVIEW OF DOWNTOWN MARKET

Over the past 10 years, Downtown Los Angeles has experienced an extraordinary commercial and residential renaissance. With some **45,000 residents**, **500,000+ weekday employees** and more than **10 million annual non-local visitors**, Downtown Los Angeles has become Southern California's economic engine.

According to primary research by the DCBID, Downtown LA's housing market and population rose during the 2008-2011 period as follows: [3]

- A total of **28,861** residential units are located in Downtown LA, up 11.0% from 2008 (4th quarter).
- A total of **45,518** persons are residing in Downtown, a strong 15.1% rise from 2008 (4th quarter).

CHANGES SINCE 2008 AND KEY FINDINGS FOR 2011 STUDY

The Downtown LA population of residents, employees and visitors, has continued to grow and mature since the 2008 study, despite the recent recession. A new wave of Downtown LA businesses, including restaurants, nightspots, personal and professional services and amenities has been delivered. At the same time, the increasingly well-educated, higher-income, active and diverse population still seeks additional goods and services. To that end, a new Target store was announced as the anchor at the 7+FIG retail (now renamed FIGat7th) center currently undergoing complete renovation and due to open Fall 2012.

Changes Since the 2008 Downtown LA Demographic Study

The results of this study are strikingly comparable to those in the 2008 study, with differences within one or two percentage points for most indicators. The main changes concerned employment, home ownership, income and commuting behavior for both Total [4] respondents and for Downtown residents:

- **Employment:** In both surveys, 83% of Downtown residents reported being employed (anywhere, not only in Downtown LA). In the 2011 study, 78% of Total respondents were employed compared to 88% in 2008, indicating that Downtown residents better maintained their employment level than did Total respondents.

[3] Downtown Los Angeles Residential Fact Sheet, 2nd Quarter 2011, Downtown Center Business Improvement District

[4] *Total* refers to all who responded to the survey including Downtown residents, those employed Downtown and visitors. *Residents* are those who live Downtown.

- **Place of Work:** 57% of Downtown residents reported that they worked in Downtown LA in 2011 compared to 64% who did so in 2008. This indicates that while maintaining their overall *rate* of employment, more Downtown residents were working *outside* Downtown.

- **Commuting Mode:** In 2011, 55% of Downtown residents commuted alone by car and 40% used public transit. In 2008, 35% commuted alone by car and 35% used public transit. Thus, both car use for commuting and use of public transit rose in 2011. Of note is that the sum percentage for all commuting modes was up in 2011, indicating that residents took more modes to commute to work. This may be related to the lower percentage of Downtown residents who worked Downtown in 2011 than in 2008 and used more modes to reach their workplaces.

- **Ownership versus Rental:** In 2011, more Downtown residents *rented* an apartment or condo with 68% versus 66% in 2008, while fewer *owned* their residences, 28% in 2011 versus 30% in 2008.

- **Income:** Total respondents reported a median household income of $85,500 for 2011 versus $92,200 in 2008. Overall Downtown residents reported a median income of $86,300 in 2011 versus $89,900 in 2008.

These changes were apparently related and attributable to the lingering effects of the recent recession, as well as an accompanying credit crunch that adversely impacted the housing market. The number of new units and their more affordable pricing levels brought many new renters, as opposed to owners who typically have higher incomes. Thus, reported household income dropped slightly in 2011 from 2008. In addition, the changed labor market affected employment levels, where residents were employed and how they commuted.

Summary of Key Findings for Downtown LA Demographic Study 2011 – by Residents, Employees, Visitors and Total Respondents

The following sections highlight key findings by segments. Note, the number shown in parenthesis ( ) following the 2011 result represents the comparable result from the Demographic Study 2008.

Downtown Residents

Demographics: Downtown residents' racial/ethnic composition, age, household size and gender demographic ratios in 2011 were highly comparable to 2008.

Ethnicity: The largest group, Caucasians, remained constant at 53% (versus 54% in 2008), with Asian-Americans/Pacific Islanders at 22% (21%) and Hispanics/Latinos at nearly 18% (17%), whereas African-Americans at 6.5% slipped slightly from 8% in 2008.

Gender: 54% (53%) of Downtown resident respondents were female and 46% (47%) were male.

Age: Downtown residents' median age was 32.5 (32.1) years.

Household Income - overall: For *all* Downtown residents, median household income was $86,300 in 2011 versus $89,900 in 2008, a decrease attributed to the recent recession.

Household Income with wage earner: For Downtown households with at least one employed person, overall median income for 2011 was $89,800, below the $96,200 reported in 2008, attributed to the recession.

Education Attainment: Downtown residents' educational level continued to rise. Those completing four years of college or higher was at 80% in 2011, versus 78% in 2008, and approximately five percentage points higher than the 75% of Total respondents who completed at least four years of college.

Children at Home: Just 6% (6%) of Downtown residents had children under the age of 5 years living at home while 5% (4% aged 5 -13 in 2008) had children aged 5 to 18 living at home.

Own vs. Rent: 68% (66%) of Downtown residents *rented* an apartment or condo while 28% (30%) *owned* their residence.

Employment Level and Location: 83% of Downtown residents reported being employed (anywhere) in both survey years. Thus, while Total respondents reported a lower employment level since 2008, Downtown residents' maintained their employment at the same level in both surveys. However, fewer Downtown residents reported being employed *in Downtown* in 2011, at 57% from 64% in 2008.

Employment Field: One-fifth or 20% (20%) of Downtown residents were employed in business/professional/technical services, with nearly as many, 19% (17%) in arts/ entertainment, by far the top two fields.

Employment Position: In 2011, of employed Downtown residents, more than one-half, 52% (50%) were at top, senior and professional staff levels (regardless of workplace location).

Commuting to Work: Since the last survey commuting mode shifted. Far more Downtown residents commuted alone by car, 55% in 2011 versus 35% in 2008, while 40% in both surveys, used modes of public transit (e.g. bus, subway, Metrolink).

Tenure at Residence: Downtown residents spent a median of 1.7 (2.3) years at their current residence.

Pets: 43% (40%) of residents owned some type of pet; 28% (24%) owned a dog and 17% (16%) owned a cat.

Travel and Spending for Groceries: Downtown residents traveled a median of 2.0 (2.6) miles for groceries. Each residential household spent a median of $102.00 ($99) per week.

Grocery Chain: Most, or 76%, of Downtown residents shopped for groceries at Ralphs and 74% at Traders Joe's – the top mentions. Most, or 92%, of Downtown residents said they were highly likely to shop in a Downtown Trader Joe's should one locate here.

Eat Lunch Out in Downtown: 89% (95%) of Downtown residents reported eating lunch out in Downtown LA at least once per month. Each resident spent $15.56 ($14.75) (including tax and tip) for lunch out.

Eat Dinner Out in Downtown: 92% (96%) of residents dined out in Downtown at least once per month. Each resident spent $28.28 ($27.13) (median including tax & tip) when eating dinner out in Downtown.

Retail/Services Wanted: Downtown residents most wanted in 2011 (compared to 2008):

- Mid-level restaurants – 72% (65%)
- Mid-market department stores – 63% (53%)
- Book/music/movie stores – 61% (63%)

Activities Attended: A significant share of residents attended Downtown cultural arts and sports events. Residents attended Downtown live music, theater, opera or dance a median of 3.5 times per year, and art museums or galleries 3.8 times annually. They attended Downtown live professional sports events 2.0 times per year, and 88% attended Downtown special events annually.

Downtown employees

Ethnicity: Downtown employees were diverse, with 47% (47%) Caucasian, 22% (22%) Hispanic/Latino, nearly 20% (18%) Asian-American/Pacific Islander and 6.5% (10.3%) African-American. Thus, the ratio of Asian-American/Pacific Islanders rose slightly in 2011 from 2008, Caucasians and Hispanic/Latino remained at the same level while African-Americans' ratio dropped slightly.

Gender: Nearly 64% (65%) of employee respondents were female.

Age: Employees' median age was 38.0 (38.5) years.

Household Income - Overall: Downtown employees reported a median household income of $88,700 from $94,700 in 2008, attributed to the lingering effects of the recession.

Household Income with a wage earner: Downtown employees in households with at least one wage earner reported a median income of $88,500 from $95,900 in 2008, attributed to the lingering effects of the recession.

Education: Seventy-three percent (72.2%) of Downtown LA employees completed at least a four-year college and averaged 15.5 (15.3) years of school.

Children at Home: Only 13% (23%) of Downtown LA employees reported having children up to five years of age, while 22% (15% aged 5 -13 in 2008) had children aged 5-18 at home. Thus, among those who had children at home, fewer were in the younger age group (0-5), while more were in the older (5-18) age group in 2011 versus 2008.

Own versus Rent: Less than one-half, or 45% (50%), of employees owned their residence, while 47% (42%) rented their residence (whereas 8% neither rented nor owned). This was a change from 2008 when more were owners than renters, again likely related to the economy and challenges in sales financing.

Employment Field: Nearly one-third, or 30% (30%), of Downtown employee respondents were in business/professional services, with 15% (16%) in financial/insurance services, and 12% (15%) in government.

Employment Position: Nearly 38% (38%) of employees were professional/senior staff, and 15% (13%) were top-level executives or management. Another 22% (26%) were at the clerical/general level.

Commuting to Work: More than one-half, or 56%, of employees drove to work alone in 2011 compared to just 36% who did so in 2008. At the same time, 37% in 2011, versus 46% in 2008, commuted to work by public bus or train.

Residence: Three in 10, or 30% (24%), of Downtown employees reported being Downtown LA residents.

Tenure at Residence: Employees have lived in their current residence for 3.4 (4.4) years.

Pets: One-half, or 50% (49%), of employees owned a pet.

Travel and Spending for Groceries: Downtown employees traveled about 1.8 (2.3) miles to purchase their groceries. Employees' households spent a median of nearly $109 ($105) for their weekly groceries.

Eat Lunch Out in Downtown: Almost all, or 94% (98%), of Downtown employees ate lunch out in Downtown at least once per month. Each one who did, spent $14.05 ($12.34) (median) during lunch.

Eat Dinner Out in Downtown: About three-fifths, or 63% (80%), of employees ate dinner out in Downtown at least once per month, and each one who did, spent $29.12 ($26.69) (median) for dinner.

Retailers/Services Wanted: Downtown employees most wanted more mid-level restaurants in Downtown.

Activities Attended: Employees attended a median of 2.6 (2.3) live music and performance arts events in a year, visited a median of 2.4 (2.1) times to galleries/museums, and attended 1.9 (1.6) professional sports events.

Visitors

Gender: Many more visitor respondents were female, 64% than male, 36%.

Age: Visitors had a median of 43.9 years, higher compared to residents or employees.

Household Income: Visitors reported a median household income for 2011 of $91,400.

Ethnicity: 52% of visitors were Caucasian with 17% Hispanic, 15% Asian-American, and 9% African-American.

Educational Attainment: 69% of visitors have completed college or higher, and averaged 15.6 years of school.

Total Respondents

Residence: Of the survey's Total respondent base of 11,323, 39% indicated Downtown LA as their primary residence, with 55% residing in LA County (outside Downtown), 5% who are U.S. residents (outside LA County), and 0.3% who are international residents.

Demographics: Racial/ethnic composition, age, household size and gender demographic ratios in 2011 were highly comparable to 2008.

Ethnicity: 48% (49%), of the Total were Caucasian, another 21% (22%) were Hispanic/Latino, 17% (18%) were Asian-American/Pacific Islander, and 8% (10%) were African-American.

Gender: In 2011 as in 2008, 62% of the Total respondents were female and 42% were males.

Age: Overall, median age was 36 in 2011 as it was in 2008.

Household Income - overall: Total respondents reported overall median household income of $85,500 in 2011 versus $92,200 in 2008, a drop, attributed to the effects of the recent recession.

Household Income with wage earner: Total respondents reported median household income of $87,400 in 2011 versus $95,800 in 2008, also a decrease attributed to the recent recession.

Education Attainment: Educational level was maintained, with 75% in both 2011 and 2008 completing four years of college or higher.

Children at Home: Most or 89% (88%) of Total respondents had no children living at home

Own vs. Rent: 51% (46%) of Total respondents *rented* an apartment or condo while 41% (46%) *owned* their residence.

Employment Level and Location: Of the Total, 78% were employed (anywhere) at the time of the survey, with 68% employed Downtown. One-fifth, or 20%, both lived and worked in Downtown.

Employment Field: More than one-fourth, or 26% (26%), were employed in business, professional and technical services; 12% (14%) were in financial services and insurance and 11% (8%) were in arts and entertainment, the top three fields.

Employment Position: In 2011, of employed respondents, more than one-half, or 51%, (50%) were at top, senior and professional staff levels (regardless of workplace location).

Commuting to Work: Since the last survey commuting modes shifted; three-fifths, or 60%, in 2011 versus 39% in 2008 commuting alone by car, 20% (20%) who rode the Metro subway/ light rail, and 15% in 2011 versus 20% in 2008 who took Metro or other public bus service.

Tenure at Residence: Individuals lived in their current residence for a median of 2.9 (3.9) years.

Pets: One-half, or 51% (53%), of all respondents did not own any pets, while 32% (30%) owned a dog, 20% (20%) owned a cat,

Travel and Spending for Groceries: Overall, people purchased their groceries within a median of 1.8 (2.4) miles of their primary residence. They spent $105.11 ($102.70) (median) weekly on groceries.

Grocery Chain: Three-quarters of respondents, or 76%, usually shopped at Trader Joe's and two-thirds, or 68%, shopped at Ralphs, the top two chains named.

Eat Lunch Out in Downtown: 87% (96%) ate lunch at a Downtown restaurant at least once per month, and spent a median of $14.62 ($13.19) per person per meal.

Eat Dinner Out in Downtown: Two-thirds, or 68% (83%), ate dinner at a Downtown restaurant at least once per month, and spent a median of $28.84 ($26.74) per person per meal

Retail/Services Wanted: 67% (65%) of respondents wanted more mid-level restaurants in Downtown, 60% (50%) mentioned mid-level department stores (e.g. Nordstrom or Macy's), and 58% (57%) named book/music/movie stores (e.g. Amoeba, Barnes & Noble).

Downtown Activities Attended: 83% (81%) of respondents attended live music/theater/ dance, 82% (n/a) attended special events, 80% (77%) patronized art museums/galleries, and 67% (64%) went to live professional sports.

CONCLUSION

The study results underscore that Downtown LA is supported by a strong residential and employment base. Downtown LA is alive with new developments, fine and eclectic restaurants, unique businesses, exciting events and activities, and a new wave of residents entering the market. Downtown LA is economically viable, culturally vibrant and continues to grow strongly. Downtown LA is *the* Southern California hub for economic activity, employment and transportation. It is the region's premier destination for entertainment, nightlife, sports events, cultural arts and special events.

In 2010, the Los Angeles Film Festival relocated to Downtown LA. As of 2011, the *Los Angeles Times*' Festival of Books moved to the University of Southern California campus (just south of Downtown), and the ESPN X Games will be held exclusively in Downtown. All signs point to sustained growth and viability now and into the near-term future.

1. Summary Comparison of Key Findings Comparing 2008 & 2011 Demographic Study Among Only Downtown Residents

The Downtown Los Angeles Demographic Study 2011 had a total respondent base of 11,323 (10,243 in 2008), of which 4,464 (3,454 in 2008) specified being Downtown residents. The size and scope of the Downtown residential market in 2011 and compared to 2008 are discussed below.

Rise of Downtown Residential Market

Since the implementation of the Adaptive Reuse Ordinance in 1999 – a public policy that allowed for the conversion of certain commercially zoned properties into residential units – Downtown Los Angeles has experienced unprecedented residential population growth, continuing despite the recent recession, as evidenced by the following population and unit data.

Number of Downtown Residential Units

2011: A total of 28,861 residential units were reported in Downtown (consisting of 17,823 market-rate units and 11,038 affordable units)[5], a total 11.0% increase from 2008.
2008: A total of 26,011 residential units were reported in Downtown (consisting of 15,524 market-rate units and 10,487 affordable units)[6].

Downtown Los Angeles Resident Population

2011: A total of 45,518 persons resided in Downtown[7], a 15% increase from 2008.
2008: A total of 39,537 persons were reported residing in Downtown.[8]

Table 1: Downtown LA Residential Housing Units and Population (2011 and 2008)

Residential Units	2011(2nd qtr.)	% chg. 2010 fr. 2008	2008 (4th qtr.)
Market rate	17,823	14.8%	15,524
Affordable	11,038	5.2%	10,487
Total Units	**28,861**	**11.0%**	**26,011**
Resident Population	**45,518**	**15.1%**	**39,537**

Downtown Residential Demographics

Household Size:

2011: The average number of residents per Downtown household remained constant at 1.8.
2008: The average number of residents per Downtown household rose to 1.8.

5 Downtown Los Angeles Residential Fact Sheet, 2nd Quarter 2011, Downtown Center Business Improvement District
6 Downtown Los Angeles Residential Fact Sheet, 4th Quarter 2008, Downtown Center Business Improvement District
7 Downtown Los Angeles Residential Fact Sheet, 2nd Quarter 2011, Downtown Center Business Improvement District
8 Downtown Los Angeles Residential Fact Sheet, 4th Quarter 2008, Downtown Center Business Improvement District

Household Composition:
2011: Single heterosexual adult households comprised 45% (versus 43% in 2008) of total Downtown households. All married/partnered adults (whether heterosexual or GLBT[9]) comprised 40% (41%), and single GLBT adults at 7% remained comparable to 2008.
2008: Single heterosexual adult households comprised 43% of total Downtown households. Married/partnered adults (whether heterosexual or GLBT) comprised 41%, and single GLBT adults at 6%.

Residential Tenure:
2011: Downtown residents spent a median of 1.7 years at their current residence.
2008: Downtown residents spent 2.3 years at their current residence.
**In 2011, resident tenure dropped from 2008. This suggests that the survey included many new residents, and likely reflects the many new residential units that have entered the Downtown market since 2008.*

Own vs. Rent:
2011: The percentage of Downtown residents who *rented* an apartment or condo grew to 68% while 28% owned their residences. The remaining 4% reported other living arrangements.
2008: The percentage of Downtown residents who *rented* was 66% versus 30% who *owned* their residence, with 4% reporting other arrangements.
**This growth in renters was likely due to two factors: recent economic and financing conditions in which more people qualified to rent verses own, and that most of the new residential product entering the Downtown market was rental.*

Employment – Full- or Part-Time:
2011: 83% of Downtown residents were employed or self-employed full-time or part-time.
2008: 83% of Downtown residents were employed or self-employed full-time or part-time.

Employment – Position:
2011: Just over one-half, or 52%, of Downtown residents were at top, senior and professional staff levels (regardless of workplace location).
2008: One-half, or 50% of Downtown residents were at top, senior and professional staff levels (regardless of workplace location).

Where Downtown Residents Work:
2011: 57% of residents worked in Downtown.
2008: 64% of residents worked in Downtown.
**The decline in 2011 reflects a loss of jobs in Downtown by residents. Future surveys will provide a better idea as to the significance of this indicator for 2011.*

Education:
2011: 80% of Downtown residents completed four-year college or higher levels of education.
2008: 78% of Downtown residents completed four-year college or higher levels of education.
**The level of educational attainment continued to rise in each of the study periods.*

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[9] GLBT = Gay/Lesbian/Bisexual/Transgendered individuals

Income:[10]

2011: Downtown residents reported overall median household income of $86,300, compared to $89,800 for Downtown resident households with at least one employed individual. Median household income was $88,700 for those employed (but not residing) in Downtown.
2008: Downtown residents reported overall median household income of $89,800 compared to $96,200 for Downtown resident households with at least one employed individual and $95,900 for those employed (but not residing) in Downtown.
**This income decline is likely due to the impact of the recession on household income due to job losses and work reductions. Additionally, apartment asking rents have not increased since 2008, and residents with a lower income have been able to reside in Downtown.*

Ethnicity:

2011: Downtown residents' racial/ethnic composition was relatively consistent to 2008. Caucasian population, the largest group, remained constant at 53%, while the share of Asian-Americans/Pacific Islanders at 22% and Hispanics/Latinos at nearly 18% each rose slightly, while African-Americans' share dropped to 6.5%.
2008: Downtown residents' racial/ethnic composition was 54% Caucasian, the largest group, with Asian-Americans/Pacific Islanders at 21% and Hispanics/Latinos at 17%.

Table 2: Downtown LA Resident Ethnicity 2011 and 2008

	2011	2008
Caucasian	53.3%	53.8%
Asian-American/Pacific Islander	21.6%	20.9%
Hispanic/Latino	17.7%	17.4%
African-American	6.5%	8.3%

Age:

2011: The median respondent age among Downtown residents was 32.5.
2008: The median respondent age among Downtown residents was 32.1.

Gender:

2011: 54% of Downtown resident respondents were female and 46% were male.
2008: 53% of Downtown resident respondents were female and 47% were male.

Transportation – Commuting Mode:

2011: More than one-half, or 55%, of Downtown residents reported that they commuted alone by car, and another 40% used some type of public transit (e.g. bus, subway, Metrolink). Note that 37% also reported commuting to work via walking or bicycling.

[10] The Los Angeles City median household income was estimated at $48,570 for 2005-2009 (inflation adjusted to 2009 dollars) by the U.S. Census Bureau, the most current available figures

2008: One-third, or 35%, commuted alone by car, another 35% used public transit, and 17% commuted to work via walking or bicycling.

** The large shift to commuting alone by car in 2011 from 2008 may be unexpected, and is attributed to a lower share of Downtown residents reporting working in Downtown in this survey, likely meaning they work outside of Downtown and requiring them to drive to work.*

Grocery Spending:

2011: Each residential household spent $102.00 (median - current dollars) per week on groceries.
2008: Each residential household spent $99.00 (median - current dollars) per week on groceries.

Grocery Stores Shop in/Requested:

2011: This year's survey reworded the question asking "in which grocery chain do you usually shop?" Most residents, 76% named Ralphs and 74% named Traders Joe's as the top two mentions.
2008: Most residents, 89% named Traders Joe's and 68% named Whole Foods Market as the most requested grocers to locate in Downtown. A Ralphs Fresh Fare opened in Downtown before the 2008 survey.

