

## **2. Economic Development Element**

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## **2. Economic Development Element**

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### **Introduction**

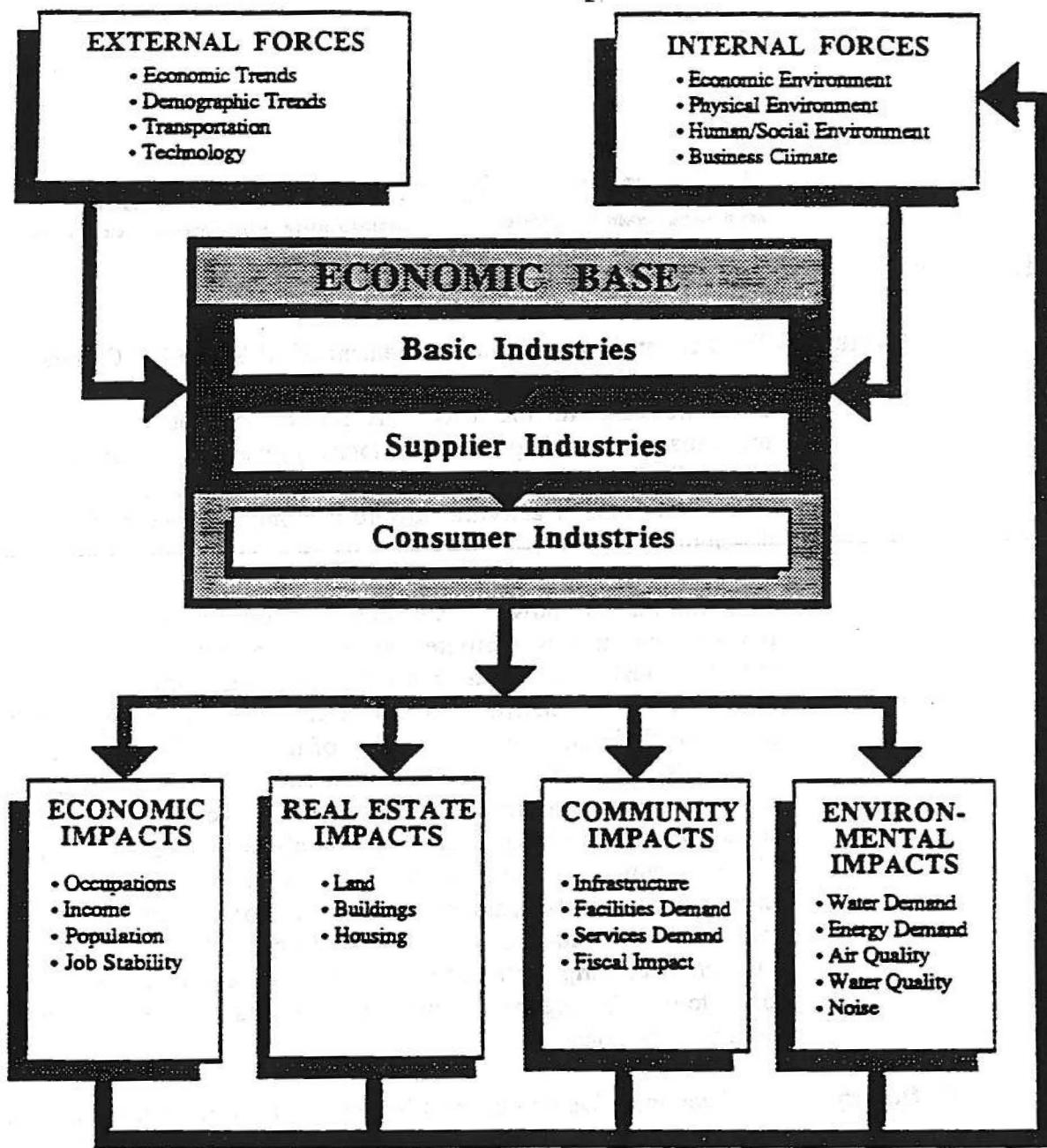
#### **Overview**

The Economic Development Element of El Segundo's General Plan is concerned with the economic health of the commercial and industrial uses in the City. It focuses on the expansion and maintenance of El Segundo's economic base and on the enhancement of the City's business climate. Economic development goals and policies direct City activities toward maximizing the City's economic development potential.

