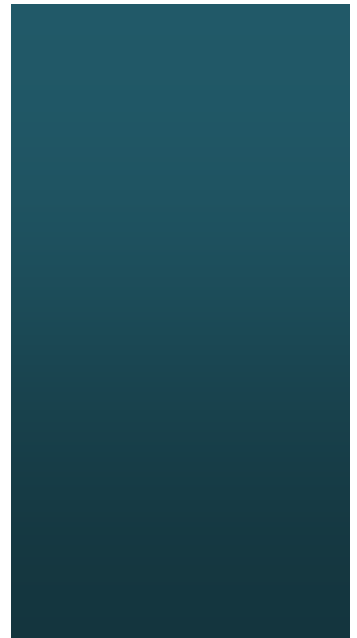


# FULL REPORT



## ECONOMIC IMPACT OF ECONOMIC RESOURCES CORPORATION

*In Los Angeles County*



INSTITUTE FOR APPLIED ECONOMICS  
Los Angeles County Economic Development Corporation



INSTITUTE FOR APPLIED ECONOMICS  
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June 2022

This report was commissioned by Economic Resources Corporation

The LAEDC Institute for Applied Economics offers objective economic and policy research for public agencies and private firms. The group focuses on economic impact studies, regional industry analyses, economic forecasts and issue studies, particularly in water, transportation, infrastructure and environmental policy.

Every reasonable effort has been made to ensure that the data contained herein reflect the most accurate and timely information possible and they are believed to be reliable.

The report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, endorsements, representations, or warranties of any kind whatsoever.

# Preface

Dear Interested Party,

Economic Resources Corporation (ERC) was organized over 50 years ago to assist in enhancing the economic condition of residents and business owners in the Watts area of Los Angeles.

**Over the years ERC has developed quality affordable housing, facilitated the creation of jobs and served as a gateway to attract businesses to commercial retail, light industrial, manufacturing and office space in under-resourced communities in Los Angeles County.**

In October of 2021, ERC engaged the Los Angeles County Economic Development Corporation (LAEDC) to assist in conducting an economic impact analysis of ERC's capital investments and ongoing operations to have a better understanding of the myriad impacts ERC has on the local economy. While there are many ways to measure ERC's impact, this is one that ERC leadership believes will provide the most insight that will assist ERC in managing its resources to maximize its influence into the future.

- **Study period:** FY 2012 thru FY 2022
- **Data sources:** Data for this study was obtained from ERC and via tenant survey conducted on behalf of ERC by LAEDC's Institute for Applied Economics.
- **Study geography:** City of Lynwood, City of Compton, City of Los Angeles and Los Angeles County
- **Methodology:** IMPLAN data and software were used to conduct this economic contribution analysis. The IMPLAN database is built using ZIP code, county, state and federal economic statistics that are specialized by region — not estimated from national averages — to measure the impact of an organization's economic activity.

ERC's economic impact includes the following elements:

- Capital expenditures, operational expenditures, as well as state and regional business volumes;
- The direct and indirect employment impacts of all economic activity associated with ERC;
- The fiscal impact quantifying the generation of government revenues at both the state and local levels; and
- Additional impacts on the local economy including nonmonetary impacts that help to provide space and additional support to nonprofits and small businesses, with those owned by women, minorities or veterans prioritized.

Respectfully,

Samuel Hughes  
President



# Table of Contents

Preface	
Introduction	1
Economic and Fiscal Impact of ERC Operations	4
ERC Tenants and their Economic Impact	7
Economic Impact of ERC's Capital Expenditures	20
Nonmonetary Impacts of ERC	25
Appendix	A-1
Description of Industry Sectors	A-1
Approach and Methodology	A-2



# Introduction

Economic Resources Corporation (ERC) is a 501(c)(3) nonprofit organization incorporated business with the mission to provide public benefit to underserved communities. ERC's corporate culture is based on a sense of community, consistent goals, effective collaboration, and organizational commitment.

ERC facilitates real estate development to attract manufacturing and commercial investment to underserved communities, which ERC views as viable markets with competitive advantages that can support market-driven development. ERC owns and operates commercial business properties and supports small businesses through financial (business loans) and technical assistance.

ERC's business ventures emerge directly from their mission, and the programs and assets developed in the process; ERC employs strategies to create jobs and build healthy communities.

## ERC Properties

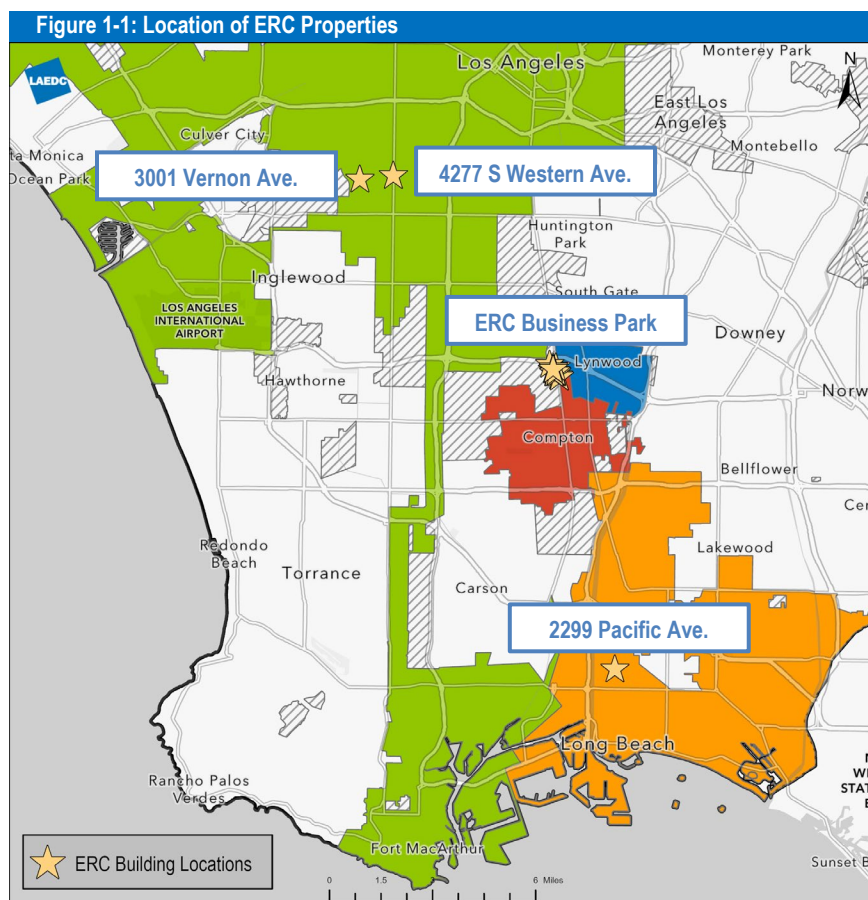
ERC currently owns and operates properties in multiple underserved communities throughout Los Angeles County (**Figure 1-1**). ERC properties are located in the following cities:

### ► Compton and Lynwood

The ERC Business Park is located along the border of Compton and Lynwood.