Likely to Shop in Trader Joe's:

The 2011 survey specifically asked the likelihood of shopping at Trader Joe's if located in Downtown. Mostly all, or 92%, of Downtown residents said they were extremely or very likely to shop in a Downtown Trader Joe's.

Dining Out – Dinner in Downtown

2011: 92% of residents dined out in Downtown at least once per month. Each resident spent $28.28 (median including tax & tip) when eating dinner out in Downtown.
2008: 96% of residents ate dinner out in Downtown at least once per month. Each resident spent $27.13 (median including tax & tip) when eating dinner out in Downtown.

Dining Out – Dinner in Any Area

2011: 99% of residents ate dinner out in any area at least once per month. Each resident spent $27.93 (median including tax & tip) when eating dinner out (in any area, not just in Downtown).
2008: This question was not asked.

Dining Out – Lunch in Downtown

2011: 89% of Downtown residents reported eating lunch out in Downtown LA at least once per month. Each resident spent $15.56 (including tax and tip) for lunch out.
2008: 95% of Downtown residents reported eating lunch out in Downtown LA at least once per month Each resident spent $14.75 (including tax and tip) for lunch out.

Retail/Services Most Wanted in Downtown:

2011: Residents' retail/services most wanted were:

Mid-level restaurants – 72%
Mid-market department stores – 63%
Book/music/movie stores – 61%

2008: Residents' retail/services most wanted were:

Discount department stores – 67%
Mid-level restaurants – 65%
Movie theaters – 59%

**In 2011, the most wanted retail types for Downtown shifted to mid-level restaurants and mid-level department stores, away from discount stores, likely due to the announcement of a Target store to open in Downtown. Top retail brands desired included: Nordstrom/Nordstrom Rack, Apple Store, Best Buy, Barnes & Noble Booksellers, Bloomingdale's and Costco. The lower percentage naming movie theaters was likely due to the opening of the Regal 14 Cinemas at L.A. Live on October 27, 2009.*

Pet Ownership:

2011: 43% of residents owned some type of pet; 28% owned a dog and 17% owned a cat.
2008: 40% of residents owned some type of pet; 24% owned a dog and 16% owned a cat.

2. Summary of Key Findings for All Respondents ("Overall Demographics") for the Demographic Study 2011, including Downtown residents, office workers and visitors

The current study was conducted via Internet, targeting a broad Downtown population base beyond residents – to those who were employed, visiting, and attending cultural arts or sports events in Downtown. "Total" refers to all 11,323 (10,243 in 2008) respondents encompassing these categories. The number shown in parenthesis ( ) following the 2011 result represents the comparable result from the Demographic Study 2008.

The key findings from all respondents are presented below.

Overall Demographics

Relationship to Downtown Los Angeles, Employment and Activities:

2011: Of Total respondents, 39% were Downtown LA residents, with 55% residing in LA County (outside Downtown), 5% who were U.S. residents (outside LA County), and .3% were international residents.
2008: Of Total respondents, 39% indicated that their primary residence was in Downtown LA, with 61% living outside of Downtown.

2011: Of the Total, 68% were employed in Downtown, and 20% both lived and worked in Downtown.
2008: Of the Total, 72% were employed in Downtown, and 14% both lived and worked in Downtown.

2011: Just more than half, or 51%, of all respondents attended Downtown museums, live theater, or arts events at least four times a year.
2008: Half, or 50%, of all respondents attended Downtown museums, live theater, or arts events at least four times a year.

2011: 29% attended live sports events in Downtown at least once quarterly, identical to 2008.
2008: Nearly one in three, or 29%, attended live sports events in Downtown at least once quarterly.

Income:

2011: Total respondents reported median annual household income of $85,500, again well above that for Los Angeles City and County overall.[11]
2008: Total respondents reported median annual household income of $92,200.

[11] The 2007 median income (latest available for L.A. County) was $54,828 for Los Angeles County households and $48,570 for Los Angeles City. Source: 2005-2009 American Community Survey 5-Year Estimates, U.S. Census Bureau (adjusted for inflation in 2009 dollars), the most current available figures.

Age:

2011: The median age of all respondents again was 36 years old.
2008: The median age of all respondents was 36 years old.

Ethnicity:

2011: Nearly half, or 48%, of the Total were Caucasian, 21% were Hispanic/Latino, 17% were Asian-American/Pacific Islander, and 8% were African-American.
2008: Nearly half, or 49%, of the Total were Caucasian, 22% were Hispanic/Latino, 18% were Asian-American/Pacific Islander, and 10% were African-American.

Education:

2011: Three-quarters, or 75%, of the Total completed four years of college or higher while averaging 15.9 total years of education.
2008: Three-quarters, or 75 %, of the Total completed nearly 16 years of education.

Gender:

2011: Again more than six in 10, or 62%, of Total respondents were female.
2008: 62% of all respondents were female.

Employment:

2011:

- 78% were employed full- or part-time.
- 10% were self-employed.
- 51% of all respondents were professional, senior staff or top-level executives.
- For Downtown employees, 53% were top-level executives/senior staff.

2008:

- 88% were employed full- or part-time.
- 7% were self-employed.
- 50% of all respondents were professional, senior staff or top-level executives.
- For Downtown employees, 51% were top-level executives/senior staff.

Household Composition:

2011: Marital: About 45% of the Total households were comprised of married/partnered heterosexual or GLBT[12] adults. Overall, 40% of the Total households consisted of a single adult.
2008: Marital: 47% of the Total households were comprised of married/partnered heterosexual or GLBT adults. Overall, 39% of the Total households consisted of a single adult.

[12] GLBT = Gay/Lesbian/Bisexual/Transgendered individuals

Children:

2011: Overall, 21% of Total respondents had children from infant to five years old, while 15% reported children at home aged 5 -18 (5 -13 in 2008).
2008: Overall, 22% of Total respondents had children from infant to five years old, while 12% had children at home aged 5 -13.

Household Size:

2011: Each participant household averaged a total of 2.2 people.
2008: Each participant household averaged a total of 2.3 people.

Residence Ownership versus Rental:

2011: 41% of all respondents owned their residence, and 51% rented their residence (with 8% in other arrangements).
2008: 47% of all respondents owned their residence, and 46% rented their residence (with 7% in other arrangements).

Tenure:

2011: Downtown residents have lived at their current location for 1.7 years, a decrease from 2008.
2008: Downtown residents have lived at their current location for 2.3 years

Office or Studio:

2011: More than one-quarter, or 28%, of the Total used their residence as a primary or secondary office or studio.
2008: About one-quarter of the Total used their residence as a primary or secondary office or studio.

Grocery, Retail, Dining Out and Activities

Grocery Purchases:

Each household spent $105 ($102 in 2008) median (mid-point) per week on groceries, shopping mainly at chain supermarkets, but also at specialty grocers and farmers' markets. Downtown residents were more likely than the Total to travel slightly farther to purchase groceries, to shop at non-chain grocers, or to go outside of Downtown due to the limited presence of chain grocers other than Ralphs in the area.

Where They Buy Groceries:

Trader Joe's was mentioned by 75% of all respondents and Ralphs was mentioned by 68% as the top two grocery chains where they usually shop.

Retailers Wanted in Downtown:

In 2011, the focus shifted as 65% (67% in 2008) wanted more mid-level restaurants, while only 41% (65%) named a discount store, likely due to the planned Downtown Target store. Another 60% (50%)

wanted mid-level department stores, nearly as many 58% (57%) named book/music/movie stores and 57% (53%) named electronics stores. About one-half, or 51%, (51%) wanted fashion/clothing stores and 47% (59%) wanted movie theaters – likely lower than in 2008 due to the opening of the Regal 14 Cineplex at LA LIVE in October 2009.

Dining Out:

Downtown residents, employees and others have a very high propensity for eating out at Downtown Los Angeles restaurants.

Lunch out: They ate nearly eight (seven) lunches out per month, and spent a median of $14.60 ($13.00) per person.

Dinner out: They dined out nearly four (four) times per month and spent a median of nearly $29.00 ($27.00) per person.

Events and Activities:

Downtown attracts significant amounts of people for cultural arts and sports events.

Cultural: All respondents attended Downtown live music, theater, opera or dance a median of 2.8 (2.5) times per year, and art museums or galleries 2.7 (2.4) times per year.

Sports: Respondents attended live collegiate sports events .4 (.4) times per year and live professional sports events 1.8 (1.6) times per year.

Special events: 88% (there is no % from 2008) of respondents attended special events in Downtown.

Downtown LA Demographic Study 2011 Detailed Findings

BACKGROUND AND PURPOSE

Over the past 10 years, Downtown Los Angeles has experienced an extraordinary commercial and residential renaissance. With some **45,000 residents**, **500,000+ weekday employment population** and over **10 million annual non-local visitors**, Downtown Los Angeles has become Southern California's economic engine.

The Downtown Center Business Improvement District (DCBID) is a coalition of property owners, consisting of more than 2,623 parcels[13], committed to enhancing the quality of life in Downtown Los Angeles and helping it achieve its full potential as a great place to live, work and play. Encompassing a 65-block district in the heart of Downtown, the DCBID funds safe-and-clean programs through its "Purple Patrol," engages in economic development, business retention and attraction programs, and acts as a resource to potential retailers, restaurants, nightlife tenants, amenities, services, investors, bankers, residents and developers.

The DCBID also provides marketing programs such as special events, promotional offers, advertising and public relations, targeting both businesses and consumers.

The main purpose of this demographic study is to provide economic and demographic data to inform the DCBID about who lives, works, plays and visits in Downtown LA. With this information, the DCBID is better able to recruit retailers, restaurants, and other consumer businesses and amenities to Downtown Los Angeles.

To that end and to update its Downtown Los Angeles Demographic Survey 2008[14], the DCBID retained Horizon Consumer Science (HCS) to manage and conduct comprehensive market research of demographic/household characteristics among current Downtown residents, employees and visitors. This 2011 study also compares the results to the 2008 study, as shown in parenthesis (   ) following the 2011 result.

[13] Of these properties, 835 parcels (or 87.4% of the assessed) are commercial use; 1,777 parcels (or 9.2% of the assessed) are residential use; and 11 parcels (or 3.4% of the assessed) are government use.

[14] Downtown Center Business Improvement District, Downtown Los Angeles Demographic Survey 2008, (April 2009)

DEMOGRAPHIC STUDY 2011 METHODOLOGY

The 2011 study was facilitated as an Internet survey to a self-selected sample across the central Downtown LA population, in particular any resident, employee, visitor and cultural arts and sports event attendee. This is not a "census"; instead it is a comprehensive survey representing Downtown residents and consumers.

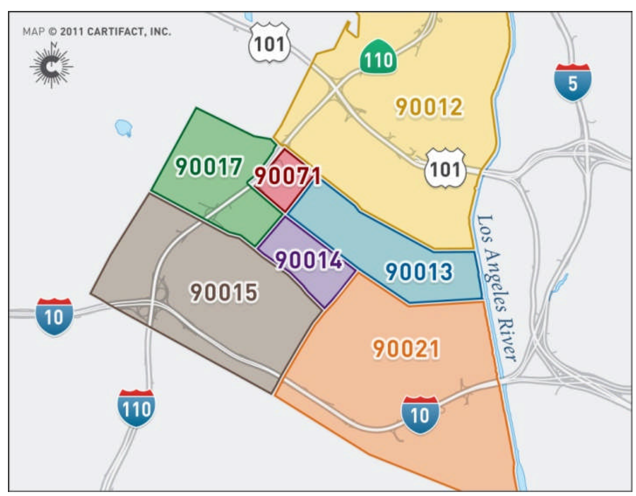
To publicize the survey, the DCBID undertook a wide outreach effort throughout Downtown, including large color advertisements placed in the *Los Angeles Downtown News*; distribution of 50,000 color postcards by outreach teams to pedestrians on the streets of Downtown LA, major office buildings, public transportation portals, public buildings, LA LIVE area and major hotspots; as well as the placement of 12,000 color door hangers in residential buildings. From these advertisements, postcards and door hangers, potential respondents were directed to access the survey through a "*url*" link DowntownLA.com/survey posted on the DCBID website, DowntownLA.com.

After completing the survey, respondents elected to provide their e-mail addresses to enter into a prize drawing. Additionally, respondents were able to "opt-in" to receive DCBID newsletters and special notices. The survey response period was from March 1 to April 10, 2011. A total of 11,323 surveys were returned, with 8,156 who entered into the prize drawing, and 5,330 who provided their e-mail addresses. The 11,323 respondent base had a variance of not greater than .9% at the 95% confidence level.[15]

DEFINITION OF DOWNTOWN

For the purpose of this study, the Downtown "population" was defined as residents, workers, visitors, and others who are in Downtown for a variety of reasons including business, shopping, attending cultural, sports, or special events, within the following boundaries:

North: 101 Freeway and the Chinatown area
East: Los Angeles River
South: 10 Freeway
West: 110 Freeway and the City West area

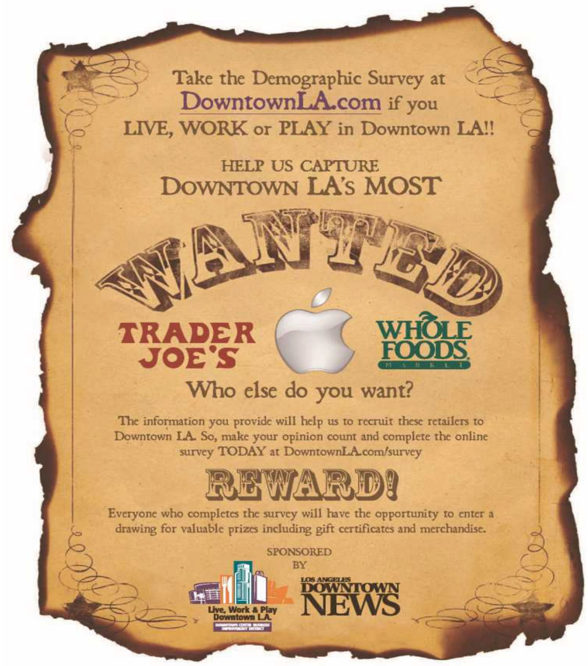


Downtown as defined by zip codes, showing freeways

[15] Where any response to a question with the full base is 50%, this is the level of variance. For any response lower than 50%, the variance will be lower.

METHODOLOGY

The study was facilitated by an Internet survey to a broad, self-selected population sample. The DCBID publicized the survey through large ads placed in the *Los Angeles Downtown News*; through e-mail; by postcards distributed on the streets of Downtown at office buildings, hotels, and special events; and by door hangers in Downtown residential buildings, using the design theme shown to the right.



Ad placed in L.A. Downtown News

The notices contained information about the survey, along with the Downtown Center BID website address where the survey *url* was available for respondents to access the survey. After completing the survey, respondents had the opportunity to enter into to a special prize drawing and to provide their e-mail addresses to opt-in for newsletters and notices.

The survey response period was from March 1 – April 10, 2011. A total of 11,323 usable surveys were returned. This total survey sample resulted in a margin of error of .9% (at the 50% response level) for the data results. A total of 8,156 registered for prizes for a capture rate of 72%. Because the survey was completed by a self-selected sample of respondents and those with access to the Internet, the results were subject to some sample bias. The survey is not intended as a census of all those living or working Downtown, but rather as a representative sample of likely Downtown consumers.

STUDY TEAM

The study was managed by the Downtown Los Angeles office of Horizon Consumer Science (HCS), a market research/consulting firm specializing in economic development and demographic research in tourism, retail, real estate and cultural arts. The DCBID managed the outreach process and collaborated with HCS on the questionnaire development.

HOW TO READ THE TABLES

Each survey question was first listed with the key bullet points, followed by a table of the response results. Each table includes a heading, the base of qualified respondents and the response percentage of the total, as follows:

	Total	Residence		Relationship to DT					
		DTLA	LA Co.	Employed	Attends Arts	Attends Sports	DT Visitor	DT Student	Live & work DT
Full Base:	11323	4464	6278	7743	5787	3291	1838	588	2439

Each column in the table represents a "sub-segment" of the Total respondent base, defined as follows:

Total: All 11,323 respondents
Primary Residence
DTLA: Respondents whose primary residence was in Downtown LA
LA Co.: Respondents whose primary residence was in LA County, outside of Downtown
Employed: Respondents only employed in Downtown (not residing here)
Attend Arts: Respondents who reported attending theater/art performance events in Downtown at least 4 times per year
Attend Sports: Respondents who reported attending professional or collegiate events in Downtown at least 4 times per year
DT Visitor: Respondents who indicated they were visiting for a temporary purpose, and reside outside LA County
DT Student: Anyone reporting that they attended school in Downtown
Live & Work DT: Respondents reporting that they were both employed and reside in Downtown

The number shown in parenthesis (   ) in the text following the 2011 result represents the comparable result from the Demographic Study 2008.

ORGANIZATION

The next sections of the report cover the detailed findings arranged by sub-sections:

- Comparison of Downtown Residents in 2011 and 2008 studies
- Relationship (of respondent) to Downtown – 2011
- Respondent Demographics – 2011
- Household Characteristics – 2011
- Grocery, Restaurant and Retail Shopping, and Potential Development – 2011
- Activities & Special Events Attendance – 2011

DETAILED RESULTS – DOWNTOWN RESIDENTS DEMOGRAPHIC STUDY 2011 AND COMPARISON TO 2008 STUDY

In 2011, the DCBID conducted another extensive survey of Downtown residents, employees and visitors. One of the main objectives was to capture preferences and demographics from new Downtown residents – those who had moved to Downtown Los Angeles since the 2000 census.

The respondent samples were self-selecting, and the DCBID conducted extensive outreach and publicity to ensure strong and broad participation. A total of 11,323 (10,243 in 2008) surveys were completed, of which 4,464 (3,454 in 2008) were Downtown residents. The following compares the results between the two surveys (among Downtown residents).

Demographics – Downtown Residents

Household Income

- The reported median 2011 annual household income was $89,770 ($96,200 in 2008) among households with at least one wage-earner.
- The percentage earning $150,000, 20.3% was just above the 20.2% at that income level in 2008.
  **The economic recession likely impacted median household income.*

Table 3: Household Income

	Survey	
	2011	**2008**
Base: Respondents	**3793***	**2874***
Under $10,000 or no income	1.3%	0.7%
$10,000 - $29,999	4.7%	3.4%
$30,000 - $49,999	13.0%	9.1%
$50,000 - $74,999	20.0%	19.4%
$75,000 - $99,999	18.6%	17.4%
$100,000 - $124,999	14.5%	15.4%
$125,000 - $149,999	7.6%	9.1%
$150,000 - $174,999	6.6%	6.7%
$175,000 - $199,999	3.7%	3.6%
$200,000 - $249,999	4.1%	4.3%
$250,000 and up	5.9%	5.6%
Net $150k	**20.3%**	**20.2%**
Median Income	**$89,770**	**$96,200**

** Households with at least one wage-earner*

Age

- In 2011, Downtown residents' median age was 32.5, comparable to 32.1 in 2008.

Table 4: Resident Age

	Survey	
	2011	**2008**
Base: Respondents	**4464**	**3454**
Up to 22	4.8%	6.6%
23-29	31.3%	32.6%
30-34	23.1%	20.6%
35-44	23.1%	21.6%
45-54	9.8%	10.9%
55-64	5.9%	5.2%-
65	1.5%	1.9%
Prefer not to disclose	0.6%	0.6%
Median	**32.5**	**32.1**

Ethnicity

- The ethnicity/racial composition of respondents in 2011 was comparable to 2008, with slightly fewer Caucasian, Asian-American/Pacific Islanders and African-Americans. Slightly more residents identified as Hispanic/Latinos in 2011. Native Americans, while rising slightly as well, remained the smallest group by share.

Table 5: Resident Ethnicity

	Survey	
	2011	**2008**
Base: Respondents	**4454**	**3454**
Caucasian (non-Hispanic)	53.3%	53.8%
Hispanic/Latino	17.7%	17.4%
Asian-American/Pacific Islander	19.6%	20.9%
African-American	6.5%	8.0%
Native American	1.7%	1.3%
Other group	3.5%	n/a
Prefer not to disclose	3.2%	5.8%

Columns may add to more than 100% due to multiple responses

Education Level

- Downtown residents reported very high levels of educational achievement, with 80% in 2011 who have completed four-year college or higher, versus 78% in 2008.

Table 6: Education Level

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3454**
High school or equivalent	6.6%	7.4%
Trade school/community college (AA, AS, etc.)	13.4%	14.4%
Undergraduate/four-year college (BA or BS)	47.9%	45.5%
Graduate/professional degree	31.9%	32.6%
Net College or Higher	**79.8%**	**78.1%**
Mean years of education	**16.1**	**15.7**

Gender

- The gender breakdown of Downtown residents for the two studies was almost identical with 54%-53% female and 46%-47% male respondents.

Table 7: Gender

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3454**
Female	53.7%	53.2%
Male	46.3%	46.8%

Employment Status

- In both 2011 and 2008, 83% of Downtown residents reported being employed.
- Two-thirds, or 66%, reported full- or part-time employment in 2011.
- There was notable growth among the self-employed, rising to 17% in 2011 from nearly 14% in 2008.

Table 8: Employment Status

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3454**
Employed full-or-part time	66.0%	69.7%
Self-employed (and not a student)	16.7%	13.5%
Net Employed	**82.7%**	**83.2%**
Student (with or without employment)	11.6%	11.5%
Currently seeking employment	2.3%	2.4%
Retired	1.2%	1.4%
Homemaker	0.7%	0.8%
Other or not employed	1.4%	0.6%

Note: employed in or outside of Downtown LA

Resident Employment Position/Level

- In both surveys, about one-third of residents were employed at the professional/senior staff level, with slight growth to 35% in 2011, from 33% in 2008.
- The two surveys captured about the same ratio, 17% at the top, executive or manager level.
- Somewhat more in 2011, 9%, versus 8% in 2008, are small business owners.
- Slightly fewer in 2011, 10%, versus 12% in 2008, are at the clerical/general staff level.