As Exhibit ED-1 shows, El Segundo's economic base impacts a wide range of community attributes: economic impacts such as jobs and income, local real estate markets, the fiscal integrity of local government, and environmental concerns, such as air quality and noise, which ultimately affect quality of life. The development of El Segundo's economic base is influenced by two fundamentally different forces. External forces, such as cycles in the national economy and technological innovations, are largely outside the realm of local control. Internal forces, such as the City's physical environment and its business climate, are more directly under local control. El Segundo's Economic Development Element is concerned with understanding external forces and selectively modifying internal forces to give El Segundo its best position for achieving its economic development goals.

#### **Authority**

The Economic Development Element is an optional element in El Segundo's General Plan. Government Code Section 65303 enables cities to adopt optional general plan elements. El Segundo elected to include an Economic Development Element because it focuses on issues significant to El Segundo's future that are not addressed elsewhere. The Economic Development Element has been reviewed for adequacy of data and internal consistency with other General Plan elements.



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## Community-Wide Economic Development Impacts

exhibit  
**ED-1**

**Organization**

The Economic Development Element begins with an assessment of the conditions currently existing in El Segundo. These conditions were more thoroughly analyzed in the Existing Conditions Report: Economic and Real Estate Analysis of the City of El Segundo, dated June 5, 1991. This document includes an overview of El Segundo's socioeconomic and demographic profile, office, retail, industrial, and hotel real estate markets, economic base, and business climate. The Element concludes with a presentation of El Segundo's economic development goals, objectives, policies, and implementation programs.

**Summary of Existing Conditions Report**

The City of El Segundo, a Pacific Coast beach community, is located in Los Angeles' South Bay, the heart of the industrialized area of Southern California. Broadly defined, the South Bay is the area of Los Angeles County south of the Imperial Highway and west of the Orange County line. It is bounded on the west and south by the Pacific coastline. With a 1990 residential population of approximately 15,223 and a 1990 employment population of nearly 80,000, El Segundo offers a unique blend of small-town lifestyle advantages and big-city opportunities.

El Segundo is an employment-led community. That is, El Segundo's development has been led by employment rather than population growth. Employment growth is usually driven by "basic" employers, which are the focus of traditional economic development. Basic employers produce goods and services for customers outside the local economy. Thus, they bring new wealth, income, and jobs into an area. El Segundo's basic employers, those industries which support the rest of the economy, are centered in the high-tech manufacturing/industrial sectors.

Industry experts are optimistic about El Segundo's economic future. In many ways, El Segundo is well-positioned to benefit from the restructuring of California's economy.

- El Segundo will continue to appeal to a new generation of high-tech and computer-oriented firms.
- As with other regions in Los Angeles County, the basic service sector will provide most of the job growth, further diversifying El Segundo's employment base.
- The completion of the I-105 Freeway and light rail line will provide relief to the overtaxed San Diego Freeway, allowing for easier commuting into El Segundo.

## Socioeconomic & Demographic Profile

Population growth in the South Bay and in El Segundo has slowed over the 1980's, and the population in El Segundo appears to have stabilized. El Segundo's challenge is to balance pressures to accommodate population growth with the community's desire to preserve its small-town atmosphere and single-family residential neighborhoods. Regional population trends for El Segundo and surrounding communities are shown in Exhibit ED-2.

El Segundo experienced a population decrease during the 1970's, reflecting a national trend toward smaller households. In 1970, there were an average of 2.7 persons per household in El Segundo. By 1980, this figure had dropped to 2.3.

- According to the 1990 Census, El Segundo's median age was approximately 33.2 years. This was higher than current estimates of the County's median age (32.6 years) and the State's median age (32.8 years).
- El Segundo's population was distributed among the following groups: Non-Hispanic White (84.5 percent), Hispanic (9.1 percent), Asian and Pacific Islanders (4.8 percent), Black (0.9 percent), and other ethnic groups (0.5 percent).
- The affluence of El Segundo residents has increased dramatically over the past 10 years. In inflation-adjusted dollars, El Segundo's median household income increased from \$33,379 in 1980 to \$43,975 in 1989, reflecting a 32 percent real increase. By comparison, median household income in El Segundo showed a real increase of only 1.3 percent between 1970 and 1980.