### ► Los Angeles

- **Vermont Square**  
4277 S Western Ave,  
Los Angeles
- **Leimert Park**  
3001 Vernon Ave,  
Los Angeles





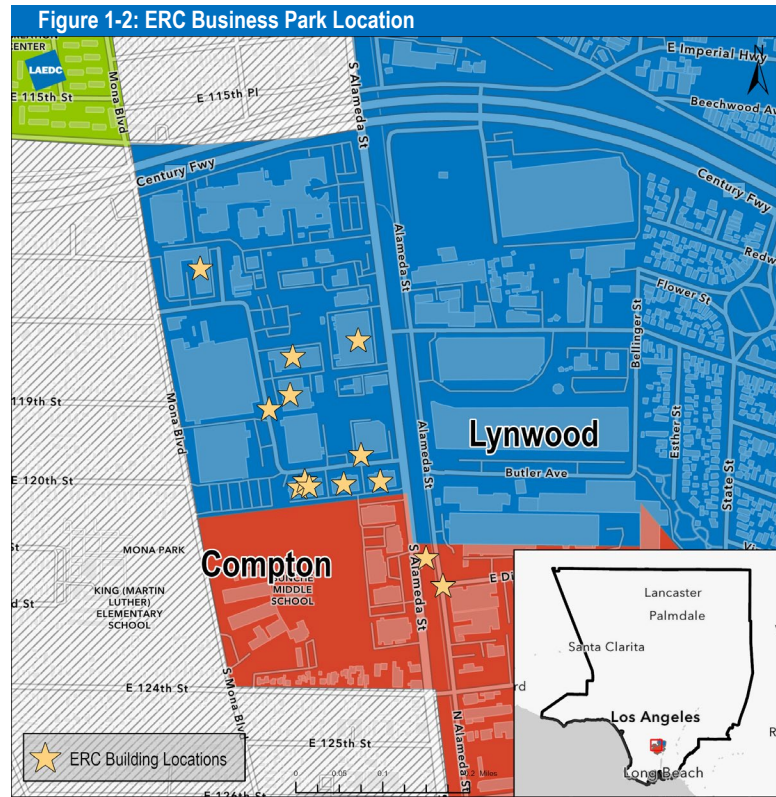
### ► Long Beach

2299 Pacific Ave,  
Long Beach

### *The ERC Business Park*

The ERC Business Park in Compton and Lynwood is a 52-acre property that is the home of ERC's administrative offices and a base of operations for over 50 tenants in fields such as healthcare and social assistance, construction, manufacturing, wholesale trade, and more.

Spaces available for lease range from 2,000 square feet to 100,000 square feet, and tenants in the business park employ over 1,500 employees combined.

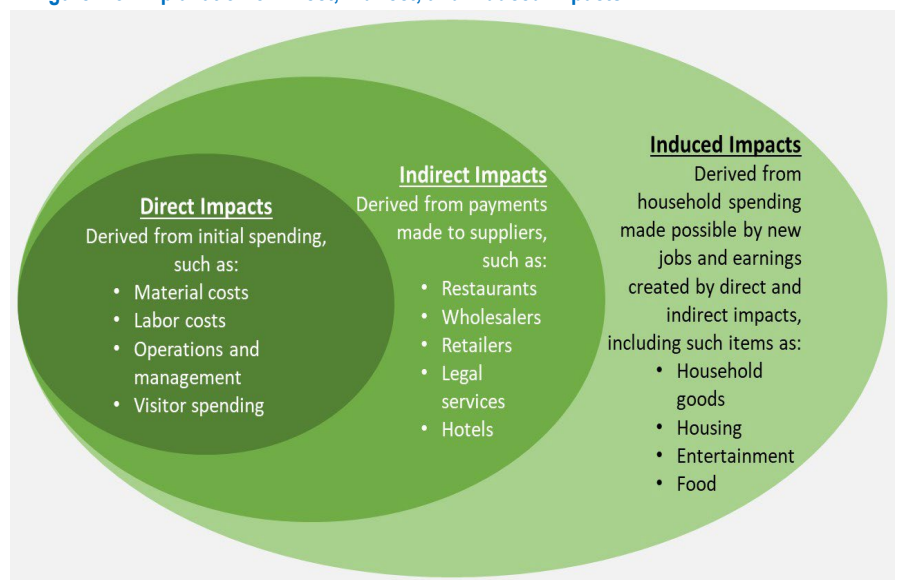


A map of building locations at the ERC Business Park is shown in **Figure 1-2**.

## Economic Impact Analysis

The extent to which the initial expenditures multiply is estimated with economic models that depict the relationships between industries (such as construction and its suppliers) and among various economic agents (such as industries and their employees). These models are built upon actual data of expenditure patterns reported to the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and the Bureau of Economic Analysis of the U.S. Department of Commerce. Data is regionalized to reflect and

**Figure 1-3: Explanation of Direct, Indirect, and Induced Impacts**





incorporate local conditions such as prevailing wages, rates, idiosyncratic expenditure patterns, and resource availability and costs.

## Structure of the Report

The Los Angeles County Economic Development Corporation (LAEDC) Institute for Applied Economics (IAE) has conducted an economic impact analysis of ERC in Los Angeles County in four parts:

### ***Economic and Fiscal Impact of ERC Operations***

The economic and fiscal impact of annual ERC spending related to ongoing operations are estimated.

### ***ERC Tenants and their Economic Impact***

IAE conducted a comprehensive survey of tenants that lease space from ERC and performed an economic impact analysis of these tenants and their operations.

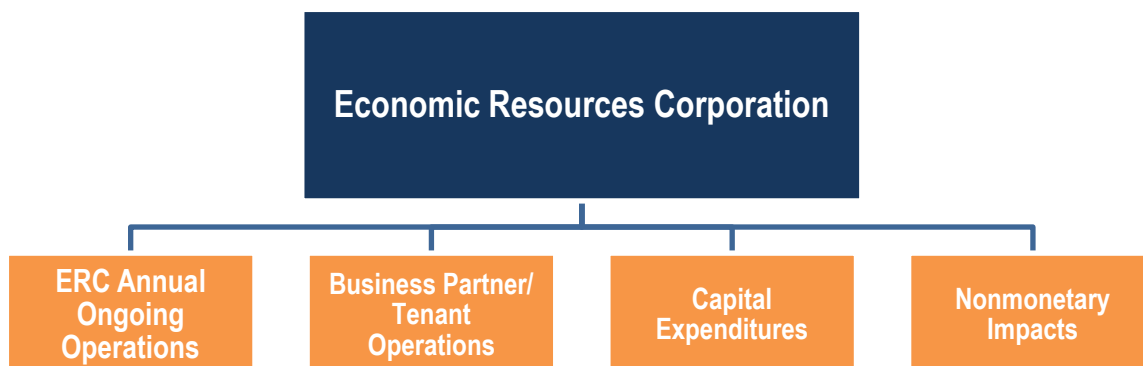
### ***Economic Impact of ERC's Capital Expenditures***

The economic impact of construction spending, which includes property development, renovations, and tenant upgrades, are estimated in this section of the report.

### ***Nonmonetary Impacts of ERC***

In addition to the economic and fiscal impact of ERC (capital expenditures and ongoing operations) and their tenants, IAE discusses some of the nonmonetary impacts related to ERC and its properties.

## The Total Economic Impact ERC



# Economic and Fiscal Impact of ERC Operations



ERC's commitment to providing a public benefit to historically underserved communities is reflected in their effort to monitor and assess their impact on individuals, partners, businesses, and the local community.

Economic impact analysis is used to estimate the overall economic activity, including spill-over and multiplier impacts (referred to as indirect and induced activity), which occurs due to a particular business, event, or geography (direct activity).

## ERC Annual Ongoing Operations

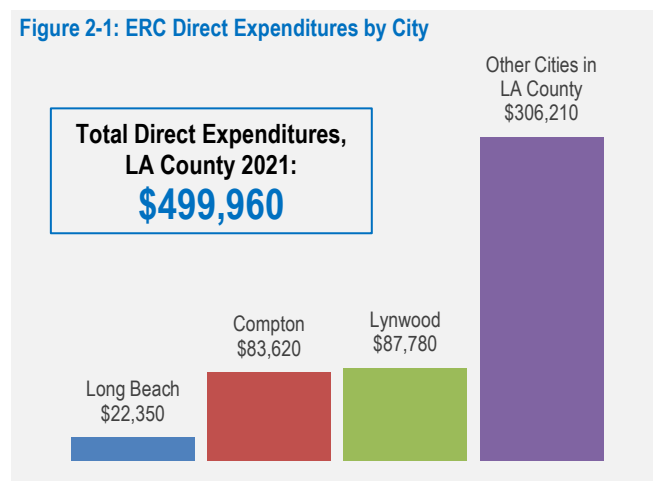
The economic impact of ERC includes the expenditures required for its annual operations, including ERC employees and their wages, and managing and maintaining ERC properties.