Table 9: Employment Position/Level

	Survey	
	2011	**2008**
Base: Employed Downtown Residents	**4006**	**3083**
Professional/senior staff (incl. educators)	35.4%	33.0%
Clerical or general staff	10.4%	11.8%
Top-level executive or manager	16.5%	17.1%
Technical/development staff	6.7%	6.7%
Small business owner/entrepreneur	9.3%	8.2%
Writer, artist, or entertainer (excl. agent)	8.2%	7.7%
Independent consultant, contractor, agent	6.4%	5.7%
All other job functions	7.1%	9.7%

Note: employed in or outside of Downtown LA

Resident Industry of Employment

- In both surveys, *Business/professional/technical* at 20% and *Arts & entertainment* at 19% (and 17% in 2008) were by far residents' top two employment categories.
- *Education/health/social services* and *Financial services* were the next categories at nearly 7% each; the former gained slightly while the latter decreased by over one percentage point since 2008.
- Another decline was *Government* – down 5.3% from 6.8%, while *Information-media* and *Leisure/hospitality* were each up by one percentage point.

Table 10: Industry of Employment

	Survey	
	2011	2008
Base: Employed Downtown Residents	**4006**	**3083**
Business/professional/technical services	20.2%	20.4%
Arts & entertainment	18.9%	17.0%
Educational services/health care/social assistance	6.8%	6.5%
Financial services/insurance	6.7%	7.6%
Architecture, design	6.0%	7.3%
Government (including military)	5.3%	6.8%
Medical/health services	5.2%	5.2%
Information-media, Telecomm, Internet & data processing	4.7%	3.7%
Real estate (e.g. development, broker)	4.4%	5.0%
Leisure & hospitality	3.7%	2.9%
Non-profit/civic/religious organizations	2.9%	3.2%
Retail trade	2.0%	2.8%
Wholesale trade; import/export	1.1%	2.1%
Other services (e.g. personnel, maintenance, etc.)	1.0%	1.0%
Transportation/warehousing/logistics	0.4%	0.6%
Other	7.3%	7.9%

Note: employed in or outside of Downtown LA

Household Characteristics

Household Composition

- While the share of heterosexual married/partnered households was comparable between the two surveys at about 33%, more Downtown households in 2011 were comprised of single heterosexual adults – 46% versus 43% in 2008, and slightly more single GLBT [16]adults than in the prior study.

Table 11: Household Composition

	Survey	
	2011	2008
Base:	**4464**	**3454**
Married/domestic partner/cohabitating heterosexuals (with or w/o children)	33.9%	33.1%
Single heterosexual adult(s)	45.6%	42.6%
Domestic partnered/cohabitating/married GLBT adult(s) (with or w/o children)	5.6%	7.7%
Extended generational family group	1.2%	2.5%
Single gay/lesbian/bisexual/transgender (GLBT) adult(s)	6.6%	6.2%
Unrelated roommates/tenants	4.5%	n/a
Other/Prefer not to disclose	2.6%	3.2%

[16] GLBT = Gay/Lesbian/Bisexual/Transgendered individuals

Own or Rent Residence

- In 2011, 68% of Downtown residents rented an apartment or condo versus 66% in 2008.
- In 2011, 28% owned their Downtown residence versus 30% in 2008.

  **The addition of more rental units into the Downtown market between 2008 and 2011 is the likely reason for this change to more renters.*

Table 12: Own or Rent Residence

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3454**
Rent an apartment or condo	61.7%	59.5%
Rent a condo owned by someone else	6.2%	6.1%
Net rent	67.9%	65.6%
Own house or condo	28.2%	30.1%
Other arrangement	1.8%	1.9%
Owned by someone else; not paying rent	1.0%	1.4%
Company/school-provided (may or may not pay rent)	0.5%	1.0%

Tenure at Current Residence

- A perhaps surprising change was a drop in Downtown residents' length of tenure to 1.7 years from 2.3 years in 2008. This survey may have captured newer residents than did the 2008 study.

Table 13: Tenure at Current Residence

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3454**
Median (years):	1.7	2.3

Number of Residents in a Downtown Household

- Each Downtown household had a median of nearly 1.8 residents, virtually identical in both studies.

Table 14: Number of Residents in Household

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3454**
Median:	1.78	1.79

Use of Downtown Home for Office/Studio

- Nearly one-third used their Downtown residence as a home office, while nearly 64% did not. This was comparable in both surveys.

Table 15: Use of Home for Office/Studio

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3454**
No	63.6%	65.2%
Yes, as secondary office or studio	21.1%	20.3%
Yes, as primary office or studio	15.3%	14.5%

Grocery Shopping, Dining Out, Retail Brands Wanted

Where Downtown Residents Shop for Groceries

- Chain supermarkets slipped as the top location for grocery shopping in the 2011 survey at 71% versus 80% in 2008, whereas specialty grocers rose to 73% from 67% in 2008.
- Farmers' markets retained the third spot in 2011, rising to 36% from 32% in 2008.

  **With but a few specialty retailers in Downtown, this suggests that Downtown residents may have been more likely to go outside the area for these types of markets, especially if more goods or lower prices were available. In fact, Downtown residents traveled an average of nearly two miles for groceries versus 1.7 miles by non-Downtown residents.*

Table 16: Where Shop for Groceries

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3450**
Chain supermarket (e.g. Ralphs, Vons, etc.)	71.2%	79.7%
Specialty grocer (e.g. Trader Joe's, Whole Foods, etc.)	73.4%	67.4%
Farmers' markets	36.3%	32.1%
Independent grocer/convenience store	20.3%	15.9%
Online/delivery	4.2%	3.8%
You don't buy or others in household buy groceries	0.1%	0.4%
Other place not listed	4.1%	4.1%

Amount Spent on Groceries Per Week

- In 2011, Downtown households reported spending a median of $102 weekly on groceries, up slightly from 2008. In 2011, however, many more resident households, 53% versus 38% in 2008, spent more than $100 per week.

Table 17: Amount Spent on Groceries Per Week

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3450**
Under $20	0.9%	1.0%
$20-$39	6.4%	5.7%
$40-$59	13.5%	14.1%
$60-$79	14.5%	15.4%
$80-$99	12.2%	13.5%
$100+	52.5%	38.2%
Median per household	**$102**	**$99**

Grocery Chains in Which Respondents Usually Shop

This question was reworded for 2011 to capture where Downtown residents *actually shopped* as opposed to the *chains they wanted* in Downtown (in 2008); both are shown in the table below.

- Three-quarters of Downtown residents – 76% – usually shopped at Ralphs, with nearly as many, 74% who usually shopped at Trader Joe's, the top two chains mentioned.

Table 18: Grocery Chains Wanted in Downtown

	Survey	
	2011 Usually Shop at	**2008 Want Downtown**
Base: Downtown Residents	**4464**	**3450**
Ralphs	76.3%	5.2%†
Trader Joe's	73.8%	89.3%
Whole Foods Market	44.5%	68.7%
Vons/Pavilions	18.8%	19.1%
Fresh & Easy	16.2%	Not asked
Gelson's	7.3%	17.5%
Albertsons	7.1%	12.1%
Bristol Farm	6.0%	17.8%
Food4Less	n/a	9.0%
Other/specialty or gourmet	33.2%	27.3%

Sum greater than 100% due to multiple responses.

†*Ralphs Fresh Fare had opened in Downtown just prior to the 2008 survey, which would explain the low percentage.*

Spending for Eating Out *in Downtown* – Lunch

- Most – 89% (95%) – of Downtown residents reported eating lunch out in Downtown LA at least once per month.
- Per-person median spending for lunch out rose by 5.5% to $15.56 in 2011 from $14.75 in 2008.

Table 19: Percentage and Median Spending for Eating Lunch Out in Downtown

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3450**
Percent eating lunch out at least once monthly	88.6%	94.9%
Median Spent – Lunch out	$15.56	$14.75

Spending for Dining Out *in Downtown* – Dinner

- Nearly all residents – 92% (96%) – reported dining out in Downtown LA at least once per month.
- When having dinner out in Downtown LA, the per-person median spending rose by 4.2% to $28.28 in 2011 from $27.13 in 2008.

Table 20: Spending for Dining Out in Downtown (median)

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3450**
Percent eating dinner out at least once monthly	91.9%	95.7%
Median Spent – dining out	$28.28	$27.13

Spending for Dining Out *in Any Area* – Dinner

- Virtually all – 99% (not asked in 2008) – of residents reported dining out in *any area* at least once per month.
- When having dinner out, residents' median per-person spending was $27.93.

Table 21: Spending for Dining Out in Any Area (median)

	Survey
	2011
Base: Downtown Residents	**4464**
Percent eating dinner out at least once monthly	98.9%
Median Spent – dining out	$27.93

Desired Retailers/Services in Downtown

- The types of retailers Downtown residents most wanted shifted from discount stores at 41% in 2011 from 70% in 2008. Most desired were mid-level restaurants by 72% (74%), electronic stores by 66% (63%), mid-market department stores by 63% (53%), home furnishing stores by 61% (60%), and book/music/movie outlets by 61% (63%).

Table 22: Desired Retailers/Services Downtown

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3450**
Restaurants: (mid-level – 2011) / (sit down – 2008)	72.1%	73.8%
Electronics (e.g. Best Buy, Apple Store, etc.)	65.5%	63.3%
Mid-market department stores (e.g. Nordstrom, Macy's, etc.)	62.5%	52.6%
Home furnishings (e.g. Crate & Barrel, Bed Bath & Beyond, etc.)	61.3%	59.9%
Book/music/movie stores (e.g. Amoeba or Barnes & Noble Booksellers)	60.5%	63.2%
Fashion/clothing (e.g. Gap, Banana Republic, etc.)	55.3%	57.9%
Coffee shops/cafés	54.4%	54.3%
Bars/lounges	53.3%	52.7%
Movie theaters	50.8%	77.7%
Personal services (e.g. dry cleaning, shoe repair, hair salon, etc.)	42.2%	45.4%
Discount stores (e.g. Target, Kmart, etc.)	40.6%	69.8%
Restaurants (high-end)	40.3%	36.7%
Health spas/gyms	39.0%	31.4%
High-end department stores (e.g. Saks, Bloomingdale's)	38.9%	41.3%
Nightclubs/dance clubs	34.4%	39.0%
Convenience stores (open late or 24 hours, e.g. 7-Eleven)	32.2%	43.7%
Veterinary clinic/animal services (e.g. Petco, pet hotel)	29.8%	30.9%
Restaurants (fast food)	24.9%	27.6%
Other	12.0%	10.4%

Pet Ownership

- The percentage of pet ownership rose to 43% from nearly 40% in 2008.
- Dogs were still more popular pets than cats, and by a wider margin.

Table 23: Pet Ownership

	Survey	
	2011	**2008**
Base: Downtown Residents	**4464**	**3454**
Net pet ownership	43.0%	39.7%
None	57.0%	60.3%
Type of Pets Owned*		
Dogs	27.6%	24.3%
Cats	17.4%	16.4%
Other	3.8%	4.6%

**adds to more than net ownership due to multiple pet types owned*

DETAILED FINDINGS FOR ALL RESPONDENTS (INCLUDING DOWNTOWN RESIDENTS, WORKERS AND VISITORS) DEMOGRAPHIC STUDY 2011

Relationship to Downtown

Relationship to Downtown LA – Total Respondents

Respondents' relationship to Downtown in terms of residency, employment, activities and demographics is discussed in the following narrative and shown in the accompanying set of tables. The number shown in parenthesis ( ) following the 2011 result represents the comparable result from the Demographic Study 2008.

- Of the Total Respondents, just under 61% (61%) resided outside of Downtown whereas 39% (nearly 39% in 2008) lived within Downtown. Thus, there was negligible change from the 2008 residency.

Table 24: Residence Area – Total Respondents

	2011 Total	2008 Total
Base: Response specified	**11323**	**8834***
My primary residence is located in Downtown LA	39.4%	38.9%
My primary residence is outside of Downtown LA, but within Los Angeles County	55.4%	n/a
My primary residence is outside of Los Angeles County, but in the United States	4.9%	n/a
My primary residence is located in another country outside of the United States	0.3%	n/a
Net: residence outside of Downtown LA	60.6%	61.1%**

Sum greater than 100% due to multiple responses.
** In 2008, the base for this question was only those who answered the question and no other residence areas were specified in the question.*
***The response was for all who lived anywhere outside Downtown LA.*

Employment and Attendance at Downtown LA Cultural Activities Sports Events

- Of the Total respondents, 68% (69%) were employed in Downtown.
- Just over one-half, or 51% (50%), attended live arts performances in Downtown LA at least four times per year.
- Nearly three in 10, or 29% (nearly 29%), attended live sports events in Downtown at least four times per year.
- Nearly 6% (4%) of respondents were students in Downtown.
- More than 16% (1%) were visitors – that is, those who resided outside LA County and who were in Downtown LA for any temporary purpose other than regular employment or to attend school.

Table 25: Employment and Activities Relative to Downtown – Total Respondents

	2011 Total	2008 Total
Base: Response specified	**11323**	**8834***
I am regularly employed in Downtown LA	68.4%	69.2%
I attend museums or live theater/performance arts events at least 4 times per year in Downtown LA	51.1%	50.1%
I attend professional or collegiate sports events at least 4 times per year in Downtown LA	29.1%	28.7%
I regularly attend school in Downtown LA (also may or may not be employed)	5.5%	3.6%**
I am a visitor who resides outside of Los Angeles County who does not work or attend school Downtown	16.2%	0.7%

**The base for this question was only those who answered the question.*
***The 2008 study did not specify whether a student was employed or not.*
Sum greater than 100% due to multiple responses.

Employment and Activities Relative to Downtown LA – By Residence

- By residence, 52% of Downtown LA residents were employed in Downtown, while 81% of LA County resident respondents worked in Downtown LA.
- More than one-half, or 56%, of Downtown LA residents attended museums/live arts at least four times per year as did 49% of LA County residents.
- Three in 10, or 31%, of Downtown LA residents attended professional or collegiate sports events in Downtown LA compared to 28% of LA County residents.

Table 26: Employment and Activities Relative to Downtown – Total Respondents

	Total	Residence		
		DTLA	LA Co.	Vis
Full Base:	**11323**	**4464**	**6278**	**580**
Regularly employed in Downtown LA	68.4%	51.6%	80.6%	65.7%
Attend museums, live theater and/or arts events in Downtown LA at least four times per year	51.1%	56.4%	48.5%	39.0%
Attend professional or collegiate sports in Downtown at least four times per year	29.1%	31.1%	28.4%	20.3%
Not employed nor attend school Downtown	20.0%	32.4%	11.5%	16.0%
Visiting Downtown LA for leisure/vacation, a meeting/convention or other temporary purpose	16.2%	6.9%	21.3%	33.3%
Regularly attend school in Downtown LA and not employed in Downtown LA	3.0%	5.8%	1.1%	1.0%
Both employed and attend school in Downtown LA	2.5%	4.6%	1.1%	1.0%
None of the above	1.3%	2.7%	0.3%	1.6%

Sum greater than 100% due to multiple responses.

Relationship to Downtown LA

The narrative below discusses employment and activities, as related to Table 27 below.

- Of those employed in Downtown, 44% attended arts/performance events and 27% attended sports events in Downtown at least four times per year.
- Of Downtown visitors, 77% attended arts/performance events and 44%, attended sports events in Downtown at least four times per year.
- Of Downtown students, 19% were employed in Downtown and 58% were not employed in Downtown. Just over one-half, or 53%, of students attended arts events while one-third, or 34% attended sports events in Downtown.
- Of those who both live and work in Downtown, 51% attended arts/performance events and 30% attended sports events in Downtown at least four times per year.

Table 27: Relationship to Downtown LA – By Employment and Live & Work

	Total	Relationship to DT			
		Employed	DT Visitor	DT Student	Live & work DT
Full Base:	**11323**	**7743**	**1838**	**588**	**2439**
Regularly employed in Downtown LA	68.4%	100.0%	45.4%	19.0%	94.4%
Attend museums, live theater and/or arts events in Downtown at least four times per year	51.1%	44.1%	77.4%	52.7%	51.3%
Attend professional or collegiate sports in Downtown LA at least four times per year	29.1%	27.1%	44.1%	33.7%	29.8%
Not employed nor attend school in Downtown LA	20.0%	0.2%	32.4%	1.5%	0.3%
Visiting Downtown LA for leisure/vacation, meeting/convention or other temporary purpose	16.2%	10.8%	100.0 %	10.2%	5.5%
Regularly attend school in Downtown LA and not employed in Downtown	3.0%	0.4%	2.2%	57.5%	1.3%
Both employed and attend school in Downtown LA	2.5%	1.3%	1.4%	47.3%	8.4%
None of the above	1.3%	0.1%	0.1%	0.0%	0.1%

Sum greater than 100% due to multiple responses.

Relationship to Downtown LA – by Cultural and/or Sport Events Patrons

- Of the 51% (50%) who regularly attended museums/live theater or performances as discussed above, 59% (59%) were employed in Downtown. In addition, 47% (41%) also attended at least four annual live sports events Downtown.
- Of the 29% (29%) who attended at least four annual professional or collegiate sports events in Downtown, 64% (78%) were employed in Downtown. As well, 83% (72%) of Downtown sports events attendees also patronized at least four museums/live performances.
- This indicates that nearly five in 10 Downtown cultural arts patrons were also Downtown sports patrons, and more than eight in 10 Downtown cultural sports patrons were also Downtown arts patrons.

Table 28: Relationship to Downtown LA – Attend Cultural and/or Sport Events

	Total	Relationship to DT	
		Attend Arts	Attend Sports
Full Base:	**11323**	**5787**	**3291**
Regularly employed in Downtown LA	68.4%	59.0%	63.8%
Attend museums, live theater and/or arts events in Downtown at least four times per year	51.1%	100.0%	82.5%
Attend professional or collegiate sports in Downtown LA at least four times per year	29.1%	46.9%	100.0%
Not employed nor attend school in Downtown LA	20.0%	27.4%	23.6%
Visiting Downtown LA for leisure/vacation, a meeting/convention or other temporary purpose	16.2%	24.6%	24.6%
Regularly attend school in Downtown LA and not employed in Downtown	3.0%	2.8%	3.1%
Both employed and attend school in Downtown LA	2.5%	2.9%	3.3%
None of the above	1.3%	0.1%	0.2%

Sum greater than 100% due to multiple responses.

Demographics

Respondent Gender

- In 2011 as in 2008, 62% of the Total respondents were female, and as such, may reflect that more females elected to complete the survey rather than the overall population gender.
- The gender breakdown varies by residence, with more parity among Downtown LA residents, 54% female versus 46% male.

Table 29: Respondent Gender

	Total	Residence			Relationship to DT					Live & work DT
		DTLA	LA Co.	Visitor	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base:	**11323**	**4464**	**6278**	**580**	**7743**	**5787**	**3291**	**1838**	**588**	**2439**
Female	61.9%	53.7%	67.5%	64.1%	63.5%	59.3%	54.2%	59.0%	66.7%	53.1%
Male	38.1%	46.3%	32.5%	35.9%	36.5%	40.7%	45.8%	41.0%	33.3%	46.9%

Respondent Age

- Respondents' overall median age was 36.3 (36.8) years old.
- LA County residents were older, at 39.5 years old (40.1 in 2008 for all non-Downtown residents), versus 32.5 (32.1) years old for Downtown residents.
- Downtown employees' median age was 38.0 (38.5) years old.
- Not surprisingly, Downtown students were the youngest group with a median age of 26 years old.

Table 30: Respondent Age

	Total	Residence			Relationship to DT					Live & work DT
		DTLA	LA Co.	Visitor	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Full Base:	**11323**	**4464**	**6278**	**580**	**7743**	**5787**	**3291**	**1838**	**588**	**2439**
18-22	3.2%	4.8%	2.1%	2.8%	1.5%	2.8%	3.1%	3.9%	26.2%	3.3%
23-29	24.0%	31.3%	19.8%	14.0%	21.4%	25.6%	28.9%	28.1%	43.9%	32.2%
30-34	18.1%	23.1%	15.0%	12.6%	17.4%	19.3%	20.2%	17.7%	13.1%	23.0%
35-44	24.1%	23.1%	25.0%	21.0%	25.5%	22.7%	23.3%	23.1%	9.9%	23.4%
45-54	17.1%	9.8%	21.4%	26.7%	19.3%	16.3%	15.1%	15.2%	4.4%	10.5%
55-64	10.7%	5.9%	13.5%	17.1%	12.2%	10.2%	7.2%	8.4%	1.4%	6.2%
65+	1.9%	1.5%	2.0%	4.1%	1.4%	2.2%	1.5%	2.6%	0.2%	1.0%
Prefer not to disclose	1.0%	0.6%	1.3%	1.7%	1.2%	0.9%	0.8%	0.9%	1.0%	0.5%
Median:	**36.3**	**32. 5**	**39.5**	**43.9**	**38.0**	**35.3**	**33.9**	**34.5**	**26.2**	**32.6**

Respondent Ethnicity

- Nearly one-half, or 48% (49%), of the Total respondents were Caucasian, another 21% (22%) were Hispanic/Latino, 17% (18%) were Asian-American/Pacific Islander, and 8% (10%) were African-American.
- Compared to the Total, slightly more Downtown residents, 53% (54%) were Caucasian, and nearly 20% (20%) were Asian/Pacific Islander, followed by 18% in the Hispanic/ Latino group and 7% who were African Americans.
- More residents of LA County, nearly 25% (22%) were Hispanic/Latino, a higher share than for the Total or for Downtown residents.

Table 31: Respondent Ethnicity

	Total	Residence			Relationship to DT					Live & work DT
		DTLA	LA Co.	Visitor	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Full Base:	**11323**	**4464**	**6278**	**580**	**7743**	**5787**	**3291**	**1838**	**588**	**2439**
Caucasian (non-Hispanic)	48.4%	53.3%	44.5%	52.2%	46.7%	52.5%	48.6%	45.9%	50.2%	52.9%
Hispanic/Latino	21.4%	17.7%	24.5%	16.9%	22.1%	22.6%	24.9%	24.6%	24.5%	19.0%
Asian/Asian-American	17.3%	19.2%	16.2%	14.8%	17.2%	13.7%	14.7%	16.2%	16.3%	18.7%
African/African-American	8.1%	6.5%	9.2%	9.3%	8.7%	7.6%	8.0%	9.5%	5.6%	5.8%
Other group	3.3%	3.5%	3.2%	3.1%	3.1%	3.3%	3.7%	3.5%	4.1%	3.4%
Pacific Islander	2.3%	2.4%	2.1%	3.3%	2.3%	2.1%	2.5%	2.3%	1.5%	2.5%
Native American	1.2%	1.7%	1.0%	0.9%	1.1%	1.4%	1.5%	1.2%	2.2%	1.8%
Prefer not to disclose	4.1%	3.2%	4.7%	4.7%	4.3%	3.9%	3.6%	4.8%	4.8%	3.5%

** Columns may add to more than 100% due to multiple responses.*

Highest Education Level Attained

- Respondents were highly educated, with three-quarters, or 75% (74%), having earned an undergraduate or graduate/professional degree.
- Respondents averaged 15.9 (15.6) years of education, with 16.1 (15.8) years reported by Downtown residents and those who live and work in Downtown.

