

SUBJECT: 2024 ECONOMIC STUDY UPDATE

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STATEMENT ON THE SUBJECT:

The City Council will receive a presentation and consider adopting the 2024 Economic Study. The Economic Study is a data analysis and five-year plan with a detailed set of short-, medium-, and long-term actions, based on a series of three (3) goals and nine (9) strategies.

RECOMMENDATIONS:

1. Receive a presentation and adopt the 2024 Economic Study.
2. Provide direction regarding the establishment of a non-Brown Act body Business Task Force consisting of nine individuals from the community who represent business owners in a variety of industries, including but not limited to: restaurants and bars, hotel and tourism industry, retail businesses, design industry, artists/arts organizations, and personal care industry with an effort on recruiting representatives from both large and small businesses and LGBTQ+-, BIPOC-, women-, and city resident-owned businesses.

BACKGROUND / ANALYSIS:

The following sections of this staff report analysis are organized as follows:

1. History & Background

2. Data Overview
3. Community Engagement
4. Business Task Force
5. Recommended Actions and Next Steps

1. Economic Study History & Background

At its January 21, 2020 meeting (*Item 5E*), the City Council directed staff to perform an Economic Study that includes an assessment of the current economic conditions in the City of West Hollywood, analysis of any gaps that may exist in the local economic structure, and recommendations for support and improvement. The information from the Economic Study would be used to foster sustainable economic development while enhancing the community's access to local-serving businesses and a diversity of employment opportunities.

In March 2020, the LA County Department of Public Health required the immediate closure of numerous businesses to reduce the spread of COVID-19. Various restrictions on business activity and public gatherings would continue over roughly the next two years.

In December 2022, the City issued a Request for Proposals (RFP) with responses due in February 2023, for an Economic Study outlining the City's interest in conducting a Citywide analysis of multiple industries, focused on retail and hospitality (restaurants, bars, clubs), hotel, office, nightlife and entertainment, arts and culture, and events. The City also identified a need to examine existing conditions and future opportunities for five geographic sub-regions: the Sunset Strip, Design District, Rainbow District, Mid-City, and Eastside.

In May 2023, after further review of the responses provided, a Supplemental Addendum was sent to all responders, requesting additional information with responses due in June 2023. Additional information was requested regarding Diversity, Equity, Inclusion, and Accessibility (DEIA) as well as Major Event impacts.

In July 2023, Staff invited all seven respondents to participate in interviews; the top two firms from the initial interview were invited to a second interview. Ultimately, HR&A Advisors was selected to conduct the Economic Study based on their experience,

qualifications, approach to the scope of work, interview responses, and fee. Designing in Color (DCo) was also selected as the DEIA consultant for both the Economic Study and the Strategic Plan. The DEIA Consultant worked collaboratively with the City's prime consultant for the Economic Study to focus on incorporating diversity, equity, inclusion, and accessibility into the engagement and planning processes, with particular focus on engagement from LGBTQ+, BIPOC, and women-owned business stakeholders.

At its October 16, 2023 meeting (*Item 5D*), the City Council approved agreements for services with HR&A Advisors and DCo to conduct a Citywide Economic Study.

From November 2023 – November 2024, the consultant team conducted the data diagnostic, outreach, focus groups, Strengths, Weaknesses, Opportunities, and Threats (“SWOT”) Analysis, and recommended goals and strategies based on the findings.

On November 22, 2024, City Staff published the draft Economic Study for public review on the City's website at www.weho.org/economicstudy. The digital copy of the draft Economic Study can be printed to PDF by readers who prefer a traditional paper format.

Consistency with City Council Initiatives & Direction: The draft Economic Study is responsive to the direction and context provided in prior City Council items, as explained below.