### *Direct Activity – Annual Operations*

The initial economic activity related to ERC operations in Los Angeles County is purchasing end-of-life material from local vendors. This generates wages and benefits paid to local workers and injects funds into the region. The expenditures incurred by ERC and employees of companies that supply goods and services to ERC properties generate demand for hiring workers and purchase additional goods and services to facilitate their business activities.

In 2021, ERC's operations at their business park and surrounding properties generated \$499,960 in spending within Los Angeles County, which creates additional indirect and induced impacts in the region. There was a further \$258,000 spent by ERC outside of Los Angeles County which has additional economic impact in the surrounding counties.

**Figure 2-1: ERC Direct Expenditures by City**



ERC directly spent about \$83,600 and \$87,800 in the cities of Compton and Lynwood, respectively, the area in which the ERC Business Park is located (**Figure 2-1**). It spent a further \$22,350 in the City of Long Beach,

and the rest in other cities around Los Angeles County. As the direct expenditures in each individual city are small, the total economic impact is not aggregated by city, but only at the county level.

### **The Economic and Fiscal Impact of ERC in FY 2021**

ERC contributes significantly to Los Angeles County's economic activities, generating \$937,500 in economic output and \$428,400 in labor income while contributing thousands of dollars in taxes as well. **Figure 2-2** details the extent of this company's business park operations in Los Angeles County and its impact on the region.

#### **The Annual Operational Spending of ERC in FY 2021:**

- ▶ Supported an estimated 10 jobs in Los Angeles County
- ▶ Provided over \$428,400 in combined labor income
- ▶ Resulted in a total economic output from operations of \$322 million
- ▶ Contributed \$275,700 in state and local taxes from activity at its properties

**Figure 2-2**

#### **Economic Impact of ERC's Operational Expenditures Los Angeles County**

##### **Total Economic Impact:**

Output (\$ thousands):	\$937.5
Employment (Jobs)	10
Labor Income (\$ thousands):	\$428.4

##### **Total Fiscal Impact:**

Total State and Local Taxes (\$ thousands):	\$275.7
---	---------

Source: ERC, estimates by LAEDC

While the above is only reflective of ERC's FY 2021 operations, **the company has generated similar economic output in the past and recent years.** A detailed historical analysis for ERC follows later in this section.

ERC reports that it paid over \$246,000 in direct taxes at the state and local level in 2021 across its business park location and three properties. The majority came in the form of property taxes, with the remaining split between income taxes, sales taxes, social insurance, fees and fines, and more. Indirect and induced effects generated additional tax impacts which brought the total estimated fiscal impact at the state and local level to \$275,700 in the 2021 fiscal year (**Figure 2-2**).

### **Economic Impact Extends Across All Industries**

The economic impact associated with ERC's combined properties in Los Angeles County will spill across industries throughout Los Angeles County through indirect and induced effects. Indirect effects stem from purchases made in the company's supply chain and induced effects are related to the spending of wages of direct employees of ERC and the employees of businesses in their supply chain.

The total economic impact (direct, indirect, and induced) of ERC across all industries is shown in **Figure 2-3**. The values in the exhibit should be interpreted as illustrative rather than precise given model and data limitations. More information on industry sectors is provided in the Appendix.

The greatest impact generated by the company's operations are in the Administrative and Support and Waste Management industry sector (NAICS 56), with nearly \$228,000 in total impact. Other significant industries supported include: Finance and Insurance; Professional, Scientific and Technical Services; and Utilities. While a larger amount of the total output is generated directly by the economic activity of Economic Resources Corporation, this direct activity is concentrated more heavily in certain industries. By comparison, the output generated through indirect and induced effects is more spread across the entire range of industries in Los Angeles County.

## Historical Impacts

Through its direct expenditures, ERC generates significant economic impact each year. This also includes indirect and induced effects that result from the initial spending. A breakdown of total economic impacts of ERC by year for the past ten years is shown in **Figure 2-4**.<sup>1</sup>

It is estimated that ERC spent about \$5.7 million on purchases in Los Angeles County over the past ten years; there was also additional spending outside of the county that will have had further economic impact. The activity of ERC created roughly \$10.6 million in total output, including direct, indirect, and induced effects, over the past ten years in the county. It also generated about \$4.4 million in labor income for workers. Furthermore, ERC's fiscal impact is estimated to be more than \$2.6 million.

**Figure 2-3**  
ERC's Operational Expenditures  
Disaggregation of Impacts by Industry  
Los Angeles County

Industry	----- Output (\$ thousands) -----		
	Direct	Indirect & Induced	Total
22 Utilities	\$100.4	\$9.3	\$109.7
23 Construction	\$0.0	\$3.4	\$3.4
31-33 Manufacturing	\$0.0	\$11.3	\$11.3
42 Wholesale Trade	\$0.0	\$19.6	\$19.6
44-45 Retail trade	\$8.5	\$21.2	\$29.8
48-49 Transportation & warehousing	\$0.0	\$18.7	\$18.7
51 Information	\$7.0	\$46.9	\$53.9
52 Finance & insurance	\$85.1	\$59.4	\$144.5
53 Real estate & rental	\$4.0	\$74.9	\$78.9
54 Professional- scientific & tech svcs	\$84.4	\$46.1	\$130.5
55 Management of companies	\$0.0	\$11.9	\$11.9
56 Admin/support & waste mgmt/ remediation	\$195.2	\$32.7	\$227.9
61 Educational services	\$0.3	\$4.1	\$4.3
62 Health care and social assistance	\$0.0	\$32.1	\$32.1
71 Arts, entertainment & recreation	\$0.0	\$3.2	\$3.2
72 Accommodation & food services	\$0.0	\$17.3	\$17.3
81 Other services (except gov't)	\$8.0	\$17.3	\$25.3
92 Government	\$0.2	\$17.2	\$17.4
Other industries	\$0.0	\$0.2	\$0.2
<b>Total All Industries</b>	<b>\$493.1</b>	<b>\$444.4</b>	<b>\$937.5</b>

\* May not sum due to rounding  
Source: ERC, estimates by LAEDC

**Figure 2-4**  
Yearly Economic Impact of ERC's Ongoing Operations  
Los Angeles County, 2012-2021

Year	Direct Spend (\$ thousands)	Jobs	Labor Income (\$ thousands)	Output (\$ thousands)	State & Local Taxes (\$ thousands)
2012	\$683.3	10	\$392.6	\$1,144.2	\$237.9
2013	\$533.1	10	\$408.1	\$1,018.1	\$248.5
2014	\$668.9	10	\$523.6	\$1,281.8	\$259.7
2015	\$598.2	10	\$465.3	\$1,113.9	\$254.7
2016	\$504.8	10	\$377.9	\$945.6	\$141.6
2017	\$588.6	10	\$486.4	\$1,099.0	\$287.2
2018	\$528.3	10	\$412.5	\$976.4	\$281.8
2019	\$549.1	10	\$432.1	\$1,034.4	\$297.0
2020	\$547.5	10	\$457.7	\$1,070.2	\$322.8
2021	\$500.0	10	\$428.4	\$937.5	\$275.7
<b>Total*</b>	<b>\$5,701.8</b>	<b>70</b>	<b>\$4,384.6</b>	<b>\$10,621.1</b>	<b>\$2,606.9</b>

\*May not sum due to rounding  
Source: ERC, estimates by LAEDC

<sup>1</sup> It should be noted that these are projections based on expenditure reports from ERC and should only be treated as estimates; the true values for each year may vary.