Table 32: Highest Education Level Attained

	Total	Residence			Relationship to DT					Live & work DT
		DTLA	LA Co.	Visitor	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Full Base:	**11323**	**4464**	**6278**	**580**	**7743**	**5787**	**3291**	**1838**	**588**	**2439**
Less than high school	0.2%	0.2%	0.3%	0.3%	0.2%	0.2%	0.1%	0.2%	0.5%	0.2%
High school or equivalent	8.7%	6.6%	10.0%	11.2%	9.2%	7.1%	6.0%	7.9%	10.7%	6.8%
Trade school/ community college/associate degree	16.6%	13.4%	18.5%	19.7%	17.5%	15.3%	14.8%	15.8%	17.2%	14.0%
Undergraduate/ four-year college (BA or BS)	46.3%	47.9%	45.4%	44.0%	45.1%	48.2%	49.3%	49.1%	42.0%	45.1%
Graduate or professional*	28.2%	31.9%	25.8%	24.8%	27.9%	29.3%	29.7%	27.0%	29.6%	33.9%
Net college or higher	**74.5%**	**79.8%**	**71.2%**	**68.8%**	**73.0%**	**77.5%**	**79.0%**	**76.1%**	**71.6%**	**79.0%**
Mean years in school:	**15.87**	**16.10**	**15.73**	**15.63**	**15.83**	**15.99**	**16.05**	**15.90**	**15.79**	**16.11**

**e.g., MA, MS, MBA, Ph.D, JD, MD, etc.*

Reported 2011 Household Income

- Overall, the Total respondents (with at least one-wage earner) reported median household income of $87,400 ($95,800).
- About one-fifth, or 20% (21%), of households earned at least $150,000.
- Downtown residents reported median household income of $89,800 ($96,200).

- Downtown sports events attendees reported the highest income at $96,100 ($105,100).
- Again, we attribute this decline to the lingering effects of the recent recession.

Table 33: Reported 2011 Household Income (with a wage earner)

	Total	Residence			Relationship to DT					
		DTLA	LA Co.	Visitor	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	Live & work DT
Base: (had wage earner)	**10268**	**4156**	**5615**	**497**	**7070**	**5283**	**3010**	**1631**	**494**	**2300**
Under $10,000 or none	1.0%	1.3%	0.8%	2.2%	0.6%	0.9%	0.6%	1.3%	7.8%	1.2%
$10,000 - $29,999	4.0%	4.7%	3.6%	3.6%	3.1%	4.3%	2.9%	5.4%	14.5%	4.9%
$30,000 - $49,999	13.2%	13.0%	13.3%	9.9%	12.7%	12.7%	10.7%	15.6%	18.0%	13.6%
$50,000 - $74,999	22.8%	20.0%	24.8%	22.9%	23.7%	21.9%	21.9%	21.9%	24.1%	20.7%
$75,000 - $99,999	18.2%	18.6%	17.9%	17.3%	18.4%	17.8%	16.5%	17.5%	12.5%	18.4%
$100,000 - $124,999	13.2%	14.5%	12.3%	13.9%	13.3%	13.8%	14.4%	11.9%	9.3%	14.0%
$125,000 - $149,999	7.3%	7.6%	7.1%	8.9%	7.4%	7.6%	8.2%	7.5%	4.1%	7.1%
$150,000 - $174,999	6.5%	6.6%	6.4%	7.0%	6.4%	6.9%	7.5%	6.9%	5.5%	6.6%
$175,000 - $199,999	3.5%	3.7%	3.4%	4.2%	3.6%	3.7%	4.1%	3.6%	1.4%	3.3%
$200,000 - $249,999	4.1%	4.1%	4.1%	4.0%	4.3%	4.0%	4.3%	3.2%	1.7%	3.9%
$250,000 and up	6.1%	5.9%	6.3%	6.0%	6.6%	6.4%	8.9%	5.2%	1.2%	6.5%
Net $150k +	20.2%	20.3%	20.2%	21.2%	20.9%	21.0%	24.8%	18.9%	9.8%	20.3%
Median: ($)	**87400**	**89800**	**85600**	**91424**	**88500**	**89300**	**96100**	**83400**	**60100**	**88200**

Employment Status

- Overall, nearly eight in 10, or 78% (82%), were employed full- or part-time, with a rise to 10% (7%) for those who were self-employed.
- Respondents employed in Downtown, as well as those who lived in LA County, were more likely to be employed full-time than other segments – 88% (91%) and 87% (89%), respectively.
- Those who live and work in Downtown and Downtown residents were more likely to be self-employed than other segments, 21% (13%) and 17% (14%), respectively.

Table 34: Employment Status

	Total	Residence		Relationship to DT					
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	Live & work DT
Full Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Employed full or part-time (not a student)	78.3%	66.0%	87.1%	87.6%	75.0%	79.1%	71.0%	22.9%	69.5%
Self-employed (not a student)	10.3%	16.7%	5.8%	8.9%	12.5%	10.3%	14.2%	5.0%	20.7%
Student (with employment)	4.8%	7.0%	3.2%	2.7%	5.3%	4.9%	5.5%	37.5%	7.4%
Student (without employment)	2.6%	4.6%	1.1%	0.1%	2.4%	2.6%	2.8%	29.2%	0.7%
Currently seeking employment	1.5%	2.3%	0.9%	0.4%	1.9%	1.5%	2.6%	2.1%	0.9%
Retired/homemaker	1.6%	1.9%	1.5%	0.2%	2.0%	1.1%	2.9%	1.0%	0.4%
Not employed	0.9%	1.4%	0.5%	0.1%	0.8%	0.5%	1.0%	2.3%	0.5%

Employment – Industry

- Over one-fourth, or 26% (26%), were employed in business, professional and technical services; 12% (14%) were in financial services and insurance; and 9% (12%) were in government.
- Another 11% (8%) were in arts and entertainment, with 6% (5%) in education/social services, 6% (6%) in architecture/design, 5% (5%) in real estate, and 4% (3%) in information/media.
- Thus, industry type changed just slightly since the last study, but perhaps less than expected given the economic situation.

Table 35: Employment Industry

	Total	Residence		Relationship to DT					
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	Live & work DT
Base: Employed LA resident	**10037**	**4006**	**6031**	**7301**	**5161**	**2994**	**1491**	**377**	**2380**
Business, professional, technical services	25.6%	20.2%	29.1%	29.7%	22.9%	26.3%	22.5%	21.2%	24.1%
Financial services and insurance	11.6%	6.7%	14.8%	14.5%	9.1%	11.7%	7.3%	3.7%	8.5%
Arts & entertainment	11.1%	18.9%	5.8%	7.3%	14.6%	11.0%	12.9%	14.9%	15.3%
Government (including military)	9.4%	5.3%	12.2%	11.5%	8.8%	7.7%	10.5%	4.0%	6.8%
Educational, health care, social services	5.9%	6.8%	5.3%	4.0%	7.1%	5.7%	8.1%	9.8%	4.9%
Real estate (e.g. development, brokerage)	4.8%	4.4%	5.0%	5.1%	4.4%	5.7%	5.8%	2.1%	5.3%
Architecture, design	4.4%	6.0%	3.2%	4.1%	4.7%	4.1%	3.7%	8.8%	6.4%
Information-media, telecomm., Internet & data processing	4.0%	4.7%	3.5%	3.5%	4.4%	4.4%	4.1%	3.7%	3.8%
Non-profit/civic/religious organization	3.7%	2.9%	4.2%	3.7%	4.4%	3.7%	5.0%	3.7%	3.2%
Leisure/hospitality (hotels, restaurants, bars)	3.4%	3.7%	3.2%	3.7%	3.3%	3.8%	3.3%	2.4%	4.7%
Medical/health services	3.3%	5.2%	2.0%	1.8%	3.6%	3.7%	3.5%	4.8%	3.3%
Manufacturing (apparel, hard goods, etc.)	2.2%	3.2%	1.5%	1.7%	2.3%	1.9%	2.1%	3.2%	3.1%
Retail trade	1.5%	2.0%	1.1%	1.0%	1.4%	1.2%	1.9%	3.7%	1.5%
Wholesale trade; import/export	0.9%	1.1%	0.7%	0.8%	0.8%	1.1%	0.7%	1.3%	1.1%
Other services (e.g. personal, automotive, maintenance, etc.)	0.8%	1.0%	0.7%	0.6%	0.8%	0.8%	1.4%	1.9%	0.9%
Transportation/warehousing/logistics	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.3%	0.8%	0.3%
Other	7.2%	7.3%	7.2%	6.8%	6.8%	6.7%	6.9%	10.1%	7.1%

Employment Position

- Nearly four in 10, 37% (36%), held professional or senior staff positions, followed by 20% (22%) in clerical or general positions, and 15% (14%) at the top-level executive or manager level.
- Senior staff and top-level executives combined comprised 52% (50%) of the Total respondent base.
- Of those who attend sports events, 58% were in top-level and professional positions.

Table 36: Employment Position

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: Employed LA resident	**10037**	**4006**	**6031**	**7301**	**5161**	**2994**	**1491**	**377**	**2380**
Professional or senior staff (incl. educators)	36.6%	35.4%	37.5%	37.8%	37.2%	39.8%	35.7%	23.1%	34.4%
Top-level executive or manager	14.9%	16.5%	13.9%	15.2%	15.5%	18.0%	12.8%	5.8%	16.1%
Net Senior + top-level exec.	**51.5%**	**51.9%**	**51.4%**	**53.0%**	**52.7%**	**57.8%**	**48.5%**	**28.9%**	**50.5%**
Clerical or general staff	19.9%	10.4%	26.2%	22.4%	16.8%	14.9%	19.2%	20.4%	11.2%
Technical/development staff	7.5%	6.7%	8.0%	7.4%	7.3%	7.8%	8.7%	9.0%	5.7%
Business owner/entrepreneur	5.7%	9.3%	3.3%	5.0%	6.3%	5.4%	6.7%	6.4%	11.5%
Writer, artist, or entertainer	4.4%	8.2%	1.9%	3.0%	6.0%	3.7%	4.0%	9.8%	7.5%
Independent consultant, contractor, or agent	4.2%	6.4%	2.7%	3.3%	5.2%	4.5%	6.0%	7.4%	6.7%
All other job functions	6.7%	7.1%	6.4%	6.0%	5.7%	5.8%	6.9%	18.0%	6.9%

Workplace Location

- Nearly three-quarters, 72% (80%), of employed Total respondents worked in Downtown LA, while 10% (7%) worked in the Greater Westside/Hollywood/Wilshire area and Santa Monica.
- As in 2008, more non-Downtown residents at 82% (88%) worked in Downtown versus 57% (64%) of Downtown residents. As well 17% (15%) of Downtown residents worked on the Westside.
- This suggests that Downtown may have lost some jobs since the last survey, and indicates that a higher percentage of Downtown residents worked in the Greater Westside than in 2008.

Table 37: Workplace Location

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: Employed LA resident	**10037**	**4006**	**6031**	**7301**	**5161**	**2994**	**1491**	**377**	**2380**
Downtown Los Angeles	72.3%	57.4%	82.1%	95.2%	62.3%	65.7%	49.8%	57.6%	89.7%
Greater Westside (Hollywood, Wilshire area, Santa Monica)	10.1%	16.7%	5.7%	1.4%	13.9%	11.4%	16.4%	10.3%	2.6%
San Fernando Valley/Burbank/ Glendale	4.1%	5.9%	2.9%	0.3%	5.6%	5.6%	8.2%	2.9%	0.5%
San Gabriel Valley/Pasadena (east of East LA) area	2.8%	3.5%	2.3%	0.3%	3.9%	3.7%	5.9%	2.9%	0.4%
South Bay (LAX to Long Beach)	2.7%	3.6%	2.1%	0.2%	3.8%	4.1%	6.6%	2.7%	0.5%
USC campus or adjacent areas	1.9%	3.0%	1.2%	1.2%	2.1%	2.1%	2.5%	11.9%	3.3%
East Los Angeles area (incl. USC Medical School)	1.7%	2.3%	1.4%	0.7%	2.3%	2.2%	3.4%	3.7%	1.2%
Orange County	1.0%	1.7%	0.6%	0.1%	1.4%	1.6%	1.7%	1.9%	0.3%
South Central/Southwest LA	0.9%	1.2%	0.6%	0.2%	1.5%	1.0%	1.9%	2.4%	0.4%
Southeast LA County areas	0.7%	1.2%	0.3%	0.1%	1.0%	0.9%	1.1%	0.8%	0.3%
Riverside-San Bernardino	0.2%	0.4%	0.1%	0.0%	0.2%	0.2%	0.4%	0.5%	0.0%
Antelope & Santa Clarita Valleys	0.2%	0.1%	0.2%	0.0%	0.2%	0.1%	0.5%	0.8%	0.0%
Other California location	1.0%	1.9%	0.4%	0.2%	1.0%	1.0%	1.0%	1.3%	0.4%
Outside of California	0.4%	0.7%	0.2%	0.1%	0.6%	0.4%	0.6%	0.3%	0.4%

Household Characteristics

Household Size

- On average, a total of 2.2 (2.3) people resided in each respondent household.
- Two-fifths, or 41% (40%), lived with one other person, and 28% (25%) lived alone.
- People who live and work in Downtown LA indicated the smallest household size, averaging 1. 8 (1.8) people.
- The segment living in LA County outside of Downtown averaged the largest households with 2.5 (2.5) people.

Table 38: Household Size (including respondent)

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
1 person	27.9%	37.5%	21.1%	25.7%	30.2%	27.9%	25.5%	29.7%	37.3%
2 people	40.8%	47.5%	36.0%	39.1%	42.5%	42.7%	39.4%	39.9%	46.2%
3 people	14.4%	9.1%	18.1%	15.8%	13.0%	13.4%	15.4%	13.9%	9.8%
4-5 people	14.8%	4.9%	21.9%	17.2%	12.5%	14.3%	16.8%	12.0%	5.8%
6+ people	2.1%	1.1%	2.9%	2.3%	1.8%	1.7%	2.9%	4.5%	0.9%
Mean:	**2.20**	**1.78**	**2.47**	**2.29**	**2.11**	**2.17**	**2.29**	**2.17**	**1.79**

Household Composition

- Overall, two-fifths, or 40% (42%), of Total respondents were married/domestic partnered heterosexuals, and 40% (35%) were single heterosexual adults.
- Another 5% (4%) were single GLBT[17] persons, and nearly 5% (5%) were partnered GLBT persons.
- More Downtown students – 50%, as well as 46% (43%) of Downtown residents, and 46% (43%) who live and work in Downtown were single.

Table 39: Household Composition

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base:	**11323**	**4464**	**6278**	**7743**	**5787**	**3291**	**1838**	**588**	**2439**
Married/ domestic partnered/cohabitating heterosexual (with or w/o children)	40.1%	33.9%	43.7%	43.0%	38.2%	40.4%	36.6%	24.7%	34.1%
Single heterosexual adult	40.1%	45.6%	36.9%	38.5%	40.2%	42.8%	41.5%	50.9%	45.9%
Single (GLBT) adult	4.8%	6.6%	3.8%	4.2%	6.2%	3.9%	4.8%	4.3%	6.5%
Married/domestic partnered/cohabitating GLBT adult(s) (with or w/o children)	4.5%	5.6%	3.7%	4.3%	5.5%	3.4%	4.8%	2.4%	5.7%
Unrelated roommates/ tenants	3.0%	4.5%	2.0%	2.2%	3.3%	3.3%	3.5%	10.5%	4.1%
Extended generational family group	3.0%	1.2%	4.1%	3.0%	3.2%	2.9%	4.1%	3.4%	1.2%
Prefer not to disclose	4.5%	2.6%	5.7%	4.8%	3.5%	3.3%	4.7%	3.9%	2.5%

[17] GLBT = Gay/Lesbian/Bisexual/Transgendered individuals

Number of Children Age Five and Under Living in Household

- There were 89% (88%) of Total respondent households with no children under age five living at home.
  Of those with no children currently, 10% (10%) planned to start a family in the next few years.
- Of Downtown resident households, 94% (94%) had no children under age five, which is higher than the Total or other segments.
- Overall, households with children under age 5 had a median of 1.2 (1.3) children at home.

Table 40: Number of Children Age Five and Under Living in Household

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
None now	79.1%	81.5%	77.5%	77.2%	80.7%	76.4%	78.7%	83.9%	79.7%
None now, but plan to start a family soon	10.1%	12.2%	8.6%	10.1%	10.8%	14.0%	11.6%	9.9%	13.0%
1 child	7.4%	4.9%	9.3%	8.6%	6.2%	6.7%	7.1%	4.7%	5.4%
2 children	2.7%	1.1%	3.9%	3.3%	2.0%	2.6%	2.4%	1.2%	1.4%
3 or more children	0.6%	0.4%	0.8%	0.8%	0.3%	0.4%	0.4%	0.3%	0.5%
Median (excl. none):	**1.22**	**1.15**	**1.25**	**1.24**	**1.18**	**1.22**	**1.19**	**1.17**	**1.17**

Likely Schooling When Your Child Reaches Kindergarten Age

- Of all respondents, 11% (12%) had children aged 0-5 and not yet in school. When asked where they are likely to school these children when they become school-age, nearly 80% (80%) were likely to send them to a school near their home, of which 43% (46%) preferred a public school, 26% (27%) preferred a private school, and 9% (8%) preferred a charter school.
- Of the Total, 11% (13%) were likely to school their children near their workplace, of which 6% (6%) preferred private, 3% (4%) preferred public, and 3% (2%) preferred a charter school.
- Among Downtown residents, 63% were likely to school their children near their residence, of which 21% chose a public school, 28% preferred a private school, and 14% elected a charter school.

Table 41: What Most Likely to Do for Child's Schooling

Send my child(ren) to…	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident with children (0-5 years)	**1158**	**283**	**875**	**938**	**474**	**307**	**161**	**36**	**178**
public school where we reside	43.2%	21.2%	50.3%	46.2%	36.7%	37.1%	42.9%	36.1%	23.0%
private school where we reside	26.3%	28.3%	25.6%	27.8%	26.4%	26.1%	18.6%	25.0%	33.1%
a charter school where we reside	8.9%	14.1%	7.2%	7.9%	11.8%	9.8%	13.0%	11.1%	13.5%
private school near where I am employed	5.8%	7.1%	5.4%	5.0%	7.4%	8.5%	7.5%	11.1%	5.6%
public school near where I am employed	3.0%	6.7%	1.8%	1.9%	3.6%	3.6%	5.0%	8.3%	2.8%
charter school near where I am employed	2.6%	2.5%	2.6%	2.2%	2.7%	3.6%	5.6%	0.0%	1.1%
Home-school my child(ren)	1.2%	1.8%	1.0%	0.9%	0.6%	1.3%	1.2%	2.8%	1.7%
Other	9.1%	18.4%	6.1%	8.1%	10.8%	10.1%	6.2%	5.6%	19.1%

Likelihood to Send Child(ren) to High-Quality, Preschool/Day Care in Downtown

Respondents indicated their likelihood to send their children to a high-quality, preschool/day care in Downtown if this were available.

- Overall, nearly two-thirds, or 63% (65%), were "very/somewhat likely" to send their children to an available high-quality, preschool/day care in Downtown.
- Most respondents, or 83% (87%), who live and work in Downtown, and 84% (86%) of Downtown residents were "very/somewhat likely" to use quality preschool/day-care in Downtown.
- In comparison, 63% (64%) of Downtown workers were "very/somewhat likely" to do so.

Table 42: Likelihood to Send Child(ren) to High-Quality Preschool/Day Care in Downtown

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident with children (0-5 years)	**1158**	**283**	**875**	**938**	**474**	**307**	**161**	**36**	**178**
Very likely (4)	40.5%	68.9%	31.3%	39.4%	44.9%	40.4%	41.6%	63.9%	69.1%
Somewhat likely (3)	22.6%	15.2%	25.0%	23.6%	20.9%	23.1%	24.8%	16.7%	14.0%
Somewhat unlikely (2)	6.2%	4.2%	6.9%	6.0%	6.5%	7.5%	8.7%	2.8%	3.9%
Very unlikely (1)	17.9%	2.8%	22.7%	18.2%	13.9%	16.3%	15.5%	5.6%	2.2%
DK/not applicable	12.8%	8.8%	14.1%	12.8%	13.7%	12.7%	9.3%	11.1%	10.7%
Mean rating (excl. DK)*	**2.92**	**3.55**	**2.72**	**2.91**	**3.04**	**2.94**	**2.97**	**3.44**	**3.55**

**Rating scale: 4=Very likely, 3 = Somewhat likely, 2= Somewhat unlikely, 1=Very unlikely*

Number of Children Age 5-18 Living in Household

- The vast majority, or 85% (88% aged 5-13 in 2008), of Total respondents had no children from aged 5-18 living in their household.
- There were 9% (8%) of households with one child, and nearly 6% (4%) with two or more children. There was a median of 1.3 children aged 5-13 in these households.

Table 43: Number of Children Aged 5-18 Living in Household

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
None now	85.4%	95.2%	78.4%	82.7%	88.0%	87.1%	84.4%	88.4%	94.3%
1 child	8.9%	3.2%	13.0%	10.5%	7.5%	7.8%	10.1%	6.8%	3.8%
2 children	4.3%	1.1%	6.6%	5.1%	3.4%	3.6%	4.3%	3.0%	1.2%
3 or more children	1.4%	0.5%	2.1%	1.7%	1.1%	1.5%	1.3%	1.9%	0.7%
Median (excl. none)	**1.32**	**1.25**	**1.33**	**1.32**	**1.30**	**1.32**	**1.27**	**1.36**	**1.26**

Likelihood of Sending Child to High-Quality, Private K-12 School in Downtown

Respondents indicated their likelihood to send their children to a high-quality, private K-12 school in Downtown if this were available.