- December 21, 2020 (*Item 5B*) Business Assistance and Recovery Measures – the City Council directed staff to evaluate the establishment of a Business Recovery Task Force.
- January 19, 2021 (*Item 2T*) Support and Incentives for BIPOC, Women-Owned, LGBTQ-Owned, and City Resident Small Businesses – the City Council directed staff to identify ways in which the City can incentivize and support BIPOC, women, LGBTQ+ people, and West Hollywood residents to maintain and open businesses in West Hollywood.
- September 20, 2021 (*Item 5E*) Small Business Initiative to Create Affordable Commercial Spaces in New Commercial and Mixed-Use Projects – the City Council directed staff to identify ways to create/mandate affordable commercial spaces in new commercial and mixed-use projects among other items targeted to

support small businesses.

- May 2, 2022 (*Item 5C*) Sporting Events and Sports Tourism in West Hollywood – the City Council directed staff to explore options available to encourage and support sports tourism and sporting events.
- September 18, 2023 (*Item 6C*) Proposed Amendments to the Business License Tax Ordinance to Expand Incentives for Businesses Renewing Leases in West Hollywood – the City Council directed staff to explore amendments to the Business Tax Ordinance to expand incentives for businesses renewing leases in West Hollywood.

2. Economic Study Data Overview

HR&A completed an examination of economic data in the Economic Health and Visitation Analysis (“Diagnostic”), included as an appendix to the Economic Study report (Attachment A). They examined business, employment, and fiscal trends on a citywide level, comparing West Hollywood’s economic health to its neighbors: Beverly Hills, Santa Monica, Culver City, and the City of Los Angeles. To understand how the economies of different parts of West Hollywood are doing, the Diagnostic also included analysis of and comparisons between the five commercial districts in the City: the Design District, the Rainbow District, Mid-City, Eastside, and the Sunset Strip. Analysis included real estate trends such as average lease rents and commercial vacancy rates; available supply/stock; employment/labor trends; visitation levels; as well as a Strength, Weakness, Opportunity, and Threat (SWOT) Analysis; and retail sales surplus/leakage. Applicable data sources are included on each page in the Diagnostic.

3. Economic Study Community Engagement

Community engagement for the West Hollywood Economic Study was inclusive of the various aspects of West Hollywood’s economy - business owners, residents, employees/labor, community partners, and City staff. The Economic Study Working Group (hereafter, “Working Group”) was formed to function as a sounding board for the Economic Study research. The Working Group members represented a wide swath of the West Hollywood community, including newer and legacy and smaller and larger

businesses, businesses from the hospitality, restaurant, cannabis, office and retail industries; nonprofit and labor; commercial real estate; as well as BIPOC-, women, and LGBTQ+-owned businesses. The Working Group members from businesses included representation from all five commercial districts (Sunset Strip, Rainbow District, Design District, Mid-City, and Eastside).

Over the course of the Economic Study, City staff and the Project Team held three in-person meetings with the Working Group. The purpose of the three Working Group meetings were, respectively, to cover initial findings from community outreach and data analysis, review a Strengths, Weaknesses, Opportunities, and Threats (“SWOT”) Analysis, and review recommended goals and strategies.

Additionally, the Economic Study’s community engagement and data analysis took place at the same time as the WeHo 40 Strategic Plan. The WeHo 40 Strategic Plan reached more than 6,000 community members over the course of the project. The findings of the outreach from the Strategic Plan were shared with the Economic Study team and vice-versa as Economic Development was a key component of the WeHo 40 Strategic Plan outreach.

Throughout the Economic Study, City staff and the Project Team also facilitated 17 focus groups and interviews to discuss specific issues. Focus group meetings were either in-person or virtual, depending on scheduling needs. DCo facilitated a majority of the Working Group and Focus Group sessions with assistance from HR&A. City staff also attended each of the Working Group and Focus Group sessions/interviews. DCo assisted in additional direct outreach to BIPOC-, women, and LGBTQ+-owned businesses in West Hollywood to ensure a diverse array of participants. DCo was also part of the WeHo 40 Strategic Plan outreach team. The insights from this outreach were incorporated throughout the report. The focus groups and interviews were a cross-section of sectors including participants from the following:



4. Business Task Force

At its April 15, 2024 meeting (*Item 5B*), the City Council directed staff to return upon completion of the Economic Study regarding the framework and guidelines for the creation of a Business Task Force. The creation of a Business Task Force stemmed from the December 21, 2020, meeting (*Item 5B*) where the City Council directed staff to evaluate the establishment of a Business Recovery Task Force. The staff recommendation from the April 15, 2024, staff report was to establish a non-Brown Act body Business Task Force. This recommendation included reference to other municipal Business Task Forces and case studies. The full text of the staff report from the April 15, 2024 meeting is included as Attachment B to this report.

