



APPENDIX F ESGVAP Task 2.1, Key Industries, Market Analysis, and Regulatory Analysis Memos

Memorandum

To: Los Angeles County Department of Regional Planning

From: BAE Urban Economics

Date: July 28, 2021

Re: **FINAL Key Industries Memorandum (ESGVAP Task 2. Economic Development Element, Subtask 2.1a)**

The Key Industries Memorandum is intended to help the Los Angeles County Department of Regional Planning and other stakeholders better understand the primary employment and economic growth generators in the East San Gabriel Valley, as well as their anticipated growth and/or decline based on industry growth forecasts.

The Memo begins with a summary of jobs and employment data, both in the East San Gabriel Valley's Unincorporated Communities as well as benchmarked against all cities and communities within the Plan Area Boundary. This summary includes the distribution of local jobs by industry sector, their relative growth over the past decade, and other factors.

In addition to an analysis of local employment data, this Memo also describes the characteristics of employed Plan Area residents, the majority of whom commute outside of their communities to work. For these residents, the Memo describes the industry sectors in which they are employed, as well as their education levels, occupational categories, age, and range of wages. This will explore the extent to which the skillsets of existing employed residents are an appropriate "match" for existing and/or potential employment opportunities within the Plan Area's Unincorporated Communities.

Ultimately, the intent of this Memo is to provide background information that will help support the forthcoming Economic Development Element of the East San Gabriel Valley Area Plan (ESGVAP), with a specific focus on how economic development can support the labor market across the socioeconomic spectrum, keeping equity in mind.

Methodology and Assumptions

Key industries are described using the North American Industry Classification System (NAICS). The NAICS uses a production-oriented approach to categorize industries by focusing on how products and services are created. For the purposes of this analysis, broad industry categories are classified

San Francisco

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Berkeley, CA 94710
510.547.9380

Sacramento

803 2nd St., Suite A
Davis, CA 95616
530.750.2195

Los Angeles

448 South Hill St., Suite 701
Los Angeles, CA 90013
213.471.2666

Washington DC

1140 3rd St. NE, 2nd Floor
Washington, DC 20002
202.588.8945

New York City

234 5th Ave.
New York, NY 10001
212.683.4486

by their two-digit NAICS code. Point-in-time employment data is provided by ESRI, a third-party vendor that uses proprietary algorithms and spatial information to aggregate and update demographic and economic data. At the time of data collection, the most recent year for which Esri data is available was 2020. GIS shapefiles received from the County were imported into the Esri application, which produce “custom” geographies for any bisected Block Groups.

Trend data (e.g., growth in employment over time), as well as an analysis of employed resident characteristics, is sourced from the Longitudinal Employer-Household Dynamics (LEHD) mapping tool. At the time of data collection, the most recent year for which LEHD data was available is 2018. Similar to the Esri data pull, GIS shapefiles were imported into the LEHD mapping tool.

Job growth forecasts for Los Angeles County, broken down by industry sector through 2026, were gathered from the California Employment Development Department (EDD) to help identify potential growing (and declining) local industries.

Analysis Geographies

For the purposes of this Memo, the “ESGV Plan Area Communities” geography refers specifically to the 24 unincorporated communities located within the Plan Area.

The “East San Gabriel Valley (ESGV) Plan Area”, meanwhile, refers to the entire area encompassed by the Plan Area boundary. This includes all the ESGV Plan Area Communities as described above, as well as the 13 incorporated cities located in the East San Gabriel Valley. This geography is intended to serve as the “Benchmark Area” for analyzing the more targeted Plan Area Communities.

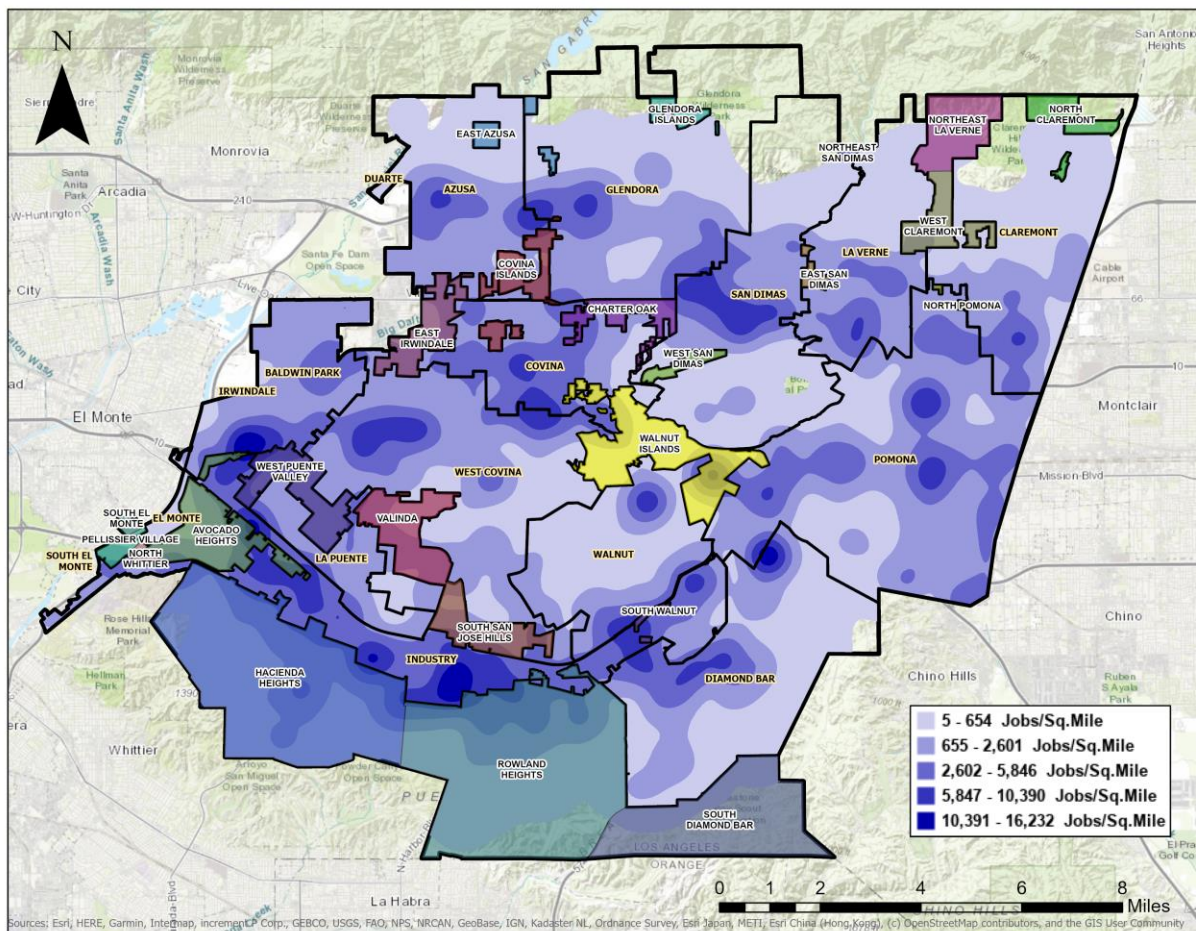
Heat Map of Job Density in the East San Gabriel Valley

Figure 1 displays a heat map produced by LEHD, which shows the location of “All Jobs” within the East San Gabriel Valley Area Plan Boundary.

As shown in this Figure, a majority of ESGV Plan Area jobs are concentrated in the southwest portion of the Planning Area, clustered along the Southern Pacific Railroad (SPRR) right-of-way, as well as outside the City of Industry, a jurisdiction that incentivizes employment-generating users with benefits such as no utility taxes, business license fees, or hours of operation restrictions.

Hacienda Heights and Rowland Heights, in the sections north of State Route (SR) 60, also have high employment concentrations in the industrial areas that cluster along railroad lines. Industrial uses are also adjacent to residential uses in the South San Jose Hills community.

Figure 1: ESGVAP Employment Area



Sources: Los Angeles County, 2021; BAE, 2021.

Employment by Industry Sector

ESGV Plan Area Communities employed approximately 35,951 workers in 2020 (Table 1). Workers in these Plan Area Communities are most represented in the following industry sectors: Retail (14.5 percent), Wholesale Trade (12.6 percent), Educational Services (11.6 percent), Manufacturing (9.5 percent), and Accommodation and Food Services (8.9 percent). Taken together, these sectors accounted for over half, or 57 percent, of total employment.

A more detailed description of major employers associated with each of these industry sectors can be found in the Key Employers by Industry section of this Memo. A Commute Shed Analysis that identifies commuter origin locations will be provided in the forthcoming Surrounding Jurisdictions Memo.

The larger East San Gabriel Valley, meanwhile, had an identical share of employment in the Retail sector (14.5 percent of total employment). However, the benchmark area had significantly higher employment concentrations in the fields of Health Care (12.4 percent versus 6.7 percent), and a slightly higher share of employment in Manufacturing (10.2 percent versus 9.5 percent).

ESGV Plan Area Communities, meanwhile, had slightly higher employment concentrations in the fields of Wholesale Trade (12.6 percent versus 7.9 percent), as well as Educational Services (11.7 percent versus 9.3 percent). While educational facilities are generally distributed across multiple land use designations, Wholesale Trade industries tend to locate exclusively in Manufacturing and Commercial-Manufacturing zones.

Table 1: Employment by Industry, 2020

Industry	ESGV Plan Area Communities		East San Gabriel Valley	
	Number	Percent	Number	Percent
Retail Trade	5,203	14.5%	45,612	14.5%
Wholesale Trade	4,512	12.6%	24,902	7.9%
Educational Services	4,189	11.7%	29,249	9.3%
Manufacturing	3,421	9.5%	32,085	10.2%
Accommodation/Food Services	3,182	8.9%	27,707	8.8%
Health Care/Social Assistance	2,416	6.7%	39,034	12.4%
Other Services (excl Public Administration)	2,363	6.6%	18,245	5.8%
Professional/Scientific/Tech Services	1,701	4.7%	15,985	5.1%
Finance & Insurance	1,527	4.2%	11,119	3.5%
Public Administration	1,279	3.6%	14,999	4.8%
Admin/Support/Waste Mgmt&Remediation	1,208	3.4%	9,063	2.9%
Real Estate/Rental/Leasing	1,185	3.3%	8,566	2.7%
Construction	1,165	3.2%	12,524	4.0%
Transportation/Warehouse	1,076	3.0%	7,847	2.5%
Arts/Entertainment/Recreation	844	2.3%	8,320	2.6%
Information	447	1.2%	6,332	2.0%
Management of Companies/Enterprises	95	0.3%	724	0.2%
Unclassified Establishments	88	0.2%	1,241	0.4%
Utilities	25	0.1%	1,010	0.3%
Agriculture/Forestry/Fishing/Hunting	22	0.1%	279	0.1%
Mining	3	0.0%	85	0.0%
Total Workers	35,951	100.0%	314,928	100.0%

Sources: ESRI Business Analyst, 2020; BAE 2021

Employment by Plan Area Community

Taken together, the communities of Rowland Heights, Avocado Heights, and Hacienda Heights employed approximately 26,381 workers, representing nearly three-quarters of total employment across the ESGV Plan Area Communities (Table 2). Not coincidentally, these Plan Area Communities are generally characterized by a higher share of non-residential land use designations, including CG (General Commercial) and IL (Light Industrial). A more detailed description of the specific industry sectors associated with each Plan Area Community can be found in the Appendix.

Table 2: Jobs by Plan Area Community, 2020

ESGV Plan Area Communities	Total Workers	
	Number	Percent
Rowland Heights	10,222	28.4%
Avocado Heights	8,681	24.1%
Hacienda Heights	7,478	20.8%
South San Jose Hills	1,563	4.3%
West Puente Valley	1,408	3.9%
South Walnut	1,135	3.2%
Valinda	1,020	2.8%
Charter Oak	984	2.7%
Walnut Islands	688	1.9%
East Irwindale	640	1.8%
Covina Islands	585	1.6%
Pellissier Village	522	1.5%
North Whittier	355	1.0%
All Other Communities (a)	670	1.9%
Total Workers	35,951	100.0%
East San Gabriel Valley	314,928	
LA County	4,141,065	

Note:

(a) Includes communities of East Azusa, East San Dimas, Glendora Islands, North Claremont, North Pomona, Northeast La Verne, Northeast San Dimas, South Diamond Bar, South El Monte, West Claremont, and West San Dimas.

Sources: ESRI Business Analyst, 2020; BAE, 2021.

Prevailing industry sectors (and their associated land uses) differ significantly by Plan Area Community. In Rowland Heights, for example, 17.6 percent of total employment occurs in industries typically associated with office space (Table 3). Maps associated with each of these Building Types can be found in the Market Analysis Memo.

Table 3: Employment by Land Use and Building Type, 2020

ESGV Plan Area Communities	Total Workers	By Land Use Type		
		Retail	Industrial (a)	Office (b)
Rowland Heights	10,222	17.7%	22.1%	17.6%
Avocado Heights	8,681	15.3%	51.4%	7.2%
Hacienda Heights	7,478	11.5%	10.7%	20.0%
South San Jose Hills	1,563	23.4%	12.0%	10.6%
West Puente Valley	1,408	10.0%	19.2%	5.9%
South Walnut	1,135	7.9%	55.0%	15.8%
Valinda	1,020	12.6%	4.7%	10.7%
Charter Oak	984	18.9%	11.3%	15.2%
Walnut Islands	688	2.8%	2.0%	12.8%
East Irwindale	640	13.3%	17.2%	13.6%
Covina Islands	585	9.2%	6.0%	15.7%
Pellissier Village	522	6.9%	8.4%	2.1%
North Whittier	355	7.9%	7.0%	2.3%
All Other Communities (c)	670	9.9%	4.0%	8.5%
All Communities	35,951	14.5%	25.1%	13.8%

Notes:

(a) Industrial Land Uses defined by Manufacturing, Wholesale Trade, and Transportation and Warehousing industry sectors.

(b) Office Land Uses defined by Information, Finance and Insurance, Real Estate, Professional/Tech, and Management sectors.

(c) Includes communities of East Azusa, East San Dimas, Glendora Islands, North Claremont, North Pomona, Northeast La Verne, Northeast San Dimas, South Diamond Bar, South El Monte, West Claremont, and West San Dimas.

Sources: ESRI Business Analyst, 2020; BAE, 2021.

In Hacienda Heights, the share of office space rises to 20.0 percent of total employment—the highest share of all Plan Area Communities.

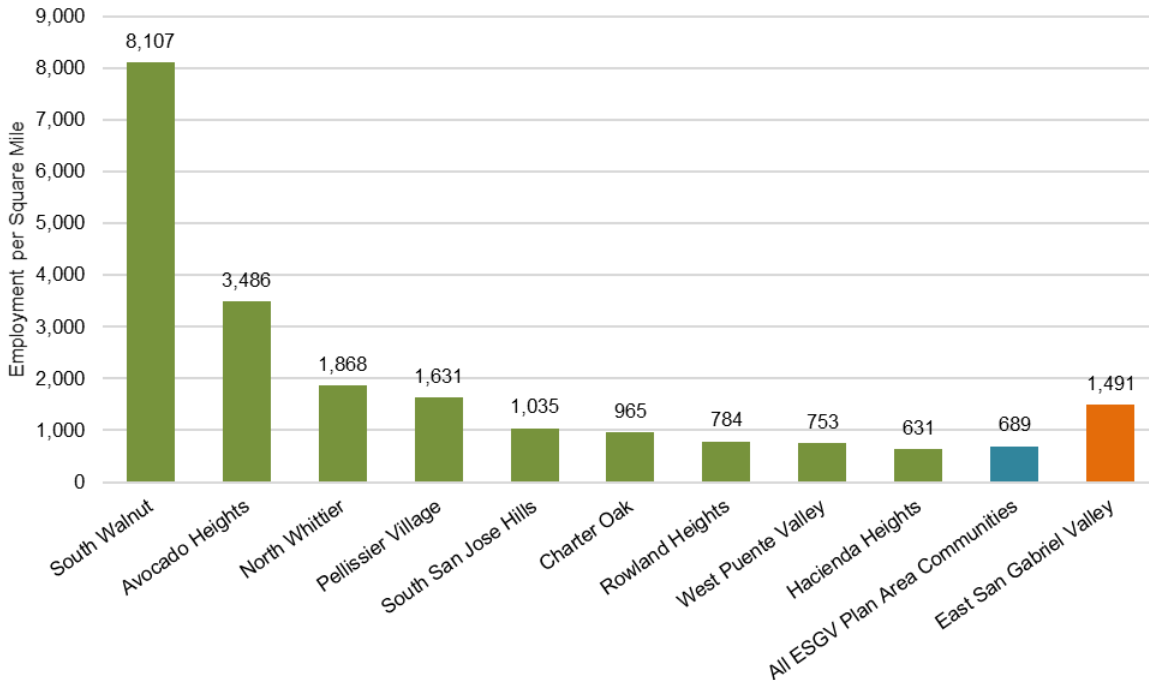
Avocado Heights, in contrast, features a much higher share of employment in industries associated with industrial space. 51.4 percent of all employment in this community is associated with Manufacturing, Wholesale Trade, Transportation and Warehousing. Only 7.2 percent of total employment in Avocado Heights, meanwhile, is concentrated industries associated with office space. South Walnut, an industrial island zoned exclusively for industrial uses, features a similarly high share of industry employment associated with the need for industrial space.