## ERC Tenants and their Economic Impact

In addition to the home of ERC's administrative offices, the Business Park is home to over 50 tenants leasing spaces from 2,000 to 100,000 square feet. These tenants include businesses in the healthcare/social assistance, construction, and manufacturing industries. Outside of the Business Park, ERC owns three additional properties located in economically disadvantaged neighborhoods in Los Angeles County.

### Tenant Survey

On behalf of and with consultation from ERC, LAEDC designed and administered a survey of ERC's tenants to better understand the tenant experience and wishes moving forward. The survey was administered online and had a response rate of 70.5%, with 31 tenants leaving full or partial responses. This section contains a discussion of key results from that survey; a copy of the questionnaire is included in the Appendix, along with topline results of each question.

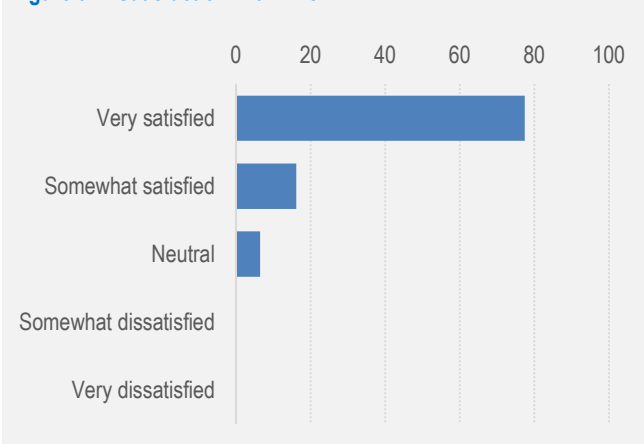
#### *Tenant Satisfaction and Challenges*

Overall, tenants reported having a very positive experience leasing from ERC, with 93.5 percent of tenants being either somewhat or very satisfied. The remainder, 6.5 percent were neutral, while no tenants reported being somewhat or very dissatisfied (**Figure 3-1**).

Satisfaction was higher among those at the Compton ERC property, with 81.3 percent reporting that they are "very satisfied" (6.3 somewhat satisfied and 12.5 percent neutral), compared to those at the Lynwood where 69.2 percent were very satisfied and 30.8 percent were somewhat satisfied.

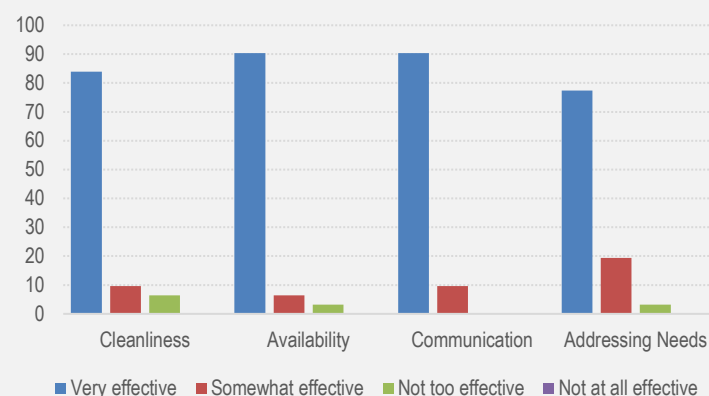
Satisfaction was very high among those in manufacturing, with 11 of 12 respondents, 91.7 percent, reporting that they were very satisfied. Among businesses less than 10 years old, all 9 respondents were very satisfied, compared to 70 percent of businesses older than 10 years being very satisfied. Additionally, the 7 respondents who had been at ERC for 2 years or fewer all reported that they were very satisfied, while the 16 longer term tenants, those at ERC for more than two years, reported being very satisfied 69.6 percent of the time.

**Figure 3-1: Satisfaction with ERC**



Respondents were then asked a battery of questions regarding how effective ERC has been in four different facets of property management: maintaining cleanliness, being available to the tenant, communication with the tenant, and addressing the tenant's needs and requests. The results are shown in **Figure 3-2**. In each aspect of property management queried, no respondents believed that ERC was not at all effective.

**Figure 3-2: Property Management Effectiveness**



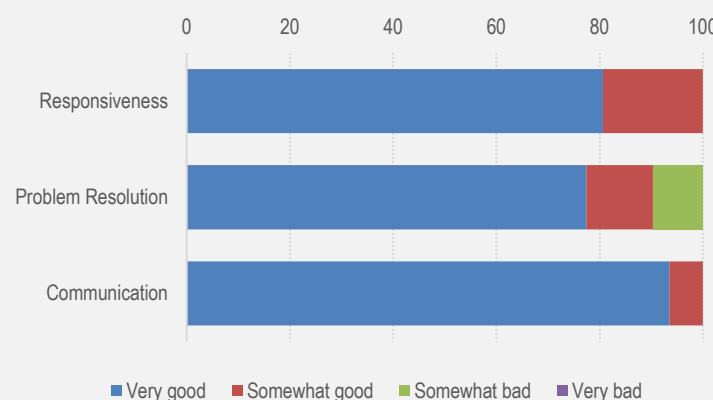
Respondents believed that ERC was most effective at being available to and communicating with tenants, with over 90 percent of respondents saying they were very effective in this regard. Meanwhile 83.9 percent and 77.4 percent of respondents believed ERC was very effective at maintaining cleanliness and addressing their needs, respectively.

Regarding maintaining cleanliness, the 6.5 percent of respondents who believed ERC was not too effective were all from the City of Lynwood property, making up 15.4 percent of respondents from that property. Additionally, more than 30 percent of respondents from the Lynwood property expressed that ERC was only somewhat or not too effective at addressing their needs, compared to fewer than 20 percent of respondents from the City of Compton. Similar to overall satisfaction, businesses less than 10 years old or those who had been at an ERC property for fewer than 10 years were all very content with the property management, with 100 percent of both groups believing that ERC was very effective at all facets of property management.

Next, respondents were asked about well ERC has handled various aspects of maintenance requests, such as responsiveness to requests, problem resolution of requests, and communication regarding requests (**Figure 3-3**).

Overall, respondents were very positive about ERC's handling of maintenance requests, with 93.6 saying that their communication was very good, 80.7 percent saying their responsiveness was very good, and 77.4 percent saying their problem resolution was very good. In addition to having the lowest percent of very good ratings, problem resolution was

**Figure 3-3: Handling of Maintenance Requests**





the only aspect of maintenance requests that some respondents considered bad, albeit only somewhat bad.

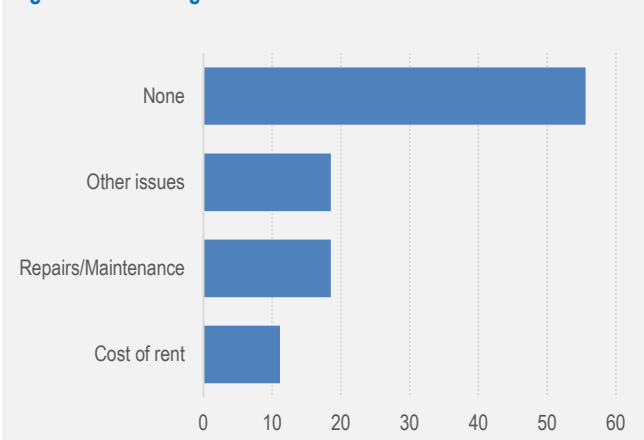
In general, satisfaction with the handling of maintenance requests was slightly higher at the City of Compton property, with close to 90 percent of respondents saying ERC was very good in each facet, compared to the City of Lynwood property, where 92.3 percent said the communication was very good but only 69.2 and 61.5 percent described the responsiveness and problem resolution as such. The three respondents who indicated the ERC had done a somewhat bad job of problem resolution had all been in business for more than 20 years and had been at ERC for at least 6 of them.

