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Entertainment + Culture Advisors

# West Hollywood Economic Study

## City Council Presentation

December 2024



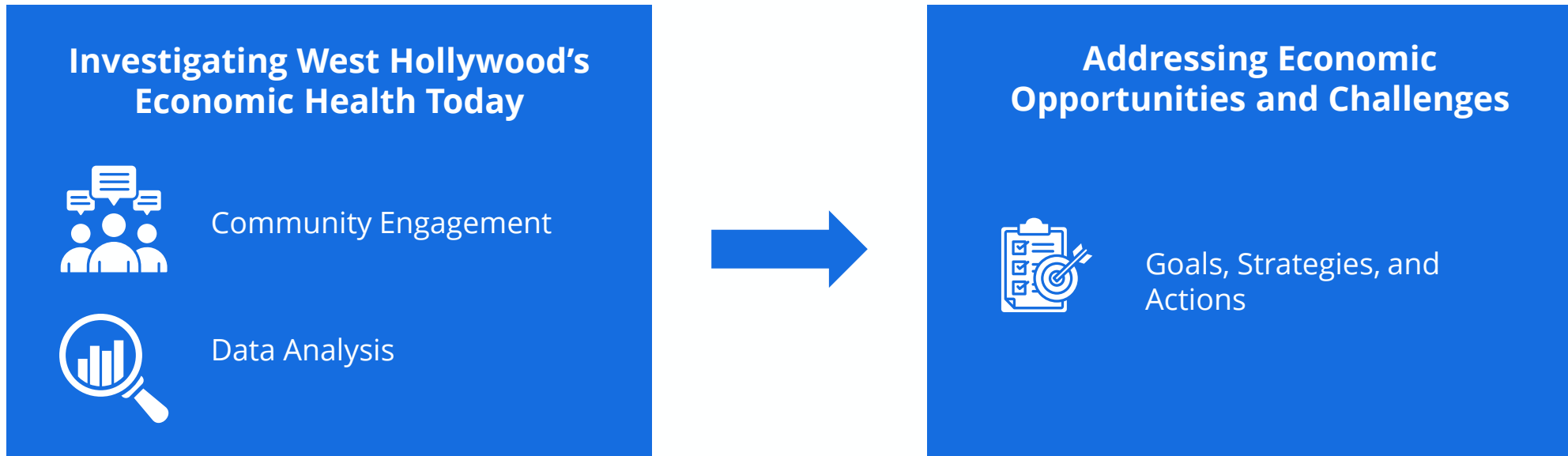
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Approach

## PROJECT APPROACH

Community engagement and data analysis laid the foundation for goals, strategies, and actions in the West Hollywood Economic Study.

### West Hollywood Economic Study Approach



## COMMUNITY OUTREACH

Focus groups and interviews elicited diverse perspectives on the benefits, challenges, and opportunities associated with doing business in West Hollywood.

### Who We Heard From

#### West Hollywood Business Organizations

- Design District and Sunset Strip BIDs
- Visit West Hollywood
- West Hollywood Chamber of Commerce

#### Different Types of Businesses

- BIPOC-, LGBTQ+-, and women-owned businesses
- Office-, home-, and storefront-based
- Legacy businesses
- Recently closed businesses
- Major employers and small businesses

#### Different Industry Types

- Bars and nightclubs
- Cannabis
- Commercial Property
- Film/Entertainment
- Health and wellness
- Hotels
- Nonprofits
- Professional services
- Property brokers, owners, and developers
- Restaurants
- Retail businesses