A more detailed description of the Industrial, Office, and Retail real estate markets can be found in the companion Market Analysis Memorandum.

Job Density

In addition to the number of workers within each Plan Area Community, employment densities also vary significantly. Communities with a comparatively high ratio of manufacturing and/or commercial land use designations tend to feature more employees per square mile than the East San Gabriel Valley average. These include South Walnut, with approximately 8,107 employees per square mile, and Avocado Heights, with some 3,486 employees per square mile (Figure 2).

Figure 2: Employment Density per Square Mile by Unincorporated Community, 2020



Sources: Data Axel via ESRI Business Analyst, 2020; BAE, 2021.

Employment Growth Over Time

As described in the Methodology section, employment trend data is sourced from the Longitudinal Employer-Household Dynamics (LEHD) mapping tool from the U.S. Census, whose methodology differs slightly from that of Esri.¹ Regardless, it does provide some important context with respect to the comparative growth and/or decline of various industry sectors in the ESGV Plan Area Communities.

Overall, employment growth within the ESGV Plan Area Communities has been slightly lower than in Los Angeles County as a whole. Employment in ESGV Plan Area Communities grew by approximately 9.6 percent between 2010 and 2018, while employment in Los Angeles County grew 13.4 percent over the same time period (Table 4).

In terms of total jobs, ESGV industry sectors that grew faster than the Los Angeles County average included the fields of Construction, Educational Services, Transportation and Warehousing, and Health Care and Social Assistance. Industry sectors with growth that was lower than the County average, meanwhile, included Manufacturing, Wholesale Trade, and Retail Trade.

Table 4: Employment Growth by Industry Sector, 2010 to 2018

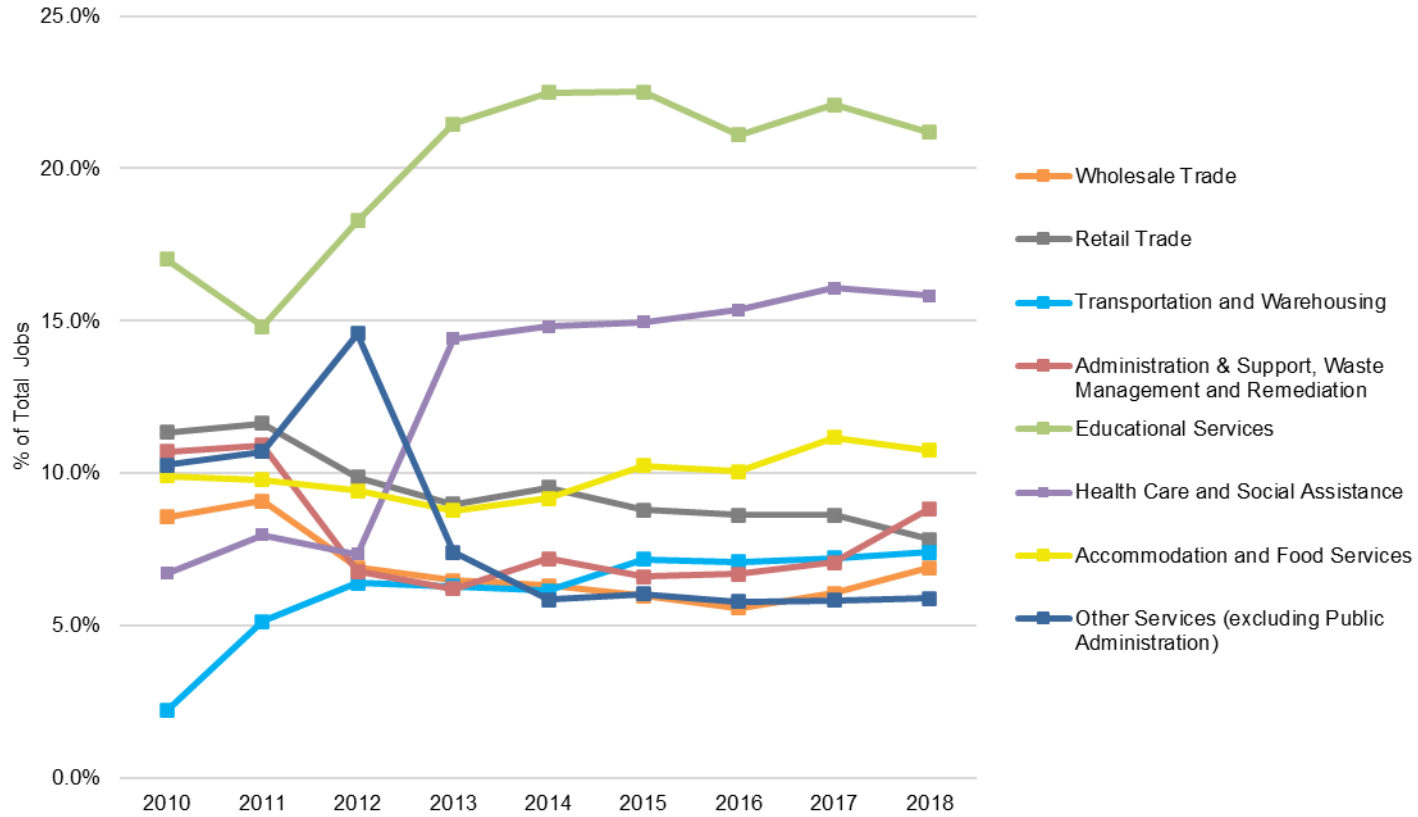
Industry	ESGV Plan Area Communities				% Change, 2010-2018	LA County
	2010		2018			% Change,
	Number	Percent	Number	Percent		2010-2018
Construction	1,057	3.0%	1,932	5.0%	82.8%	43.2%
Manufacturing	1,868	5.3%	1,106	2.9%	-40.8%	-11.2%
Wholesale Trade	3,009	8.6%	2,658	6.9%	-11.7%	7.3%
Retail Trade	3,982	11.3%	3,015	7.8%	-24.3%	7.7%
Transportation and Warehousing	781	2.2%	2,855	7.4%	265.6%	30.4%
Information	214	0.6%	98	0.3%	-54.2%	17.8%
Finance and Insurance	735	2.1%	822	2.1%	11.8%	-2.5%
Real Estate and Rental and Leasing	390	1.1%	729	1.9%	86.9%	21.1%
Professional Services	1,010	2.9%	894	2.3%	-11.5%	17.1%
Management of Companies and Enterprises	260	0.7%	130	0.3%	-50.0%	8.8%
Admin & Support, Waste Mgmt	3,763	10.7%	3,402	8.8%	-9.6%	23.1%
Educational Services	5,982	17.0%	8,154	21.2%	36.3%	-1.5%
Health Care and Social Assistance (a)	2,359	6.7%	6,095	15.8%	158.4%	63.3%
Arts, Entertainment, and Recreation	314	0.9%	139	0.4%	-55.7%	33.1%
Accommodation and Food Services	<u>3,483</u>	<u>9.9%</u>	<u>4,143</u>	<u>10.8%</u>	<u>18.9%</u>	<u>36.0%</u>
Total Jobs	35,126	100.0%	38,502	100.0%	9.6%	13.4%

Note: Significant jump in Health Care and Social Assistance employment likely result of 2013 reclassification of home care for the elderly from "Other Services" Industry sector.

Sources: Longitudinal Employer-Household Dynamics On The Map via U.S. Census Bureau, 2018; BAE, 2021.

¹ Total Jobs (OTM) likely higher than Esri total because it includes total jobs, not just primary jobs. For example, a part-time fast food worker. It does not, however, include self-employed jobs.

Figure 3: Number of Jobs by Industry, ESGV Plan Area Communities, 2010-2018



Note: In 2013, many establishments that provide home care for the elderly were reclassified from NAICS 814110 (including "Other Service") to 624120 (including "Health Care"). This contributed to the large jump in Health Care employment over the year.

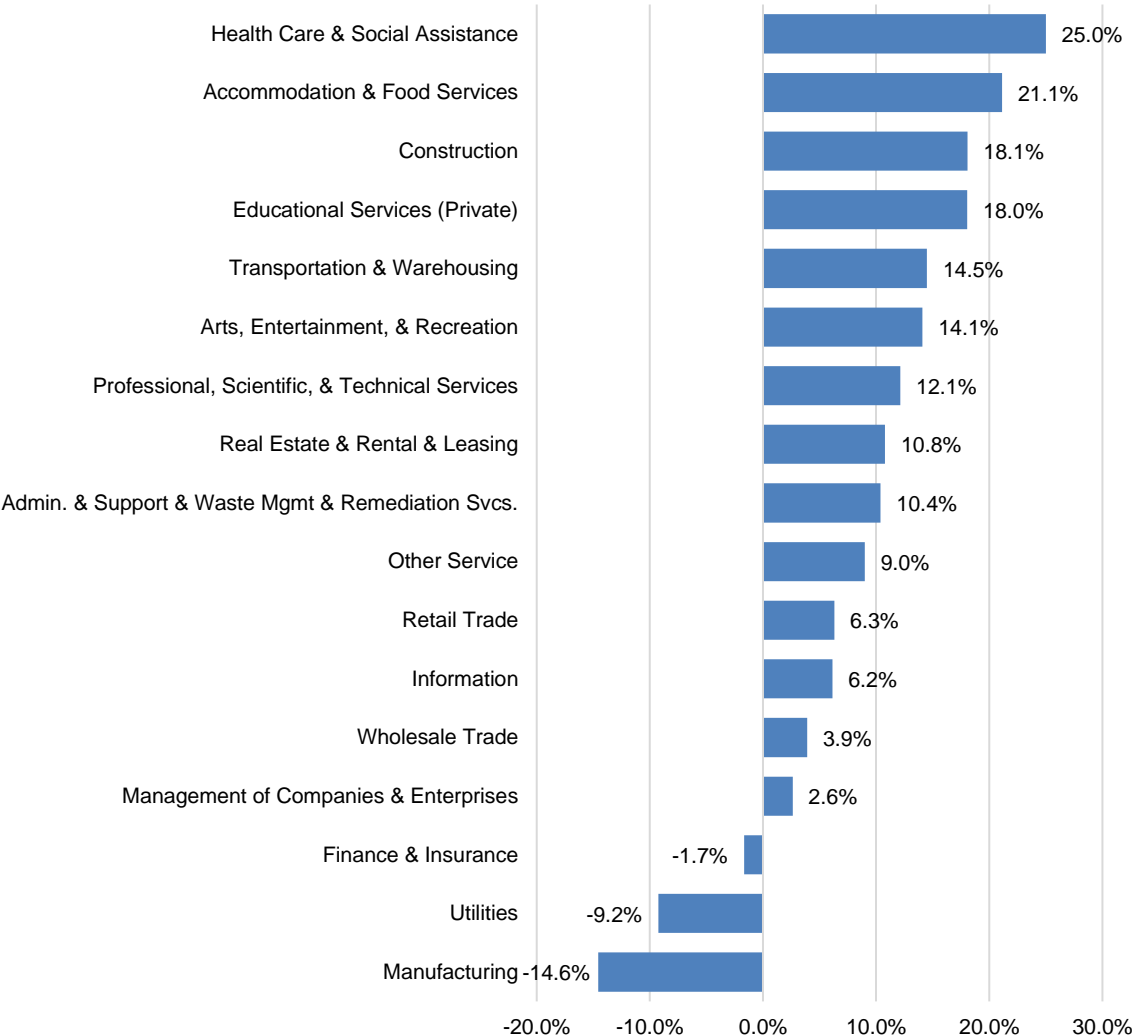
Sources: Longitudinal Employer-Household Dynamics On The Map via U.S. Census Bureau, 2018; BAE, 2021.

Employment Growth Forecasts in LA County

Los Angeles County job growth estimates by industry sector through 2026 are shown below. Overall, Healthcare and Social Assistance, Accommodation and Food Services, and Construction are forecast to see the highest rates of job growth across Los Angeles County, according to projections from the California EDD.

The Manufacturing sector, meanwhile, is forecast to see the steepest decline in local employment, shedding up to 14.6 percent of private-sector jobs in the coming years. The companion Market Analysis Memo describes how industrial/flex spaces in the ESGV Plan Area Communities may be able to pivot to accommodate employment sectors with higher growth potential.

Figure 4: Projected Private Employment Growth by Industry Sector, Los Angeles County, 2016-2026



Sources: California Employment Development Department, 2019; BAE, 2021.

Resident Employment by Industry

The following section describes the characteristics of **employed Plan Area residents**, including their occupational breakdown, age, income, education level, and other factors. This is intended to help determine the extent to which the skillsets of existing employed residents are an appropriate “match” for employment opportunities within the ESGV Plan Area Communities.

The ESGV Plan Area Communities employ approximately 35,591 workers, but contain 99,931 employed residents (Table 5). This indicates that the ESGV Plan Area Communities are a net exporter of workers, and that many Community residents must travel elsewhere to reach their primary place of employment.

Table 5: Jobs to Employed Residents, ESGV Plan Area Communities, 2020

Industry	Employed Residents		Jobs	
	Number	Percent	Number	Percent
Agriculture/Forestry/Fishing/Hunting	493	0.5%	22	0.1%
Mining/Quarrying/Oil & Gas Extraction	51	0.1%	3	0.0%
Construction	6,880	6.9%	1,165	3.2%
Manufacturing	12,458	12.5%	3,421	9.5%
Wholesale Trade	5,429	5.4%	4,512	12.6%
Retail Trade	10,525	10.5%	5,203	14.5%
Transportation/Warehousing	7,080	7.1%	1,076	3.0%
Utilities	980	1.0%	25	0.1%
Information	1,606	1.6%	447	1.2%
Finance/Insurance	4,123	4.1%	1,527	4.2%
Real Estate/Rental/Leasing	2,198	2.2%	1,185	3.3%
Professional/Scientific/Tech Services	5,523	5.5%	1,701	4.7%
Management of Companies/Enterprises	132	0.1%	95	0.3%
Admin/Support/Waste Management Services	4,918	4.9%	1,208	3.4%
Educational Services	7,660	7.7%	4,189	11.7%
Health Care/Social Assistance	14,189	14.2%	2,416	6.7%
Arts/Entertainment/Recreation	1,427	1.4%	844	2.3%
Accommodation/Food Services	6,065	6.1%	3,182	8.9%
Other Services (excl Public Administration)	4,106	4.1%	2,363	6.6%
Public Administration	4,088	4.1%	1,279	3.6%
Unclassified	0	0.0%	88	0.2%
Total	99,931	100.0%	35,951	100.0%

Sources: Data Axel via ESRI Business Analyst, 2020; BAE, 2021.

This imbalance is due in large part to the overwhelming share of land in the ESGV Plan Area that is dedicated towards residential land uses (e.g. H9, H2, and H5), as opposed to commercial and industrial land uses.

As shown in Table 6, compared to the larger benchmark area, employed residents in the ESGV Plan Area Communities retain a relatively strong presence in the fields of Manufacturing (12.5 percent versus 11.2 percent), Wholesale Trade (5.4 percent versus 4.8 percent), and Transportation and Warehousing (7.1 percent versus 5.9 percent).

In other industry sectors, however, ESGV Plan Area Community employed residents are less well represented. These include Educational Services (7.7 percent versus 9.7 percent) and Professional and Technical Services (5.5 percent versus 6.3 percent).