Tenants were then asked two open-ended questions about challenges faced as a tenant of ERC and challenges faced doing business in their city. These questions were then analyzed and coded based on common answers, with multiple responses being accepted; the results are presented in **Figures 3-4 and 3-5**.

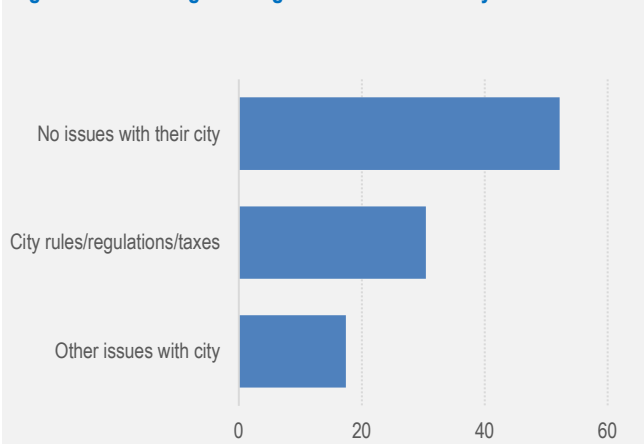
When asked about the challenges faced as a tenant of ERC's, repairs and maintenance were mentioned more than any other topic, but only by less than a fifth of respondents. 4 of the 5 respondents who indicated that there were issues with repairs/maintenance were from the ERC property in the City of Lynwood – issues with the repaving of the parking lot were most common, with other mentions of AC/plumbing issues and waiting for an allowance to create a higher roof. Otherwise, a ninth of the respondents had issues with the rent being too high, however the majority of respondents had no issues at all. The other issues faced by respondents, each mentioned only by one respondent, included needing security between midnight and six at the City of Lynwood property, occasional issues with incorrect or untimely paperwork from the office, issues with the volume of neighboring tenants, unavailability of the trash can at certain times, and cleanliness of the property.

Over a third of respondents from the City of Lynwood property said that they had an issue with repairs or maintenance, similar to the results of the prior question. Meanwhile, two thirds of respondents from the City of

**Figure 3-4: Challenges as a Tenant of ERC**



**Figure 3-5: Challenges Doing Business in Your City**

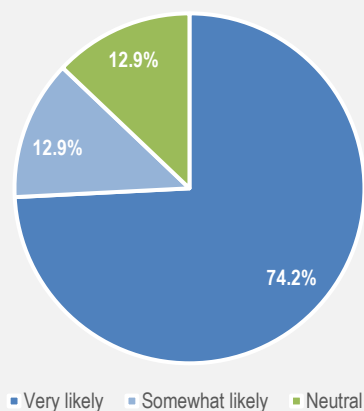


Compton property had no issues, compared to just one third at the City of Lynwood property. Businesses in manufacturing were the most likely to say that they experienced no issues as a tenant of ERC, just under 73 percent.

Around half, 52 percent, had no issues doing business in their city; there were not notable differences in this percentage between the properties in Lynwood and Compton. The biggest issues were around municipal rules, regulations, and taxes: just over 33 percent of Lynwood respondents had issues with rules, regulations, taxes from the city, roughly equivalent to the 31 percent of those in the City of Compton. Those in the City of Compton specifically mentioned issues with the permitting process. Other issues included a poor business community in Compton, issues with crime and traffic in Lynwood, keeping up to date with changes in a city, and difficulty finding the business location within the city.

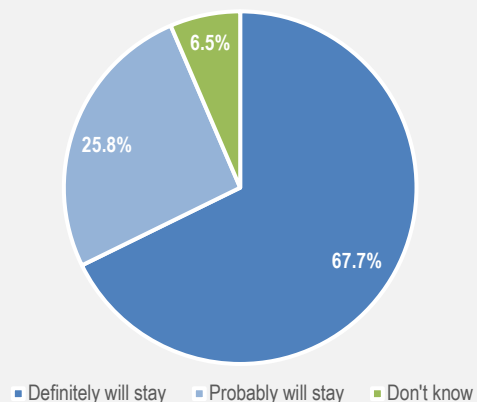
Tenants were then asked about their likelihood to recommend leasing space at an ERC-owned property to other businesses (**Figure 3-7**). Despite the reported issues, no respondents reported that they were unlikely to recommend ERC to other businesses, with 87.1 percent saying that they are likely to do so and the remainder being neutral. All manufacturing tenants were likely to recommend ERC, with 83.3 percent being very likely, while one tenant in each of the following industries, Construction, Health Care and Social Services, Retail Trade, and Transportation and Warehousing, were neutral.

**Figure 3-6: Likelihood to Recommend ERC**



Furthermore, no respondents indicated that they were planning to leave their ERC-owned property, with 93.6 percent reporting that they are definitely or probably staying (**Figure 3-8**). All tenants at the City of Compton property were likely to stay, while 84.6 percent of tenants at the City of Lynwood property were likely to do so. The only tenants who reported not knowing were those in manufacturing who had been in business for more than 10 years.

**Figure 3-7: Likelihood to Stay at ERC**



Among those who planned to stay, 38 percent said their main reason was good property management, 28 percent due to the reasonable rent, 14 due to good maintenance and the appearance of the property, and 21 percent due to other reasons, most of which cited that their ERC property was in a good location. Property management was the biggest driver among those who will definitely stay while reasonable rent was the main reason for those who are probably staying. A full breakdown of

responses, including the overall responses and reasons to stay by likelihood of staying, is included in **Figure 3-8**. Those at the City of Compton property selected good property management more than any other reason, while those at the City of Lynwood were evenly split among reasonable rent, property management, and maintenance/cleanliness.

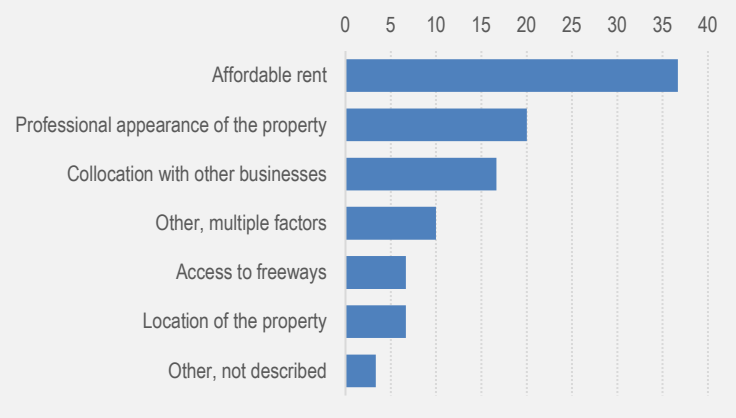
**Figure 3-8: Reasons for Staying with ERC, by Likelihood to Stay**



Tenants were then asked about the main reason they chose to lease space at an ERC-owned property, with the answers displayed in **Figure 3-9**.

While reasonable rent wasn't the main driver for most respondents wanting to stay, it was the main reason most businesses chose to locate at ERC, with over a third of respondents stating that the affordable rent was the main reason they chose their ERC-owned property. The professional appearance of the property accounted for a fifth of respondents, while 16.7 percent cited collocation with other businesses and 6.7, all of whom were located at the City of Compton property, said access to freeways. Ten percent of responses could not isolate a main reason, saying it was either all of the above or that it was a combination of rent and the appearance of the property, while 6.7 percent said their choice came down to the location.