- Overall, 41% (47%) of those with children aged 5 – 18 were “very/somewhat likely” to send their children to a high-quality, private K-12 school in Downtown, if it were available.
- Two-thirds, or 68%, of Downtown residents and those who live and work in Downtown indicated they were “very/somewhat likely” to do so.

Table 44: Likelihood of Sending Child to High-Quality, Private K-12 School in Downtown

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident with children (5-18 years)	**1572**	**215**	**1357**	**1274**	**665**	**409**	**257**	**67**	**139**
Very likely (4)	20.5%	48.8%	16.0%	19.8%	23.5%	23.7%	21.4%	34.3%	47.5%
Somewhat likely (3)	20.7%	19.1%	21.0%	20.5%	22.6%	22.2%	22.2%	25.4%	20.1%
Somewhat unlikely (2)	8.6%	5.6%	9.1%	8.7%	8.3%	6.4%	8.6%	9.0%	6.5%
Very unlikely (1)	33.3%	13.5%	36.5%	34.3%	29.2%	30.6%	31.5%	14.9%	12.9%
DK/ Not applicable	16.9%	13.0%	17.5%	16.7%	16.5%	17.1%	16.3%	16.4%	12.9%
Mean rating	**2.37**	**3.10**	**2.25**	**2.34**	**2.49**	**2.48**	**2.42**	**2.87**	**3.09**

Own or Rent Current Primary Residence

- Overall, 41% (46%) of the Total owned a house or condo, and 51% (46%) rented an apartment or condo.
- Of Downtown residents, more than two-thirds, or 68% (66%), rented, while 28% (30%) owned their residence. This compared to 50% (54%) of LA County residents who owned, and 39% (37%) who rented.
- Thus, rental rates were higher and ownership rates were lower for all respondent groups since the last survey, attributable to the economy and changes in residential financing.

Table 45: Own or Rent Current Primary Residence

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Rent an apartment	44.8%	61.7%	32.7%	40.9%	46.7%	43.8%	41.4%	65.1%	63.2%
Rent a condo owned by someone else	6.2%	6.5%	5.9%	6.3%	6.0%	6.9%	5.8%	5.2%	6.6%
Net: renting	51.0%	68.2%	38.6%	47.2%	52.7%	50.7%	47.2%	70.3%	69.8%
Own house or condo	41.1%	28.2%	50.3%	45.0%	38.9%	41.5%	39.1%	20.0%	26.7%
Other arrangement	4.3%	1.8%	6.1%	4.4%	4.4%	4.0%	6.8%	3.6%	1.7%
Owned by someone else and not paying rent	3.2%	1.0%	4.7%	3.1%	3.5%	3.5%	6.1%	3.3%	1.0%
Company/school-provided (may or may not pay rent)	0.5%	0.8%	0.2%	0.3%	0.4%	0.3%	0.7%	2.8%	0.9%

Tenure at Current Residence

- Overall, individuals have lived in their current residence for a median of 2.9 (3.9) years.
- Downtown residents have lived in their residence for 1.7 (2.3) years, compared to 5.2 (4.8) years for non-Downtown residents. This may reflect that the 2011 survey captured more newer residents who located to Downtown since the last survey, when many new units had been opened for occupancy.

Table 46: Tenure at Current Residence

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Less than 1 year	21.6%	31.5%	14.5%	18.6%	21.2%	21.8%	19.3%	34.2%	28.9%
1 to 2 years	18.6%	26.0%	13.3%	17.5%	19.8%	20.2%	16.2%	26.7%	26.8%
2 to 3 years	11.1%	14.3%	8.9%	10.5%	11.6%	12.2%	10.6%	13.5%	14.4%
3 to 4 years	7.5%	8.7%	6.7%	7.4%	7.8%	7.8%	6.7%	6.6%	9.2%
4 to 5 years	5.3%	5.7%	5.0%	5.4%	5.2%	5.3%	5.8%	3.3%	6.1%
5 to 5 years	5.3%	3.8%	6.3%	5.5%	5.5%	5.6%	6.3%	2.3%	3.5%
6-10 years	10.0%	4.6%	13.7%	11.3%	9.3%	9.2%	11.6%	4.5%	5.2%
11-19 years	11.6%	2.8%	17.9%	13.7%	10.7%	9.8%	11.7%	4.3%	3.1%
20 or more years	9.1%	2.6%	13.7%	10.1%	9.1%	8.1%	11.9%	4.5%	2.8%
Median:	**2.88**	**1.71**	**5.27**	**3.46**	**2.78**	**2.66**	**3.59**	**1.59**	**1.79**

Residence as Office or Studio

- Close to three-fourths, or 72% (74%), did not use their residence as an office or studio, while 18% (18%) used it as their secondary office or studio, and 10% (8%) used it as their primary office or studio.
- Not surprisingly, more Downtown residents – 36% (35%) used their residence as a primary or secondary office than did the Total.

Table 47: Residence as Office or Studio

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
No	72.2%	63.6%	78.2%	74.6%	66.4%	69.8%	66.7%	69.8%	60.6%
Yes, as secondary office or studio	18.2%	21.1%	16.1%	17.3%	22.0%	21.9%	21.2%	17.4%	20.4%
Yes, as primary office or studio	9.6%	15.3%	5.6%	8.1%	11.6%	8.3%	12.1%	12.8%	19.0%

Pet Ownership

- About one-half, or 51% (53%), of all respondents did not own any pets, while 32% (30%) owned a dog, 20% (20%) owned a cat, and 6% (7%) owned another type of pet.
- Both Downtown and non-Downtown residents were more likely to be dog owners, and secondarily cat owners.

Table 48: Pet Ownership

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
None	51.3%	57.0%	47.4%	50.1%	49.2%	50.1%	48.9%	61.6%	56.2%
Dog	31.9%	27.6%	35.0%	33.2%	33.1%	34.8%	34.2%	26.6%	29.1%
Cat	19.6%	17.4%	21.2%	19.8%	21.0%	17.6%	19.8%	14.9%	16.9%
Other	5.7%	3.8%	7.0%	6.1%	6.0%	5.7%	7.1%	4.3%	4.1%
Mean number of Dogs	**1.33**	**1.28**	**1.37**	**1.35**	**1.32**	**1.33**	**1.34**	**1.29**	**1.30**
Mean number of Cats	**1.62**	**1.55**	**1.66**	**1.61**	**1.64**	**1.61**	**1.59**	**1.40**	**1.42**

Grocery

Types of Grocers Where Groceries Were Purchased

- Respondents shopped for groceries in various places, with 75% (70%) at specialty grocers such as Trader Joe's or Whole Foods, 73% (80%) at chain supermarkets, and 35% (33%) at farmers' markets. Thus, the preference for chains dropped and specialty grocers rose compared to the 2008 study.
- Downtown residents showed a similar pattern to other LA County residents, except slightly more - 20% versus 15% respectively, shopped in the independent grocer category. This is likely related to distance and supply.

Table 49: Types of Grocers Where Groceries Were Purchased

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Specialty grocer (Trader Joe's, Whole Foods, etc.)	74.9%	73.4%	75.9%	74.8%	80.7%	78.8%	79.9%	71.7%	72.9%
Chain supermarket (Ralphs, Vons, etc.)	73.3%	71.2%	74.8%	73.8%	72.8%	77.3%	74.6%	71.9%	70.2%
Farmers markets	35.2%	36.3%	34.3%	35.3%	43.2%	40.6%	41.1%	34.5%	37.6%
Independent grocer/ convenience store	17.0%	20.3%	14.6%	15.7%	21.3%	18.9%	21.3%	16.0%	19.9%
Other place not listed	4.9%	4.1%	5.4%	5.1%	4.4%	4.4%	5.0%	3.6%	4.3%
Online/delivery	3.1%	4.2%	2.3%	3.0%	3.9%	3.8%	4.6%	2.8%	4.6%
Neither I nor others in household buy groceries	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%	0.5%	0.1%

Travel Distance to Purchase Groceries

- Overall, people purchased their groceries within a median of 1.8 (2.4) miles of their primary residence, with 56% (53%) traveling up to two miles for groceries.
- Downtown residents traveled the farthest, a median of 2.0 (2.6) miles, and 28% (27%) reported traveling more than five miles for groceries.
- In contrast, LA County residents traveled a median of 1.7 (2.3) miles, 60% (55%) traveled less than two miles, while only 9% (10%) went more than five miles for groceries.

Table 50: Travel Distance to Purchase Groceries

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: Grocery buyer- LA resident	**10715**	**4454**	**6261**	**7343**	**5548**	**3165**	**1637**	**573**	**2432**
Within 1 miles	27.3%	30.1%	25.3%	26.2%	27.0%	29.1%	24.4%	35.8%	30.0%
1 - 2 miles	28.7%	20.5%	34.5%	30.1%	27.8%	28.5%	33.8%	20.9%	20.2%
2 - 5 miles	27.1%	21.3%	31.2%	28.9%	26.7%	25.5%	29.3%	18.3%	21.3%
Over 5 miles	16.9%	28.1%	9.0%	14.8%	18.5%	16.8%	12.5%	25.0%	28.5%
Median (miles):	**1.79**	**1.97**	**1.72**	**1.79**	**1.83**	**1.73**	**1.76**	**1.68**	**1.99**

Weekly Amount Households Spent on Groceries (median)

- Total respondent households spent $105.11 ($102.70) (median) weekly on groceries.
- Downtown students and residents spent the least, at $91 and $102 ($99.30), respectively per household. Non-Downtown residents spent more, $107 ($105). Downtown employees spent the most, nearly $109 ($105).
- Those who attended Downtown sports events tended to spend the most, $107 (median).

Table 51: Weekly Amount Household Spent on Groceries (median)

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: Shopping LA resident	**10734**	**4461**	**6273**	**7358**	**5560**	**3172**	**1644**	**573**	**2437**
Under $20	0.9%	0.9%	0.8%	0.7%	0.9%	0.8%	0.9%	1.2%	0.7%
$20 - $39	5.9%	6.4%	5.6%	5.3%	6.0%	5.4%	6.6%	9.1%	5.8%
$40 - $59	12.7%	13.5%	12.1%	11.8%	12.8%	12.6%	14.2%	16.4%	13.0%
$60 - $79	13.4%	14.5%	12.5%	12.0%	13.4%	12.6%	13.1%	15.5%	12.4%
$80 - $99	12.3%	12.2%	12.3%	11.9%	12.2%	11.5%	11.4%	13.8%	11.9%
$100 - $124	21.9%	22.0%	21.7%	22.3%	22.0%	22.7%	21.8%	18.3%	22.6%
$125 - $149	11.7%	10.5%	12.6%	12.7%	11.7%	11.8%	12.4%	9.2%	11.2%
$150 - $174	7.9%	7.5%	8.2%	8.7%	8.1%	8.4%	7.6%	6.1%	8.5%
$175 - $199	4.8%	4.3%	5.2%	5.3%	4.7%	5.1%	4.3%	2.8%	4.8%
$200 - $299	6.2%	5.8%	6.4%	6.7%	6.0%	6.7%	5.8%	5.6%	6.5%
$300 +	2.4%	2.4%	2.5%	2.7%	2.3%	2.5%	1.9%	1.9%	2.6%
Median ($ weekly)	**105.11**	**102.34**	**107.11**	**108.81**	**104.88**	**107.36**	**103.82**	**90.77**	**106.37**

Grocery Store/Chain Where Usually Shop

- Three-quarters of respondents, or 76%, indicated that they usually shopped at Trader Joe's and two-thirds, or 68%, shopped at Ralphs, which were the top two selections.
- Somewhat more Downtown residents, 76%, shopped at Ralphs compared to 74% who usually shopped at Trader Joe's. This small discrepancy is likely due to the presence of a Ralphs Fresh Fare, but no Trader Joe's, in Downtown.
- More LA County residents, 77%, usually shopped at Trader Joe's, while 62% shopped at Ralphs.

Table 52: Where Usually Shop for Groceries

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA res. shops grocery chains	**10494**	**4347**	**6147**	**7207**	**5460**	**3128**	**1616**	**557**	**2378**
Trader Joe's	75.5%	73.8%	76.8%	75.8%	80.1%	77.4%	78.3%	71.3%	73.8%
Ralphs	67.7%	76.3%	61.7%	65.7%	68.5%	71.6%	63.9%	75.8%	74.4%
Whole Foods	39.4%	44.5%	35.8%	38.0%	43.2%	43.3%	40.3%	46.1%	44.2%
Vons/ Pavilions	32.0%	18.8%	41.3%	34.5%	31.6%	32.3%	38.2%	19.7%	18.1%
Fresh & Easy	19.5%	16.2%	21.9%	19.4%	21.4%	21.7%	25.1%	17.6%	15.4%
Albertsons	17.2%	7.1%	24.4%	19.1%	16.0%	17.6%	22.9%	11.8%	6.9%
Independent	11.7%	12.4%	11.2%	11.2%	13.7%	12.1%	13.6%	10.6%	12.4%
Gelson's	7.6%	7.3%	7.9%	7.7%	9.1%	8.4%	8.1%	7.2%	7.9%
Specialty/ gourmet	6.5%	8.3%	5.3%	6.0%	8.6%	8.8%	7.6%	8.1%	8.6%
Bristol Farm	6.5%	6.0%	6.8%	6.8%	7.3%	8.3%	8.2%	6.1%	6.6%
Other	16.0%	12.5%	18.4%	16.8%	15.4%	15.7%	18.4%	13.5%	12.4%

Likelihood of Shopping at Trader Joe's if Located in Downtown

In 2011, respondents were asked their likelihood of shopping at a Trader Joe's if a store was located in Downtown.

- Eight in 10, or 81%, of the Total would be extremely or very likely to shop at a Trader Joe's if one was to be located in Downtown. Nine in 10 of Downtown residents and those who live and work in Downtown concurred.

Table 53: Likelihood of Shopping at a Downtown Trader Joe's

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: Shopping LA resident	**10734**	**4461**	**6273**	**7358**	**5560**	**3172**	**1644**	**573**	**2437**
Extremely likely (5)	64.8%	82.5%	52.1%	64.8%	67.4%	67.2%	53.4%	74.9%	83.3%
Very likely (4)	16.1%	9.2%	21.0%	17.6%	14.9%	14.2%	17.9%	11.7%	9.1%
Net extremely + very	**80.9%**	**91.7%**	**73.1%**	**82.4%**	**82.3%**	**81.4%**	**71.3%**	**86.6%**	**92.4%**
Somewhat likely (3)	11.7%	5.3%	16.2%	11.5%	10.5%	11.3%	15.4%	8.2%	4.6%
Somewhat unlikely(2)	3.3%	1.4%	4.7%	2.9%	3.2%	3.4%	5.7%	2.3%	1.1%
Very unlikely (1)	3.8%	1.3%	5.6%	2.9%	3.7%	3.6%	7.2%	2.6%	1.4%
DK/ No response	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.4%	0.3%	0.4%
Mean rating	**4.34**	**4.70**	**4.09**	**4.38**	**4.39**	**4.38**	**4.04**	**4.54**	**4.72**

**rating scale: 5=extremely likely – 1 = very unlikely*

Dining Out

Eat Lunch at Downtown Restaurant at Least Once Monthly

- 87% (96%) reported that they ate lunch at a Downtown restaurant at least once per month.
- A high percentage of all segments reported eating lunch out at least once per month in Downtown, especially those who live and work in Downtown at 95% and 94% of those employed in Downtown.

Table 54: Eat Lunch at Downtown Restaurant At Least Once Monthly

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Yes	87.4%	88.6%	86.6%	94.0%	86.9%	90.1%	78.7%	88.2%	94.6%
No	12.6%	11.4%	13.4%	6.0%	13.1%	9.9%	21.3%	11.8%	5.4%

Weekly Frequency of Eating Lunch in Downtown - by Restaurant Price/Style Category

- Overall those who ate lunch at least once per month at Downtown restaurants did so an average of 3.1 times per week.
- They ate at a casual or fast food restaurant on an average of 1.7 times per week, followed by 1.1 times at a mid-priced ($10-25/meal) restaurant, and 0.3 times at a high-end ($25/meal) restaurant.
- Not surprisingly, those who live and work in Downtown tended to eat at each of the three restaurant types more frequently than the other segments, as did those who attend sports events.

Table 55: Weekly Mean Frequency of Eating Lunch in Downtown by Restaurant Price/Style Category

Mean visits per week	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident lunching out	**9390**	**3953**	**5437**	**6921**	**4830**	**2858**	**1294**	**508**	**2308**
Overall	3.13	3.36	2.96	3.39	3.06	3.38	2.70	3.44	3.89
Casual or fast food outlets (under $10/person)	1.68	1.59	1.74	1.87	1.57	1.70	1.44	1.84	1.86
Mid-priced ($10- $25/ person) restaurants	1.11	1.33	0.95	1.17	1.14	1.27	0.97	1.21	1.54
High-end ($25+/person) restaurants	0.34	0.45	0.27	0.35	0.35	0.41	0.30	0.40	0.49

Median Spent Per Person at Lunch at Downtown Restaurants

- When eating lunch at a Downtown restaurant, each respondent spent a median of $14.62 ($13.19) per meal.
- Downtown residents spent the most, $15.56 ($14.75) compared to LA County residents who spent the least, $13.87 ($12.33).

Table 56: Median Spent Per-Person at Lunch at Downtown Restaurants (includes tax & tip)

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident lunching out	**9390**	**3953**	**5437**	**6921**	**4830**	**2858**	**1294**	**508**	**2308**
Under $10	21.6%	14.2%	27.0%	25.3%	17.2%	16.0%	18.3%	16.9%	16.8%
$10 - $19	58.5%	61.2%	56.5%	58.0%	60.8%	59.3%	58.4%	60.2%	60.7%
$20 - $29	15.6%	19.0%	13.1%	13.4%	17.2%	19.3%	18.0%	16.9%	17.7%
$30 - $49	3.4%	4.3%	2.8%	2.5%	3.9%	4.2%	4.3%	4.5%	3.3%
$50 - $75	0.8%	1.1%	0.5%	0.6%	0.7%	1.0%	0.8%	1.0%	1.3%
$76 - $99	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.2%	0.4%	0.1%
$100+	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%
Median:	**14.62**	**15.56**	**13.87**	**14.05**	**15.12**	**15.45**	**15.15**	**15.22**	**15.20**

Eat Dinner at Downtown Restaurant at Least Once Monthly

- Of all respondents, just above two-thirds, or 68% (83%), ate dinner at a Downtown restaurant at least once per month.
- 92% (96%) of Downtown residents ate dinner at Downtown restaurants versus 52% (79%) of non-Downtown residents. This is a significant drop from the last study among non-Downtown residents, although the ratio of Downtown residents eating dinner out remained almost as high.
- Similarly, most, 93% (95%), who live and work in Downtown also ate dinner at least once monthly at a Downtown restaurant.

Table 57: Eat Dinner at Downtown Restaurant At Least Once Monthly

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Yes	68.5%	91.9%	51.8%	62.8%	78.5%	81.2%	69.1%	82.8%	92.5%
No	31.5%	8.1%	48.2%	37.2%	21.5%	18.8%	30.9%	17.2%	7.5%

Weekly Frequency of Eating Dinner in Downtown by Restaurant Price/Type

- Those who ate dinner out at any type of Downtown restaurant averaged about two visits per week.
- Those who ate dinner at casual or fast food outlets (under $20/meal), did so about once per week, 0.75 times per week at mid-prices restaurants, and 0.36 times weekly at high-end eateries.
  Not surprisingly, Downtown residents ate dinner out more often in Downtown restaurants than do other segments – 2.72 times overall, as do those who live and work in Downtown – 2.8 times per week.

Table 58: Weekly Mean Frequency of Eating Dinner in Downtown by Restaurant Price/Type Category

Mean visits per week	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Overall	2.09	2.72	1.29	2.00	2.08	2.24	1.66	2.57	2.82
Casual or fast food outlets (under $20/person)	0.98	1.30	0.58	0.93	0.97	1.00	0.76	1.33	1.34
Mid-priced ($20- $39/ person) restaurants	0.75	0.98	0.46	0.72	0.76	0.82	0.59	0.87	1.02
High-end ($40+/person) restaurants	0.36	0.44	0.25	0.35	0.36	0.41	0.31	0.37	0.46

Median Spent Per Person at Dinner at Downtown Restaurants

- Respondents who dined out at Downtown restaurants spent a median of $28.84 ($26.74) per person.
- Just under two-fifths, or 37% (37%), spent in the $20-$29 range, followed by 32% (28%) who spent $30-$49, and 15% (20%) who spent in the $10-$19 range. Thus, it appears that more people spent in the higher price range in 2011 than in 2008.
- There was only a slight difference in median spending by segment.

Table 59: Median Spent Per Person at Dinner at Downtown Restaurants

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident dined out	**7353**	**4102**	**3251**	**4621**	**4365**	**2578**	**1137**	**477**	**2257**
Under $10	1.0%	1.1%	1.0%	0.9%	0.8%	0.5%	1.1%	2.1%	0.8%
$10 - $19	14.8%	15.9%	13.3%	13.8%	13.5%	10.5%	14.6%	21.6%	15.5%
$20 - $29	36.6%	37.5%	35.3%	36.8%	36.8%	36.0%	36.0%	39.6%	38.1%
$30 - $49	31.8%	30.6%	33.2%	32.2%	32.6%	34.7%	31.1%	26.0%	30.1%
$50 - $75	11.9%	10.8%	13.3%	12.7%	12.3%	14.3%	13.7%	6.9%	11.5%
$76 - $99	2.4%	2.5%	2.4%	2.4%	2.5%	2.4%	2.3%	2.7%	2.6%
$100 - $149	1.2%	1.2%	1.1%	1.1%	1.3%	1.3%	1.0%	0.6%	1.2%
$150+	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.3%	0.4%	0.2%
Median: ($)*	**28.84**	**28.28**	**29.69**	**29.12**	**29.20**	**31.22**	**29.05**	**26.14**	**28.35**

**includes tax & tip*

Median Spent Per Person at Dinner at Restaurants in *Any Area*

- Among all respondents, 98% at out anywhere for dinner at some time.
- In contrast to Downtown restaurant spending, those who at dinner at restaurants *in any area* spent a median of $27.19 per person.
- Among all respondents, just under two-fifths, or 37% (37%), spent $20-$29, followed by 32% (28%) who spent $30-$49, and 15% (20%) who spent $10-$19. As well, 14% (11%) spent in the $50–$99 range compared to 11% in 2008. Thus, it appears that more people spent in the higher price ranges in 2011 than in 2008.
- There were only slight differences in median spending by segment.