Table 6: Resident Employment by Industry

Industry	ESGV Plan Area Communities		East San Gabriel Valley	
	Number	Percent	Number	Percent
Agriculture/Forestry/Fishing/Hunting	493	0.5%	2,431	0.6%
Mining/Quarrying/Oil & Gas Extraction	51	0.1%	330	0.1%
Construction	6,880	6.9%	29,293	7.1%
Manufacturing	12,458	12.5%	46,048	11.2%
Wholesale Trade	5,429	5.4%	19,506	4.8%
Retail Trade	10,525	10.5%	40,633	9.9%
Transportation/Warehousing	7,080	7.1%	24,295	5.9%
Utilities	980	1.0%	4,320	1.1%
Information	1,606	1.6%	7,503	1.8%
Finance/Insurance	4,123	4.1%	16,738	4.1%
Real Estate/Rental/Leasing	2,198	2.2%	8,803	2.1%
Professional/Scientific/Tech Services	5,523	5.5%	25,966	6.3%
Management of Companies/Enterprises	132	0.1%	503	0.1%
Admin/Support/Waste Management Services	4,918	4.9%	19,705	4.8%
Educational Services	7,660	7.7%	39,637	9.7%
Health Care/Social Assistance	14,189	14.2%	61,113	14.9%
Arts/Entertainment/Recreation	1,427	1.4%	6,224	1.5%
Accommodation/Food Services	6,065	6.1%	21,987	5.4%
Other Services (excl Public Administration)	4,106	4.1%	18,106	4.4%
Public Administration	4,088	4.1%	17,482	4.3%
Total Employed Residents	99,931	100.0%	410,623	100.0%
Unemployment Rate	16.6%		16.2%	

Sources: ESRI Business Analyst, 2020; BAE, 2021.

Educational Attainment

Employed residents in the ESGV Plan Area Communities areas have slightly lower levels of formal educational attainment compared to the larger benchmark area and Los Angeles County. As shown in Table 7, approximately 27.1 percent of employed residents had received a bachelor's degree or higher, compared to 27.5 percent in the benchmark area and 29.6 percent in Los Angeles County.

Table 7: Educational Attainment by Employed Residents, 2018

Educational Attainment	ESGV Plan Area Communities		East San Gabriel Valley		LA County	
	Number	Percent	Number	Percent	Number	Percent
Less than high school	17,980	24.1%	66,583	22.9%	636,196	21.0%
High school or equivalent, no college	15,272	20.5%	60,190	20.7%	621,376	20.5%
Some college or Associate degree	21,133	28.3%	84,226	28.9%	880,078	29.0%
Bachelor's degree or advanced degree	20,179	27.1%	79,997	27.5%	897,105	29.6%
Total Employed Resident Population Age 30+	74,564	100.0%	290,996	100.0%	3,034,755	100.0%
Population 30+ High School Graduate (incl. Equivalency) or Higher (%)	56,584	75.9%	224,413	77.1%	2,398,559	79.0%
Population 30+ with Some College or Associate Degree or Higher (%)	41,312	55.4%	164,223	56.4%	1,777,183	58.6%

Sources: Longitudinal Employer-Household Dynamics On The Map via U.S. Census Bureau, 2018; BAE, 2021.

Employed residents in the ESGV Plan Area Communities without a high school diploma account for 24.1 percent of the population aged 30 or older—a higher share than both the benchmark area as well as the County.

Age Distribution

The age distribution of employed residents in the ESGV Plan Area Communities tracks more closely with the benchmark area and Los Angeles County than educational attainment. Table 8 illustrates that approximately 22.9 percent of employed ESGV Plan Area residents are aged 29 or younger, a share that is similar to the benchmark area and Los Angeles County (both 22.7 percent). Age distributions for employed residents are also similar in the 30 to 54 range, as well as those 55 or older.

Table 8: Age Distribution by Employed Residents, 2018

Age	ESGV Plan Area Communities		East San Gabriel Valley		LA County	
	Number	Percent	Number	Percent	Number	Percent
Age 29 or younger	22,144	22.9%	85,618	22.7%	891,487	22.7%
Age 30 to 54	51,712	53.5%	201,583	53.5%	2,142,921	54.6%
Age 55 or older	22,852	23.6%	89,413	23.7%	891,834	22.7%
Total Employed Resident Population	96,708	100.0%	376,614	100.0%	3,926,242	100.0%

Sources: Longitudinal Employer-Household Dynamics On The Map via U.S. Census Bureau, 2018; BAE, 2021.

Income Distribution

A slightly smaller share of employed residents in the ESGV Plan Area Communities earn more than \$3,333 per month when compared to the benchmark area and Los Angeles County (Table 9). This could in part be related to the lower levels of formal education as detailed above, as well as the comparatively high concentration of employment in lower-paying industries such as Retail and Accommodation and Food Services.

Table 9: Monthly Income Distribution by Employed Residents, 2018

Monthly Income Distribution	ESGV Plan Area Communities		East San Gabriel Valley		LA County	
	Number	Percent	Number	Percent	Number	Percent
\$1,250 per month or less	15,937	16.5%	61,433	16.3%	642,404	16.4%
\$1,251 to \$3,333 per month	35,767	37.0%	135,725	36.0%	1,364,091	34.7%
More than \$3,333 per month	45,004	46.5%	179,456	47.6%	1,919,747	48.9%
Total Employed Resident Population	96,708	100.0%	376,614	100.0%	3,926,242	100.0%

Sources: Longitudinal Employer-Household Dynamics On The Map via U.S. Census Bureau, 2018; BAE, 2021.

As noted above, key industry sectors in the ESGV Plan Area Communities include Retail (14.5 percent of total employment); Wholesale Trade (12.6 percent); and Manufacturing (9.5 percent). Jobs in these sectors generally do not require high levels of formal education, but do demand extensive training, either on the job or through vocational education programs.

Key ESGV Plan Area Community Employers by Industry Sector

The following section intends to shed additional light on the specific employers and range of business types associated with the most common industry sectors in the ESGV Plan Area Communities.

- Employment in the Retail sector (14.5 percent of total employment) is not related to the presence of a single destination shopping or power center; rather, it comprises a wide range of discount stores and markets that are often focused on serving the needs of Latino, Asian, and other immigrant communities. Significant employers include a Von's in Hacienda Heights, as well as Greenland Market, a Korean grocery in Rowland Heights. Retail employment also includes business-to-business (B2B) operators in traditional manufacturing areas, as well as food importers such as America Tohkin in South San Jose Hills.
- Jobs in the Wholesale Trade category (12.6 percent of total employment) are spread across the East San Gabriel Valley and include a diverse array of firms. These include PacWest Scale, a digital scale supplier in Charter Oak; as well as Pac Dent, a dental product wholesaler in South Walnut. Wholesale Trade firms are also associated with pallet suppliers and storage locations, which are particularly prevalent in Avocado Heights.
- Employment in the Educational Services sector (11.7 percent of total employment) is driven by elementary, middle, and high schools located within districts such as the Hacienda La Puente Unified School District (one of the largest school districts by enrollment in the East San Gabriel Valley), as well as the Rowland Unified School District and others. Private institutions include facilities such as the Haynes Education Center in West Claremont; Bishop Amat Memorial High School in West Puente Valley; Southlands Christian School in Rowland Heights; and others.

- Jobs in the Manufacturing sector (9.5 percent of total employment) are most concentrated in Avocado Heights, South Walnut, and the north edge of Rowland Heights. Firms include Esco Aerospace Manufacturing, a small firm in Avocado Heights which specializes in aerospace components, and Kingbright, a Taiwanese LED manufacturer in South Walnut. Also prevalent in this sector are tile and cabinet manufacturers, as well as welding, chrome plating, and ironworks shops.

Preliminary Observations and Next Steps

- The companion Market Analysis Memorandum will analyze the extent to which local declines in ESGV Plan Area Community employment (or comparative lack of growth) may be related to constraints in the existing building stock, such as building age, average floorplate size, lot depth, use restrictions and/or other factors.
- The Memo will also describe how these employment-generating areas may better position themselves to capture some of the industry sectors forecast to grow in Los Angeles County, such as Health Care and Social Assistance, Transportation, and other “niche” sectors such as industrial kitchens/food prep; sound stages and media production; green technology firms; and urban farming/agriculture.
- Approximately 12,458 ESGV Plan Area residents are employed in the Manufacturing sector. As described in the previous section, this industry sector is forecast to shed thousands of local jobs in the coming years, according to employment forecasts from the California EDD. As such, ESGV residents without adequate job training in other sectors may be more susceptible to unemployment.
- ESGV Plan Area Communities report that nearly one-quarter of employed residents aged 30 or older do not have a high school diploma. Some of these residents may struggle with basic language skills or lack qualification to enter specialized technical and vocational programs that could connect them to stable and well-paying employment in the area.
- Meanwhile, some 28.3 percent of ESGV Plan Area Community employed residents aged 30 or older have attended some college, but do not necessarily have an associate degree. Some of these residents may have received technical or vocational education to earn certifications or professional licensure. These residents with a high school diploma but no college experience may be appropriate to target for vocational training opportunities that would prepare them to access job opportunities in the area.

Appendix

Table 10: Industry Sector Employment by Plan Area Community, 2020

Industry	Rowland Heights		Avocado Heights		Hacienda Heights	
	Number	Percent	Number	Percent	Number	Percent
Agriculture/Forestry/Fishing/Hunting	6	0.1%	5	0.1%	6	0.1%
Mining	0	0.0%	1	0.0%	0	0.0%
Utilities	5	0.0%	2	0.0%	2	0.0%
Construction	274	2.7%	218	2.5%	251	3.4%
Manufacturing	839	8.2%	1,730	19.9%	252	3.4%
Wholesale Trade	1,063	10.4%	2,513	28.9%	304	4.1%
Retail Trade	1,812	17.7%	1,331	15.3%	860	11.5%
Transportation/Warehouse	352	3.4%	218	2.5%	242	3.2%
Information	197	1.9%	37	0.4%	111	1.5%
Finance & Insurance	643	6.3%	84	1.0%	500	6.7%
Real Estate/Rental/Leasing	428	4.2%	65	0.7%	451	6.0%
Professional/Scientific/Tech Services	459	4.5%	439	5.1%	424	5.7%
Management of Companies/Enterprises	68	0.7%	2	0.0%	13	0.2%
Admin/Support/Waste Mgmt&Remediation	262	2.6%	330	3.8%	182	2.4%
Educational Services	999	9.8%	113	1.3%	1,169	15.6%
Health Care/Social Assistance	429	4.2%	157	1.8%	855	11.4%
Arts/Entertainment/Recreation	305	3.0%	126	1.5%	132	1.8%
Accommodation/Food Services	1,315	12.9%	301	3.5%	968	12.9%
Other Services (excl Public	653	6.4%	414	4.8%	612	8.2%
Public Administration	105	1.0%	562	6.5%	127	1.7%
Unclassified Establishments	8	0.1%	33	0.4%	17	0.2%
Total Workers	10,222	100.0%	8,681	100.0%	7,478	100.0%

Industry	South San Jose Hills		West Puente Valley		South Walnut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture/Forestry/Fishing/Hunting	2	0.1%	0	0.0%	1	0.1%
Mining	0	0.0%	1	0.1%	0	0.0%
Utilities	0	0.0%	0	0.0%	8	0.7%
Construction	59	3.8%	29	2.1%	71	6.3%
Manufacturing	47	3.0%	129	9.2%	240	21.1%
Wholesale Trade	111	7.1%	77	5.5%	267	23.5%
Retail Trade	366	23.4%	141	10.0%	90	7.9%
Transportation/Warehouse	29	1.9%	65	4.6%	117	10.3%
Information	14	0.9%	7	0.5%	33	2.9%
Finance & Insurance	41	2.6%	31	2.2%	25	2.2%
Real Estate/Rental/Leasing	61	3.9%	11	0.8%	18	1.6%
Professional/Scientific/Tech Services	49	3.1%	32	2.3%	100	8.8%
Management of Companies/Enterprises	0	0.0%	2	0.1%	3	0.3%
Admin/Support/Waste Mgmt&Remediation	12	0.8%	7	0.5%	23	2.0%
Educational Services	510	32.6%	356	25.3%	27	2.4%
Health Care/Social Assistance	64	4.1%	213	15.1%	23	2.0%
Arts/Entertainment/Recreation	14	0.9%	138	9.8%	20	1.8%
Accommodation/Food Services	77	4.9%	41	2.9%	25	2.2%
Other Services (excl Public	94	6.0%	75	5.3%	38	3.3%
Public Administration	8	0.5%	52	3.7%	4	0.4%
Unclassified Establishments	5	0.3%	1	0.1%	2	0.2%
Total Workers	1,563	100.0%	1,408	100.0%	1,135	100.0%

Table 11: Industry Sector Employment by Plan Area Community, Continued

Industry	Valinda		Charter Oak		Walnut Islands	
	Number	Percent	Number	Percent	Number	Percent
Agriculture/Forestry/Fishing/Hunting	0	0.0%	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%	0	0.0%
Utilities	0	0.0%	2	0.2%	2	0.3%
Construction	66	6.5%	68	6.9%	14	2.0%
Manufacturing	8	0.8%	64	6.5%	8	1.2%
Wholesale Trade	29	2.8%	41	4.2%	4	0.6%
Retail Trade	129	12.6%	186	18.9%	19	2.8%
Transportation/Warehouse	11	1.1%	6	0.6%	2	0.3%
Information	7	0.7%	23	2.3%	3	0.4%
Finance & Insurance	43	4.2%	50	5.1%	20	2.9%
Real Estate/Rental/Leasing	29	2.8%	50	5.1%	27	3.9%
Professional/Scientific/Tech Services	30	2.9%	23	2.3%	36	5.2%
Management of Companies/Enterprises	0	0.0%	4	0.4%	2	0.3%
Admin/Support/Waste Mgmt&Remediation	31	3.0%	13	1.3%	10	1.5%
Educational Services	281	27.5%	103	10.5%	253	36.8%
Health Care/Social Assistance	79	7.7%	121	12.3%	147	21.4%
Arts/Entertainment/Recreation	20	2.0%	13	1.3%	11	1.6%
Accommodation/Food Services	191	18.7%	61	6.2%	21	3.1%
Other Services (excl Public	56	5.5%	131	13.3%	106	15.4%
Public Administration	5	0.5%	17	1.7%	0	0.0%
Unclassified Establishments	5	0.5%	8	0.8%	3	0.4%
Total Workers	1,020	100.0%	984	100.0%	688	100.0%

Industry	East Irwindale		Covina Islands		Pellissier Village	
	Number	Percent	Number	Percent	Number	Percent
Agriculture/Forestry/Fishing/Hunting	0	0.0%	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%	0	0.0%
Utilities	0	0.0%	1	0.2%	0	0.0%
Construction	0	0.0%	4	0.7%	0	0.0%
Manufacturing	32	5.0%	27	4.6%	2	0.4%
Wholesale Trade	48	7.5%	24	4.1%	14	2.7%
Retail Trade	43	6.7%	10	1.7%	30	5.7%
Transportation/Warehouse	85	13.3%	54	9.2%	36	6.9%
Information	19	3.0%	1	0.2%	0	0.0%
Finance & Insurance	5	0.8%	2	0.3%	0	0.0%
Real Estate/Rental/Leasing	15	2.3%	61	10.4%	1	0.2%
Professional/Scientific/Tech Services	19	3.0%	11	1.9%	1	0.2%
Management of Companies/Enterprises	48	7.5%	18	3.1%	8	1.5%
Admin/Support/Waste Mgmt&Remediation	0	0.0%	0	0.0%	1	0.2%
Educational Services	9	1.4%	10	1.7%	202	38.7%
Health Care/Social Assistance	120	18.8%	143	24.4%	10	1.9%
Arts/Entertainment/Recreation	68	10.6%	98	16.8%	1	0.2%
Accommodation/Food Services	9	1.4%	8	1.4%	1	0.2%
Other Services (excl Public	62	9.7%	64	10.9%	2	0.4%
Public Administration	57	8.9%	40	6.8%	2	0.4%
Unclassified Establishments	0	0.0%	5	0.9%	211	40.4%
Total Workers	640	100.0%	585	100.0%	522	100.0%

Memorandum

To: Los Angeles County Department of Regional Planning

From: BAE Urban Economics

Date: July 28, 2021

Re: FINAL Market Analysis Memorandum (ESGVAP Task 2. Economic Development Element, Subtask 2.1b)

The Market Analysis Memorandum is intended to describe the characteristics of the industrial and commercial building inventory within the ESGV Plan Area Communities. The Memo includes an analysis of real estate market conditions for the Plan Area's industrial/flex, office, and retail sectors, and describes key metrics such as vacancy rates, asking rents, construction activity and other indicators using data from CoStar, a third-party data vendor.

Based on categories such as building size, age, lot size, and other factors, the Memo also explores opportunities for the ESGV Plan Area Communities to nurture both existing and emerging industry sectors described in the Key Industries Memo, as well sectors identified via ongoing discussions with local brokers and the business community.

The Memo will also briefly highlight the location preferences and real estate requirements of such industry sectors. This will help inform the need for different types of land use options to support the County's economic development efforts. Regulatory strategies needed to support sustainable economic growth in the ESGV will be discussed in the companion Regulatory Analysis Memo.