#### West Hollywood Residents

#### Labor Advocates

#### City of West Hollywood Staff

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Working Group Meetings

17

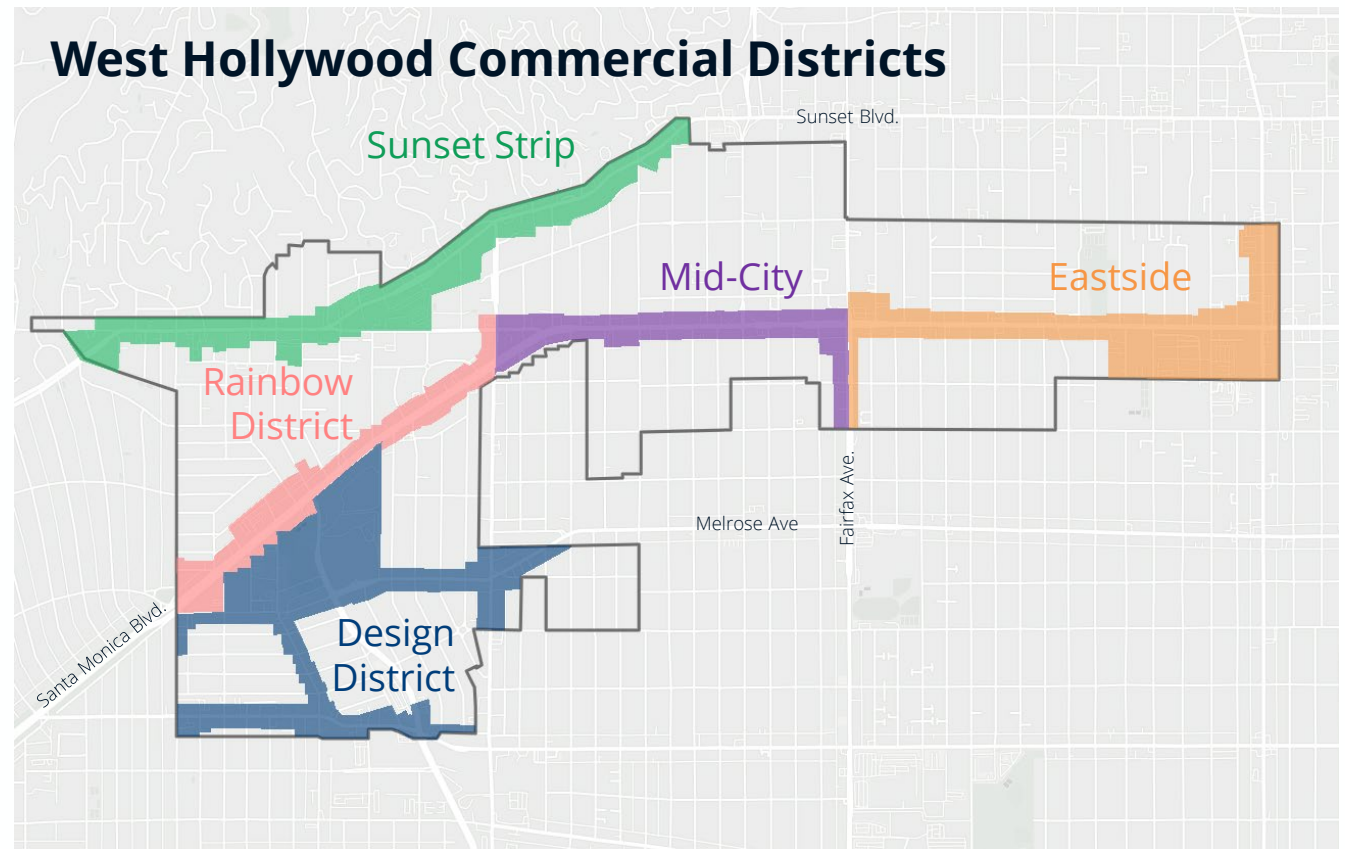
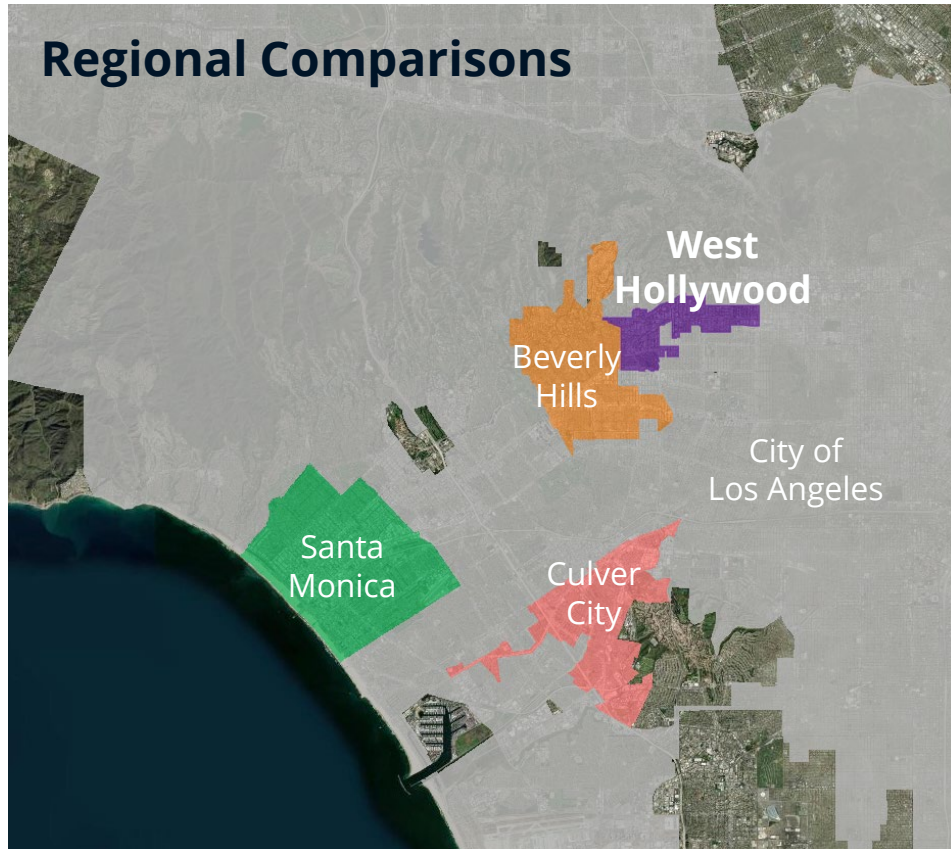
Focus Groups & Interviews