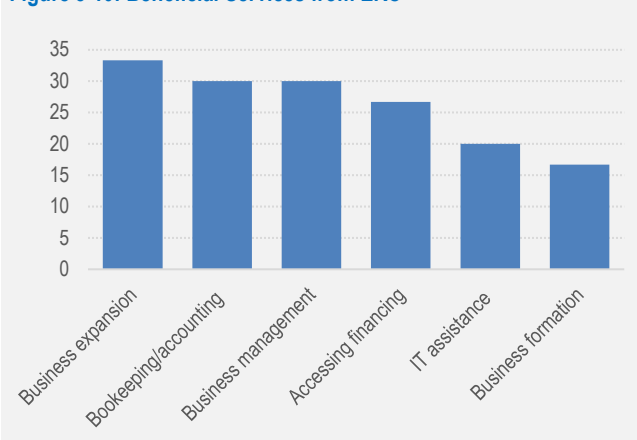
**Figure 3-9: Main Reason for Choosing ERC**



### Looking Forward

In addition to understanding the challenges faced by tenants and their satisfaction regarding ERC's property management, the survey also sought to understand the services, offerings, and amenities that tenants felt would be beneficial to their businesses (**Figure 3-10**). With this knowledge, ERC can be proactive in offering valuable programming to their tenants.

**Figure 3-10: Beneficial Services from ERC**



In terms of the future services that ERC could provide to tenants, assistance with identifying business expansion opportunities was the most selected. Bookkeeping/accounting, business management, and help accessing financing were next in demand, followed by IT assistance and assistance with business formation. Note that the question allowed for multiple responses, with each tenant able to select all the services they felt would be beneficial to their business.

Five of the ten respondents that indicated that help identifying business expansion opportunities would be helpful were in the Health Care and Social Assistance sector, representing all of the respondents in that industry. Most of the businesses looking for helping with identifying business expansion opportunities, 70 percent, operated in more than just their city or throughout Los Angeles County and had been in business for more than 5 years.

In terms of bookkeeping/accounting and business management training, respondents from the City of Compton property were more interested than those from the City of Lynwood. Meanwhile, respondents desiring assistance accessing financing were split between the locations and those looking for IT assistance were concentrated at the City of Lynwood. Training in these fields was desired by businesses across ages and tenures, as well as in several industries, namely Construction, Manufacturing, Retail Trade, and Other Services.

In terms of beneficial offerings, respondents felt that free monthly trainings would be the most beneficial for their businesses, with 76.7 percent of respondents saying at least somewhat beneficial and 50 percent saying they would be very beneficial (**Figure 3-11**). An annual ERC Expo was also popular, with 73.3 percent of respondents finding it beneficial, half of whom say it would be very beneficial. Finally, 70 percent of respondents felt their business would benefit from a rentable event space, with the lowest percentage of all options feeling it would be very beneficial, 30 percent, and the most feeling they would not benefit from it at all, 10 percent.

Respondents in the manufacturing sector were most enthusiastic about an annual ERC Expo, with two thirds of respondents in that industry reporting it would be very beneficial and 11 of the 12 such respondents believing it would be at least somewhat beneficial. Businesses that operated throughout the United States were less interested in these beneficial offerings compared to other businesses, with only 40 or 60 percent believing each offering would be even somewhat beneficial.

Figure 3-11: Beneficial Offerings from ERC

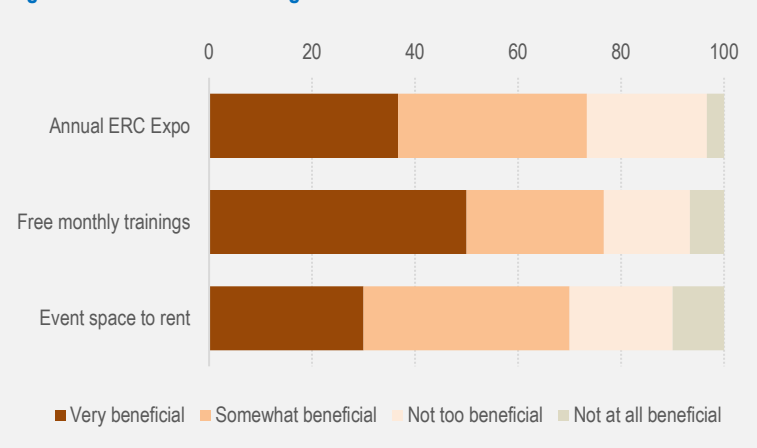
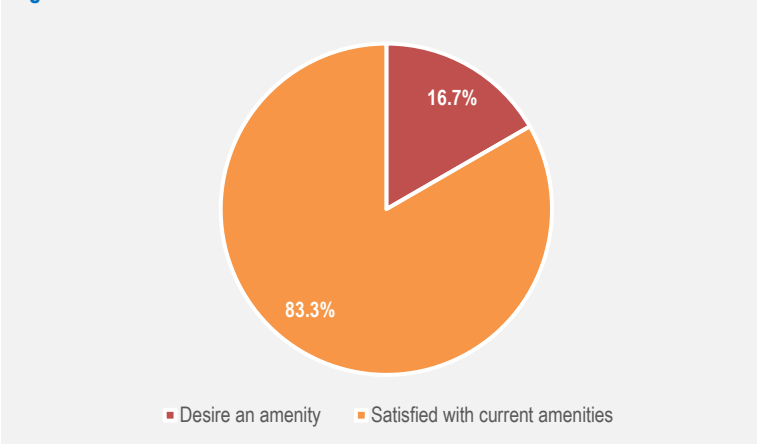


Figure 3-12: Amenities at ERC



Regarding existing amenities, 83.3 percent had all the amenities they wished for (**Figure 3-12**). Three respondents stated what extra amenity they wanted, with one asking for a list of other businesses in the complex so that they could source services from them, one expressing appreciation for the support services recommended in response to the COVID-19 pandemic, and another expressing a desire for solar panels to achieve net zero power. The latter was the only one of the respondents that expressed that they were willing to pay for the extra amenity.

### Local Impact of Tenants

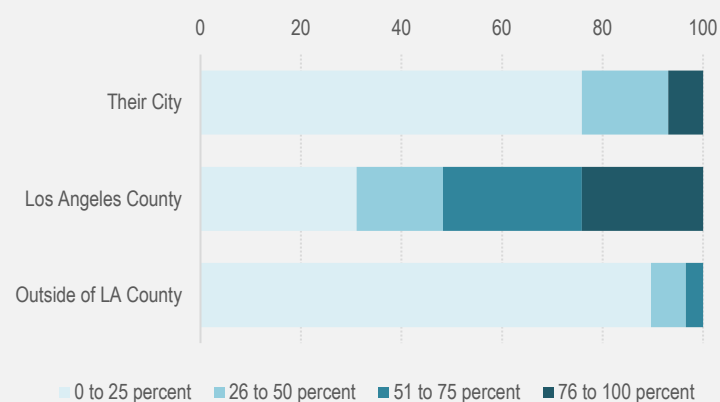
While the total impact of ERC is calculated in the Economic Impact Analysis portion of this report, the survey also queried tenants to understand the impact that their spending may be having in the communities surrounding ERC-owned properties. Each tenant was asked about the percentage of their business' spending that took place in the city where their ERC-owned property is located, Los Angeles County, and outside of Los Angeles County, as well as the percentage of their employees that live within a five- or ten-mile radius of the ERC property where their business leases space.

Most businesses report that the majority of their spending is done within the county (**Figure 3-13**). The second most common distribution of spending is a mix between these categories with no clear majority in one or the other, as very few businesses report that most of their spending is solely within their city or outside of the county. These numbers reflect that the businesses at ERC-owned properties

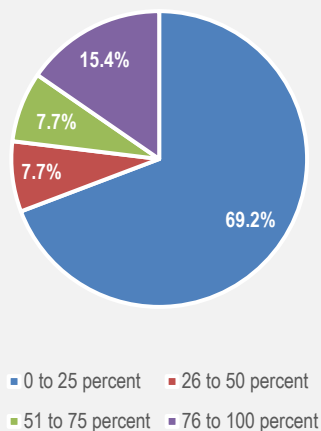
have significant direct, indirect, and induced impacts on the local economy, and to some extent the hyperlocal economy within their city.