Methodology and Assumptions

Real estate market data for industrial/flex, retail, and office space was compiled in 2021 using CoStar, a third-party commercial research firm with a comprehensive database of real estate information. Data was collected through Q1 2021, the most recent full quarter that was available at the time of the data pull.

Analysis Geographies

For the purposes of this Memo, the "ESGV Plan Area Communities" geography refers specifically to the 24 unincorporated communities located within the Plan Area.

The "East San Gabriel Valley (ESGV)", meanwhile, refers to the entire area encompassed by the Plan Area boundary. This includes all the ESGV Plan Area Communities as described above, as well

San Francisco

2600 10th St., Suite 300
Berkeley, CA 94710
510.547.9380

Sacramento

803 2nd St., Suite A
Davis, CA 95616
530.750.2195

Los Angeles

448 South Hill St., Suite 701
Los Angeles, CA 90013
213.471.2666

Washington DC

1140 3rd St. NE, 2nd Floor
Washington, DC 20002
202.588.8945

New York City

234 5th Ave.
New York, NY 10001
212.683.4486

as the 13 incorporated cities located in the East San Gabriel Valley. This geography is intended to serve as the “Benchmark Area” for analyzing the more targeted Plan Area Communities.

Industrial/Flex Sector Overview

This Memo utilizes CoStar’s definition of an “industrial” building, which is characterized as one that has been “adapted for uses such as assembly, processing, and/or manufacturing.” Additional uses can include warehousing and distribution facilities. A “flex” building, meanwhile, is designed for a more diverse array of uses, and may be utilized in combination with office, research and development, and industrial, warehouse, and distribution uses. At least half of the rentable area of the building must be used as office space.

The ESGV Plan Area Communities occupy nearly 5.8 million square feet of industrial/flex space, or approximately 4.6 percent of total East San Gabriel Valley inventory (Table 1). The adjacent City of Industry, by comparison, occupies 71.5 million square feet of industrial/flex space, or 56.7 percent of the East San Gabriel Valley total.

Table 1: Industrial/Flex Building Stock by Community, Q1 2021

ESGV Plan Area Communities	Industrial/Flex			All Service
	Buildings	Sq. Ft.	Vacancy (a)	Type Rent (a) (b)
Avocado Heights	129	2,937,872	4.3%	\$1.08
Rowland Heights	35	949,678	-	\$1.18
South San Jose Hills	54	848,746	-	\$1.00
South Walnut	37	575,561	-	\$1.21
Hacienda Heights	10	185,445	2.0%	\$1.30
Pellissier Village	2	165,851	9.2%	\$1.20
West Puente Valley	6	73,771	-	-
Valinda	2	9,089	-	-
Charter Oak	1	6,401	-	-
South El Monte	1	2,950	-	-
Covina Islands	1	2,508	-	-
Total (b)	278	5,757,872	2.6%	n.a.
City of Industry	987	71,455,258	1.3%	\$0.97
City of Covina	235	3,366,149	0.5%	\$1.01
East San Gabriel Valley	3,593	126,106,202	1.7%	\$1.01
LA County	35,211	939,570,772	2.5%	\$1.19

Notes:

(a) "-" indicates no recorded vacancy rate or gross rent.

(b) CoStar's "All Service Type" rent is an average of all asking rent observations, weighted by available square feet, regardless of service type.

(c) As of Q1 2021, CoStar recorded no existing industrial inventory for communities of East Irwindale, East San Dimas, East Azusa, Glendora Islands, North Claremont, North Pomona, Northeast La Verne, Northeast San Dimas, North Whittier, South Diamond Bar, Walnut Islands, West Claremont, and West San Dimas.

The vacancy rate for industrial/flex space in the ESGV Plan Area Communities was 2.6 percent in Q1 2021, which was slightly higher than the benchmark area’s vacancy rate of 1.7 percent. Asking

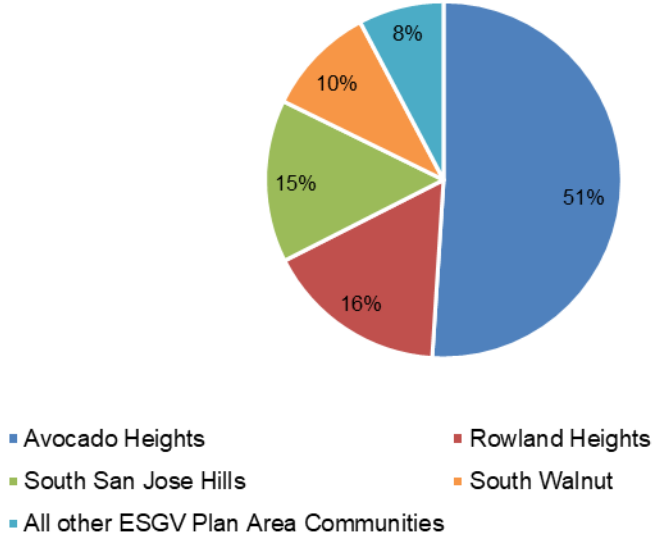
rents in most Communities, however exceeded those in the East San Gabriel Valley, which was \$1.01/sq. ft. in Q1 2021 (Table 1).

Location of Industrial/Flex Properties

Avocado Heights has by far the largest inventory of industrial/flex space among the ESGV Plan Area Communities, with over 3.1 million square feet, or 52 percent of the total (Figure 1).

Rowland Heights, South San Jose Hills, and South Walnut, meanwhile, have approximately 950,000 square feet, 849,000 square feet, and 576,000 square feet, respectively. Taken together, these four Plan Area Communities comprise the vast majority, or 92 percent, of all ESGV Plan Area Community industrial/flex inventory.

Figure 1: Industrial/Flex Square Footage Stock by Community, Q1 2021



Sources: CoStar Group, 2021; BAE, 2021.

Recent Construction Activity – Industrial/Flex:

Over the past decade, only two new industrial/flex buildings have been constructed in any of the ESGV Plan Area Communities. Both were located in Avocado Heights, which saw 93,118 square feet of new industrial/flex construction (Table 2). Zero industrial/flex buildings, meanwhile, are currently under construction or proposed in any of the Plan Area Unincorporated Communities.

This lack of new construction activity stands in stark contrast to the nearby City of Industry, where over 907,000 square feet of industrial/flex space is currently under construction (Table 2). Over the past decade, meanwhile, nearly 3.3 million square feet of new industrial space has been delivered here.

All ESGV Plan Area Communities with significant industrial/flex inventory have seen positive net absorption over the past decade (Table 2). This indicates that more space has been occupied by industrial/flex tenants than has been vacated over the same time period, indicating strong demand in this sector.

Table 2: Industrial Flex Net Absorption and New Construction Activity by ESGV Plan Area Community, Q1 2021

Industrial/Flex Summary	Avocado Heights	Rowland Heights	South San Jose Hills
Net Absorption			
Net Absorption (Q1 2020 - Q1 2021)	(26,947)	149,396	49,434
Net Absorption (Q1 2011 - Q1 2021)	191,457	8,190	28,750
Deliveries (bldgs), Q1 2011 - Q1 2021	2	0	0
Deliveries (sq. ft.), Q1 2011 - Q1 2021	93,118	0	0
Under Construction (bldgs), Q1 2021	0	0	0
Under Construction (sq. ft.), Q1 2021	0	0	0
Industrial/Flex Summary	South Walnut	City of Industry	East San Gabriel Valley
Net Absorption			
Net Absorption (Q1 2020 - Q1 2021)	4,212	1,120,701	1,911,382
Net Absorption (Q1 2011 - Q1 2021)	20,309	3,737,216	8,347,352
Deliveries (bldgs), Q1 2011 - Q1 2021	0	34	90
Deliveries (sq. ft.), Q1 2011 - Q1 2021	0	3,267,704	7,490,893
Under Construction (bldgs), Q1 2021	0	3	8
Under Construction (sq. ft.), Q1 2021	0	907,730	1,051,729

Sources: CoStar Group, 2021; BAE, 2021.

Since 2008, Los Angeles County has lost more than 10.7 million square feet of industrial space, or 1.2 percent of total inventory. Conversion of industrial space to creative office is a major component of shrinking inventory. Many aging industrial buildings have physical characteristics, such as open floor plans, high ceiling heights, and exposed brick and roof supports, that present appealing opportunities for conversion to creative office spaces that will generate higher rents.

It should be noted, however, that ESGV Plan Area Communities have faced less industrial/flex demolition and conversion pressure than other parts of Los Angeles County, such as the Arts District in Downtown Los Angeles, El Segundo on the Westside, or the Central San Fernando Valley. This may be due in part to the fact that the high cost of industrial conversions may not yet be supported by local rents in the office sector.

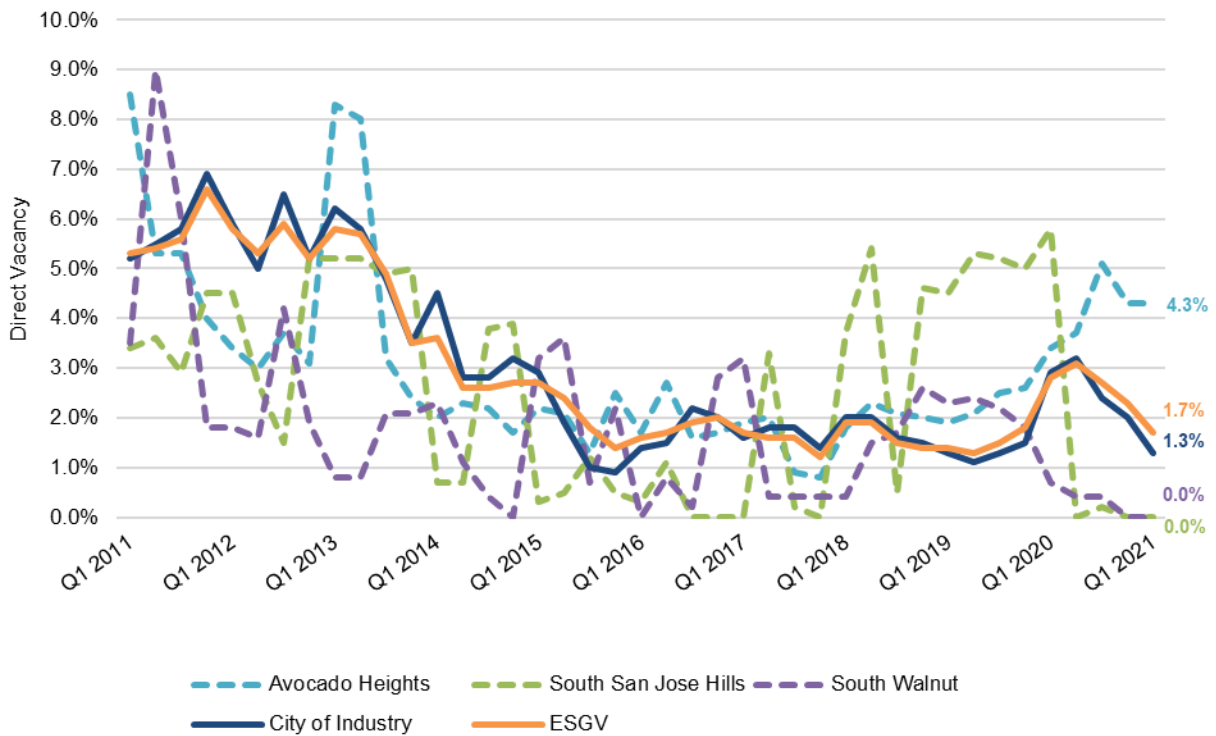
While the County does have an employment preservation strategy in place that is designed to discourage the conversion of industrial uses to non-industrial uses (Policy ED 2.1), it may be that a more nuanced definition for the term “industrial” is needed, including clarification on the extent to

which non-industrial uses can encompass emerging employment sectors that may require industrial/flex space. This will be explored further in the Opportunities and Barriers section.

Vacancy Trends – Industrial/Flex Space

The industrial/flex vacancy rate in several ESGV Plan Area Communities was effectively zero at the time of data collection, indicating an extremely tight market for available industrial/flex space. The direct vacancy rate across the benchmark area as a whole has fallen significantly over the past decade, from 5.3 percent in Q1 2011 to 1.7 percent in Q1 2021. This indicates that available industrial supply is very low, and could mean there are fewer opportunities for new businesses to establish themselves, or for existing businesses to expand. Generally, a healthy industrial market at equilibrium has a vacancy rate of around 5.0 percent.

Figure 2: Industrial/Flex Vacancy Trends, Q1 2011 to Q1 2021



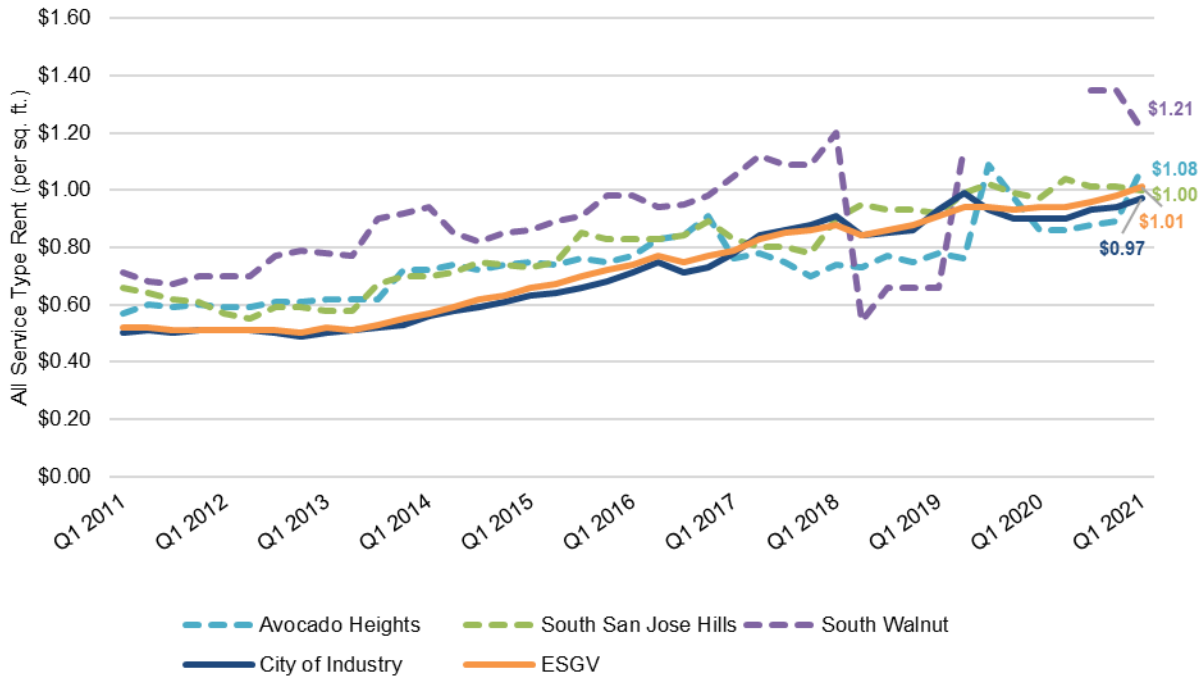
Sources: CoStar Group, 2021; BAE, 2021.

Asking Rent Trends – Industrial/Flex Space

As the industrial/flex vacancy rate has declined, asking rents have reached new highs. Between Q1 2011 and Q1 2021, industrial/flex rents in the benchmark area rose from \$0.52/sf to \$1.01/sf, for a total increase of 94.2 percent (Figure 3).

This was slightly faster than the industrial/flex rent growth in Avocado Heights over the same time period (89.5 percent), but not as high as the overall growth in Rowland Heights (110.7 percent).

Figure 3: Industrial/Flex Asking All Service Type Rent Trends, Q1 2011 to Q1 2021



Sources: CoStar Group, 2021; BAE, 2021.