## WHAT WE HEARD

- There is a sense that West Hollywood's **commercial identity is changing and becoming more exclusive**. The Sunset Strip, while performing well, has also become increasingly commercialized and high-end.
- Expanded **entertainment and community programming** is key to increasing visitation levels.
- While West Hollywood's minimum wage and PTO policies attract many workers to West Hollywood, some businesses also have reported **challenges keeping up with the associated costs**.
- Facing reduced foot traffic, some restaurants have closed on Mondays and Tuesdays or have eliminated breakfast and lunch services.
- The **rising cost of insurance premiums** is a burden to businesses. For example, when a business experiences vandalism, their insurance premiums can go up through no fault of their own.
- The city's **walkability is an asset**, though perceived public safety concerns can cause some to hesitate to walk around – and businesses may lose foot traffic and customers as a result.
- Business resources are currently on the City's business development webpage, but this is **perceived as unintuitive**.

## DATA ANALYSIS

The Economic Study compares the economic performance of West Hollywood with its regional neighbors, and commercial districts of West Hollywood with each other.





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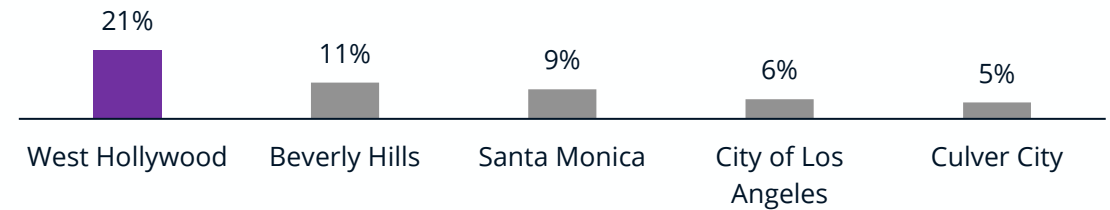
# Key Findings