Table 60: Median Spent Per Person at Dinner at Restaurants in ANY Area

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
I do not eat out	2.4%	1.1%	3.3%	2.9%	1.3%	1.1%	1.5%	1.6%	0.9%
Under $10	1.7%	1.6%	1.8%	1.3%	1.3%	0.9%	1.6%	2.4%	1.1%
$10 - $19	19.9%	17.4%	21.7%	19.6%	17.6%	14.7%	21.8%	27.1%	16.9%
$20 - $29	35.3%	36.1%	34.7%	35.6%	36.0%	35.7%	35.3%	36.3%	36.5%
$30 - $49	26.7%	28.3%	25.6%	26.6%	29.0%	31.1%	26.2%	22.6%	28.3%
$50 - $75	10.2%	11.1%	9.6%	10.5%	11.0%	12.4%	10.0%	5.2%	11.7%
$76 - $99	2.5%	3.0%	2.2%	2.4%	2.6%	2.6%	2.7%	3.5%	3.3%
$100 - $149	0.8%	0.9%	0.8%	0.8%	1.0%	1.0%	0.6%	0.7%	0.9%
$150+	0.3%	0.4%	0.3%	0.2%	0.3%	0.4%	0.2%	0.7%	0.3%
Median: ($)*	**27.19**	**27.93**	**26.65**	**27.26**	**27.96**	**28.96**	**26.80**	**24.93**	**28.14**

**Includes tax & tip*

Types of Retailers and Restaurant/Hospitality Services Wanted in Downtown LA

This question was asked first in general regarding the types of retailers respondents would like to see locate in Downtown LA. After indicating the types, respondents then named their preferred retail brands or chains by type of retailer.

In July 2007, a Ralphs Fresh Fare opened on Ninth Street in Downtown. In October 2009, a Regal Cineplex opened at LA LIVE. A few months before this 2011 survey was conducted, Brookfield announced that a Target and other to be-named retailers will locate at the redeveloped FIGat7th retail center by Fall 2012. These recently opened and planned developments influenced the types of retail and services that respondents requested.

- In 2011, two-thirds, or 67% (65%), wanted more mid-level restaurants in Downtown LA. 60% (50%) mentioned mid-level department stores (e.g. Nordstrom or Macy's), and 58% (57%) named book/ music/movie stores (e.g. Amoeba, Barnes & Noble).
- Other top mentions included electronics stores, named by 57% (63%), home furnishing stores by 52% (47%), and general fashion/clothing stores (e.g. Gap or Banana Republic) by 51% (51%),
- Only 41% in 2011, from 67% in 2008, named discount stores (e.g. Target), and only 47% (59%) wanted movie theaters, likely related to the aforementioned openings and announcements.
- Virtually all categories had a higher percentage among Downtown residents as compared to the Total.

Table 61: Desired Types of Retailers and Restaurant/Hospitality Services in Downtown LA

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: Interested LA resident	**9523**	**4226**	**5297**	**6420**	**5216**	**2960**	**1494**	**517**	**2324**
Restaurants: mid-level	66.5%	72.1%	62.1%	63.3%	72.7%	72.9%	72.8%	66.7%	71.2%
Mid-market department stores (e.g. Nordstrom, etc.)	60.3%	62.5%	58.5%	60.5%	63.1%	67.4%	59.8%	62.7%	62.4%
Book/ music/ movie stores (e.g. Barnes & Noble, Amoeba Records, etc.)	57.8%	60.5%	55.8%	55.8%	63.8%	59.1%	63.1%	62.9%	59.2%
Electronics (e.g. Best Buy, Apple Store, etc.)	56.9%	65.5%	50.0%	55.8%	59.4%	65.1%	55.2%	66.2%	66.1%
Home furnishings (e.g. Crate & Barrel, Cost Plus, Bed Bath & Beyond, etc.)	51.8%	61.3%	44.2%	50.3%	56.0%	56.9%	48.6%	54.2%	60.6%
Fashion/clothing (e.g. Gap, Banana Republic, etc.)	51.2%	55.3%	48.0%	51.1%	53.1%	57.2%	50.7%	57.1%	54.8%
Coffee shops/cafés	50.4%	54.4%	47.2%	46.7%	56.3%	53.9%	57.8%	55.9%	52.6%
Bars/lounges	47.0%	53.3%	42.0%	43.5%	52.4%	57.7%	54.1%	53.8%	52.6%
Movie theaters	46.9%	50.8%	43.9%	43.4%	53.5%	51.0%	54.6%	48.9%	48.8%
Discount stores (e.g. Wal-Mart, Costco, etc.)	40.7%	40.6%	40.8%	42.5%	38.0%	41.1%	37.9%	43.1%	41.5%
Personal services (e.g. dry cleaner, shoe repair, hair salon, etc.)	36.7%	42.2%	32.3%	36.2%	40.1%	41.8%	35.9%	38.9%	40.6%
Quality/unique (non-chain) fashion boutique - women's	36.0%	42.4%	31.0%	33.0%	40.9%	37.9%	39.8%	47.8%	41.8%
Health spas/gyms	34.7%	39.0%	31.2%	33.8%	37.1%	40.8%	37.1%	42.7%	39.0%
Restaurants: high-end	33.2%	40.3%	27.4%	30.6%	38.2%	41.8%	38.1%	35.6%	39.9%
High-end department stores (e.g., Saks, Bloomingdale's)	32.0%	38.9%	26.6%	30.7%	34.5%	38.4%	32.3%	39.1%	39.5%
Night clubs/dance clubs	31.1%	34.4%	28.4%	28.8%	34.5%	39.4%	38.2%	43.1%	35.0%
Professional services (e.g. opticians, doctors, dentists)	30.6%	37.5%	25.1%	30.4%	33.9%	34.6%	27.6%	32.7%	38.1%
Convenience stores (open late or 24 hours, e.g. 7-Eleven)	28.3%	32.2%	25.3%	27.0%	30.5%	33.2%	33.1%	33.1%	32.6%
Quality/unique (non-chain) retailer - men's	26.2%	36.2%	18.2%	22.4%	32.7%	32.1%	30.5%	26.9%	35.2%
Restaurants: fast food	25.6%	24.9%	26.1%	26.1%	25.3%	28.4%	29.0%	25.7%	24.3%
Veterinary clinics and animal services (e.g. Petco., pet hotel)	19.7%	29.8%	11.7%	17.0%	23.4%	22.9%	19.0%	23.0%	29.5%
Other	9.7%	12.0%	7.8%	9.3%	10.3%	8.6%	10.2%	11.2%	12.1%
Nothing	1.3%	0.8%	1.6%	1.3%	0.7%	0.7%	1.2%	0.4%	0.8%

Overall Top Retail Brands Would Like to See in Downtown – All Respondents

The brands/chains listed below were the overall responses by anyone indicating they wanted any retail or service in Downtown.

- Overall, the top specific brands mentioned included Nordstrom/Nordstrom Rack by 37% (27%), Apple Store by 28% (24%), Best Buy by 26% (27%), and Barnes & Noble by 25% (24%).
- Again mentions of Target declined in 2011 to only 12% from 50% in 2008, likely related to its announced opening in 2012.
- Again, more Downtown residents and those who live and work in Downtown were more inclined to name specific types desired in Downtown.

Table 62: Overall Top Retail Brands Would Like to See in Downtown – All Respondents

Top 20 responses	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: Interested LA resident	**9369**	**4182**	**5187**	**6310**	**5174**	**2935**	**1474**	**512**	**2300**
Nordstrom/Nordstrom Rack	37.4%	40.7%	34.8%	37.6%	38.8%	42.3%	33.4%	39.8%	39.4%
Apple	27.7%	35.6%	21.3%	25.8%	30.5%	32.7%	26.4%	36.9%	34.9%
Best Buy	26.2%	29.1%	23.9%	26.7%	26.4%	31.1%	25.0%	30.5%	29.8%
Barnes & Noble	24.7%	25.5%	24.0%	25.2%	25.3%	24.8%	21.6%	29.9%	25.3%
Costco	18.5%	19.0%	18.1%	19.2%	17.7%	19.6%	16.2%	20.5%	19.0%
Bloomingdale's	16.3%	20.1%	13.2%	15.5%	17.6%	19.4%	15.1%	20.3%	19.9%
Bed Bath & Beyond	13.9%	16.7%	11.7%	14.4%	13.9%	15.0%	9.9%	16.2%	17.2%
Target	11.9%	14.5%	9.8%	11.6%	11.5%	12.0%	10.7%	15.8%	14.3%
7-Eleven	10.4%	9.7%	10.9%	10.5%	10.7%	12.7%	14.0%	10.5%	9.4%
Wal-Mart	10.4%	9.4%	11.2%	11.6%	8.9%	10.0%	9.2%	9.4%	10.6%
Crate & Barrel	10.1%	12.6%	8.1%	9.7%	11.3%	11.3%	8.5%	11.3%	12.6%
Banana Republic	10.0%	10.4%	9.8%	10.5%	9.9%	11.0%	9.2%	8.8%	10.3%
Amoeba Records	9.8%	12.1%	8.0%	8.5%	12.7%	10.6%	13.8%	11.9%	11.6%
Gap/Baby Gap	8.1%	7.2%	8.9%	8.5%	8.4%	9.0%	8.0%	7.8%	7.1%
AMC	7.3%	6.1%	8.3%	7.1%	7.6%	8.2%	8.8%	7.6%	5.4%
Saks Fifth Avenue	7.0%	9.0%	5.3%	6.8%	7.5%	8.8%	6.9%	9.8%	9.0%

Specific Brand Wanted by Those Specifying That Type

Respondents specified the brand of retailer for each type indicated above. The top brands for each category are shown following the narrative for that type.

High-End Department Store Brand Desired

- Overall, 32% of respondents wanted high-end department stores in Downtown. Those who did requested Bloomingdale's as the top brand by 48%, up from 38% in 2008. Saks followed with 21% (17%), while Neiman-Marcus was mentioned by nearly 9% (8%) and Barney's New York by 8% (6%).

Table 63: High-End Department Store Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**3050**	**1642**	**1408**	**1969**	**1798**	**1136**	**482**	**202**	**919**
Bloomingdale's	48.1%	48.8%	47.3%	48.0%	48.8%	48.8%	44.4%	49.0%	47.4%
Saks Fifth Avenue	21.4%	23.0%	19.6%	21.6%	21.7%	22.7%	21.2%	24.8%	22.5%
Neiman Marcus	8.6%	9.9%	7.0%	7.4%	9.2%	9.6%	9.8%	11.9%	8.1%
Barney's NY, Barney's Co-Op	8.2%	10.5%	5.6%	8.0%	9.6%	8.0%	6.8%	6.9%	11.1%
Nordstrom/ Nordstrom Rack	1.8%	2.1%	1.5%	2.0%	1.6%	1.8%	1.0%	1.5%	2.4%

Mid-Level Department Store Brand Desired

- Overall, 60% wanted "mid-level department stores" in Downtown LA. They overwhelmingly named Nordstrom 60% (51%), and a few named Macy's 7% (14%).
- More Downtown residents, or 63%, requested Nordstrom, and 6% indicated Macy's. Among non-Downtown residents, 58% indicated Nordstrom and 7% named Macy's.

Table 64: Mid-Level Department Store Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**5741**	**2641**	**3100**	**3886**	**3291**	**1995**	**893**	**324**	**1450**
Nordstrom/ Nordstrom Rack	60.0%	62.9%	57.5%	59.8%	60.0%	61.1%	54.4%	61.7%	60.8%
Macy's/better Macy's	6.9%	6.4%	7.2%	6.4%	7.4%	7.4%	8.3%	7.1%	6.1%
JC Penney's	1.5%	1.2%	1.7%	1.5%	1.6%	1.1%	2.0%	1.9%	1.2%
Bloomingdale's	1.0%	1.5%	0.6%	0.9%	1.0%	0.9%	0.9%	1.5%	1.6%

Discount Store Brand Desired

- Overall, 41% specified wanting "discount stores" in Downtown. Most requested was Costco by 45% (n/a), while Target was second at 26% – down from 73% in the prior study (likely due to the announcement for a Downtown store in 2012). Wal-Mart was named by 25%, up from 7% in 2008.

Table 65: Discount Department Store Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**3875**	**1714**	**2161**	**2729**	**1980**	**1218**	**566**	**223**	**964**
Costco	44.7%	46.3%	43.4%	44.3%	46.1%	47.2%	42.0%	47.1%	45.2%
Target	25.8%	31.0%	21.7%	24.6%	26.9%	26.4%	25.6%	32.3%	30.3%
Wal-Mart	25.0%	22.7%	26.8%	26.6%	23.0%	23.9%	23.7%	21.1%	25.0%
Sam's Club	1.7%	0.9%	2.3%	1.9%	1.6%	1.6%	2.5%	0.4%	0.9%
TJ Maxx/Marshalls	1.3%	1.3%	1.2%	1.2%	1.5%	1.5%	1.1%	1.8%	1.1%
Ross	1.0%	0.9%	1.0%	1.0%	1.2%	0.7%	0.9%	1.8%	1.0%
Kmart	0.9%	1.1%	0.7%	1.0%	0.9%	1.2%	0.7%	1.3%	1.2%

Fashion Store/Boutique Brand Desired – General

- Overall, 51% specified wanting general fashion stores in Downtown. Banana Republic was the brand specified first, by 19% (27%), 15% (24%) named Gap/Baby Gap, and 5% (7%) said H&M – the top retail brands.

Table 66: Fashion Store Brand Desired – General Fashion

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**4876**	**2335**	**2541**	**3278**	**2769**	**1692**	**758**	**295**	**1274**
Banana Republic	18.8%	18.2%	19.4%	19.7%	18.3%	18.9%	17.5%	14.6%	18.4%
Gap/Baby Gap	15.4%	12.7%	17.9%	16.4%	15.5%	15.4%	15.0%	13.6%	12.8%
H&M	5.1%	7.2%	3.1%	4.3%	5.7%	5.1%	4.7%	9.2%	6.8%
J. Crew	4.3%	4.5%	4.1%	4.3%	5.1%	4.6%	3.7%	3.4%	4.1%
Forever 21	3.2%	4.2%	2.3%	2.9%	3.4%	2.9%	3.3%	7.8%	4.2%
Old Navy	3.0%	2.2%	3.8%	3.0%	3.1%	3.1%	4.4%	2.0%	2.0%
Urban Outfitters	2.4%	3.6%	1.4%	1.6%	2.8%	2.6%	3.4%	6.1%	3.1%
Ann Taylor	1.9%	1.7%	2.1%	2.1%	1.7%	1.8%	1.1%	0.7%	1.6%
Anthropologie	1.9%	1.8%	1.9%	1.9%	2.1%	1.5%	1.3%	1.0%	1.6%
Zara	1.6%	2.5%	0.7%	1.2%	1.8%	1.5%	1.5%	2.0%	2.4%
Express	0.5%	0.4%	0.6%	0.4%	0.6%	0.6%	0.9%	0.7%	0.5%

Fashion Store/Boutique Brand Desired – Women's

- Overall, 36% of respondents wanted fashion boutique stores in Downtown. However, very few named specific fashion store brands, as shown below.

Table 67: Fashion Store Brand Desired – Women's

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**3433**	**1790**	**1643**	**2120**	**2131**	**1123**	**594**	**247**	**972**
Designers/Boutiques	1.1%	0.8%	1.3%	1.2%	1.3%	1.7%	1.7%	1.6%	0.9%
Forever 21	1.0%	0.7%	1.5%	1.2%	0.7%	1.0%	1.3%	0.8%	0.7%
Anthropologie	0.7%	0.7%	0.7%	0.6%	0.7%	0.5%	0.8%	0.4%	0.4%
H&M	0.7%	0.8%	0.5%	0.7%	0.7%	0.4%	0.8%	0.4%	0.9%
Fred Segal	0.6%	0.8%	0.4%	0.7%	0.6%	0.6%	0.3%	0.4%	1.0%
Vintage	0.6%	0.8%	0.4%	0.6%	0.7%	0.1%	0.8%	0.0%	0.9%
Urban Outfitters	0.5%	0.6%	0.4%	0.5%	0.3%	0.5%	0.2%	1.6%	0.7%
Kitson	0.5%	0.8%	0.1%	0.4%	0.5%	0.8%	0.5%	0.4%	0.8%
Ann Taylor	0.4%	0.2%	0.7%	0.6%	0.1%	0.1%	0.0%	0.0%	0.2%

Fashion Store/Boutique Brand Desired – Men's

- Overall, 26% of respondents wanted men's fashion stores in Downtown. However, very few named specific store brands for menswear as shown below.

Table 68: Fashion Store Brand Desired – Men's

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**2496**	**1530**	**966**	**1440**	**1707**	**951**	**455**	**139**	**819**
Brooks Brothers	1.1%	0.7%	1.7%	1.5%	1.2%	1.5%	1.1%	0.7%	1.0%
Designers/Boutiques	1.0%	1.1%	0.7%	1.0%	0.9%	0.9%	1.5%	1.4%	1.2%
John Varvatos	0.8%	0.9%	0.7%	0.7%	0.9%	1.1%	0.9%	1.4%	0.9%
H&M	0.8%	0.8%	0.7%	0.8%	0.8%	0.7%	0.9%	0.7%	0.7%
Fred Segal	0.7%	0.8%	0.5%	0.7%	0.8%	0.8%	0.7%	0.7%	1.0%
Zara	0.6%	0.8%	0.3%	0.6%	0.5%	0.7%	0.2%	0.7%	0.7%
Urban Outfitters	0.5%	0.8%	0.1%	0.3%	0.5%	0.4%	0.0%	2.2%	0.7%
Kitson	0.5%	0.7%	0.2%	0.3%	0.5%	0.7%	0.2%	1.4%	0.5%
Hugo Boss	0.5%	0.6%	0.4%	0.4%	0.4%	0.5%	0.4%	0.7%	0.5%

Home Furnishing Store Brand Desired

- Overall, 52% indicated wanting "home furnishing stores" in Downtown. The most cited home furnishing brands were Bed Bath & Beyond by 26% (30%), Crate & Barrel by 19% (31%), and Cost Plus by 11% (0%).

Table 69: Home Furnishing Store Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**4929**	**2590**	**2339**	**3230**	**2919**	**1684**	**726**	**280**	**1409**
Bed Bath & Beyond	26.4%	26.9%	25.9%	28.0%	24.5%	26.0%	20.1%	29.6%	28.0%
Crate & Barrel	19.1%	20.2%	17.9%	18.8%	19.9%	19.5%	17.2%	20.4%	20.4%
Cost Plus World Market	11.2%	10.0%	12.6%	12.0%	11.8%	10.6%	11.7%	8.6%	10.1%
CB2	4.3%	6.5%	1.8%	3.5%	4.6%	3.7%	3.2%	3.9%	6.2%
Pottery Barn	2.4%	2.0%	2.8%	2.4%	2.5%	2.6%	2.1%	2.1%	1.8%
Ikea	1.6%	1.9%	1.3%	1.5%	1.7%	1.8%	2.1%	2.5%	1.8%
Pier 1	1.3%	1.0%	1.7%	1.5%	1.2%	1.1%	1.7%	1.8%	1.3%
West Elm	1.0%	1.2%	0.9%	0.8%	1.2%	1.0%	0.7%	0.4%	0.8%
Target	0.9%	1.3%	0.5%	0.7%	0.9%	0.6%	0.6%	1.8%	1.3%
Restoration Hardware	0.8%	0.8%	0.7%	0.7%	0.8%	0.8%	0.8%	0.4%	0.7%

Electronics Store Brand Desired

- Overall, 57% indicated wanting "electronics stores" in Downtown. The most cited electronic stores wanted were Apple by 48%, well above the 30% naming it in 2008, and Best Buy by 45% (51%).

Table 70: Electronics Store Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**5416**	**2770**	**2646**	**3585**	**3100**	**1926**	**824**	**342**	**1536**
Apple	47.7%	53.7%	41.5%	45.2%	50.8%	49.7%	47.0%	55.3%	52.1%
Best Buy	45.1%	43.8%	46.6%	46.8%	43.9%	47.2%	44.5%	45.3%	44.4%
Fry's Electronics	5.9%	6.1%	5.7%	6.1%	6.4%	6.4%	7.2%	5.3%	6.3%
Radio Shack	0.7%	0.6%	0.8%	0.8%	0.8%	0.6%	0.8%	0.6%	0.6%
Sony	0.4%	0.5%	0.4%	0.4%	0.4%	0.5%	0.2%	0.9%	0.3%
Target	0.4%	0.6%	0.2%	0.4%	0.5%	0.5%	0.2%	0.3%	0.7%
Game Stop	0.2%	0.3%	0.2%	0.1%	0.3%	0.5%	0.2%	0.9%	0.3%

Convenience Store Brand Desired

- Overall, 28% of respondents wanted "convenience stores" in Downtown. 7-Eleven was most requested, by 36% (35%).

Table 71: Convenience Store Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**2699**	**1359**	**1340**	**1734**	**1593**	**983**	**494**	**171**	**758**
7-Eleven	36.0%	29.9%	42.2%	38.1%	34.8%	37.9%	41.9%	31.6%	28.6%
Famima!!	7.2%	8.1%	6.3%	6.4%	8.1%	6.9%	7.3%	5.8%	7.1%
CVS	4.0%	3.5%	4.6%	4.0%	4.3%	4.5%	3.6%	7.6%	3.4%
Any open 24 hours	3.4%	5.5%	1.3%	2.7%	4.3%	3.9%	3.4%	7.6%	5.5%
Walgreens	2.4%	2.7%	2.0%	2.3%	2.6%	2.5%	2.2%	1.8%	3.0%
Rite Aid	2.1%	2.3%	1.9%	2.2%	1.9%	2.2%	1.4%	2.3%	2.2%

Book/Music/Movie Store Desired

- Overall, "book/music/movie stores" were wanted in Downtown by 58%. Most mentioned were Barnes & Noble by 42% (29%) and Amoeba Records by 17% (n/a).