Map of Industrial/Flex Building Locations in Plan Area Communities

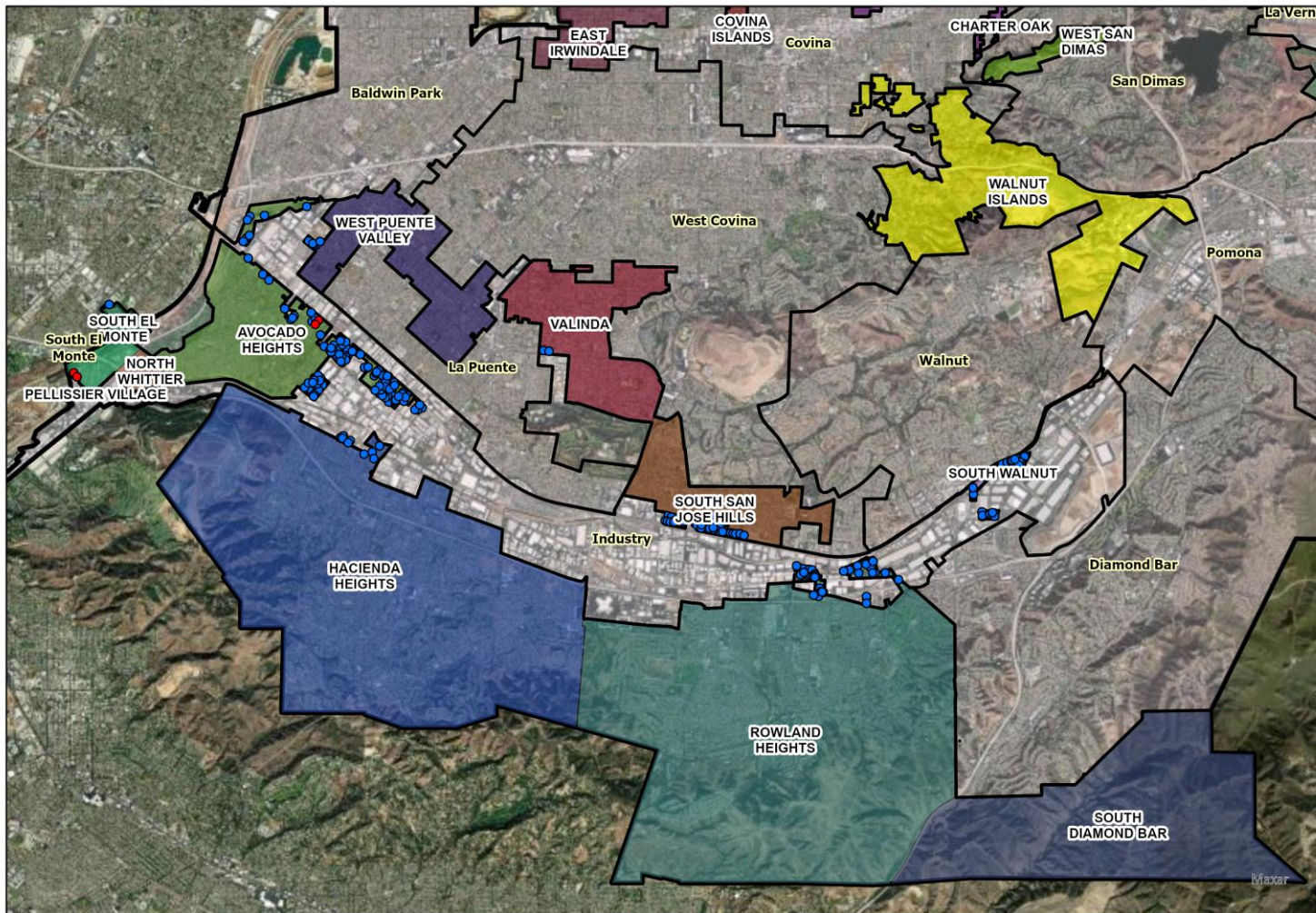
As shown below, most industrial/flex spaces (rendered in blue dots) in the ESGV Plan Area Communities are concentrated in the southwest portion of the Plan Area, clustered along the Southern Pacific Railroad (SPRR) right-of-way, as well as outside the City of Industry, a jurisdiction that incentivizes employment-generating users with benefits such as no utility taxes, business license fees, or hours of operation restrictions.

In Hacienda Heights and Rowland Heights, nearly all industrial/flex buildings are located north of State Route (SR) 60.

In Avocado Heights, industrial/flex buildings cluster in M-zoned locations south and west of Valley Boulevard, as well as in an area wedged between Don Julian Road and E. Lomitas Avenue abutting a “Light Agricultural” zone.

In South San Jose Hills, a significant portion of the Community’s industrial/flex building stock is located along the north side of East Valley Boulevard, but in “Commercial-Manufacturing” zoned areas instead of Manufacturing-zoned areas. This area houses a diverse array of businesses, including wholesalers of food products , auto parts, computer supplies, and other goods.

Figure 4: Distribution of Industrial/Flex Properties by Location, Southern East San Gabriel Valley Q1 2021



Sources: Los Angeles County, 2021; CoStar Group, 2021; BAE, 2021.

Building Size - Industrial/Flex Space

Industrial/flex buildings in the ESGV Plan Area Communities are characterized by relatively modest floorplates, with median building sizes ranging from 10,050 square feet in South Walnut to 14,464 square feet in Rowland Heights (Table 3).

These floorplates are significantly smaller than in the adjacent City of Industry, where the median industrial/flex building size is over 38,000 square feet. A sample of emerging employment sectors associated with such floorplate sizes can be found in the Opportunities and Barriers section of this Memo.

Table 3: Distribution of Industrial/Flex Space by Building Size, Q1 2021

Building Size	Avocado Heights		Rowland Heights		S. San Jose Hills		South Walnut		City of Industry	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Smaller than 5,000 sq. ft.	14	10.9%	4	12.1%	7	13.0%	0	0.0%	16	1.6%
5,000 - 9,999 sq. ft.	25	19.4%	6	18.2%	15	27.8%	17	45.9%	74	7.5%
10,000 - 19,999 sq. ft.	52	40.3%	12	36.4%	19	35.2%	13	35.1%	194	19.7%
20,000 - 39,999 sq. ft.	27	20.9%	6	18.2%	11	20.4%	6	16.2%	239	24.2%
40,000 - 59,999 sq. ft.	5	3.9%	2	6.1%	0	0.0%	0	0.0%	122	12.4%
60,000 - 79,999 sq. ft.	0	0.0%	1	3.0%	2	3.7%	0	0.0%	75	7.6%
80,000 - 99,999 sq. ft.	1	0.8%	0	0.0%	0	0.0%	0	0.0%	50	5.1%
100,000 sq. ft. or larger	5	3.9%	2	6.1%	0	0.0%	1	2.7%	217	22.0%
Total Buildings	129	100.0%	33	100.0%	54	100.0%	37	100.0%	987	100.0%
Median Size (RBA, sq. ft.)	12,777		14,454		11,380		10,050		38,008	

Sources: CoStar Group, 2021; BAE, 2021.

Industrial/flex buildings in the 10,000-to-19,999-square-foot range represent the most common building size across the ESGV Plan Area Communities, with the exception of South Walnut, where buildings in the 5,000-to-9,999 square foot range comprise the largest share (Table 3). This distribution also stands in sharp contrast to the adjacent City of Industry, where nearly one-quarter of industrial/flex inventory is comprised of buildings exceeding 100,000 square feet (or two football fields, for context).

Building Age - Industrial/Flex Space

Industrial/flex buildings in the ESGV Plan Area Communities are relatively young when compared to those in the City of Industry, with the exception of Rowland Heights. This is perhaps surprising in light of Industry’s higher level of construction activity.

The median year-built of industrial/flex buildings ranges from 1978 in Rowland Heights to 1991 in South Walnut (Table 4).

In Avocado Heights, the largest share of industrial/flex buildings were constructed in the 1980s (36.2 percent). In South San Jose Hills and South Walnut, the largest share of such buildings was constructed in the 1990s.

Table 4: Distribution of Industrial/Flex Space by Year Built, Q1 2021

Year Built	Avocado Heights		Rowland Heights		S. San Jose Hills		South Walnut		City of Industry	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Earlier than 1920	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
1920 - 1939	1	0.8%	0	0.0%	0	0.0%	0	0.0%	3	0.3%
1940 - 1959	10	7.8%	4	12.1%	1	1.9%	0	0.0%	41	4.2%
1960 - 1979	46	35.7%	15	45.5%	21	38.9%	1	2.7%	459	46.5%
1980 - 1989	47	36.4%	8	24.2%	8	14.8%	7	18.9%	210	21.3%
1990 - 1999	11	8.5%	1	3.0%	22	40.7%	27	73.0%	125	12.7%
2000 - 2009	10	7.8%	4	12.1%	2	3.7%	2	5.4%	108	10.9%
2010 - Present	2	1.6%	0	0.0%	0	0.0%	0	0.0%	36	3.6%
Unknown	2	1.6%	1	3.0%	0	0.0%	0	0.0%	5	0.5%
Total Buildings	129	100.0%	33	100.0%	54	100.0%	37	100.0%	987	100.0%
Median Year Built	1980		1978		1987		1991		1979	

Sources: CoStar Group, 2021; BAE, 2021.

Industrial Subtypes

The most common subtypes of industrial-classified space within the ESGV Plan Area Communities include “warehouse” buildings (Table 5). In general, warehouse buildings are likely to serve a wide array of end users, from pallet storage and auto scrap yards to wholesalers in the food, apparel, and construction industries. In some cases, warehouses even serve non-industrial uses such as dance studios. Such warehouse buildings account for anywhere from 57.2 percent of total industrial inventory in Rowland Heights up to 92.3 percent of total inventory in South San Jose Hills.

Manufacturing-classified buildings, meanwhile, are significantly less common within the ESGV Plan Area Communities, and are more likely to be specified to their end-user, with dedicated standards for power and other custom buildouts.

As a share of its own industrial/flex inventory Rowland Heights has the largest share of manufacturing-classified buildings, which occupy 17.8 percent of total inventory. Avocado Heights, meanwhile, has the largest share of manufacturing-classified buildings on a square foot basis, with over 286,000 square feet (Table 5).

One interesting item to note is the comparative lack of “distribution” classified space within the ESGV Plan Area Communities. This is especially when compared to jurisdictions such as the adjacent City of Industry, where over 20 percent of total industrial/flex space is dedicated to the distribution of goods—often associated with the logistics industry (and the Transportation and Warehousing industrial sector).

This is likely due to the fact that distribution facilities tend to locate in buildings with significantly larger floorplates, as described in more detail in the Opportunities and Barriers section.

Table 5: Distribution of Industrial/Flex Secondary Types by Geography, Q1 2021

Secondary Types	Avocado Heights		Rowland Heights		San Jose Hills	
	Number	Percent	Number	Percent	Number	Percent
Warehouse	2,342,363	79.7%	465,933	56.8%	790,860	93.2%
Manufacturing	286,754	9.8%	146,375	17.8%	11,360	1.3%
Distribution	48,760	1.7%	132,350	16.1%	0	0.0%
Food Processing	10,002	0.3%	0	0.0%	0	0.0%
Light Distribution	104,153	3.5%	20,000	2.4%	0	0.0%
Light Manufacturing	25,168	0.9%	14,000	1.7%	0	0.0%
Refrigeration/Cold Storage	0	0.0%	0	0.0%	4,256	0.5%
Service	52,721	1.8%	38,349	4.7%	9,056	1.1%
Show room	41,780	1.4%	0	0.0%	33,214	3.9%
Truck Terminal	26,371	0.9%	0	0.0%	0	0.0%
Other/Not Specified (a)	0	0.0%	3,100	0.4%	0	0.0%
Total RBA (sq. ft.)	2,938,072	100%	820,107	100%	848,746	100%

Secondary Types	South Walnut		City of Industry		East San Gabriel Valley	
	Number	Percent	Number	Percent	Number	Percent
Warehouse	515,777	89.6%	42,885,781	60.0%	78,661,452	62.4%
Manufacturing	46,852	8.1%	10,263,338	14.4%	19,179,043	15.2%
Distribution	0	0.0%	15,170,225	21.2%	19,167,900	15.2%
Food Processing	0	0.0%	1,433,651	2.0%	1,767,627	1.4%
Light Distribution	0	0.0%	122,200	0.2%	600,292	0.5%
Light Manufacturing	0	0.0%	388,870	0.5%	791,837	0.6%
Refrigeration/Cold Storage	0	0.0%	478,947	0.7%	758,139	0.6%
Service	0	0.0%	210,039	0.3%	1,225,612	1.0%
Show room	0	0.0%	9,280	0.0%	316,467	0.3%
Truck Terminal	12,932	2.2%	74,650	0.1%	306,026	0.2%
Other/Not Specified (a)	0	0.0%	418,277	0.6%	3,328,024	2.6%
Total RBA (sq. ft.)	575,561	100%	71,455,258	100%	126,102,419	100%

Note:

(a) Includes R & D, telecom hotel/data hosting, and other unspecified industrial and flex spaces.

Sources: CoStar Group, 2021; BAE, 2021.

Retail Sector Overview

The ESGV Plan Area Communities occupy nearly 4.4 million square feet of retail space, or approximately 10.4 percent of the East San Gabriel Valley total retail inventory (Table 6).

The ESGV Plan Area Communities had a retail vacancy rate of 5.5 percent in Q1 2021, which is slightly higher than the benchmark area's vacancy rate of 5.3 percent.

Asking rents for retail space in most Plan Area Communities exceeded those in the East San Gabriel Valley, which was \$1.83/sf in Q1 2021 (Table 6). This may be due to the fact that retail spaces in traditional cities in the ESGV are characterized by larger footprints, which command less rent on a per square foot basis when compared to smaller retail establishments. And while cities such as Covina do have destination retail locations such as IKEA, they also have their own set of aging retail strips that date from the 1950s and 1960s.

Table 6: Retail Stock by Community, Q1 2021

ESGV Plan Area Communities	Retail			
	Buildings	Sq. Ft.	Vacancy (a)	NNN Rent (a)
Rowland Heights	119	2,344,518	6.1%	\$2.77
Hacienda Heights	93	1,051,673	4.7%	\$2.47
Avocado Heights	61	380,184	4.1%	\$1.23
Charter Oak	36	255,055	3.2%	\$1.39
Valinda	22	95,134	1.5%	\$2.00
South San Jose Hills	14	93,426	18.4%	-
East Inwindale	17	78,001	15.0%	\$1.92
West Puente Valley	7	31,225	-	-
East San Dimas	3	25,756	-	-
Covina Islands	4	12,176	-	-
South El Monte	1	3,950	-	-
North Whittier	1	2,537	-	-
Pellissier Village	1	2,100	-	-
Total (b)	379	4,375,735	5.5%	n.a.
City of Industry	169	4,604,386	10.3%	\$2.44
City of Covina	392	3,941,990	4.7%	\$1.63
East San Gabriel Valley	3,512	42,084,252	5.3%	\$1.83
LA County	47,181	446,846,891	5.2%	\$2.74

Notes:

(a) "-" indicates no new recorded vacancy rate or NNN rents as of Q1 2021.

(b) As of Q1 2021, CoStar recorded no existing retail inventory for communities of East Azusa, Glendora Islands, North Claremont, North Pomona, Northeast La Verne, Northeast San Dimas, South Diamond Bar, South Walnut, Walnut Islands, West Claremont, and West San Dimas.

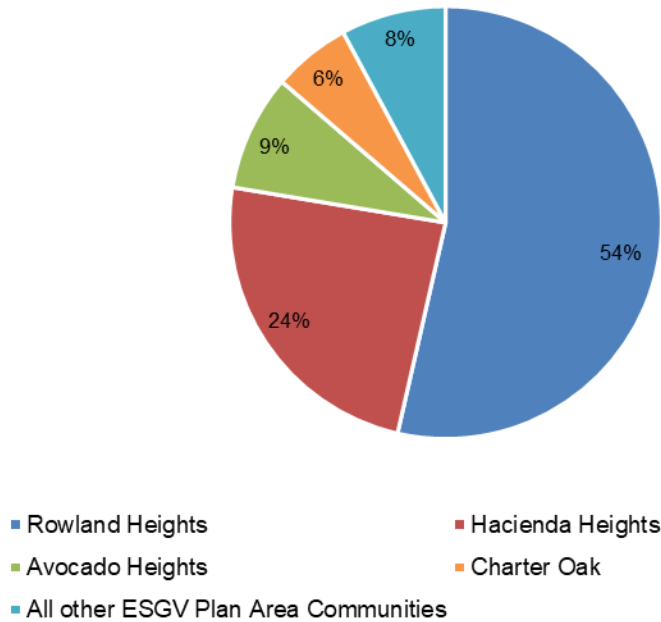
Sources: CoStar Group, 2021; BAE, 2021.

Location of Retail Properties

Rowland Heights has by far the largest inventory of retail space among the ESGV Plan Area Communities, with over 2.3 million square feet, or 55 percent of the total (Figure 5).

Hacienda Heights, Avocado Heights, and Charter Oak, meanwhile, have approximately 1.1 million square feet, 380,000 square feet, and 255,000 square feet, respectively. Taken together, these four Plan Area Communities comprise the vast majority, or 92 percent, of all Plan Area Community inventory.