Membership: The Business Task Force will consist of nine at-large members appointed by the City Manager to represent the various businesses and industries in West Hollywood, including small and large businesses, brick and mortar businesses, restaurants and bars, hotel and tourism industry, retail businesses, design industry,

artists/arts organizations, and personal care industry with an emphasis on recruiting LGBTQ+, BIPOC-, women-, and city resident-owned businesses.

Outreach & Communication: The Business Task Force application and information will be available on the City's website. Staff will conduct targeted outreach to members of Visit West Hollywood, West Hollywood Chamber of Commerce, Design District Business Improvement District, and Sunset Strip Business Improvement District. Additional targeted outreach will be performed to encourage applications from LGBTQ+, BIPOC-, women-, and city resident-owned businesses from the list of businesses who have self-identified as such through the Economic Study focus group outreach process and through the City's business tax registration. Additionally, information regarding the Task Force will be communicated through various City content including but not limited to newsletters and email distribution lists, and business specific meetings such as the quarterly business leadership meeting and commercial broker's roundtables.

Application process: An application form for interested community members will become available on the City's website, in the City Government section with other Commissions, Advisory Boards, and City Council-initiated Committees and Task Forces. Interested community members will be required to submit an application, within the sixty-day application period, to be considered for the Task Force. Applications will be reviewed by staff and selected by the City Manager. Staff will inform the City Council of the Task Force appointments, and a roster will be posted to the City's website.

Work Plan & Schedule: After the City Manager makes appointments, the Business Task Force will convene its first meeting and adopt a work plan for approximately the next twelve months, with opportunities for extensions or adaptations as necessary. The Task Force will convene every other month (January, March, May, July, September, November) at a date and time to be determined, via a hybrid format that allows for in-person and videoconference participation. Staff proposes the following outline for the Business Task Force structure:

- Meetings 1-2: Introductions, discussion of Task Force & City purview, presentations from staff on relevant City programs and policies, and development of Task Force goals and work plan.

- Meetings 3-5: Provide feedback on action items from Economic Study and Small Business Initiative and collaborate with key community partners and industry experts.
- Meeting 6: Formulate policy recommendations for presentation in a final report to City Council.

The number of meetings in each group listed above, as well as the frequency of meetings, are initial suggestions and may be adjusted based on the needs of the Task Force. The Task Force may determine that more or fewer meetings are required in order to fulfill the desired outcomes.

Since this Task Force is recommended to be a non-Brown Act Body, staff is not recommending stipends be provided to Task Force members. Orientation sessions with the City Clerk’s Office and participation in annual City trainings, such as AB1234 Ethics Training and Sexual Harassment Training, will be recommended but not required.

5. Economic Study Recommended Actions and Next Steps

The inputs from the community engagement efforts combined with the data in the Diagnostic regarding real estate, employment, demographic, and the SWOT analysis resulted in a five-year plan with a detailed set of short-, medium-, and long-term actions, based on a series of three (3) Goals and nine (9) Strategies with twenty (20) recommended actions. The Goals are the outcomes that West Hollywood sets out to achieve, and the Strategies are how the City of West Hollywood will achieve those outcomes. The recommended actions also include key performance indicators (KPIs) to help track and monitor the outcome and success.

The recommended actions were created in response to the diagnostic data, community engagement feedback, as well as the City Council direction from prior Council meetings occurring between 2020-2023 listed in the history and background section of this report.