## FINDINGS

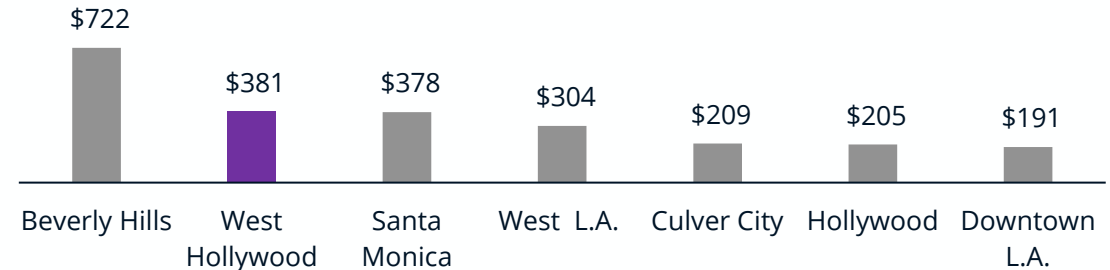
West Hollywood’s status as a premier regional destination offers significant economic benefits.

- A fifth of West Hollywood’s jobs are in **accommodations and food service**, the highest proportion among the city and its neighbors.
- West Hollywood’s average **hotel daily rate** in 2023 was second only to Beverly Hills in the region.
- West Hollywood’s **hotel tax revenues** recovered from the pandemic faster than its neighbors, generating \$32M in FY22.

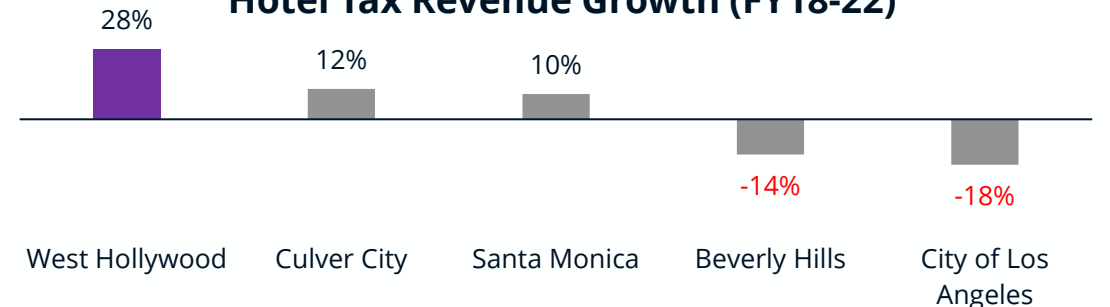
**% Jobs in Accommodations and Food Service (2021)**



**Hotel Average Daily Rates (2023)**



**Hotel Tax Revenue Growth (FY18-22)**



Sources: U.S. Census OntheMap (jobs), Visit West Hollywood (hotel ADRs), California Controller (hotel tax revenues).

# FINDINGS

A mosaic of different districts, West Hollywood can provide something for everyone.



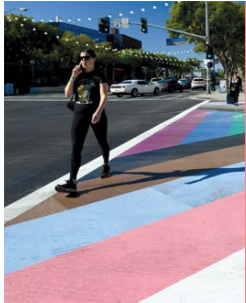
## Sunset Strip: Tourism and Entertainment

- 62% of the city's hotel rooms
- \$3.2M in taxable sales (Q1-Q3 2023)
- 44% of all visits to West Hollywood included the Sunset Strip



## Mid-City: Neighborhood Amenities

- 40 personal care businesses (largest concentration citywide)
- Lowest retail rents (potential opportunities for start-ups)



## Rainbow District: "Urban Village" and LGBTQ+ Nightlife

- 41% of city's bars and nightclubs
- 31% of city's grocery stores
- 31% of city's pharmacies
- 25% of city's fitness centers



## Eastside: Media & Entertainment and Local-Serving Retail

- 99% growth in office space in Eastside (2013-Q1 2024), compared to 1% decline citywide
- 40% of Eastside visitors come from less than 2 miles away