Figure 5: Retail Square Footage Stock by Community, Q1 2021



Sources: CoStar Group, 2021; BAE, 2021.

Market Trends – Retail Vacancies

Rowland Heights has the highest retail vacancy rate of the four Plan Area Communities, with a rate of 6.1 percent in Q1 2021. This is significantly higher than the retail vacancy rate in Hacienda Heights (4.7 percent) Avocado Heights (4.1 percent) and Charter Oak (3.2 percent).

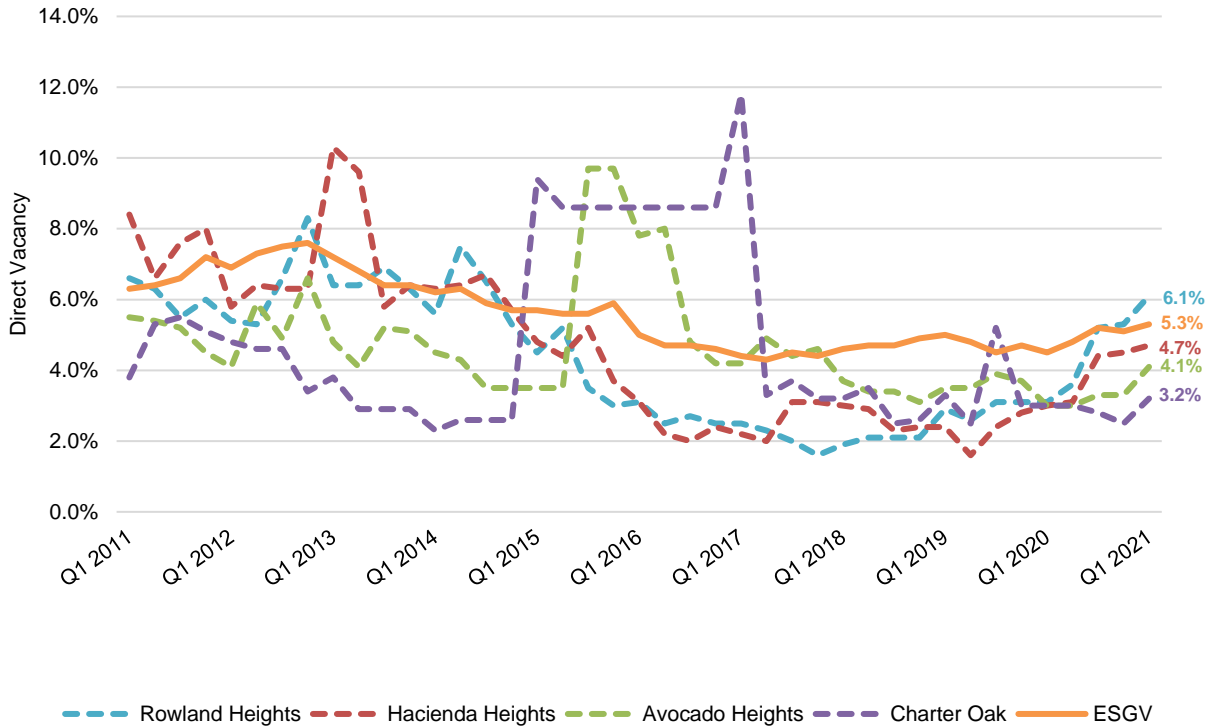
Over the past decade, retail vacancies in Rowland Heights had generally trended lower than those in the larger benchmark area. This changed beginning in Q3 2020, when the vacancy rate climbed above 5 percent for the first time in nearly 21 quarters. In neighboring Hacienda Heights, retail vacancies have trended lower than those in the benchmark area since at least 2014 (Figure 6).

It should be noted that a retail vacancy rate of five percent vacancy rate is still within the range of what many real estate economists refer to as a “natural” vacancy rate, indicating that the market is in equilibrium.

Real estate data pulled for this Memo aligned with a unique period during the COVID-19 pandemic (Q1 2021). Retail operations at that time were technically open, but with limited capacity.

Restaurants were still able to serve patrons, but only outdoors (until March 15, 2021). While most business operations had begun returning to normal as this Memo was being finalized, there are nonetheless likely to be lasting implications for retail uses due to the impacts of COVID-19 that should be contemplated when formulating any land use strategies as part of the Plan Elements.

Figure 6: Retail Vacancy Trends, Q1 2011 to Q1 2021

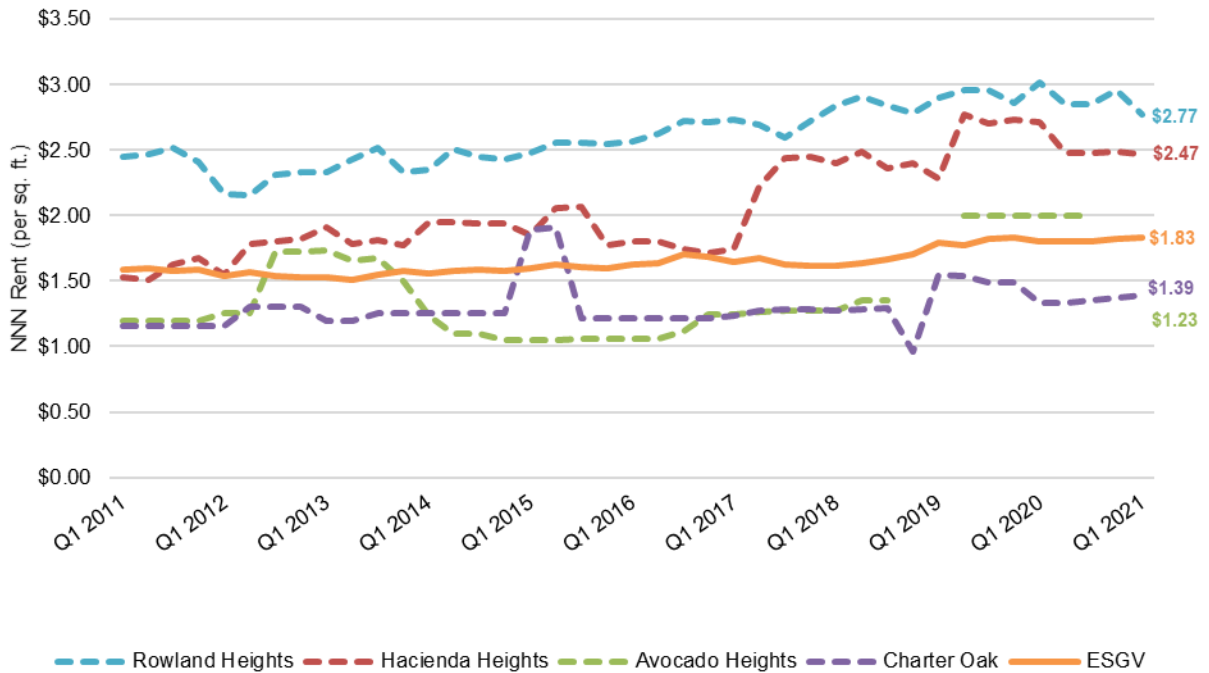


Sources: CoStar Group, 2021; BAE, 2021.

Market Trends – Retail Asking Rents

Asking rents for retail space in both Rowland Heights and Hacienda Heights have generally exceeded those of the benchmark area over the past decade (Figure 7). Between Q1 2011 and Q1 2021, retail rents rose from \$2.45/sf to \$2.77/sf in Rowland Heights, for a total increase of 13.1 percent. This indicates that retail rent growth in Rowland Heights did not exceed that of the benchmark area, which was 15.1 percent over the same time period. Hacienda Heights, by contrast, has seen much more robust rental growth over the past decade. Between Q1 2011 and Q1 2021, retail rents rose from \$1.53/sf to \$2.47/sf, for a total increase of 61.4 percent.

Figure 7: Retail NNN Trends, Q1 2011 to Q1 2021



Sources: CoStar Group, 2021; BAE, 2021.

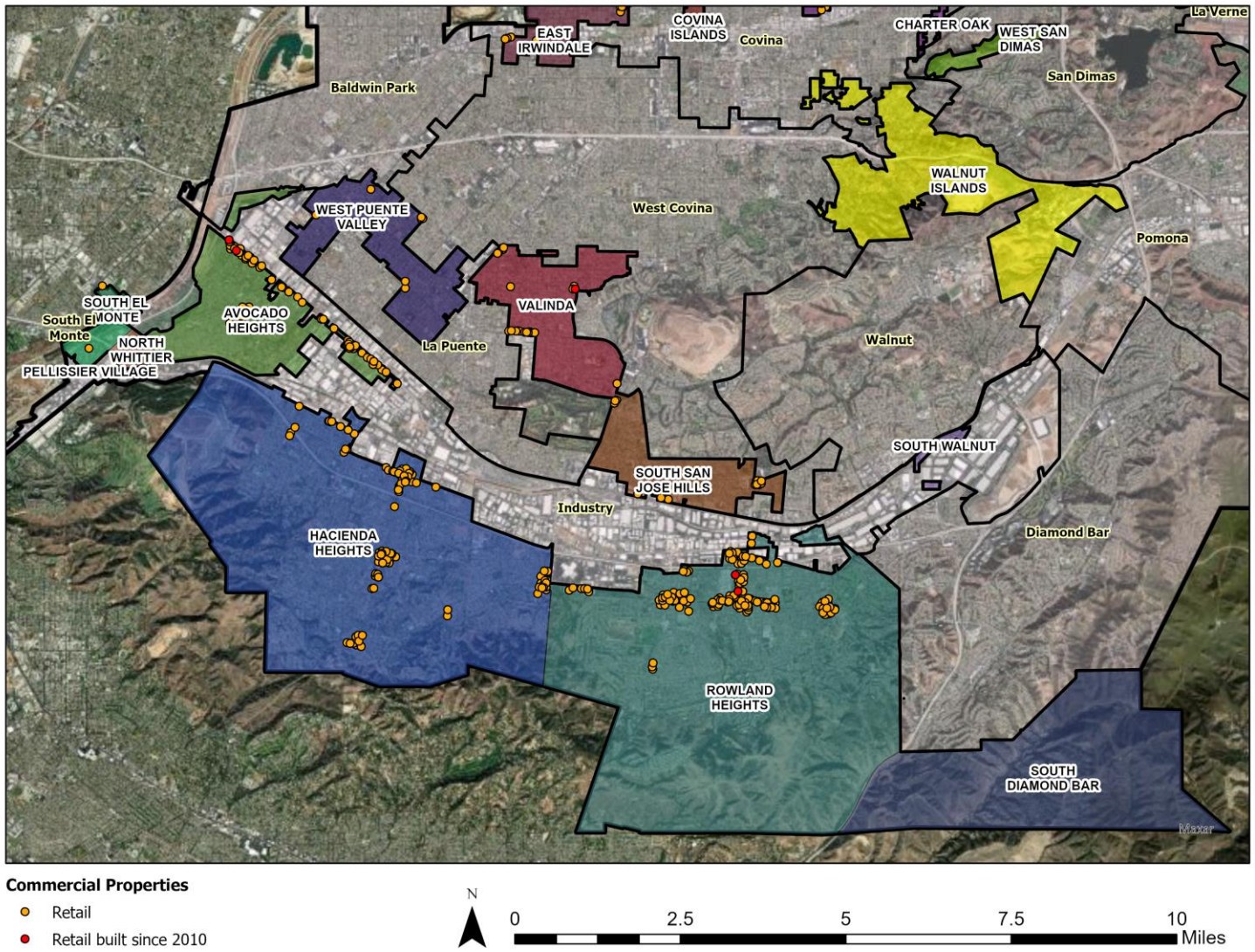
Map of Retail Building Locations in Plan Area Communities

As shown in Figure 8 (below), the majority of retail spaces (rendered in orange dots) in Rowland Heights are concentrated in three distinct clusters along Colima Road, as well as along the east side of Nogales Street heading north towards the Pomona Freeway. These commercial nodes are generally characterized by ample surface parking lots, with C-1 (Restricted Business), C-2 (Neighborhood Business), and C-3 (General Commercial) zoning designations.

In neighboring Hacienda Heights, retail spaces are primarily centered along South Hacienda Boulevard running north to south, with a significant node at the intersection of Halliburton Road. Retail districts also extend north of the Pomona Freeway, with an additional cluster at the intersection of East Gale Avenue.

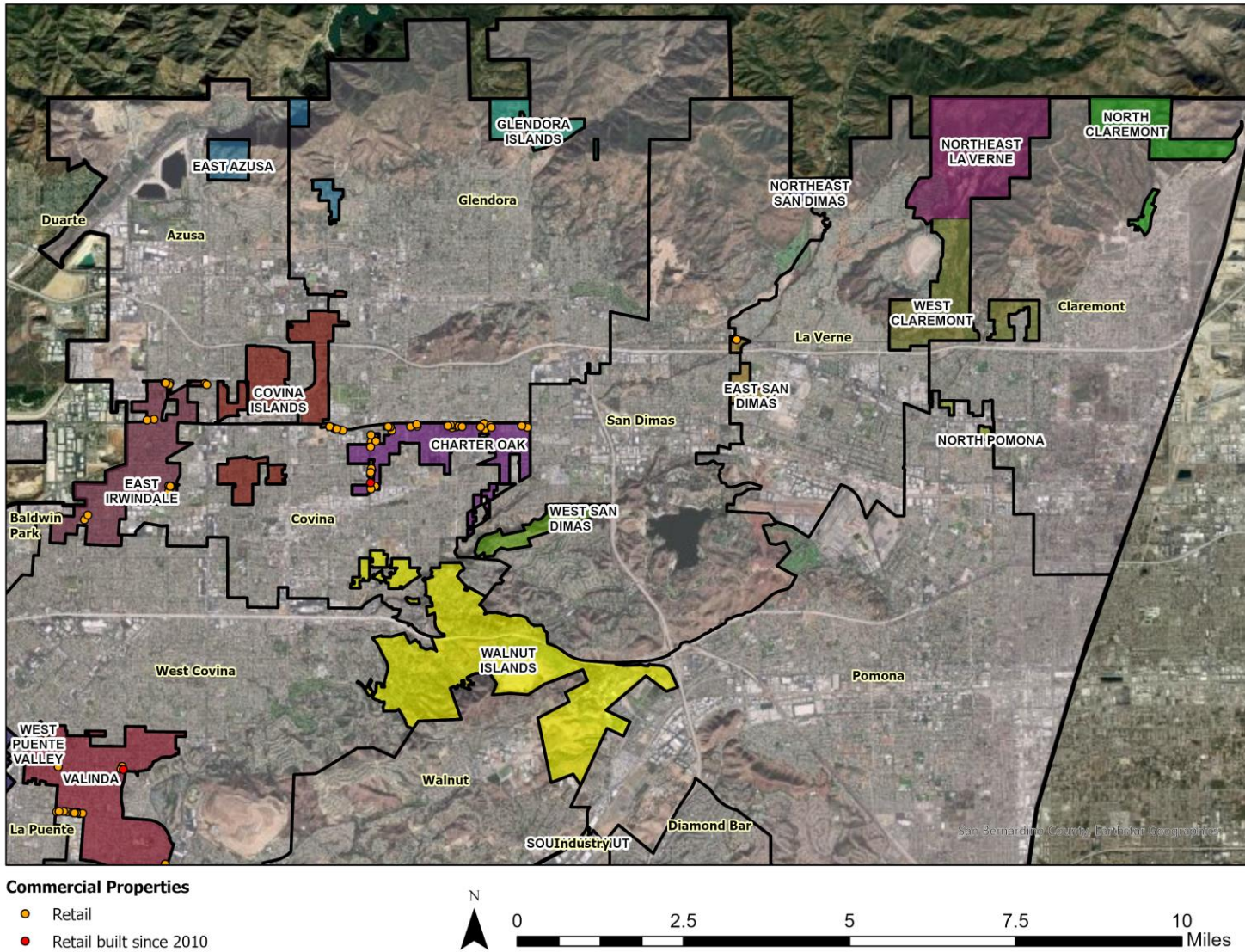
In Avocado Heights, retail spaces are concentrated almost exclusively along the south side of Valley Boulevard, in a series of C-1 zones characterized by shallow lot depths and aging strip centers. In Charter Oak, retail is concentrated primarily along the south side of East Arrow Highway, as well as along the east side of North Grand Avenue (Figure 9).

Figure 8: Distribution of Retail Space by Location, Southern East San Gabriel Valley, Q1 2021



Sources: Los Angeles County, 2021; CoStar Group, 2021; BAE, 2021.

Figure 9: Distribution of Retail Space by Location, Northern East San Gabriel Valley, Q1 2021



Sources: Los Angeles County, 2021; CoStar Group, 2021; BAE, 2021.