Table 72: Book/Music/Movie Store Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this retailer type	**5509**	**2555**	**2954**	**3585**	**3330**	**1749**	**943**	**325**	**1375**
Barnes & Noble	41.9%	41.7%	42.0%	44.2%	39.2%	41.4%	33.7%	47.1%	42.3%
Amoeba Records	16.6%	19.8%	13.9%	14.9%	19.6%	17.8%	21.4%	18.2%	19.2%
Borders	9.6%	8.7%	10.4%	10.2%	8.4%	9.3%	9.2%	10.5%	9.7%
Used or independent bookstores	1.6%	1.7%	1.6%	1.7%	1.9%	1.7%	1.5%	0.3%	1.7%

Personal Services Desired

- Overall, "personal services" were wanted in Downtown by 37%. Most requested were dry cleaners/tailors by 14% (19%) and shoe repair shops by 9% (8%).

Table 73: Personal Services Brand Desired

	Total	Residence		Relationship to DT					
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	Live & work DT
Base: wants this type	**3494**	**1783**	**1711**	**2324**	**2093**	**1237**	**537**	**201**	**944**
Dry Cleaners	14.4%	13.7%	15.0%	14.5%	14.0%	15.7%	14.7%	11.4%	12.3%
Shoe Repair	9.4%	7.7%	11.0%	9.8%	9.0%	9.5%	8.0%	8.5%	6.4%
Hair Salon	7.9%	7.7%	8.1%	8.1%	8.1%	7.6%	10.2%	10.4%	8.2%
Nail Salon	6.4%	5.6%	7.3%	7.1%	6.1%	7.0%	5.4%	6.0%	5.9%

Professional Services Desired

- Overall, "professional services" were wanted in Downtown by 31%. Most requested were dentists by 20%, doctors by 19% and opticians by 10%.

Table 74: Professional Services Brand Desired

	Total	Residence		Relationship to DT					
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	Live & work DT
Base: wants this type	**2911**	**1584**	**1327**	**1949**	**1767**	**1024**	**413**	**169**	**886**
Dentist	19.6%	19.5%	19.7%	19.9%	19.5%	19.3%	17.4%	18.3%	18.6%
Doctor	18.8%	19.1%	18.3%	18.5%	18.8%	19.4%	17.9%	21.9%	18.8%
Optician/optometrist/ophthalmologist	9.5%	7.4%	11.9%	10.2%	9.9%	9.5%	9.4%	7.7%	6.5%

Health Spa/Gym Brand Desired

- Overall, 35% wanted "health spa/gyms" in Downtown. Most mentioned were 24-Hour Fitness by 9% (11%), Equinox by 7% (5%), LA Fitness by 6% (6%) and Burke Williams (day spa) by 3%.

Table 75: Health Spa/Gym Brand Desired

	Total	Residence		Relationship to DT					
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	Live & work DT
Base: wants this type	**3301**	**1648**	**1653**	**2168**	**1934**	**1207**	**554**	**221**	**907**
24 Hour Fitness	9.2%	6.7%	11.8%	9.0%	9.3%	9.4%	10.6%	7.7%	5.6%
Equinox	6.6%	8.0%	5.2%	6.7%	6.4%	7.2%	6.1%	5.4%	8.7%
LA Fitness	5.5%	4.8%	6.3%	5.4%	5.4%	6.2%	7.2%	5.0%	4.3%
Burke Williams	3.2%	3.5%	2.8%	3.1%	3.6%	4.6%	4.5%	2.3%	3.5%
Spas	3.1%	3.8%	2.4%	3.2%	3.0%	3.0%	2.7%	3.2%	4.1%
Bally Total Fitness	2.0%	1.0%	3.0%	2.2%	1.8%	2.0%	2.7%	0.5%	0.9%
Yoga/Pilates studios	1.5%	1.6%	1.5%	1.8%	1.2%	1.1%	1.4%	1.4%	2.0%
Gold's Gym	1.4%	1.0%	1.8%	1.5%	1.7%	1.7%	0.9%	1.4%	1.0%
Spectrum	1.3%	1.1%	1.6%	1.6%	1.1%	1.2%	0.5%	0.9%	1.4%

Bars/Lounges

In 2011, 47% (6%) of all respondents indicated that they wanted more bars/sports bars/lounges. However, 81% (81%) did not specify a brand.

Nightclubs/Dance Clubs

- In 2011, 31% (11%) wanted more bars/sports bars/lounges/nightclubs, and 83% did not specify a brand.

High-End Restaurants

- Overall, 33% (28%) wanted more "high-end restaurants" in Downtown. Few named a specific brand, but 1% each mentioned Maestro's, Ruth's Chris and Houston's.

Table 76: High-Level Restaurant Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this type	**3157**	**1704**	**1453**	**1962**	**1992**	**1237**	**569**	**184**	**928**
Independent/no chain/unique	1.4%	1.8%	1.0%	1.4%	1.5%	1.2%	1.1%	1.6%	2.2%
Maestro's	1.3%	1.3%	1.2%	1.2%	1.1%	1.8%	1.1%	1.6%	1.1%
Ruth's Chris	1.2%	1.0%	1.4%	1.2%	1.3%	1.5%	1.9%	1.6%	1.0%
Houston's	1.1%	0.9%	1.3%	1.4%	1.1%	1.3%	0.9%	0.5%	1.4%

Mid-Level Restaurant Brand Desired

- Overall, 67% wanted more "mid-level restaurants" in Downtown, the highest category. While most did not specify a brand, 2% named The Cheesecake Factory.

Table 77: Mid-Level Restaurant Brand Desired

	Total	Residence		Relationship to DT					
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	Live & work DT
Base: wants this type	**6337**	**3045**	**3292**	**4062**	**3793**	**2158**	**1088**	**345**	**1654**
The Cheesecake Factory	2.0%	2.0%	2.1%	2.2%	1.9%	2.2%	1.6%	2.9%	1.8%
Independent/no chain/unique	1.1%	1.4%	0.8%	1.0%	1.3%	0.9%	1.0%	1.4%	1.8%
Olive Garden	0.9%	0.9%	0.9%	0.9%	0.7%	0.7%	0.6%	2.0%	0.9%
BJ's Brewery	0.6%	0.5%	0.8%	0.7%	0.6%	0.8%	0.6%	0.9%	0.7%
P.F. Chang's	0.6%	0.5%	0.6%	0.6%	0.7%	0.8%	0.4%	0.6%	0.5%
Houston's	0.6%	0.5%	0.6%	0.6%	0.6%	0.8%	0.2%	0.3%	0.4%

Fast Food Restaurant Brand Desired

- Overall, 26% indicated they wanted "fast food restaurants" in Downtown. Of those, 10% (10%) mentioned In-N-Out Burger, 3% (5%) said Taco Bell, 3% named Chipotle, and 3% (4%) named Jack in the Box.

Table 78: Fast Food Restaurant Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this type	**2435**	**1053**	**1382**	**1676**	**1322**	**841**	**434**	**133**	**564**
In-N-Out	10.1%	9.0%	11.0%	10.6%	9.5%	11.8%	9.4%	12.0%	9.6%
Chipotle	3.1%	3.0%	3.1%	3.1%	2.3%	3.3%	3.7%	3.8%	2.5%
Taco Bell	2.8%	2.9%	2.7%	3.0%	2.3%	2.3%	1.8%	2.3%	2.7%
Jack In The Box	2.5%	2.2%	2.7%	2.8%	2.2%	1.8%	1.8%	3.8%	2.7%

Coffee Shops Brand Desired

- Overall, 26% wanted "coffee-shops" in Downtown. The few brands specified included 4% (5%) who indicated Starbucks, 4% (5%) named Coffee Bean + Tea Leaf, and 4% (4%) requested Peet's Coffee.

Table 79: Coffee Shop Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this type	**4798**	**2297**	**2501**	**3000**	**2939**	**1594**	**864**	**289**	**1223**
Starbucks	4.1%	3.5%	4.6%	4.1%	3.5%	4.4%	3.7%	8.7%	3.6%
Coffee Bean & Tea Leaf	3.7%	2.7%	4.7%	3.8%	3.1%	3.1%	3.7%	4.2%	2.3%
Peet's Coffee	3.6%	3.3%	3.8%	3.8%	3.6%	4.0%	2.8%	2.4%	3.1%

Movie Theater Brand Desired

- Overall, 47% indicated they wanted "movie theaters" in Downtown.
- Of those who mentioned a brand, 15% (21%) named AMC Theater, 7% (8%) said ArcLight, and 4% mentioned Laemmle Theatres.

Table 80: Movie Theater Brand Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this type	**4470**	**2147**	**2323**	**2788**	**2791**	**1510**	**815**	**253**	**1134**
AMC	15.3%	11.9%	18.4%	15.9%	14.1%	16.0%	15.8%	15.4%	10.8%
ArcLight	6.6%	8.4%	5.0%	5.7%	7.1%	6.9%	6.5%	4.7%	7.1%
Laemmle	3.8%	4.4%	3.3%	3.4%	4.9%	2.9%	3.1%	3.2%	3.8%
Regal	2.3%	1.8%	2.8%	2.3%	2.0%	2.4%	1.6%	3.6%	1.4%
Pacific	1.7%	1.2%	2.2%	2.0%	2.0%	1.9%	1.7%	2.4%	1.4%
Edwards	1.5%	1.0%	2.1%	1.9%	1.3%	1.5%	2.3%	1.2%	1.0%
Independent/No chain	1.4%	2.0%	0.8%	1.3%	1.8%	1.1%	0.9%	1.6%	2.0%

Animal and Veterinary Brands Desired

- Overall, 20% of respondents wanted “animal and veterinary” services in Downtown. PETCO was named by 27% (26%) and PetSmart by 11% (11%).

Table 81: Animal and Veterinary Brands Desired

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: wants this type	**1879**	**1261**	**618**	**1094**	**1222**	**678**	**284**	**119**	**685**
Petco	27.4%	27.8%	26.5%	27.9%	28.3%	30.2%	29.6%	31.1%	27.4%
PetSmart	11.4%	11.0%	12.1%	11.1%	12.8%	13.1%	13.7%	10.9%	10.1%
Veterinarians	10.6%	13.5%	4.7%	10.8%	9.9%	9.4%	5.3%	17.6%	15.2%
Pet hotel/pet day care	4.5%	3.6%	6.1%	4.6%	4.9%	4.6%	5.3%	5.9%	3.8%
Centinela Feed	1.5%	1.3%	2.1%	1.7%	1.9%	2.7%	1.1%	0.8%	1.0%

Activities & Special Events Attendance

Attendance at Downtown Activities

Respondents indicated their attendance at listed Downtown activities on an annual basis, as presented below, in terms of the percentage who attended each activity, and the median number of times attended.

- The highest attended Downtown events were live music/theater/dance by 83%, followed by special events by 82%, art museums/galleries by 80%, and live professional sports by 67%.
- As expected, more residents and those who live and work in Downtown attended each of the event types listed compared to the Total.

Table 82: Percent Attending Downtown Activities Annually

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Live music, theater, opera, dance	83.1%	87.8%	79.8%	81.5%	94.9%	90.8%	89.7%	84.2%	89.0%
Special events	81.5%	88.3%	76.7%	78.6%	90.2%	89.3%	89.5%	87.5%	88.9%
Art museums or galleries	79.8%	89.1%	73.1%	75.8%	93.7%	86.9%	88.4%	88.5%	89.1%
Live professional sports events	66.5%	68.5%	65.1%	67.3%	70.1%	95.4%	70.5%	69.6%	71.0%
Lectures/forums/presentations	49.5%	57.1%	44.0%	46.7%	60.9%	57.5%	60.2%	64.1%	59.4%
Downtown historic/ architectural tours	42.7%	50.5%	37.1%	39.0%	52.3%	48.7%	52.5%	49.8%	51.9%
Live collegiate sports events	32.0%	36.0%	29.1%	31.5%	34.3%	54.0%	31.9%	52.3%	38.1%
Other activities/entertainment	78.7%	87.5%	72.5%	74.8%	87.1%	85.4%	87.6%	88.0%	87.2%

Median Number of Times Attending Downtown Activities Annually

- Overall, respondents attended Downtown live music, theater, opera or dance a median of 2.8 (2.5) times annually, followed by art museums or galleries 2.7 (2.4) times, live professional sports events 1.8 (1.6 times) and lectures/presentations .5 (not asked in 2008) times.
- Not surprisingly, Downtown residents and those who live and work in Downtown frequented these activities more often.

Table 83: Median Number of Times Attending Downtown Activities Annually

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Live music, theater, opera, dance	2.78	3.45	2.40	2.62	3.92	3.49	3.08	3.03	3.70
Art museums or galleries	2.66	3.83	2.05	2.36	3.83	3.14	3.11	3.38	4.02
Special events	2.45	3.17	2.03	2.26	3.01	3.01	2.84	3.11	3.33
Live professional sports events	1.84	2.07	1.69	1.90	2.12	4.47	2.04	2.08	2.33
Lectures/forums/presentations	0.49	1.16	0.45	0.47	1.37	1.15	1.29	1.81	1.39
Downtown historic/architectural tours	0.44	0.54	0.40	0.41	0.68	0.49	0.70	0.50	0.66
Live collegiate sports events	0.37	0.39	0.35	0.37	0.38	0.87	0.37	0.77	0.40
Other activities/entertainment	2.78	4.49	2.08	2.43	3.48	3.46	3.22	4.49	4.58

Downtown Special Events Attended in Past Two Years

- Overall, 88% (74%) reported attending at least one of the listed Downtown special events.
- The most attended events included the monthly Downtown Art Walk by 51% (28%); DineLA Week by 42% (not asked in 2008); Pershing Square Downtown on Ice by 34% (30%); about one-quarter each at Pershing Square Summer Concerts (22% in 2008) and LA LIVE Ice Skating and Holiday events; and Grand Performances (summer series) by 21% (25%).
- Not surprisingly, significantly more, or about 95%, of Downtown residents and those who live and work in Downtown reported attending each of the events, although 83% of LA County residents did as well.

Table 84: Downtown Special Events Attended in Past Two Years

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident attending Downtown activities	**10351**	**4399**	**5952**	**7012**	**5556**	**3171**	**1636**	**572**	**2400**
Net: attended events	**87.9%**	**94.3%**	**83.0%**	**86.1%**	**93.5%**	**93.0%**	**90.3%**	**89.7%**	**94.9%**
Downtown Art Walk	51.1%	74.0%	34.2%	45.6%	62.7%	60.0%	52.1%	60.3%	75.4%
DineLA Restaurant Week (Jan & Oct)	42.2%	49.4%	36.9%	41.9%	48.5%	54.7%	41.5%	39.7%	51.3%
Pershing Square "Downtown on Ice" and holiday events	33.9%	43.2%	27.0%	32.8%	40.6%	41.6%	33.8%	37.8%	45.3%
Pershing Square Summer Concerts	25.7%	32.2%	20.9%	25.6%	31.9%	30.8%	25.2%	24.3%	34.3%
LA LIVE Ice Skating and holiday events	24.0%	29.1%	20.1%	23.3%	27.0%	34.9%	25.2%	35.7%	30.7%
Grand Performances (Summer series)	20.9%	24.8%	17.9%	20.7%	28.1%	23.9%	21.5%	16.6%	27.0%
Chinese New Year/Golden Dragon Parade	16.9%	20.6%	14.1%	15.2%	21.6%	19.2%	20.7%	15.2%	20.0%
Brewery Artwalk (Spring & Fall)	16.8%	23.3%	12.0%	15.3%	22.3%	20.8%	20.5%	15.0%	25.1%
Downtown Film Festival LA (Sept)	16.6%	24.3%	10.9%	15.4%	21.3%	21.9%	18.2%	22.4%	26.9%
Los Angeles Film Festival (June)	16.1%	21.0%	12.4%	15.2%	20.4%	20.4%	18.5%	20.8%	23.3%
NBA All-Star Game	15.7%	16.9%	14.9%	16.2%	16.5%	26.5%	17.1%	22.0%	18.6%
Cinco de Mayo Festival	14.2%	15.8%	13.1%	14.3%	17.5%	19.3%	17.4%	13.8%	18.3%
X-Games	12.3%	14.4%	10.7%	11.9%	13.9%	20.6%	13.8%	16.1%	15.3%
St. Patrick's Day Parade	11.4%	12.3%	10.7%	13.0%	12.3%	15.0%	10.2%	12.6%	15.3%
LA Marathon (run or bike)	11.1%	12.3%	10.2%	10.9%	12.2%	14.7%	12.0%	14.0%	13.0%
Cherry Blossom Festival	10.1%	13.3%	7.7%	9.0%	12.7%	11.7%	13.6%	12.1%	13.7%
cicLAvia bicycle event	8.6%	13.2%	5.2%	7.2%	12.1%	10.1%	9.4%	9.4%	13.5%
Nisei Week	8.0%	10.0%	6.5%	7.1%	9.8%	9.2%	8.9%	6.3%	9.1%
Fiesta Broadway	7.5%	10.0%	5.6%	7.0%	9.1%	9.7%	8.3%	8.0%	11.0%
Last Remaining Seats	6.8%	9.3%	4.9%	6.2%	9.7%	7.4%	6.6%	3.7%	10.0%
Anime Expo	4.9%	5.6%	4.3%	4.6%	5.7%	6.1%	6.2%	6.1%	5.9%
Outfest (June)	4.4%	6.0%	3.2%	3.9%	6.2%	4.4%	5.2%	3.0%	6.5%
Lantern festival	3.6%	4.8%	2.7%	3.2%	4.4%	4.1%	4.8%	4.4%	4.9%
LA LIVE Easter Celebration	2.8%	3.0%	2.6%	3.0%	3.0%	3.8%	3.3%	5.8%	4.0%
Giant Maximus (New Year's eve)	1.7%	2.5%	1.1%	1.5%	2.2%	2.7%	1.8%	2.6%	3.0%
Other special event	23.3%	25.4%	21.8%	22.3%	28.6%	26.5%	27.8%	23.8%	26.4%

Downtown Venues Attended in Past Two Years

The question was added to the 2011 survey to identify which specific Downtown LA venues respondents had attended in the past two years.

- Overall, 97% of Total respondents reported attending at least one of the listed Downtown event venues.
- The highest attended venues were Staples Center for a sports event by 61%, 61% reported attending NOKIA Theater/Club NOKIA for a concert, and 52% went to the Walt Disney Concert Hall.
- At least 96% of each segment reported having attended any of the listed Downtown venues in the past two years.

Table 85: Downtown Venues Attended in Past Two Years

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident attended Downtown venues	**10351**	**4399**	**5952**	**7012**	**5556**	**3171**	**1636**	**572**	**2400**
Net attended any venue	**97.3%**	**97.3%**	**97.2%**	**97.1%**	**99.1%**	**99.5%**	**98.8%**	**96.9%**	**97.4%**
Staples Center-sports events	61.3%	59.7%	62.5%	63.1%	61.5%	87.3%	62.8%	57.2%	60.8%
LA LIVE Nokia Theatre/Club Nokia	61.1%	65.4%	57.9%	60.8%	66.3%	75.2%	64.9%	69.2%	67.0%
Disney Concert Hall	51.6%	55.7%	48.5%	50.8%	61.7%	58.3%	55.3%	51.7%	57.8%
Staples Center-concerts	43.9%	43.0%	44.5%	44.9%	47.0%	60.6%	47.6%	48.3%	44.9%
Nokia Theatre/Club Nokia	43.5%	47.2%	40.8%	42.5%	49.0%	57.5%	49.1%	51.7%	47.9%
Museum of Contemporary Art/Geffen Contemporary	38.7%	46.5%	32.9%	35.8%	49.8%	42.4%	45.2%	42.8%	46.9%
Los Angeles Co. Music Center (Ahmanson, Chandler, Taper)	38.0%	35.6%	39.8%	37.6%	48.3%	41.2%	44.4%	26.2%	35.6%
Los Angeles Central Library (lectures)	30.9%	33.5%	28.9%	30.2%	37.9%	32.8%	34.7%	33.9%	35.4%
Cathedral of Our Lady of the Angels	24.2%	23.3%	24.8%	24.5%	28.1%	28.4%	27.8%	23.1%	24.3%
7th + Fig Arts Programs	20.2%	22.6%	18.4%	20.4%	23.1%	24.8%	23.3%	26.2%	24.5%
Japanese-American National Museum (cultural events)	20.1%	24.1%	17.2%	18.3%	25.3%	21.8%	24.8%	19.1%	23.7%
REDCAT Theater	14.1%	19.5%	10.1%	12.4%	18.9%	15.5%	15.8%	11.2%	19.0%
Colburn School of Music/ Zipper Hall	9.8%	11.3%	8.6%	9.8%	13.2%	10.7%	10.2%	8.7%	12.3%
Vibiana	6.1%	8.3%	4.5%	5.7%	8.1%	7.9%	7.7%	5.8%	8.8%
Other	16.6%	19.1%	14.7%	15.0%	20.9%	17.4%	21.1%	18.0%	18.8%

Frequency of Dining at Downtown Restaurants Before or After Event or Performance

Those who attended cultural or sports events in Downtown were asked how frequently they dined out at Downtown restaurants prior to or following such events.

- The vast majority of respondents ate out before or after a live cultural arts, sports or special event in Downtown at least some of the time.
- When attending a Downtown event, 71% (57%) "almost always" or "fairly often" ate at a Downtown restaurant before or after the event.
- Downtown residents were more likely to dine at a Downtown restaurant with 73% (62%) doing so "almost always" or "fairly often," compared to 68% (56%) of LA County residents. In spite of the weak economy, more Downtown residents and non-residents reported higher propensity to eat out before or after their Downtown event.