Most employees of respondents did not live within a five- or ten-mile radius of the ERC-owned property at which they are a tenant: almost a quarter lived within 5 miles and a little over a third within 10 miles.

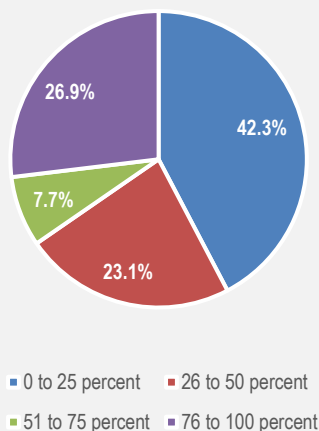
**Figure 3-13: Percent Spending by Geography**



**Figure 3-14: Percent of Employees Living within 5 miles**



**Figure 3-15: Percent of Employees Living within 10 miles**



## Key Findings

- Overall, tenants were very satisfied with their experiences with ERC – while some tenants had issues with maintenance requests and the cost of rent, most tenants expressed that ERC was effective at handling maintenance requests and that the reasonable rent offered by ERC attracted them to the property and remains a reason for them to continue leasing space from ERC.
- Tenants in the manufacturing industry, as well as businesses that have been in business for fewer than five years and those who have leased space from ERC for fewer than two years tended to be the most content with ERC's property management.
- Tenants at the ERC-owned property in the City of Compton had fewer issues regarding maintenance requests, and fewer issues as a tenant of ERC overall, compared to tenants at the City of Lynwood property.
- No tenant stated that they planned on leaving their ERC-owned property, with good property management and reasonable rent being the main reasons for their decision.



- The majority of tenants found value in the potential for ERC to offer services and other events, with over 75 percent feeling that their business would benefit from free monthly trainings. There was a wide diversity of training needs across different businesses and ERC-owned properties.

All topline tables, including tables for questions that were used in crosstabulations, are included in the Appendix.

## ERC's Tenants Stay

**Figure 3-16** on the next page shows the length of lease for ERC's current tenants over the past ten years, based off of space in the ERC Business Park. Green represents the number of years that the current tenant has been continuously leasing the space, while white represents previous tenants that have come before the current.

We can see that many tenants have been leasing from ERC for well over the past decade, and many tenants that began leases over this period have chosen to stay for an extended period. Although not shown in the table, several tenants have leased space from ERC for twenty or more years continuously. This further reinforces the data from the survey section of this report, which demonstrated the satisfaction of tenants with their property at the ERC Business Park.



Figure 3-16: Current Leasing History at ERC Business Park, 2012-2021



## Economic Impact of ERC Tenants

Economic Resources Corporation leases space to a variety of tenants that operate in a wide range of industries, each making purchases and generating revenue in their own ways. Combined, ERC's tenants have a significant economic impact in Los Angeles County through their direct spending as well as indirect and induced impacts. In this section, this impact is estimated. It should be noted that revenue for each individual tenant were collected through survey, and true figures may vary from the reported. These impacts should be seen as conservative estimates, as the true economic impact has the potential to be much higher.

### Most Recent Fiscal Year

The tenants of Economic Resources Corporation, located at the ERC Business Park and its three outlying properties, collectively contribute immensely to Los Angeles County's economic activities, as shown in **Figure 3-17**. Overall, they are estimated to have generated \$321 million in economic output in 2021, from direct, indirect and induced activities. ERC's tenants supported an estimated 1,360 jobs paying \$56 million in labor income, and paid \$13.5 million in taxes.

### In FY 2021, the activities of ERC's tenants in Los Angeles County:

- ▶ Supported an estimated 1,360 jobs in Los Angeles County
- ▶ Provided over \$56.0 million in labor income
- ▶ Resulted in a total economic output from operations of \$322 million
- ▶ Contributed \$13.8 million in state and local taxes from activity at its properties

The disaggregation of economic impacts between direct impacts and indirect and induced impacts is displayed in **Figure 3-18**. The disaggregation of taxes by type is shown in **Figure 3-19**.

**Figure 3-17**  
**Economic Impact of ERC Tenants**  
**Los Angeles County**

<b>Total Economic Impact:</b>	
Output (\$ millions):	\$321.0
Value Added:	\$109.0
Employment (Jobs)	1,360
Labor Income:	\$56.0
<b>Total Fiscal Impact:</b>	
State and Local Taxes (\$ millions):	\$13.5

Source: ERC, ERC Tenant Survey, estimates by LAEDC

**Figure 3-18**  
**Economic and Fiscal Impact of ERC Tenants**  
**Los Angeles County**

<b>Total Economic Impact:</b>	
Output (\$ millions)	\$321.0
<i>Direct</i>	\$222.1
<i>Indirect and Induced</i>	\$98.9
Employment (jobs)	1,360
<i>Direct</i>	940
<i>Indirect and Induced</i>	420
Labor Income (\$ millions)	\$56.0
<i>Direct</i>	\$24.0
<i>Indirect and Induced</i>	\$32.0
<b>Total Fiscal Impact</b>	
State and Local Taxes (\$ millions):	\$13.5

Source: ERC, ERC Tenant Survey, estimates by LAEDC

**Figure 3-19**  
**Fiscal Impact of ERC Tenants**

<b>Total Fiscal Impact</b>	
Income taxes	\$2.2
Property taxes	\$4.6
Sales taxes	\$5.3
Social insurance	\$0.3
Fees, fines and other taxes	\$1.1
<b>State and Local Taxes (\$ millions)</b>	<b>\$13.5</b>

Source: ERC, ERC Tenant Survey, estimates by LAEDC

### In FY 2021, ERC's tenants in Los Angeles County generated:

- ▶ \$2.2 million in income taxes
- ▶ \$4.6 million in property taxes
- ▶ \$5.3 million in sales taxes
- ▶ \$1.1 million in social insurance, fees and fines, and other taxes at the state and local level.
- ▶ ERC's tenant operations also generated an estimated \$7.0 million in federal taxes

### Economic Impact Extends Across All Industries

As with ERC's ongoing operations spending, the economic impact associated with ERC's tenants in Los Angeles County have effects across all industries due to indirect and induced effects.

Indirect effects stem from purchases made in the company's supply chain, and induced effects are related to the spending of wages of direct employees of ERC and the employees of businesses in their supply chain.



The total economic impact (direct, indirect, and induced) of ERC across all industries is shown in **Figure 3-20**. The values in the exhibit should be interpreted as illustrative rather than precise given model and data limitations. More information on industry sectors is provided in the Appendix.

**Figure 3-20**

#### Distribution of Impacts of ERC Tenants Los Angeles County

Industry	Employment (jobs)	Labor Income (\$ millions)	Output (\$ millions)
22 Utilities	20	\$0.8	\$3.7
23 Construction	20	\$0.9	\$2.2
31-33 Manufacturing	240	\$17.7	\$224.7
42 Wholesale Trade	440	\$4.5	\$15.2
44-45 Retail trade	40	\$1.7	\$4.7
48-49 Transportation & warehousing	80	\$5.3	\$11.1
51 Information	30	\$1.3	\$5.3
52 Finance & insurance	20	\$1.7	\$5.8
53 Real estate & rental	20	\$1.5	\$10.8
54 Professional- scientific & tech svcs	30	\$3.1	\$5.7
55 Management of companies	11	\$1.4	\$2.6
56 Admin/support & waste mgmt/ remediation	50	\$2.6	\$5.6
61 Educational services	10	\$0.4	\$0.5
62 Health care and social assistance	270	\$7.7	\$11.7
71 Arts, entertainment & recreation	10	\$0.3	\$0.4
72 Accommodation & food services	30	\$1.0	\$2.3
81 Other services (except gov't)	50	\$2.5	\$4.1
92 Government	10	\$1.8	\$4.4
<b>Total (\$ thousands)</b>	<b>1,360</b>	<b>\$56.0</b>	<b>\$321.0</b>

\* May not sum due to rounding

Source: ERC, ERC Tenant Survey; estimates by LAEDC





## Tenant Spotlight: JP Sportswear

JP Sportswear is a well-established, dynamic active sportswear manufacturer that was able to produce 200,000 Level 1 and 2 surgical isolation gowns in 2020 for those in need across the country. They take pride in their reputation and are equally dedicated to providing employment opportunities to surrounding communities by hiring locally. In fact, most of their employees live within an 8–10 mile radius of the ERC Business Park and the average employee has been hired for over 15 years.