Recent Construction Activity – Retail Space

Over the past decade, three new standalone retail buildings have been constructed in the ESGV Plan Area Communities, according to CoStar. The largest of these was in Rowland Heights, with a 264,878 square feet multilevel shopping center coming online in 2012. The development, Pearl Plaza, features several restaurants, entertainment venues, as well as an English language school.

Zero retail spaces, meanwhile, are currently under construction in any of the Plan Area Unincorporated Communities (Table 7). There are, however, several projects currently seeking entitlements, including a strip center in Rowland Heights that would feature up to seven new “pads” on the north side of the Pomona Freeway, just west of S Nogales Street. It should be noted that the zoning designation for this parcel is currently M-1.5 (“Restricted Heavy Manufacturing”).

Table 7: Retail Inventory by ESGV Plan Area Community, Q1 2021

Retail Summary	Rowland Heights	Hacienda Heights	Avocado Heights	Charter Oak	East San Gabriel Valley
Inventory (bldgs), Q1 2021	119	93	61	36	3,512
Inventory (sq. ft.), Q1 2021	2,344,518	1,051,673	380,184	255,055	42,084,252
Occupied Stock (sq. ft.)	2,197,042	1,001,923	364,444	246,985	39,757,829
Vacant Stock (sq. ft.)	143,301	49,750	15,740	8,070	2,234,174
Vacancy Rate	6.1%	4.7%	4.1%	3.2%	5.3%
Median Year Built	1978	1972	1967	1965	1970
Net Absorption					
Net Absorption (Q1 2020 - Q1 2021)	(69,668)	(18,041)	(4,268)	(515)	(350,825)
Net Absorption (Q1 2011 - Q1 2021)	264,878	38,940	7,954	3,372	591,068
Deliveries (bldgs), Q1 2011 - Q1 2021	1	0	1	1	81
Deliveries (sq. ft.), Q1 2011 - Q1 2021	288,904	0	4,000	1,825	1,374,507
Under Construction (bldgs), Q1 2021	0	0	0	0	2
Under Construction (sq. ft.), Q1 2021	0	0	0	0	18,320

Sources: CoStar Group, 2021; BAE, 2021.

Building Age – Retail Space

The median year-built of retail buildings ranges from 1965 in Charter Oak to 1978 in Rowland Heights (Table 7).

In Rowland Heights, the largest share of retail buildings was constructed in the 1980s (33.6 percent), followed by the 1960s (26.1 percent). In neighboring Hacienda Heights, the largest share of retail buildings was constructed in the 1970s (35.5 percent), followed by the 1960s (24.7 percent). As such, many of these commercial centers are aging and in need of revitalization.

Retail Subtypes

Retail spaces in ESGV Plan Area Communities tend to be “local serving”, and are intended to meet the day-to-day needs of the immediate surrounding neighborhoods. This includes a comparatively large share of “Neighborhood Centers”, which CoStar defines as providing sales of convenience goods and personal services for the immediate neighborhood (with a supermarket usually being the principal tenant).

In the context of ESGV Plan Area Communities, these Neighborhood Centers are nearly always configured in a “strip mall” format, with an attached row of stores under the same management structure, and surface parking spaces located in front of the stores.

“Community Centers”, meanwhile, draw from a larger trade area than Neighborhood Centers, and offer a wider range of apparel and soft goods with supermarkets, drugstores, and discount department stores as common anchors. Rowland Heights is the only ESGV Plan Area Community to feature this class of retail, which includes the 250,000 square foot Puente Hills Town Center, located just south of the Puente Hills Mall (located in the City of Industry).

“Freestanding” classified buildings, meanwhile, are also common within the ESGV Plan Area Communities. Such buildings are more likely to be specified to their end-user, and include grocery stores, fast food structures, and feature similar parking configurations as Neighborhood and Strip Centers.

Another retail subtype includes the “Storefront Retail/Office” classification. These generally include up to two stories of commercial space, with retail establishments located on the first floor, and office-serving uses occupying the second floor. Notable examples include Pearl Plaza in Rowland Heights, which includes law offices, insurance brokers, and other professional service firms in addition to dining on the ground-floor. Such spaces can also accommodate many functions traditionally associated with “medical” office space, such as dialysis clinics, chiropractors, and dental labs.

“Storefront” retail is defined by CoStar as a multitenant commercial building that usually abuts adjacent buildings. Such buildings tend to be located in “older” commercial areas, and front right on the street with little parking in the front and in some cases parking in the rear.

A more detailed description the consumption patterns of ESGV Plan Area Community residents, including the extent to which Plan Area Communities may be “leaking” expenditures that could otherwise be spent within the Communities themselves, will be included as part of the Leakage Analysis in the forthcoming Surrounding Jurisdictions Memo.

Table 8: Distribution of Retail Secondary Types by Geography, Q1 2021

Secondary Types	Rowland Heights		Hacienda Heights		Avocado Heights	
	Number	Percent	Number	Percent	Number	Percent
Auto Dealership	0	0.0%	1,429	0.1%	2,344	0.6%
Auto Repair	89,353	3.8%	0	0.0%	111,765	29.4%
Bank	32,170	1.4%	41,625	4.0%	0	0.0%
Community Center (a)	501,826	21.4%	12,519	1.2%	0	0.0%
Convenience Store	7,878	0.3%	2,640	0.3%	1,100	0.3%
Day Care Center	0	0.0%	0	0.0%	2,528	0.7%
Drug Store	0	0.0%	23,450	2.2%	0	0.0%
Fast Food	23,274	1.0%	27,206	2.6%	22,741	6.0%
Freestanding (b)	351,247	15.0%	165,065	15.7%	44,575	11.7%
Neighborhood Center (c)	311,718	13.3%	177,814	16.9%	10,372	2.7%
Regional Mall	0	0.0%	0	0.0%	0	0.0%
Restaurant	86,677	3.7%	22,274	2.1%	6,517	1.7%
Service Station	25,614	1.1%	17,327	1.6%	12,502	3.3%
Storefront	258,222	11.0%	208,629	19.8%	72,009	18.9%
Storefront Retail/Office	527,401	22.5%	186,212	17.7%	3,693	1.0%
Storefront Retail/Residential	5,904	0.3%	0	0.0%	3,235	0.9%
Strip Center	43,161	1.8%	79,315	7.5%	45,190	11.9%
Supermarket	72,844	3.1%	36,000	3.4%	41,613	10.9%
Other/Not Specified (d)	7,229	0.3%	50,168	4.8%	0	0.0%
Total RBA (sq. ft.)	2,344,518	100.0%	1,051,673	100.0%	380,184	100.0%

Secondary Types	Charter Oak		East San Gabriel Valley	
	Number	Percent	Number	Percent
Auto Dealership	0	0.0%	1,415,823	3.4%
Auto Repair	7,351	2.9%	1,753,271	4.2%
Bank	0	0.0%	485,521	1.2%
Community Center	0	0.0%	1,461,158	3.5%
Convenience Store	4,400	1.7%	209,369	0.5%
Day Care Center	10,484	4.1%	269,355	0.6%
Drug Store	0	0.0%	623,524	1.5%
Fast Food	2,875	1.1%	688,993	1.6%
Freestanding	115,765	45.4%	12,714,315	30.2%
Neighborhood Center	56,082	22.0%	2,401,243	5.7%
Regional Mall	0	0.0%	1,802,618	4.3%
Restaurant	4,863	1.9%	1,827,348	4.3%
Service Station	3,789	1.5%	401,789	1.0%
Storefront	7,422	2.9%	4,598,429	10.9%
Storefront Retail/Office	4,125	1.6%	2,355,823	5.6%
Storefront Retail/Residential	1,747	0.7%	377,611	0.9%
Strip Center	16,283	6.4%	183,135	0.4%
Supermarket	0	0.0%	1,565,172	3.7%
Other/Not Specified (a)	19,869	7.8%	6,944,614	16.5%
Total RBA (sq. ft.)	255,055	100.0%	42,079,111	100.0%

Notes:

(a) Includes bar/nightclub, bowling alley, department store, health club, movie theater, veterinarian/kennel, garden center, retail building, and other unspecified retail spaces.

Sources: CoStar Group, 2021; BAE, 2021.

Office Space

Office space is far less common than industrial/flex and retail space in the ESGV Plan Area Communities. The ESGV Plan Area Communities occupy approximately 842,713 square feet of office space, or 4.7 percent of the East San Gabriel Valley total office inventory (Table 9). Table 6 Office vacancy rates ranged from 2.7 percent in Hacienda Heights to 7.8 percent in Rowland Heights in Q2 2021. This compares to a vacancy rate of 7.0 percent in the benchmark area.

In most cases, asking rents and vacancy rates by individual Plan Area Community were not available due to the small sample size.

Table 9: Office Inventory by Community, Q1 2021

ESGV Plan Area Communities	Office			
	Buildings	Sq. Ft.	Vacancy (a)	Gross Rent (a)
Hacienda Heights	33	415,449	2.7%	\$2.09
Rowland Heights	15	266,313	7.8%	\$1.96
Avocado Heights	9	53,479	-	-
Valinda	4	49,241	5.0%	-
Charter Oak	5	25,803	-	-
South San Jose Hills	3	24,417	-	-
East Irwindale	1	5,200	-	-
West Puente Valley	1	1,555	-	-
Covina Islands	1	1,256	-	-
Total (b)	72	842,713	n.a.	n.a.
City of Industry	41	1,941,754	3.7%	\$2.52
City of Covina	232	2,030,439	4.0%	\$2.02
East San Gabriel Valley	1,274	17,980,637	7.0%	\$2.31
LA County	17,512	427,976,567	11.8%	\$3.48

Notes:

(a) "-" indicates no new recorded vacancy rate or gross rents as of Q1 2021.

(b) As of Q1 2021, CoStar recorded no existing office inventory for communities of Avocado Heights, East Azusa, Glendora Islands, North Claremont, North Pomona, Northeast La Verne, Northeast San Dimas, North Whittier, South El Monte South Diamond Bar, South Walnut, Walnut Islands, West Claremont, and West San Dimas.

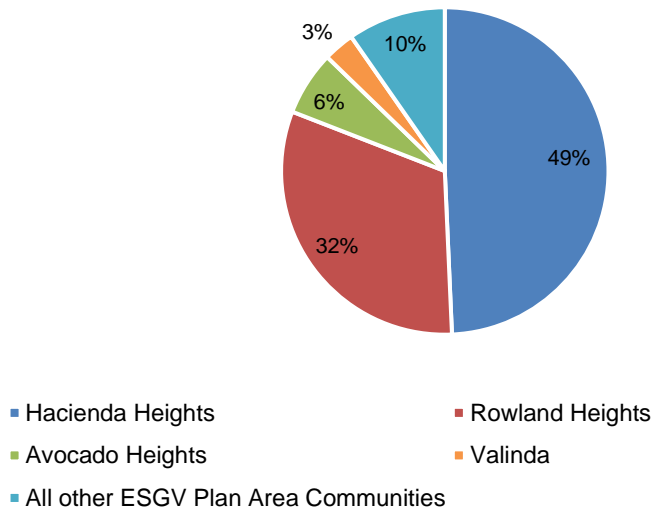
Sources: CoStar Group, 2021; BAE, 2021.

Location of Office Properties

Hacienda Heights has the largest inventory of office space among the ESGV Plan Area Communities, with over 415,000 square feet, or 49 percent of the total (Figure 10). Rowland Heights, meanwhile, has approximately 266,000 square feet of office space. Taken together, these two Plan Area Communities comprise over 80 percent of all Plan Area Community office space inventory on a square foot basis.

There is one new office building currently classified by CoStar under construction in the ESGV Plan Area Communities. This includes a two-story medical office building at the north edge of Rowland Heights, which will provide approximately 20,627 square feet of leasable floor area.

Figure 10: Office Square Footage Stock by Community, Q1 2021



Sources: CoStar Group, 2021; BAE, 2021.

Office Subtypes

ESGV Plan Area Communities feature a significant share of medical office as a percentage of total office space. Medical office accounts for 38.8 percent of total office space in Rowland Heights, and 45.0 percent in Hacienda Heights (Table 10).

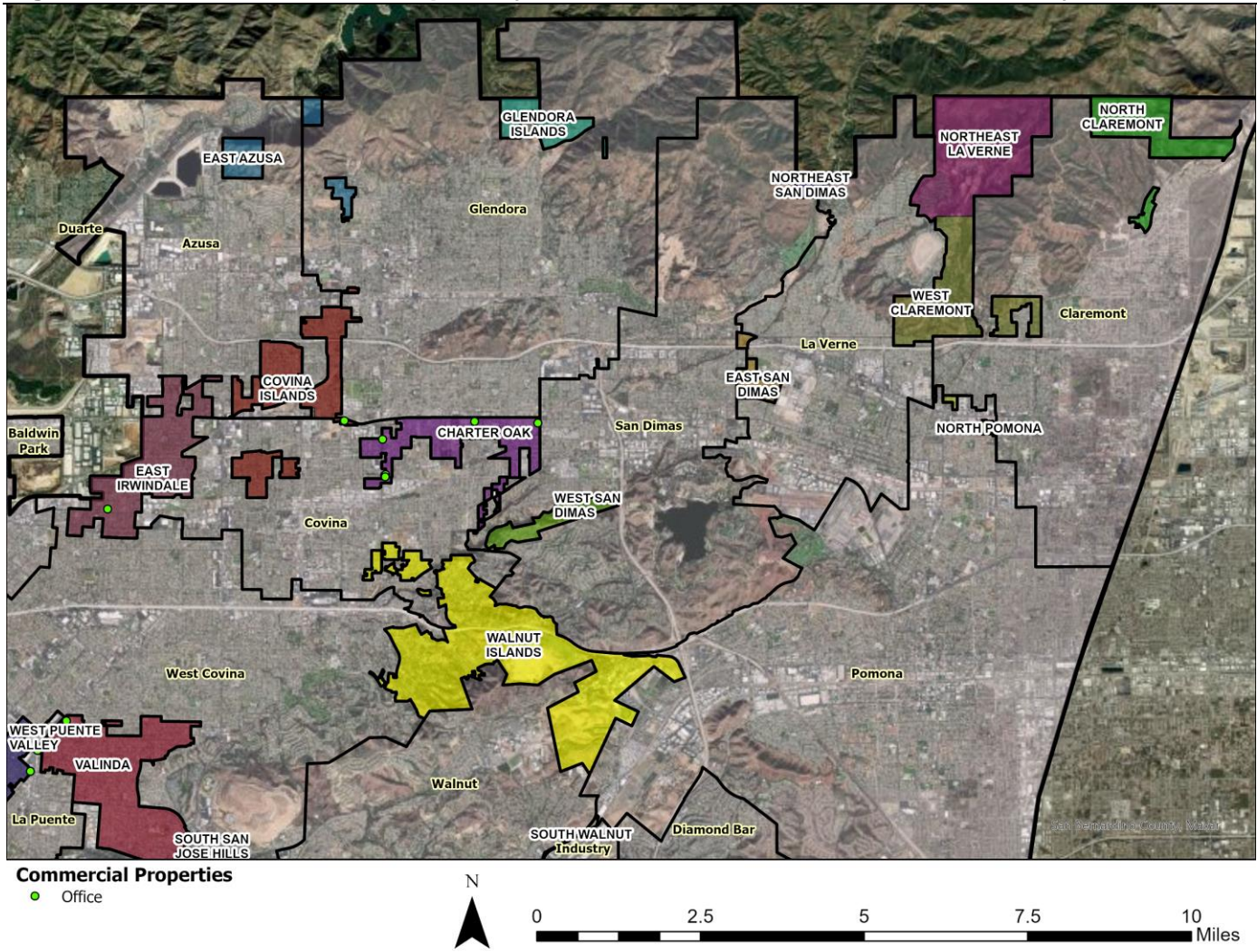
Table 10: Distribution of Office Secondary Types by Geography, Q1 2021

Secondary Types	Hacienda Heights		Rowland Heights		Avocado Heights	
	Number	Percent	Number	Percent	Number	Percent
Loft/Creative Space	910	0.2%	0	0.0%	0	0.0%
Medical	186,887	45.0%	103,443	38.8%	28,004	52.4%
Office Building	169,976	40.9%	31,554	11.8%	24,156	45.2%
Office Live/Work Unit	4,189	1.0%	0	0.0%	0	0.0%
Office/Residential	5,873	1.4%	0	0.0%	1,319	2.5%
Office/Retail	19,730	4.7%	127,221	47.8%	0	0.0%
Religious Institution	27,884	6.7%	4,095	1.5%	0	0.0%
Other	0	0.0%	0	0.0%	0	0.0%
Total RBA (sq. ft.)	415,449	100.0%	266,313	100.0%	53,479	100.0%