Table 86: Frequency of Dining at Downtown Restaurants Before or After Event or Performance

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident attended DT events in the past 2 years	**9132**	**4161**	**4971**	**6070**	**5211**	**2958**	**1485**	**513**	**2285**
Almost always	44.0%	46.2%	42.2%	43.4%	48.2%	50.9%	47.0%	44.2%	47.0%
Fairly often	26.6%	27.2%	26.0%	26.6%	27.1%	27.3%	26.7%	26.1%	27.9%
Net: almost always + fairly often	**70.6%**	**73.4%**	**68.2%**	**70.0%**	**75.3%**	**78.2%**	**73.7%**	**70.3%**	**74.9%**
Sometimes	21.5%	20.3%	22.5%	21.5%	19.9%	17.7%	20.5%	22.4%	19.4%
Rarely	6.6%	5.3%	7.8%	7.0%	4.3%	3.4%	5.0%	6.2%	4.7%
Never/don't attend any events	0.8%	0.7%	0.9%	1.0%	0.2%	0.2%	0.4%	1.0%	0.7%
DK/no response	0.5%	0.3%	0.6%	0.5%	0.3%	0.3%	0.5%	0.0%	0.3%
Mean rating	**4.07**	**4.13**	**4.01**	**4.05**	**4.19**	**4.26**	**4.15**	**4.06**	**4.16**

**Rating scale 5=Always, 1=Never*

Sources of Information about Events/Activities in Downtown

- More than one-half, or 54% (53%), typically learned about events and activities in Downtown through word-of-mouth. *The Los Angeles Times* was used by 41% (41%), followed by the *Los Angeles Downtown News* (paper edition) by 40% (54%), and the *Downtown News* website by 21% (not asked in 2008).
- Another 33% mentioned DowntownLA.com, the website of the Downtown Center Business Improvement District (not asked in 2008), and 29% (34%) named *LA Weekly* paper or website.
- As expected, more Downtown residents than the Total indicated the *Los Angeles Downtown News* (paper and website) at 75% (63%), word-of-mouth at 57% (56%), and the *Los Angeles Times* at 37% (35%) as their top information sources.

Table 87: Sources of Information about Events/Activities in Downtown

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Word-of-mouth/ Recommendation	54.1%	56.5%	52.5%	53.7%	59.9%	59.2%	59.8%	55.9%	56.5%
Los Angeles Times	40.7%	36.5%	43.6%	40.0%	47.4%	46.7%	46.3%	35.6%	35.8%
LA Downtown News (paper)	39.8%	47.7%	34.2%	41.1%	43.9%	43.5%	31.1%	36.6%	49.9%
DowntownLA.com website	32.6%	39.5%	27.7%	30.2%	36.9%	38.3%	36.6%	34.0%	40.2%
LA Weekly newspaper or website	28.8%	31.6%	26.9%	26.5%	36.3%	31.7%	35.3%	25.9%	31.3%
Direct e-mail or mail from event or venue	25.3%	24.5%	25.9%	23.7%	31.8%	29.2%	31.4%	21.2%	22.9%
Other Internet source or blog	25.0%	26.7%	23.8%	22.6%	30.4%	28.0%	35.2%	25.3%	25.5%
Billboards or posters around Downtown LA	24.8%	25.9%	24.0%	24.9%	28.8%	29.7%	26.3%	31.8%	24.8%
LA Downtown News (website)	20.9%	27.2%	16.4%	19.5%	25.2%	26.0%	21.6%	19.1%	27.5%
Blogdowntown.com	14.5%	27.0%	5.7%	11.4%	18.8%	17.0%	12.6%	14.2%	25.8%
Other Downtown LA website or blog	11.2%	14.4%	9.0%	9.4%	14.6%	14.5%	16.6%	12.8%	13.8%
Other print newspaper or magazine	9.8%	9.8%	9.8%	8.8%	11.9%	11.1%	13.4%	10.6%	9.2%
Don't seek info. Downtown LA	5.5%	3.2%	7.1%	6.3%	2.3%	3.2%	2.9%	6.3%	3.1%
Downtown Center Guides or Information Kiosk	5.1%	5.1%	5.2%	5.5%	5.9%	5.9%	5.4%	5.7%	5.8%
Brand X magazine or website	5.0%	6.1%	4.2%	4.1%	6.9%	5.9%	6.7%	5.4%	5.9%
Bunker Hill Magazine	4.9%	8.9%	2.1%	4.7%	6.2%	5.9%	3.0%	6.6%	9.9%
Experiencela.com	3.4%	3.1%	3.5%	2.6%	4.7%	4.0%	6.3%	4.0%	3.1%
LA INC. Downtown LA Visitor Center	2.8%	2.2%	3.2%	3.0%	3.1%	3.1%	3.5%	3.0%	2.7%

Mode for Commuting to Work

- Of the Total, 92% commuted to work using a variety of means as follows.
- Three-fifths, or 60% (39%), of those who commuted to work did so alone by car, followed by 20% (20%) who rode the Metro subway/light rail, and 15% (20%) who took Metro or other public bus service.
- This shift to commuting alone by car in 2011 from 2008 may reflect the fact that more respondents reported their workplace outside of Downtown.
- In 2011, 86% of Downtown workers commuted to work. One-half, or 49% (51%), of those who live and work in Downtown walked to work as did 31% (31%) of Downtown residents, versus 15% (13%) of all respondents and only 4% of LA County residents.

Table 88: Commuting to Work

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: LA resident	**10742**	**4464**	**6278**	**7362**	**5561**	**3173**	**1645**	**576**	**2439**
Alone by car	60.4%	54.5%	64.6%	56.4%	62.5%	65.9%	68.5%	55.9%	41.0%
LA Metro subway or light rail	19.7%	15.6%	22.6%	21.1%	21.5%	20.8%	21.6%	19.6%	14.0%
Walk	15.4%	31.4%	4.1%	17.7%	17.1%	16.7%	10.4%	30.6%	49.3%
LA Metro/other public bus service	15.3%	11.7%	17.9%	16.1%	15.7%	13.5%	15.4%	17.2%	10.8%
Carpool	8.5%	6.0%	10.4%	9.0%	8.3%	9.2%	9.4%	9.5%	4.9%
DASH bus	7.1%	10.5%	4.6%	7.7%	8.3%	7.6%	6.0%	12.2%	14.2%
Metrolink/Amtrak train	6.5%	3.6%	8.6%	7.7%	5.9%	6.9%	6.8%	5.0%	3.4%
Bicycle	5.1%	8.3%	2.8%	4.4%	6.5%	5.7%	6.1%	11.6%	10.3%
Shuttle Bus/van pool	1.2%	0.9%	1.3%	1.3%	1.1%	1.3%	1.3%	1.0%	1.2%
Other	2.4%	2.6%	2.2%	2.1%	2.8%	2.4%	2.4%	2.8%	2.4%
Don't commute/don't work/work at home	7.9%	14.0%	3.5%	5.3%	9.4%	6.9%	9.8%	10.1%	15.5%

Changes in Commuting Habits

At the time of the 2008 study, Los Angeles area gas prices had risen to a peak of $4.61 gallon (unleaded regular) in June 2008[18]. Prices had fallen to less than half that by the time of the survey in December 2008. The question was asked then as to whether the high gas prices had impacted commuting mode. For the 2011 study, the question was reworded to only whether commuting mode had changed in the past two years (for any reason, not only due to gas prices).

- Overall, 65% (44%) of commuters indicated that they had made no changes in their commuting mode of transportation.
- There were 17% (27%) who changed to a public bus or train, while 9% (15%) changed to walking or bicycling some or all days, and nearly 5% changed to auto from another mode.
- In comparison, 60% (48%) of Downtown residents did not change their commuting mode, while nearly 20% (15 %) of residents, and 29% (19%) of those who live and work in Downtown changed to walking or bicycling and 4.3% (n/a) of Downtown residents changed to auto.

18 http://www.californiagasprices.com/retail_price_chart.aspx (gasbuddy.com/californiaasprices.com)

Table 89: Changes in Commuting Habits

	Total	Residence		Relationship to DT					Live & work DT
		DTLA	LA Co.	Employed	Attend Arts	Attend Sports	DT Visitor	DT Student	
Base: Commuting LA resident	**9894**	**3838**	**6056**	**6974**	**5039**	**2954**	**1484**	**518**	**2060**
Made no changes in daily commuting mode	65.9%	60.1%	69.6%	65.9%	62.4%	62.8%	64.9%	59.1%	54.7%
Changed to public bus or train some or all days	17.3%	16.0%	18.1%	17.5%	19.7%	20.3%	18.3%	18.1%	14.6%
Changed to walking or bicycling some or all days	9.4%	19.6%	3.0%	9.5%	11.1%	11.1%	8.4%	18.5%	29.0%
Changed to carpool/vanpool/ shuttle some or all days	4.8%	3.6%	5.5%	4.7%	5.0%	5.1%	5.7%	6.9%	2.8%
Changed to auto from other mode	4.5%	4.3%	4.7%	4.5%	4.5%	4.3%	4.3%	4.1%	3.6%
Work from home, telecommute	3.2%	4.2%	2.6%	2.8%	4.1%	4.1%	5.1%	1.0%	4.5%
Other	3.5%	4.2%	3.1%	3.0%	4.0%	3.6%	3.4%	4.4%	3.8%

Downtown Visitors

Those who reside outside of Los Angeles County are considered "visitors" for this study. They provided demographic information as well as trip behavior characteristics as presented below.

Demographics

Gender: Many more visitor respondents were female, 64% than male, 36%.

Age: Visitors had a median of 43.9 years, higher compared to residents or employees.

Household Income: Visitors reported a median household income for 2011 of $91,400.

Ethnicity: 52% of visitors were Caucasian with 17% Hispanic, 15% Asian-American, and 9% African-American.

Educational Attainment: 69% of visitors have completed college or higher, and averaged 15.6 years of school.

Trip Characteristics

Frequency Visiting Downtown (other than regular work/school)

- Visitors came to Downtown a median of 0.8 (1.5) times per month.

Table 90: How Frequently Visitors Visit Downtown (other than regular work/school)

	Total
Base: LA visitor	**581**
Several times per week	17.2%
About every other week	12.2%
About once per month	22.7%
About once every two months	7.6%
About once every three months	10.5%
About once every 4 - 6 months	9.8%
About once or twice per year	11.4%
Less than once per year	7.2%
First visit	1.2%
DK/No response	0.2%
Median visits per month:	**0.82**

Visitors' Main Purpose of Most Recent Visit to Downtown

- On this visit, 27% (12%) of visitors were in Downtown to conduct business. Another 16% (31%) were here for vacation/pleasure/to visit, 14% were attending a cultural or special event, 11% (18%) were combining business with pleasure, and 10% (16%) were visiting family/friends.

- Thus, the results showed a difference in 2011 from 2008 with more than twice as many in Downtown to conduct business, and about one-half for pleasure.

Table 91: Visitors' Main Purpose of Most Recent Visit to Downtown

	Total
Base: LA visitor	**581**
To conduct business	27.4%
For vacation/pleasure/to visit	16.9%
To attend a cultural or special event	13.6%
Combining business or meeting and pleasure	11.0%
To visit relatives/friends/personal visit	10.3%
Shopping trip	7.6%
Passing through to another place	2.9%
To attend a meeting/conference	1.5%
Other	8.6%
DK/No response	0.2%

Activities Engaged in Downtown by Visitors

- Visitors engaged in numerous activities throughout Downtown in the past two years. In fact, the majority, or 78% (81%), ate meals in Downtown mid-level or upscale restaurants; 62% (79%) attended live music, theater plays, opera or dance; 53% (63%) shopped in Downtown retail centers or stores; and 45% (59%) visited art museums or galleries.
- Another 36% (45%) shopped in Downtown wholesale districts, 30% (44%) viewed historic or iconic architecture, and 42% (37%) attended live professional sports events.
- Thus, each category percentage dropped in 2011 from 2008 except attending sports events.

Table 92: Activities Engaged in Downtown by Visitors

	Total
Base: LA visitor	**581**
Eating meals in Downtown mid-level or upscale restaurants	77.8%
Live music, theater plays, opera or dance	61.8%
Shopping in Downtown retail centers or stores	53.2%
Art museums or galleries	44.6%
Live professional sports events	42.9%
Special events	39.1%
Shopping in Downtown wholesale districts	36.1%
Viewing historic or iconic architecture	29.8%
Sightseeing or tours	21.9%
Going to movies	18.2%
Live collegiate sports events	12.7%
Other not listed above	10.2%
None of the above	2.4%

How Visitors Typically Travel Into Downtown

- In 2011, 59% (70%) arrived in Downtown in their own or a rental vehicle, 53% (32%) traveled by train, and 12% (16%) came by bus.

Table 93: How Visitors Typically Travel Into Downtown

	Total
Base: LA visitor	**581**
Own/rental vehicle	59.2%
Train	52.8%
Bus	11.9%
Walk	7.1%
Taxi	3.8%
Bike	0.9%
Other	4.3%
DK/No response	0.2%

How Visitors Typically Get Around in Downtown

- Typically, 70% (54%) of visitors moved around in Downtown by walking, 39% (52%) drove their own or a rental vehicle, 28% (21%) took a bus, and 25% (23%) rode a train.
- Thus, since the last study, visitors now favored walking and public bus or train in place of auto to get around in Downtown.

Table 94: How Visitors Typically Get Around in Downtown

	Total
Base: LA visitor	**581**
Walk	69.5%
Own/rental vehicle	39.1%
Bus	28.2%
Train	24.8%
Taxi	7.2%
Bike	1.4%
Other	3.1%
DK/No response	0.2%

Visitors’ Sources of Information about Downtown Events/Activities

- For information about Downtown LA events and activities, 55% (45%) of visitors relied mainly on word-of-mouth, 39% (60%) on the *Los Angeles Times*, 50% (50%) on the *Los Angeles Downtown* News (web and paper), and 30% on DowntownLA.com.

Table 95: Visitors’ Sources of Information about Downtown Events/Activities

	Total
Base: LA visitor	**581**
Word of mouth/recommendation	54.9%
Los Angeles Times	39.2%
LA Downtown News (paper)	30.8%
DowntownLA.com	29.6%
Direct e-mail or mail from event or venue	26.2%
Other internet source or blog	22.9%
Billboards or posters around Downtown LA	20.5%
LA Downtown News (website)	19.3%
LA Weekly newspaper or website	18.8%
Other print newspaper or magazine	11.5%
Other Downtown LA website or blog	10.3%
Downtown Center Guides or Information Kiosk	7.9%
Don't seek information about Downtown LA	7.2%
Blogdowntown.com	5.7%
LA INC. Downtown LA Visitor Center	5.0%
Experiencela.com	3.4%
Bunker Hill Magazine	3.1%
Brand X magazine or website	2.8%

Retailers and Restaurants/Hospitality Services Wanted by Visitors

- In general, visitors wanted a wide array of retailers and restaurants/hospitality services in Downtown.
- Nearly two-thirds, or 63% (68%), named mid-level restaurants, 52% (44%) wanted mid-market department stores, and 52% (53%) mentioned book/music/movie stores as the top mentions.

Table 96: Retailers and Restaurants/Hospitality Services Wanted by Visitors

	Total
Base: LA visitor	**581**
Restaurants: mid-level	62.8%
Mid-market department stores (e.g. Nordstrom, etc.)	52.0%
Book/ music/movie stores (e.g. Barnes & Noble, Amoeba Records)	51.5%
Coffee shops/cafes	44.1%
Electronics (e.g. Best Buy, Apple Store, etc.)	42.7%
Fashion/clothing (e.g. Gap, Banana Republic, etc.)	41.0%
Discount stores (e.g. Wal-Mart, Costco, etc.)	40.4%
Home furnishings (e.g. Crate & Barrel, Bed Bath & Beyond, etc.)	39.4%
Bars/ lounges	34.6%
Restaurants: high-end	34.3%
Quality/unique (non-chain) fashion boutique: women's	31.0%
Movie theaters	29.9%
Restaurants: fast food	29.3%
Personal services (e.g. dry cleaner, shoe repair, hair salon, etc.)	27.9%
High-end department stores (e.g. Saks, Bloomingdale's)	25.8%
Health spas/gyms	25.6%
Convenience stores (open late or 24 hours, e.g., 7-Eleven)	24.6%
Night clubs/dance clubs	23.2%
Quality/unique (non-chain) retailer: men's	21.3%
Professional services (e.g., opticians, doctors, dentists, etc.)	20.5%
Veterinary clinic/animal services (e.g. Petco. pet hotel)	6.2%
Other	12.6%

Summary Profile of Downtown Workers

Downtown's daytime worker population is estimated at approximately 500,000.

Of the Total respondents, 68% (69%) reported being employed in Downtown. This section profiles these employees. Generally, Downtown LA employees were ethnically diverse, skewed slightly more female, in their mid-30s, with high educational attainment and high household income. Four in 10 were married, while most had no children at home. More than one-half commuted to work by private auto, a change from the 2008 survey when more used public transit. They were employed in a diverse range of sectors, mainly services and government, and about one-half were at the executive or senior staff level.

Ethnicity:

Downtown employees were diverse, with 47% (47%) Caucasian, 22% (22%) Hispanic/Latino, nearly 20% (18%) Asian-American/Pacific Islander and 6.5% (10.3%) African-American. Thus, the ratio of Asian-American/Pacific Islanders rose slightly while the ratio of African-Americans dropped slightly from the 2008 study. Caucasians and Hispanic/Latino remained at the same level in 2011 as in 2008.

Gender:

Nearly 64% (65%) of employee respondents were female.

Age:

Employees' median age was 38.0 (38.5) years.

Education:

Seventy-three percent (72.2%) of Downtown LA employees completed at least a four-year college and averaged 15.5 (15.3) years of school.

Income:

Downtown LA employees reported a median household income of $88,500 versus $95,900 in 2008. It is likely that the lingering effects of the recession impacted total income in 2011.

Children at Home:

Only 13% (23%) of Downtown LA employees reported having children up to five years of age, while 22% (15%) had children aged 5-13 at home. Thus, among those who had children at home, fewer were in the younger age group (0-5), while more were in the older (5-18) age group in 2011 versus 2008.

Own versus Rent:

Less than one-half, or 45% (50%), of employees owned their residence, while 47% (42%) rented their residence (whereas 8% neither rented nor owned). This was a change from 2008 when more were owners than renters, again likely related to the economy and challenges in sales financing.

Employment Field:
Nearly one-third, or 30% (30%), of Downtown employee respondents were in business/professional services, with 15% (16%) in financial/insurance services, and 12% (15%) in government.

Employment Position:
Nearly 38% (38%) of employees were professional/senior staff, and 15% (13%) were top-level executives or management. Another 22% (26%) were at the clerical/general level.

Commuting to Work:
More than one-half, or 56%, of employees drove to work alone in 2011 compared to just 36% who did so in 2008. At the same time, 37% in 2011, versus 46% in 2008, commuted to work by public bus or train.

Residence:
Three in 10, or 30% (24%), of Downtown employees reported being Downtown LA residents.

Tenure at Residence:
Employees have lived in their current residence for 3.4 (4.4) years.

Pets:
One-half, or 50% (49%), of employees owned a pet.

Travel and Spending for Groceries:
Downtown employees traveled about 1.8 (2.3) miles to purchase their groceries. Employees' households spent a media of nearly $109 ($105) for their weekly groceries.

Eat Lunch Out in Downtown:
Almost all, or 94% (98%), of Downtown employees ate lunch out in Downtown at least once per month. Each one who did spent $14.05 ($12.34) (median) during lunch.

Eat Dinner Out in Downtown:
About three-fifths, or 63% (80%), of employees ate dinner out in Downtown at least once per month, and each one who did spent $29.12 ($26.69) (median) for dinner.

Retailers Wanted in Downtown:
Downtown employees most wanted more mid-level restaurants in Downtown.

Activities Attended:
Employees attended a median of 2.6 (2.3) live music and performance arts events in a year, visited a median of 2.4 (2.1) times to galleries/museums, and attended 1.9 (1.6) professional sports events.

Table 97: Summary Profile of Downtown Workers

	2011	2008
Base: Employed Downtown (only)	**7743**	**7409**
Percentage of Total respondents	68%	69%
Reside in Downtown	29.7%	24.3%
Reside outside of Downtown	70.3%	75.7%
Female/male	63.5%/36.5%	64.8%/35.2%
Median age	38.0	38.5
Ethnic/racial: Caucasian (non-Hispanic)	46.7%	47.1%
Hispanic/Latino	22.1%	22.4%
Asian/Pacific Islander	19.5%	18.1%
African-American	6.5%	10.3%
Completed 4-Year College or Higher/median years of education	73.0%/15.8	72.2%/15.5
Median household income (overall)	$88,700	$94,700
Median household Income (with wage earner)	$88,500	$95,900
Number in household (mean)	2.29	2.40
Married (heterosexual)	43.0%	44.6%
% with children aged 0-5 at home	12.7%	23.1%
% with children aged 5-18 at home (aged 5 -13 in 2008)	21.7%	15.1%
% Own/Rent current residence	45.0%/47.2%	50%/42%
Years at Current Residence (median)	3.4	4.4
Own A Pet	49.9%	49.1%
Distance (miles) travel for Groceries (median)	1.79	2.31
Median weekly Grocery Spending (household)	$108.81	$104.80
% Eat lunch out in Downtown (<once/month)	94.0%	98.4%
Median Spent For Lunch Out in Downtown (per-person)	$14.05	$12.34
% Eat Dinner out in Downtown (<once/month)	62.8%	79.7%
Median Spent For Dinner Out in Downtown (per-person)	$29.12	$26.69
Want (more) mid-level Restaurant in Downtown	63.3%	62.4%
Median Times/Year Attend: Downtown live music, theater plays, opera, dance	2.62	2.32
Median Times/Year Downtown Art museums or galleries	2.36	2.11
Median Times/Year Downtown Professional sports events	1.90	1.59
Industry of Employment: Business/professional/technical services	29.7%	29.8%
Financial services /insurance	14.5%	16.4%
Government (including military)	11.5%	14.9%
Position: Professional/senior staff (incl. educators)	37.8%	38.0%
Clerical or general staff	22.4%	26.0%
Top-level executive or manager	15.2%	13.3%
Commute to work: Alone by car	56.4%	35.8%
LA Metro/other Public Bus Service	16.1%	23.6%
LA Metro subway or light rail	21.1%	22.0%

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