## Design District: Professional Services and Luxury Retail and Restaurants

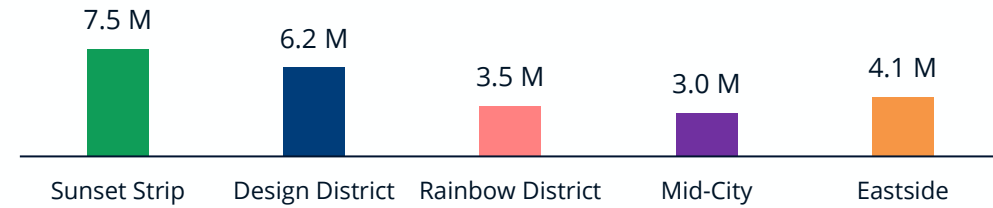
- High-end restaurants are the most visited destinations in the Design District
- 32% of city's professional services jobs
- \$115K average Design District income

## FINDINGS

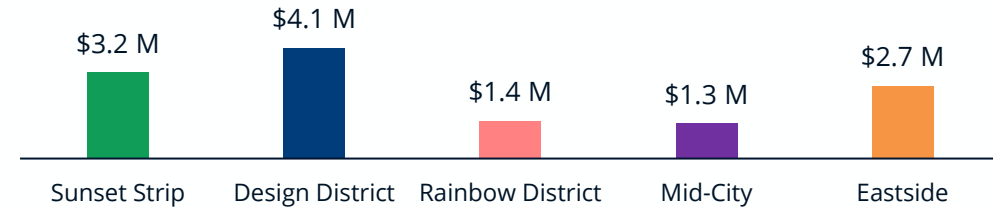
Visitor activity is not uniform across the city.

- **70% of total visitation** to West Hollywood was in the Sunset Strip, Design District, and Rainbow District.
- In the first three quarters of 2023, **58% of taxable sales** were in the Design District and Sunset Strip.
- Westside visitors have **higher average household incomes** (and therefore may spend more) than Eastside visitors.

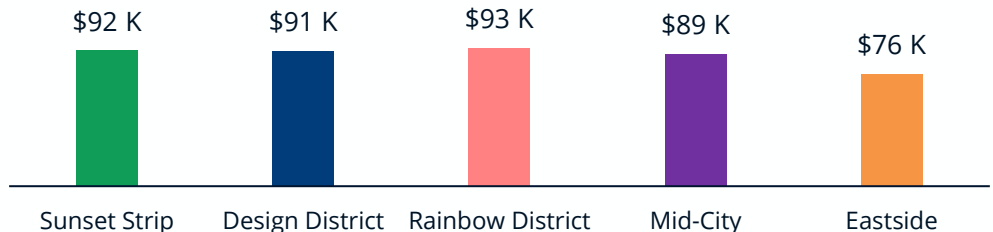
### Total Visits (2023)