According to the Southern California Association of Governments' estimates, El Segundo's population will increase to 18,160 by the year 2010. This translates into an average growth rate of 0.96 percent per year for the twenty-year period between 1990 and 2010. Over the same period, households are projected to increase to 8,540 units, an increase of 1,350 from the 1990 Census estimate of 7,190 units.

## Real Estate Markets

Commercial and industrial development in the South Bay has spread northward from the Ports of Long Beach and Los Angeles, southward from Downtown Los Angeles and interior industrial areas, and from Los Angeles International Airport (LAX). Retail development in the South Bay includes some of the largest super-regional malls in all of Los Angeles County, as well as smaller strip, neighborhood, and community centers. Hotel facilities in the South Bay were initially developed near the airport and along the ocean. More recently, hotels designed for business travellers have been constructed near large office/industrial developments.

|                    | 1970      |           | 1970 to 1980    |                       | 1980      |                 | 1980 to 1990          |  |
|--------------------|-----------|-----------|-----------------|-----------------------|-----------|-----------------|-----------------------|--|
|                    | 1970      | 1980      | Absolute Change | Annual Percent Change | 1990      | Absolute Change | Annual Percent Change |  |
| Regional Total     | 179,103   | 176,903   | -2,200          | -0.1%                 | 197,021   | 20,118          | 1.1%                  |  |
| El Segundo         | 15,620    | 13,752    | -1,868          | -1.2%                 | 15,223    | 1,471           | 1.1%                  |  |
| Hawthorne          | 53,304    | 56,437    | 3,133           | 0.6%                  | 71,349    | 14,912          | 2.6%                  |  |
| Hermosa Beach      | 17,412    | 18,070    | 658             | 0.4%                  | 18,219    | 149             | 0.1%                  |  |
| Manhattan Beach    | 35,352    | 31,542    | -3,810          | -1.1%                 | 32,063    | 521             | 0.2%                  |  |
| Redondo Beach      | 57,415    | 57,102    | -313            | -0.1%                 | 60,167    | 3,065           | 0.5%                  |  |
| South Bay          | 1,400,182 | 1,483,728 | 83,546          | 0.6%                  | 1,672,690 | 188,962         | 1.3%                  |  |
| Los Angeles County | 7,041,980 | 7,477,412 | 435,432         | 0.6%                  | 8,863,164 | 1,385,752       | 1.9%                  |  |

Source: U.S. Census; California Department of Finance.

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## Regional Population Growth 1970 to 1990

exhibit  
**ED-2**

#### **Office Market**

The South Bay office market has grown rapidly since 1980. Until recently, the market's principal office tenants were aerospace and defense companies such as Hughes, TRW, and Northrop. However, South Bay aerospace firms have suffered cutbacks in the past few years and building owners are seeking to diversify the area's tenant base.

According to 1990 estimates, there was approximately 40 million square feet of office space in the South Bay.

Although El Segundo is the smallest geographic area in the competitive market, the City has nearly one-fourth of the area's total supply of office space, 9.3 million square feet (See Exhibit ED-3.)

The most significant and distinctive portion of the El Segundo office market is the new development concentrated between Sepulveda and Aviation Boulevards north of Rosecrans Avenue. New development projects in this area offer high quality, Class A office space in attractively landscaped settings, with ample parking, excellent market access, and airport proximity.

