

CRENSHAW/LAX TRANSIT CORRIDOR



Project Description

The Los Angeles County Metropolitan Transportation Authority (Metro) plans to build the Crenshaw/LAX Transit Corridor stretching from Wilshire Boulevard in the north to El Segundo Boulevard in the south. This will improve public transit service and mobility in the region by offering a connection to existing transit lines such as the Metro Green Line or the Exposition Line (under construction), as shown in the map below.

The total cost for the Crenshaw/LAX Transit Corridor project is about 1.47 billion, of which \$1.19 billion will be allocated for construction, \$157 million on right-of-way acquisition (ROW), and \$123 million will be spent on vehicle purchases. The project will be partially financed by sales and use taxes generated under Measure R, the half-cent sales tax increase approved by voters in November 2008.



Source: Metro

The LAEDC estimated the total economic impact in the five-county Southern California region of nearly \$1.19 billion construction spending for this project. The budget categories such as ROW and vehicle purchases are excluded from economic impact analysis. The results for economic impact analysis are shown on the following page.

Total Economic Impact in Southern California

Initial Spending

\$ 1.19 billion

- We used initial spending estimates for the project as direct activity, and estimated the indirect and induced effects using models developed with the IMPLAN system (V3 software and 2008 data) from the Minnesota IMPLAN Group, Inc.
- All dollar figures are quoted in 2010 dollars.

Total Output

\$ 2.58 billion

- The total economic output includes direct, indirect and induced business revenues.
- **Direct revenues** are captured by construction, architecture and engineering firms hired by Metro.
- **Indirect and induced revenues** stem from the purchases made by Metro and those generated by the spending of employees whose wages are sustained by both direct and indirect spending.

Total Employment

15,100 jobs

- **Direct employment** includes the Metro workers and other employees hired during the project.
- **Indirect and induced workers** are those whose jobs are sustained by purchases for the project and household purchases funded by project-related wages.
- Job creation estimates are measured on a job-count basis for both wage-earners and proprietors regardless of the number of hours worked.

Total Compensation

\$ 944 million

- Total compensation includes income of direct *and* indirect workers and may exceed the initial project spending.
- Compensation includes wages and salaries *and* benefits, such as health and life insurance, retirement payments, and non-cash compensation.

Total Tax Revenue

\$ 80.3 million

- The proposed projects will generate state income taxes, sales taxes, State Unemployment Insurance (SUI) and State Disability Insurance (SDI) taxes, in addition to permits, property taxes, corporate income taxes, gross receipts taxes and other licenses and fees.

Industry Sector Impacts

The economic impact spills across industries in the Southern California five-county region through indirect and induced effects. The complete list of impacts by industry sector due to spending for this project appears in the table below. The values in the exhibit should be interpreted as illustrative of the industry effects rather than precise given model and data limitations.

| Impact of Project in Southern California by Industry Sector | | | |
|---|------------------------|---------------|------------------------------|
| Industry | Output (\$ million) | Jobs | Compensation (\$ million) |
| Agriculture | \$ 5.1 | 43 | \$ 1.5 |
| Mining | 17.8 | 33 | 4.3 |
| Utilities | 18.9 | 17 | 3.5 |
| Construction | 1,194.1 | 7,081 | 498.9 |
| Manufacturing | 293.1 | 606 | 43.2 |
| Wholesale trade | 76.2 | 383 | 28.9 |
| Retail trade | 93.4 | 1,103 | 39.8 |
| Transportation and warehousing | 43.6 | 306 | 18.1 |
| Information | 73.8 | 145 | 15.7 |
| Finance and insurance | 114.0 | 450 | 39.8 |
| Real estate | 179.8 | 438 | 17.5 |
| Professional, scientific and technical services | 188.1 | 1,228 | 102.1 |
| Management of companies | 16.2 | 73 | 7.4 |
| Administrative and waste management | 43.2 | 682 | 23.0 |
| Education services | 11.5 | 182 | 6.3 |
| Health care and social assistance | 80.6 | 802 | 44.6 |
| Arts, entertainment and recreation | 17.3 | 170 | 5.8 |
| Accommodations and food services | 37.7 | 594 | 14.1 |
| Other services | 54.4 | 633 | 21.6 |
| Government & Non-NAICS | 19.1 | 92 | 8.2 |
| Total * | \$ 2,580 | 15,100 | \$ 944 |

* May not sum due to rounding

Source: LAEDC, Minnesota IMPLAN Group, Inc.

Appendix

Methodology

The total estimated economic impact includes direct, indirect and induced effects. **Direct activity** includes the materials purchased and the employees hired by the Los Angeles County Metropolitan Transportation Authority (Metro) and its contractors during the project construction period. Here we account for construction workers which have been added due to the project and the materials purchased for the project. **Indirect effects** are those which stem from the employment and business revenues motivated by the purchases made by the Metro and its contractors. For example, indirect jobs are sustained by the suppliers of the office supplies and insurance purchased by contractors hired for the construction. **Induced effects** are those generated by the spending of employees whose wages are sustained by both direct and indirect spending.

We used data supplied by the Metro for initial spending, and estimated the direct, indirect and induced effects using models developed with the IMPLAN system (V3 software and 2008 data) from the Minnesota IMPLAN Group, Inc. In all cases, we have proceeded as if the spending will take place within a single year, as is customary in this type of impact analysis. For long-term projects such as multi-year transportation improvement projects, the reader is cautioned to note that the modeling system does not account for changes in prices and wages over time. All dollar figures are quoted in 2010 dollars.

The estimated economic impacts are based on spending within the five-county Southern California region, which includes the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura. These counties are chosen as representative of the region most affected by the Metro's projects. Although most of the employment and economic activity will be in Los Angeles County, we expect that the workforce, the materials purchased, and the businesses that will be impacted by the Metro's spending are located throughout the five-county Southern California region.

Data limitations prevent us from estimating how much of the overall construction spending will take place outside of the region; for example, construction materials might be *purchased* locally but be manufactured elsewhere. In some instances, spending related to a project may occur in neighboring counties such as Santa Barbara or Imperial and thus generate *additional* economic impact that spills over from those neighboring counties. This spillover is not captured by our five-county analysis.

Any spending in the budget category denoted as right-of-way acquisition is excluded from economic impact analysis since this is an exchange of assets.

Job creation estimates are measured on a job-count basis for both wage-and-salary workers and proprietors regardless of the number of hours worked.

Description of Industry Sectors

The industry sectors used in this report are established by the North American Industry Classification System (NAICS). NAICS divides the economy into twenty sectors, and groups industries within these sectors according to production criteria. Listed below is a short description of each sector as taken from the sourcebook, *North American Industry Classification System*, published by the U.S. Office of Management and Budget (2007).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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