### Taxable Sales (2023 Q1-Q3)



### Average Visitor Household Income (2023)

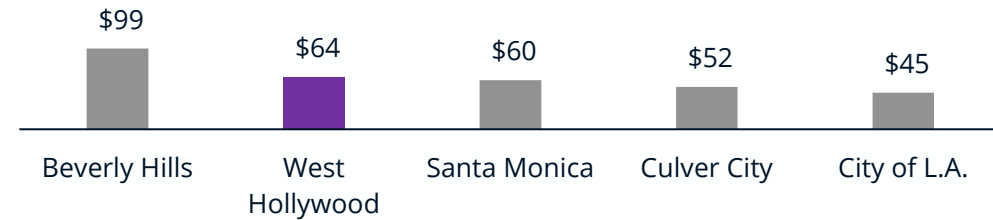


## FINDINGS

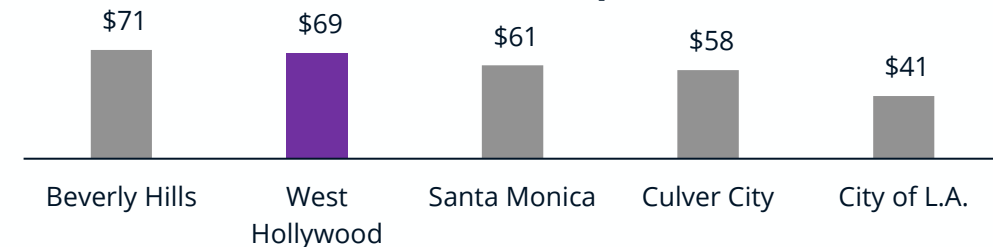
Small businesses are challenged by high operating costs.

- West Hollywood's average **retail and office rents** are the second highest in the region, only behind Beverly Hills.
- West Hollywood **retail and office vacancy rates** have climbed steadily upward.
  - Office vacancy: lowest among its neighbors; double its low of 8.1% in 2019.
  - Retail vacancy: second highest among neighbors at 9.2%.
- Community members also noted **high operating costs** related to employee wages and benefits, insurance, and cost of goods.

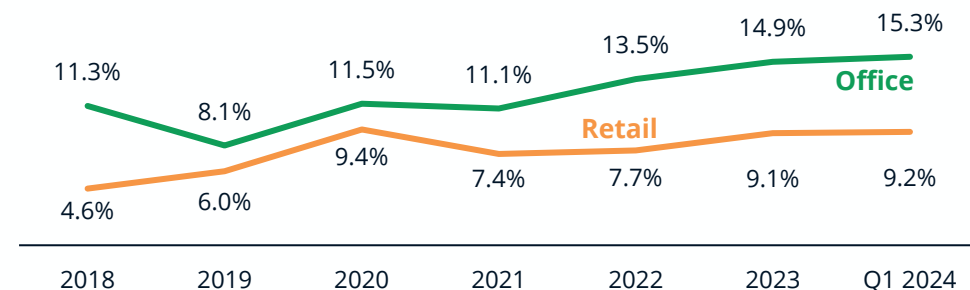
Annual Retail Rents/Sq. Ft. (Q1 2024)



Annual Office Rents/Sq.Ft. (Q1 2024)