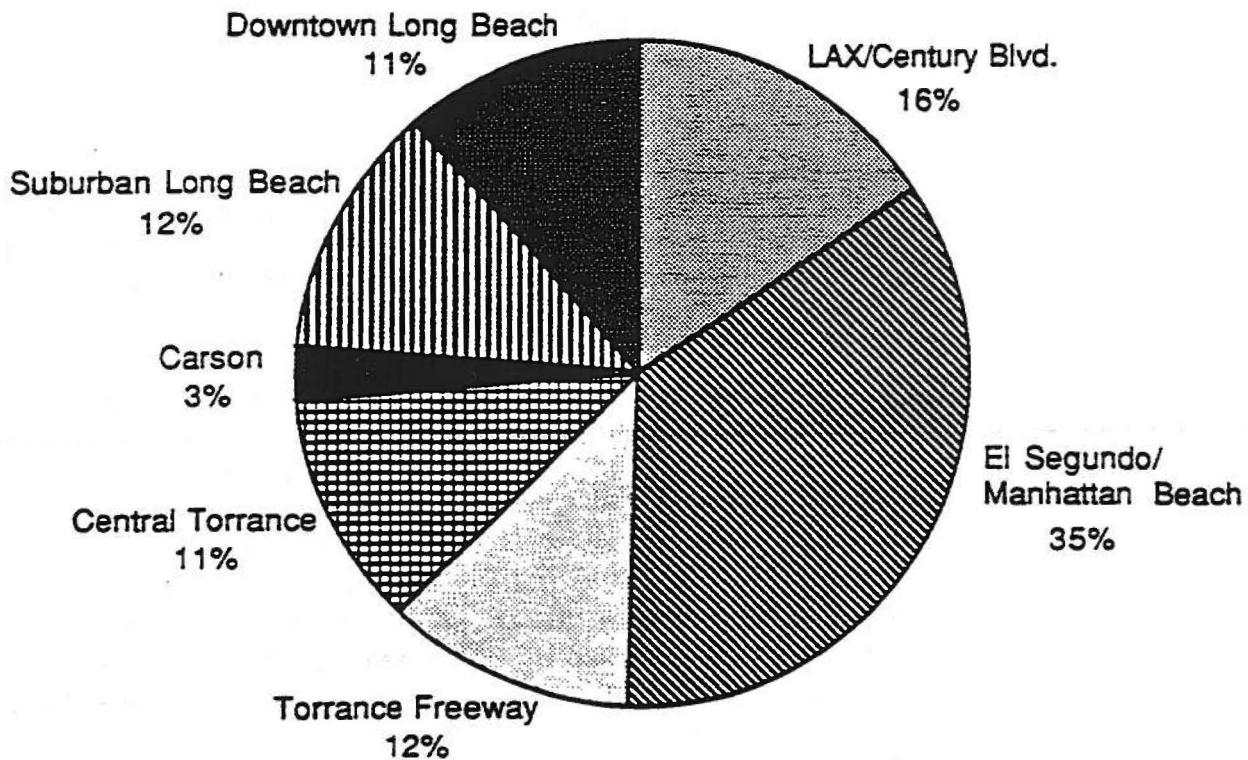
Diversification in El Segundo's office market is taking place at a rapid pace. In 1988 and 1989, 1.7 million square feet of office space was absorbed. Eighty percent of this space was leased by non-aerospace companies. Currently, more than 1.6 million additional square feet of office space is proposed or under construction in El Segundo. Clearly, El Segundo's dominance of the South Bay office market is expected to continue.

#### **Retail Market**

El Segundo residents have access to a number of shopping alternatives. Some of the largest super-regional malls in Los Angeles County--Del Amo Fashion Center, Carson Mall, Hawthorne Plaza and the South Bay Galleria--are within a short distance of El Segundo.

In addition, Manhattan Village, a regional mall, is located in Manhattan Beach, a neighboring community.

It is estimated that El Segundo's retail market has approximately one million square feet of space, primarily consisting of numerous small- and medium-sized shopping centers. These centers generally have tenant mixes designed to serve neighborhood-sized market areas. In addition, businesses serving a Citywide clientele are concentrated in the Downtown area, along Main Street ( See Exhibit I-2.)



Source: Grubb & Ellis; 1990 BOMA.

Note: Grubb & Ellis figures do not segregate El Segundo and Manhattan Beach.

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## Distribution of Office Space In the South Bay

exhibit  
**ED-3**

El Segundo's retail market is somewhat unique in that it serves two distinct purposes: meeting the 24-hour needs of the City's residential community and meeting the daytime and after-work needs of the City's business community.

Expanding El Segundo's retail market for both of these uses is one of the City's main focuses. Expanding El Segundo's retail base may provide the City with increased sales tax revenue and may give residents and workers more convenient and varied shopping alternatives.