GOAL 1: Preserve and Expand West Hollywood’s Audience	
<i>Strategy 1.1</i>	Continue to support year-round tourism to West Hollywood
<i>Strategy 1.2</i>	Diversity and grow daytime and nighttime visitors

<i>Strategy 1.3</i>	Generate visitor activity in areas of the City that are not traditionally patronized by visitors
GOAL 2: Support and Grow Small Business	
<i>Strategy 2.1</i>	Reduce costs of doing business and barriers to entry for small businesses
<i>Strategy 2.2</i>	Invest in street activation and placemaking
<i>Strategy 2.3</i>	Strengthen marketing and networking connections among existing business base
GOAL 3: Promote Entrepreneurship	
<i>Strategy 3.1</i>	Foster growth in the creative economy
<i>Strategy 3.2</i>	Provide support for pop-ups and other temporary installations
<i>Strategy 3.3</i>	Build entrepreneurial capacity through education, training and networking

The Economic Study provides a snapshot in time regarding factors impacting the City of West Hollywood’s economic climate. Throughout the engagement process, stakeholders expressed an interest in more frequent data updates on several of the key demographic, employment, commercial vacancy, and business data sets included within the Diagnostic.

Ongoing Reporting and Implementation

Next steps include implementation of an online dashboard and reporting tool for the Economic Study to provide transparency, accountability, and opportunities for ongoing engagement with the community. Currently, this tool is used to visualize other City plans such as the Climate Action and Adaption Plan and Housing Element. The online dashboard will enable staff to report regularly the progress of the Economic Study’s 20 recommended actions in an accessible online format. Additionally, Staff will begin reporting on City-specific key economic data on a quarterly basis using the 2024 Economic Study baseline data in comparison to current conditions.

The Economic Study recommended action items progress will be shared through a variety of outlets including the City's website, quarterly business leadership meetings, quarterly commercial broker roundtable meetings, monthly business newsletters, and a newly created Economic Development Department annual report. Furthermore, the Business Task Force will also provide feedback on the various recommended action items included in both the Economic Study and Small Business Initiative including any items that may require further refinement or development prior to returning to City Council for implementation.

CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD

GENERAL PLAN:

This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing Strategic Program(s) (OSP) of:

- OSP-3: Promote Economic Development while Maintaining Business Vitality & Diversity.
- OSP-1: Adaptability to Future Change.

In addition, this item is compliant with the following goal(s) of the West Hollywood General Plan:

- ED-4: Monitor and evaluate economic conditions affecting the City's economic climate.
- ED-7: Enhance the City as a regional, national and international destination for the entertainment, nightlife, dining and retail industries that are key to West Hollywood's fiscal health.

EVALUATION PROCESSES:

The Economic Study provided data from a snapshot in time regarding factors impacting the City of West Hollywood's economic climate. The Economic Study includes various data points that can be used by City staff as well as elected and appointed officials to monitor the economic health of the West Hollywood economy on a quarterly, annual, and bi-annual basis. The Economic Study also includes a series of recommended actions.

Progress towards the achievement of these recommended actions as well as modifications and updates will be shared in a variety of ways, including the posting of quarterly, annual, and bi-annual updates to the City's website.

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:

Information has been provided electronically to improve environmental sustainability and accessibility.

COMMUNITY ENGAGEMENT:

Community engagement methods included 17 virtual or in-person focus group interviews with a cross section of stakeholders, as well as 3 in-person Economic Study Working Group meetings, and the incorporation of feedback from the WeHo 40 Strategic Plan's community outreach efforts reaching more than 6,000 community members over the course of the Strategic Plan project.

OFFICE OF PRIMARY RESPONSIBILITY:

ECONOMIC DEVELOPMENT DEPARTMENT / BUSINESS DEVELOPMENT DIVISION

FISCAL IMPACT:

None at this time. Any recommend action items requiring additional funding allocations will be brought back separately to the City Council at a future date for approval and/or incorporated into future budget requests and work plans.

ATTACHMENTS:

A – Draft Economic Study Report

B – Copy of the April 15, 2024, City Council Meeting Item 5B Regarding the Creation of a Business Task Force