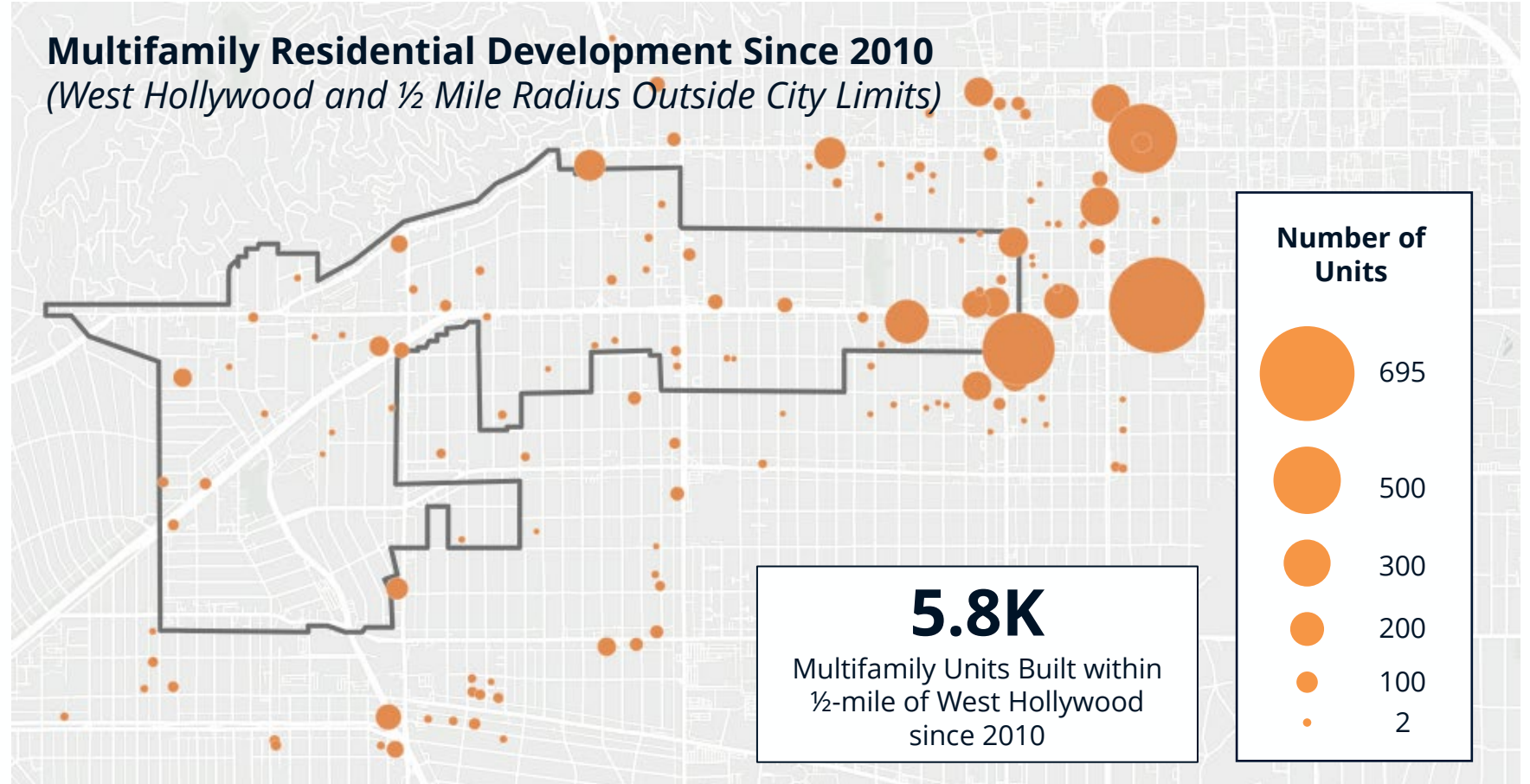


West Hollywood Vacancy Rates



## FINDINGS

West Hollywood is well-positioned to grow its daytime population. There are potential customer bases in the city's home-based businesses, and nearby multifamily development.





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Goals and Strategies

## FRAMEWORK

The Economic Study will recommend goals, strategies, and actions for the City to prioritize over the next five years.



# Goal #1. Preserve and Expand West Hollywood's Audience

**Strategy 1.1.** Continue to support year-round tourism to West Hollywood.

**Strategy 1.2.** Diversify and grow daytime and nighttime visitors.

**Strategy 1.3.** Generate visitor activity in areas of the City that are not traditionally patronized by visitors.

# Goal #2. Support and Grow Small Businesses

**Strategy 2.1.** Reduce costs of doing business and barriers to entry for small businesses.

**Strategy 2.2.** Invest in street activation and placemaking.

**Strategy 2.3.** Strengthen marketing and networking connections among existing business base.

# Goal #3. Promote Entrepreneurship

**Strategy 3.1.** Foster growth in the creative economy.

**Strategy 3.2.** Provide support for pop-ups and other temporary installations.

**Strategy 3.3.** Build entrepreneurial capacity through education, training, and networking.

## OVERVIEW OF ACTIONS

Implementing this vision requires a **multi-phased approach that can break each strategy down into discrete actions**, which can manage complexity and focus staff on specific tasks.

Phase 1: Start-up  
0-1 years



***Build Capacity & Capitalize on Quick Wins***

- *Build economic development infrastructure*
- *Capitalize on quick wins*

Phase 2: Scale  
0-3 years



***Lay the Groundwork for Long-term Initiatives***

- *Enhance internal processes*
- *Deepen business engagement with dedicated staff*

Phase 3: Launch  
0-5 years



***Operationalize Longer-term Initiatives***

- *Establish new programs*
- *Advance place-based initiatives*



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