#### **Industrial Market**

The South Bay includes 10 of the 25 largest office and industrial parks in Los Angeles County. Indeed, a characteristic of newer industrial development is the combination of office with light industrial, manufacturing, and warehouse facilities.

As a result of land scarcity, some types of industry are being pushed out of the South Bay to the Inland Empire (and beyond) where more land is available at lower prices. At the same time that cost sensitive businesses are moving out of the South Bay, growth in air- and sea port-related activity has attracted numerous distribution-related companies into the South Bay. Increased international air freight activity at Los Angeles International Airport has increased demand for warehouse and distribution space near the airport. As a result, industrial vacancy rates have remained constant despite large additions to supply.

It is estimated that El Segundo had approximately 11.4 million square feet of industrial space in 1990. This accounts for 6 percent of the South Bay's total industrial market. As shown in Exhibit ED-4, only six cities have larger shares of the South Bay's industrial market.

#### **Hotel Market**

The South Bay hosts the largest concentration of hotel rooms in Southern California. For the year 1990, the South Bay hotel market represented about 11 percent of the total supply of hotel rooms in Los Angeles County. In addition, the growth of both the supply and the demand for South Bay hotel rooms is estimated to be about twice the County's growth rate. Supply and demand changes in the South Bay and in Los Angeles County are shown in Exhibit ED-5.

| <b>City</b>      | <b>Number of Buildings</b> | <b>Gross Square Feet</b> | <b>Percent of Total Market</b> | <b>Vacant Square Feet</b> | <b>Percent Vacant</b> |
|------------------|----------------------------|--------------------------|--------------------------------|---------------------------|-----------------------|
| Carson           | 431                        | 25,960,993               | 13.6%                          | 4,145,971                 | 16.0%                 |
| Compton          | 362                        | 20,620,972               | 10.8%                          | 2,987,979                 | 14.5%                 |
| El Segundo       | 160                        | 11,400,521               | 6.0%                           | 1,015,786                 | 8.9%                  |
| Gardena          | 740                        | 25,159,070               | 13.2%                          | 2,130,973                 | 8.5%                  |
| Harbor City      | 56                         | 1,309,434                | 0.7%                           | 126,622                   | 9.7%                  |
| Hawthorne        | 136                        | 9,947,232                | 5.2%                           | 632,644                   | 6.4%                  |
| Inglewood        | 120                        | 3,143,505                | 1.7%                           | 360,874                   | 11.5%                 |
| Long Beach       | 455                        | 23,060,265               | 12.1%                          | 872,864                   | 3.8%                  |
| Los Angeles      | 268                        | 11,142,241               | 5.9%                           | 1,342,640                 | 12.0%                 |
| Lynwood          | 48                         | 3,652,470                | 1.9%                           | 348,811                   | 9.6%                  |
| Paramount        | 94                         | 2,656,425                | 1.4%                           | 513,487                   | 19.3%                 |
| Rancho Dominguez | 262                        | 17,552,183               | 9.2%                           | 2,350,237                 | 13.4%                 |
| Redondo Beach    | 29                         | 1,832,657                | 1.0%                           | 256,755                   | 14.0%                 |
| San Pedro        | 27                         | 1,423,771                | 0.7%                           | 12,814                    | 0.9%                  |
| Signal Hill      | 75                         | 1,757,703                | 0.9%                           | 89,116                    | 5.1%                  |
| Torrance         | 506                        | 26,088,333               | 13.7%                          | 2,366,212                 | 9.1%                  |
| Wilmington       | 97                         | 3,529,760                | 1.9%                           | 306,030                   | 8.7%                  |
| Total            | 3,866                      | 190,237,535              | 100.0%                         | 19,859,815                | 10.4%                 |

Source: CB Commercial Real Estate Group, Inc.

Note: Cities with less than 1 million square feet of industrial space are not included.

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## Industrial Supply In the El Segundo Market Area

exhibit

ED-4

**Exhibit ED-5**  
**1990 Hotel Market Characteristics**

|                       | Number of<br>Hotel Rooms | Growth Rate<br>of Supply | Growth Rate<br>of Demand |
|-----------------------|--------------------------|--------------------------|--------------------------|
| South Bay             | 5,127                    | 16.3%                    | 10.0%                    |
| Los Angeles<br>County | 46,966                   | 8.2%                     | 4.8%                     |

Source: Pannell Kerr Forster

As for much of the South Bay, spillover demand from Los Angeles International Airport is one of the largest generators of hotel room nights in El Segundo. In addition, the City's hotel market is significantly supported by travellers meeting with local businesses.