Secondary Types	Valinda		East San Gabriel Valley	
	Number	Percent	Number	Percent
Loft/Creative Space	0	0.0%	70,980	0.4%
Medical	25,664	52.1%	3,558,477	19.8%
Office Building	0	0.0%	406,984	2.3%
Office Live/Work Unit	0	0.0%	408,080	2.3%
Office/Residential	21,785	44.2%	319,814	1.8%
Office/Retail	0	0.0%	163,453	0.9%
Religious Institution	1,792	3.6%	33,771	0.2%
Unclassified	0	0.0%	12,988,228	72.4%
Total RBA (sq. ft.)	49,241	100.0%	17,949,787	100.0%

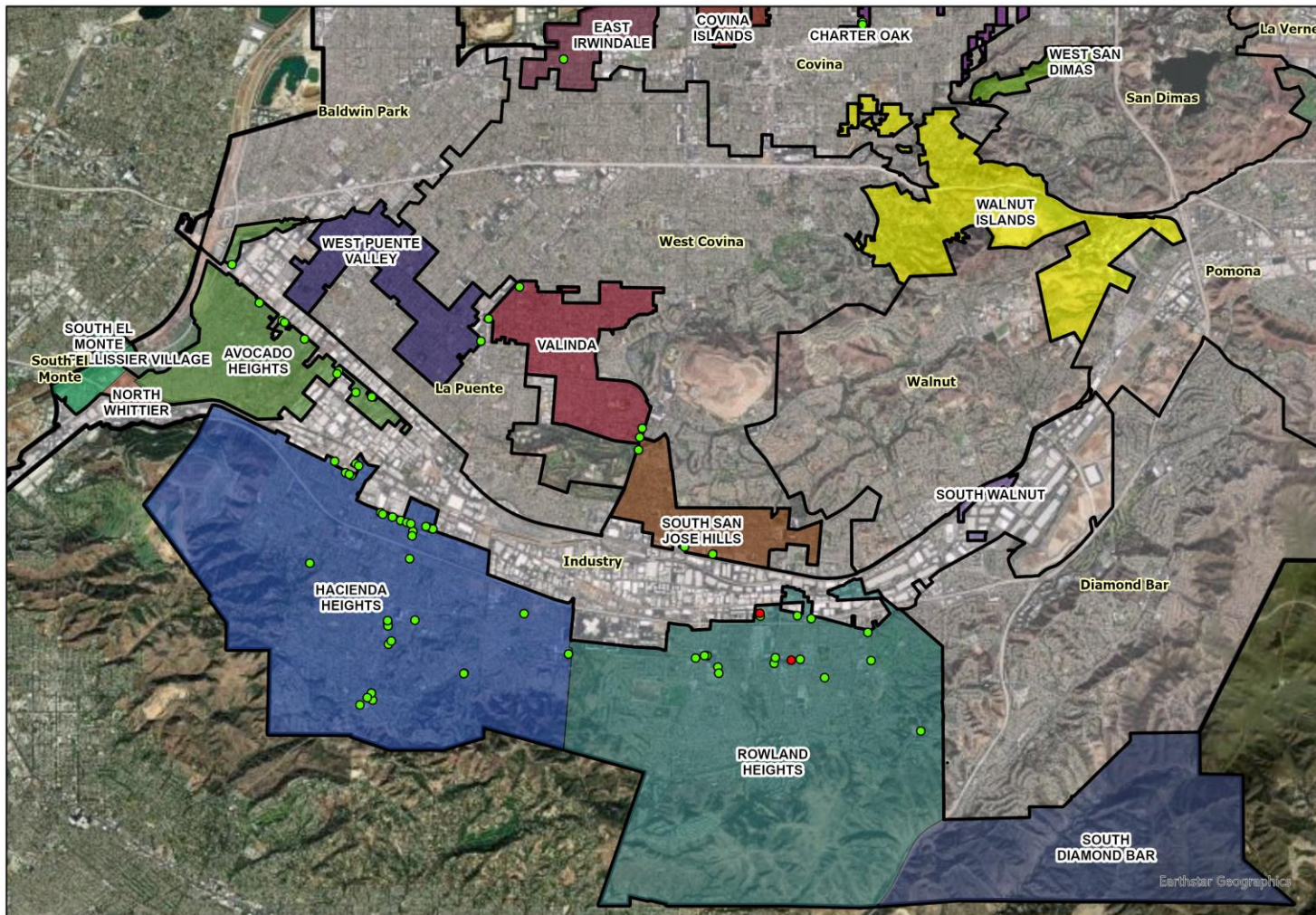
Sources: CoStar Group, 2021; BAE, 2021.

Figure 11: Distribution of Office Space by Location, Northern East San Gabriel Valley, Q1 2021



Sources: Los Angeles County, 2021; CoStar Group, 2021; BAE, 2021.

Figure 12: Distribution of Office Space by Location, Southern East San Gabriel Valley, Q1 2021



Sources: Los Angeles County, 2021; CoStar Group, 2021; BAE, 2021.

Opportunities and Barriers

The following section evaluates the extent to which the ESGV Plan Area Communities' existing office, retail, and industrial capacity is likely to accommodate job growth and economic sustainability within the unique context of the greater Los Angeles region.

Industrial/Flex Capacity

The Transportation and Warehousing industry sector in Los Angeles County is likely to be a key driver for employment growth industry in the region, with significant international trade flowing through the ports of Los Angeles and Long Beach, as well as continued demand for last-mile distribution centers that support online retail.

However, the location preferences and space requirements of such logistics firms are unlikely to be met by the majority of the ESGV Plan Area Communities' industrial/flex building stock, which is characterized by smaller floorplates, lack of immediate freeway access in the most industrial-rich areas (e.g., Avocado Heights), and older buildings without requisite clear heights and loading dock capacity.

Last-mile distribution centers tend to be closer to higher population areas compared to larger distribution centers in the Inland Empire. But they also tend to require building footprints of 20,000 to 100,000 square feet, which are significantly larger than those typically found in the ESGV Plan Area Communities.¹ The primary purpose of a last-mile facility is to receive goods from regional facilities and quickly prepare them for local delivery with minimal handling time. Thus, cross-dock capabilities are especially important. In the absence of major lot consolidation, it is likely that other submarkets will play a more widespread role in this sector.

Comparative Lack of New Investment

ESGV Plan Area Communities have seen less development activity than comparison jurisdictions across nearly all building classes, including industrial/flex, retail, and office.

As such, in the absence of new deliveries on the horizon, the adaptive reuse of existing employment-generating space is more likely in the near to mid-term.

The following section describes some emerging industry sectors that may be able to leverage the existing characteristics of the Plan Area Communities' building stock.

Industrial Kitchens and Food Prep/Manufacturing

Commercial kitchen spaces in former industrial warehouses are filling a growing niche for restaurants that specialize in home delivery. As food delivery expands, startup firms are opening

¹ Patrick Kiger, "Driving Hard to Secure Last-Mile Logistics," February 05, 2018, Urban Land Institute, available from <https://urbanland.uli.org/industry-sectors/industrial/driving%E2%80%85hard-secure-last-mile-logistics/>.

shared kitchens (also known as “ghost kitchens”) in industrial buildings, catering to restaurants who are supplementing their storefront operations or supplanting them entirely.

Another similar business model caters to small food manufacturers. These “multi-tenant” food production facilities lease out individual kitchen spaces to local entrepreneurs, helping them grow their businesses without the high start-up costs associated with permitting.

Space Needs: Industrial kitchens catering to restaurant delivery benefit from close proximity to high-demand areas. Significant retrofits are typically required for existing industrial buildings, for health compliance, ventilation, and fire safety. While some food incubators can occupy up to 50,000 square feet; similar kitchen facilities have ranged in size from 5,000 square feet to 12,000 square feet.² As described in the previous section, these are among the most common industrial/flex building sizes across all Plan Area Communities.

Sound Stages, Studios, and Media Production

Media production-related businesses—including sound stages, recording studios and commercial sets—have proliferated in recent years, in part due to demand from streaming companies who are providing their own original content. Industrial brokers report emerging interest from traditional movie studios looking to expand their production facilities, particularly in light of record high occupancy rates in submarkets such as Hollywood, the Valley, and parts of the Westside.

Space Needs: Existing warehouses, particularly those with unique architectural features and high ceilings, could be ideal for repositioning.

Urban Farming and Agriculture

Cannabis cultivation is also having an impact on industrial markets. According to local brokers, growers seeking climate-controlled spaces for cultivation of cannabis are most interested in spaces between 8,000 and 20,000 square feet, which is generally in line with the existing floorplates.

Space Needs: Growing warehouses often require significant retrofits to accommodate the power necessary to handle lighting, dehumidification and cooling requirements. Generally speaking, facilities with more than 15,000 square feet will allow for a more cost-effective installation.

Underlying Land Use

In the case of many Plan Area Communities, distinctions are often blurred between the building classification, building use, and the underlying zoning of a parcel.

In South San Jose Hills, for example, a significant portion of the Community’s industrial/flex building stock is located along the north side of East Valley Boulevard, but in Commercial-zoned areas instead of Manufacturing-zoned areas. In other cases, non-industrial uses such as event

² <https://la.eater.com/2018/5/23/17377966/pasadena-kitchen-food-delivery-demand>

spaces and dance studios are occupying otherwise functioning industrial buildings, likely due to the significantly high cost of retrofitting these buildings for employment-generating uses.

And in some retail-classified space, office uses are actually those uses that are predominant. As the County explores ways to encourage job-generating uses, it should be mindful of these evolving distinctions.

Memorandum

To: Los Angeles County Department of Regional Planning

From: BAE Urban Economics

Date: July 28, 2021

Re: FINAL Regulatory Analysis Memorandum (ESGVAP Task 2. Economic Development Element, Subtask 2.1c)

This Draft Regulatory Analysis Memorandum provides a high-level analysis of the local regulatory and business environment within the East San Gabriel Valley Plan Area Communities.

To inform this Memo, BAE is surveying local brokers, employers, and other business groups to identify any regulatory barriers or impediments that may limit the establishment and expansion of businesses in the ESGV Plan Area Communities. As such, it should be noted that the findings in this Regulatory Analysis Memo are preliminary, and will be further augmented as BAE continues to solicit responses from local stakeholders.

Where appropriate, the Memo also references the unique market conditions described in the Market Analysis Memo (Subtask 2.1b) to better understand the extent to which the County's current regulatory environment is aligned with local demand drivers.

As a next step, BAE will work with the ESGV Plan Area Team to explore strategies that could further enhance the County's economic development potential.

Business Operations Context

The following section describes some of the key considerations that local businesses face when choosing to expand or relocate their operations in the East San Gabriel Valley. This section is primarily intended to provide regional economic context, rather than recommend any changes as part of the County's Area Plan update.

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Lower Property Taxes in ESGV Plan Area Communities Compared to Neighboring Jurisdictions

Brokers familiar with the East San Gabriel Valley have indicated that one advantage to locating in the Unincorporated County includes a significantly lower property tax rate, particularly when compared to jurisdictions such as the nearby City of Industry.

On average, property taxes in the nearby City of Industry (one of the ESGV Plan Area Communities' largest competitors for industrial/flex space) are about 50 to 75 basis points higher than they are in Unincorporated Los Angeles County.

Since many industrial/flex users operate under a “NNN” lease, whereby lessees are responsible for paying the landlord’s operating expenses (including utilities and property taxes), such a spread can have significant implications with respect to operating expenses—particularly for properties that have recently traded and been reassessed at market value.

Utility and Energy Consumption

Industries that consume large amounts of water and power (e.g., cold storage and manufacturing) often seek out locations in jurisdictions with their own utility companies, according to local brokers.

Such jurisdictions include the City of Vernon, whose Vernon Public Utility (VPU) is municipally owned. This also includes the nearby City of Industry, where the Industry Public Utilities (IPU) operates a municipal electric system that serves portions of business and residential properties within the city.

Commercial tenants in the ESGV Plan Area Communities such as Avocado Heights, meanwhile, rely on Southern California Edison for their utility needs. With a much larger client base (up to 15 million customers) Southern California Edison is sometimes perceived as being less responsive to local businesses.

Tax and Fee Structure of Neighboring Jurisdictions

It should also be noted that some nearby jurisdictions (including the City of Industry) do not levy a Utility User Tax on local business operations, while in nearby unincorporated areas of Los Angeles County, the Utility User Tax (UUT) is currently set at 4.5 percent, and levied on communication, electric, and gas charges billed to a billing or service address in Unincorporated Los Angeles County.¹

For business operators with significant power needs, this could have the tendency to dissuade them from locating or expanding in Unincorporated Los Angeles County, according to local brokers.

¹ <https://ttc.lacounty.gov/uut/>

The UUT is set even higher in Covina (6 percent); however, there is no UUT at present in the Cities of West Covina, La Puente, Walnut, or Diamond Bar.

The County's existing UUT was approved by voters on November 4, 2008 as part of Measure U. Measure U reduced the existing tax on telecommunications in the unincorporated areas of the county from 5 percent to 4.5 percent, while simultaneously extending the tax to additional types of utilities.

Site Constraints

Overall, the Los Angeles County industrial/flex market is garnering a significantly smaller share of new Southern California industrial development than in past decades. A recent overview of the industrial market by NAI Capital, a real estate service for commercial development, identifies the Inland Empire (Riverside and San Bernardino Counties) as "the premier market for industrial development in Southern California" because of the availability of sites for large industrial properties. By some estimates, more than half of the new industrial/flex development in the Inland Empire is located in extremely large projects, including eight projects greater than 500,000 square feet and another 10 projects with footprints larger than 1 million square feet.

Regardless, due to the continued demand for industrial/flex space in Los Angeles County, even smaller constrained sites are unlikely to sit vacant. At present, the Los Angeles region has some of the lowest industrial vacancy rates in the nation, driven by factors including international trade, e-commerce and logistics. This underscores the fact that because new, ground up industrial/flex construction is unlikely in the ESGV Plan Area Communities, buildouts of existing structures will be required in order to compete for new tenants.

In contrast to industrial site constraints, interviewees did not mention any similar constraints associated with the development of new retail or office space in the ESGV Plan Area Communities.

Regulatory Context

The following section describes issues that Los Angeles County may be able to address in an effort to enhance its economic development efforts, such as streamlining its permitting process, clarifying the allowable uses in its commercial zones, and others.

Streamlining the Permitting Process

Due in part to the comparative lack of new industrial/flex supply noted in the Market Analysis Memo, older industrial buildings in the ESGV Plan Area Communities will invariably need substantial rehabilitation to compete for new, employment-generating uses. Interviews with brokers and contractors active in the area indicate that some of the most common upgrades would include heavy upgrades to building systems due to enhanced power requirements and electric use,

as well as bringing a facility into compliance with current fire, safety, and ADA codes. This could also include compliance with forthcoming “Green Zone District” provisions that will require existing businesses to comply with development standards for covered uses, storage of materials, vehicles and equipment, recycling and waste storage, vehicular access, on-site circulation, and others.

The Los Angeles County Building and Safety, managed by LA County Public Works, is the primary entity that processes permit applications to ensure safe building design, provide code enforcement, and other important functions. Field offices are located throughout the County, including the nearby cities of Industry and La Puente.

According to some local brokers, gathering the necessary permits to carry out substantial improvement work in Unincorporated Los Angeles County has proven to be a time-consuming endeavor, especially when compared to other jurisdictions where the permit process is all “under one roof”.

Permitting Fees

While the carrying costs associated with permit delays was mentioned as one perceived drawback towards working in Los Angeles County, the Permitting Fees themselves (e.g., School; Fire; etc.) were not cited as being any higher or more substantial than neighboring cities.

Zoning Ordinance and Allowable Uses

When asked about their familiarity with allowable uses in the County’s Industrial and Commercial Zones, some local brokers and businesses indicated that it was sometimes difficult to interpret the code. In one instance, a commercial broker expressed confusion about the extent to which pallet storage in the County’s “M-1” zone was still an allowable use, given their proliferation in Avocado Heights.

With respect to allowable uses, however, there is no indication that Los Angeles County’s regulatory approach is overly burdensome per se, or that disallowed uses or uses that require a Conditional Use Permit (CUP) are prohibiting employment growth.

Preliminary Observations and Next Steps

- As a next step, the Final Regulatory Analysis memo will also include recommendations for streamlining and incentivizing land use goals and priorities identified under Task 1 (Land Use Element).

- The final Regulatory Analysis Memo will identify a series of strategies, incentives, and possible regulatory enhancements that could support equitable economic growth in the East San Gabriel Valley.