According to 1990 estimates, El Segundo had an inventory of 1,446 hotel rooms. Major El Segundo hotels include the Hacienda Hotel 640 rooms, Embassy Suites/Crown Sterling (350 rooms), Compri-LAX (215 rooms), The LAX Hotel (95 rooms), and The Courtyard by Marriott (146 rooms).

### Economic Base

With a 1987 foundation of nearly 100,000 jobs, El Segundo's economic base is strong. The City's current employment base is a mixture of firms in aircraft, space, defense, computers, electronics, communication, transportation, fabricated metal products, petroleum refining, and business services. Exhibit ED-6 shows the distribution of El Segundo's employment among major industry classifications.

- The largest single industrial sector is manufacturing, accounting for nearly 70,240 jobs. This industry accounts for 76 percent of El Segundo's total employment. Aerospace firms are the largest single component of these manufacturing jobs. Over the past two years, El Segundo's aerospace companies have been reducing employment as military programs are delayed or terminated. These employment losses could be magnified in El Segundo's economy because some other local jobs exist to serve the aerospace industry.
- The second largest industry sector is services. This industry is primarily made up of business support services, hotels, health care, and personal services. It accounts for 10,418 of the City's jobs, or 11 percent of its employment base. These businesses serve the City's manufacturing sector as well as the residential population.

| <u>Industry</u>                                  | <u>Employment</u> | <u>Percent<br/>Distribution</u> |
|--|-------------------|---------------------------------|
| Total, All Industries                            | 92,972            | 100.00%                         |
| Manufacturing                                    | 70,240            | 75.55%                          |
| Services   | 10,418            | 11.21%                          |
| Public Administration                            | 6,961             | 7.49%                           |
| Transportation, Communication & Public Utilities | 2,220             | 2.39%                           |
| Wholesale Trade                                  | 1,325             | 1.43%                           |
| Retail Trade                                     | 973               | 1.05%                           |
| Construction                                     | 527               | 0.57%                           |
| Finance, Insurance & Real Estate                 | 294               | 0.32%                           |
| Agriculture/Forestry/Fishing                     | 14                | 0.02%                           |
| Mining   | 0                 | 0.00%                           |

Source: Southern California Association of Governments.

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## El Segundo Employment by Industry 1987

exhibit  
**ED-6**

- Public administration, which includes local government workers, public safety officers, and educators, comprises 7.5 percent of El Segundo's economic base.
- Among the smaller components of El Segundo's economic base are transportation, communication, and public utility firms, accounting for 2.4 percent of El Segundo jobs. Transportation firms include numerous small distribution and freight forwarding enterprises.
- Retail trade accounts for 1.0 percent of the City's economic base and wholesale trade accounts for 1.4 percent. El Segundo's retail base is centered on "business" rather than "consumer" service stores. Business-to-business retailers, lunch restaurants, building materials outlets, and service stations are the City's most active retailers.
- Jobs in finance, insurance, and real estate account for 0.3 percent of El Segundo's economic base. This category includes El Segundo's bank and credit union workers, property management firms, real estate brokers, and insurance agents.
- Together, jobs in construction and natural resources account for less than one percent of El Segundo employment.

El Segundo is a microcosm of the economic evolution currently taking place in Southern California. With an economic base centered on a number of growth industries, El Segundo is poised to become a leader in the transformation. Employment projections from the Southern California Association of Governments indicate that El Segundo's employment growth could be substantial. By the year 2010, employment in El Segundo could exceed 115,000 jobs.

**Business Climate** Effective economic development policy recognizes that job growth occurs in a market environment where the "buyers" are private businesses and the "product" is a business location. Every community has strengths and weaknesses. The following business climate assessment is a baseline from which to measure and compare El Segundo's position as a "product" in the South Bay marketplace.

**Access to Markets**

El Segundo is strategically located within the South Bay, with excellent air and ground transportation access, including proximity to freeways, to LAX, and the large customer base found within El Segundo's business community.

Los Angeles International Airport provides El Segundo with a gateway position to national and international destinations.

El Segundo will benefit from the construction of the I-105 Freeway and the Metro Green Line, which create a direct route from Inland Empire residential communities to El Segundo's employment centers.

#### **Access to Resources**

El Segundo has excellent access to business resources. It is in proximity to a large work force with a variety of skills and talents. Firms locating in El Segundo can easily draw from the pool of workers and services offered in surrounding communities.

#### **Land and Building Availability**

While few large tracts of undeveloped land exist in El Segundo; the City offers a variety of developed office and industrial space at prices that are generally competitive for comparative properties throughout the South Bay. In addition, as the City's economic base evolves, large-scale redevelopment of vacated sites becomes a possibility.

#### **Quality of Life Factors**

Characteristics of the community, including the quality of local schools, housing, climate, and police and fire protection are highly rated by El Segundo's residential and business communities. While the price of housing can be high, El Segundo offers a number of attractive housing alternatives with excellent access to varied cultural and recreational activities.

#### **Public Sector Impacts**

Local government, working in partnership with the private sector, can attract business investment and foster a positive environment for the growth and development of business and industry. The City of El Segundo is working to reinforce its role as an asset in economic development on the premise that a well-run government entity portrays positive attitudes toward the public it serves.

### **Goal ED1: Economic Base**

**To create in El Segundo a strong, healthy economic community in which all diverse stakeholders may benefit.**

#### **Objective ED1-1**

To build support and cooperation among the City of El Segundo and its business and residential communities for the mutual benefits derived from the maintenance and expansion of El Segundo's economic base.

#### **Policy ED1-1.1**

Maintain economic development as one of the City's and the business and residential communities' top priorities.

**Policy ED1-1.2**

Focus short-run economic development efforts on business retention and focus longer-run efforts on the diversification of El Segundo's economic base in order to meet quality of life goals.

**Objective ED1-2**

Center diversification efforts on targeted industries that meet the City's criteria for job creation, growth potential, fiscal impact, and fit with local resources.

**Policy ED1-2.1**

Seek to expand El Segundo's retail and commercial base so that the diverse needs of the City's business and residential communities are met.

**Policy ED1-2.2**

Maintain and promote land uses that improve the City's tax base, balancing economic development and quality of life goals.

**Policy ED1-2.3**

Seek to balance the City's economic development program with the City's resources and infrastructure capacity.

**Goal ED2: Business Climate**

To provide a supportive and economically profitable environment as the foundation of a strong local business community.

**Objective ED2-1**

To strengthen the partnerships between local government, the residential community, and El Segundo's business community.

**Policy ED2-1.1**

Take steps to maintain public sector support of the business community, including large and small businesses, and the residential community.

**Policy ED2-1.2**

Strive to balance the City's need to maximize revenues through business taxes and fees with the City's need to remain cost-competitive in order to retain and attract commercial and industrial development.

**Policy ED2-1.3**

Develop a framework within which interested groups can work together on matters of common interest related to economic growth, its orderly management, and the resolution of attendant problems to improve the City's business climate.

**Policy ED2-1.4**

Continue to invest in infrastructure that encourages commercial and industrial development.

## Goal ED3: Downtown Business Environment

To preserve and improve the business environment and image of Downtown El Segundo. (See Exhibit I-2, Page I-7, for a delineation of the Downtown area.)

**Objective ED3-1**

To create an economically viable and stable Downtown area that uniquely contributes to El Segundo's commercial options.

**Policy ED3-1.1**

Strive to present a clear and consistent image of what the Downtown area is and how it can serve El Segundo's residential and business communities.

**Policy ED3-1.2**

Preserving the Downtown area's economic viability should be a priority.

**Policy ED3-1.3**

Encourage revitalization efforts that improve the appearance of Downtown area businesses.

**Policy ED3-1.4**

Augment the Downtown areas's atmosphere and accessibility by addressing vehicle circulation, parking, and streetscape issues.

**Policy ED3-1.5**

Encourage a mix of retail and commercial businesses that stimulate pedestrian traffic and meet the communities changing needs for goods and services.