### Core Values:

- Quality
- Employee Development
- Integrity
- Customer Service
- Experience
- Environmental Sustainability

### Services:

- Full Package Production
- Digital Sublimation Print & Transfer
- Digital Patterns & Markers
- Automated Cutting & Sewing
- Sourcing
- Custom Design & Development
- Packaging & Shipping



# Economic Impact of ERC's Capital Expenditures



In addition to its ongoing operations, ERC continues to invest in construction projects at existing and new properties including retrofits and tenant upgrades. This investment generates significant economic activity. ERC reports that its capital improvement projects both completed and in progress over the past 10 years have a total capital cost of roughly \$2.7 million in Los Angeles County across its business park location and three separate properties located at 3001 Vernon Ave, 2299 Pacific Ave, and 4277 S Western Ave.

## Direct Investment

The initial economic activity related to ERC operations in Los Angeles County is construction and property upgrades. This generates wages and benefits paid to local workers and injects funds into the region. The expenditures incurred by ERC and employees of companies that supply goods and services to ERC properties generate demand for hiring workers and purchase additional goods and services to facilitate their business activities.

### Over the past decade (FY2012-FY2022), ERC:

- ▶ Directly paid \$2.3 million for construction and upgrades of the ERC Business Park
- ▶ Directly paid \$433,000 for construction and upgrades at its three properties

**Figure 4-1**

**Direct Construction Spending by ERC Property**  
**Los Angeles County, 2012-2021**  
 (\$ thousands)

Year	ERC Business Park	Property 1 (3001 Vernon)	Property 2 (2299 Pacific)	Property 3 (4277 S Western)	Total
2012	\$32.3	\$0.0	\$0.0	\$37.5	\$69.3
2013	\$43.8	\$0.0	\$0.0	\$0.0	\$43.3
2014	\$121.8	\$0.0	\$0.0	\$0.0	\$121.8
2015	\$109.8	\$0.0	\$0.0	\$0.0	\$109.2
2016	\$54.3	\$149.6	\$0.0	\$0.0	\$203.6
2017	\$76.0	\$66.0	\$0.0	\$7.4	\$134.3
2018	\$223.8	\$0.9	\$0.0	\$0.0	\$222.9
2019	\$516.4	\$162.2	\$0.5	\$0.0	\$678.7
2020	\$971.2	\$0.4	\$2.3	\$0.0	\$970.0
2021	\$178.3	\$0.0	\$6.2	\$0.0	\$184.5
<b>Total</b>	<b>\$2,327.7</b>	<b>\$379.1</b>	<b>\$9.0</b>	<b>\$44.9</b>	<b>\$2,737.6</b>

Source: ERC



## Economic Impact Analysis

The extent to which ERC's initial expenditures are felt by the rest of the Los Angeles economy is estimated with economic models that depict the relationships between industries (such as construction and its suppliers) and among various economic agents (such as industries and their employees). These models are built upon actual data of expenditure patterns reported to the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and the Bureau of Economic Analysis of the U.S. Department of Commerce. Data is regionalized to reflect and incorporate local conditions such as prevailing wages, rates, idiosyncratic expenditure patterns, and resource availability and costs.

### *The Economic and Fiscal Impact of ERC*

ERC contributes significantly to Los Angeles County's economic activities as its construction expenditures have generated \$4.5 million in economic output over the past ten years, with nearly \$2 million paid in labor income.

**Figure 4-2** through **Figure 4-5** break down these direct, indirect, and induced economic impacts by property over the past ten years.

**Figure 4-2**

**Yearly Economic Impact of ERC Business Park Capital Expenditures  
Los Angeles County, 2012-2021**

(\$ thousands)

Year	Direct Expenditures	Employment (jobs)*	Labor Income	Output	State & Local Taxes
2012	\$32.3	0	\$16.3	\$54.0	\$2.6
2013	\$43.8	0	\$22.2	\$73.4	\$3.5
2014	\$121.8	5	\$69.3	\$204.5	\$9.7
2015	\$109.8	5	\$55.4	\$183.5	\$8.8
2016	\$54.3	0	\$26.9	\$90.7	\$4.2
2017	\$76.0	5	\$46.3	\$127.1	\$5.8
2018	\$223.8	5	\$124.7	\$376.7	\$17.0
2019	\$516.4	10	\$367.0	\$866.2	\$40.4
2020	\$971.2	10	\$638.3	\$1,617.7	\$17.6
2021	\$178.3	5	\$95.6	\$299.6	\$1.8
<b>Total*</b>	<b>\$2,327.7</b>	<b>20</b>	<b>\$1,462.0</b>	<b>\$3,893.4</b>	<b>\$111.4</b>

\*May not sum due to rounding

Source: ERC, estimates by LAEDC

Construction spending at the ERC Business Park, which has totaled over \$2.3 million from 2012 to 2021, generated close to \$3.9 million in direct, indirect, and induced economic output with over \$1.4 million paid in labor income. It also generated \$111,400 in state and local taxes.

**Figure 4-3****Yearly Economic Impact of 3001 Vernon Ave. Construction  
Los Angeles County, 2012-2021**

(\$ thousands)

Year	Direct Expenditures	Employment (jobs)*	Labor Income	Output	State & Local Taxes
2012	\$0.0	0	\$0.0	\$0.0	\$0.0
2013	\$0.0	0	\$0.0	\$0.0	\$0.0
2014	\$0.0	0	\$0.0	\$0.0	\$0.0
2015	\$0.0	0	\$0.0	\$0.0	\$0.0
2016	\$149.6	5	\$113.9	\$251.8	\$11.2
2017	\$66.0	5	\$51.2	\$111.0	\$5.0
2018	\$0.9	0	\$0.5	\$1.5	\$0.1
2019	\$162.2	5	\$130.0	\$274.8	\$12.7
2020	\$0.4	0	\$0.2	\$0.7	\$0.0
2021	\$0.0	0	\$0.0	\$0.0	\$0.0
<b>Total*</b>	<b>\$379.1</b>	<b>10</b>	<b>\$295.8</b>	<b>\$639.8</b>	<b>\$29.0</b>

\*May not sum due to rounding

Source: ERC, estimates by LAEDC

Construction spending at the 3001 Vernon Ave. property generated about \$639,800 in direct, indirect, and induced economic output over the last ten years with over \$295,800 paid in labor income. It also generated \$29,000 in state and local taxes.

**Figure 4-4****Yearly Economic Impact of 2299 Pacific Ave. Construction  
Los Angeles County, 2012-2021**

(\$ thousands)

Year	Direct Expenditures	Employment (jobs)*	Labor Income	Output	State & Local Taxes
2012	\$0.0	0	\$0.0	\$0.0	\$0.0
2013	\$0.0	0	\$0.0	\$0.0	\$0.0
2014	\$0.0	0	\$0.0	\$0.0	\$0.0
2015	\$0.0	0	\$0.0	\$0.0	\$0.0
2016	\$0.0	0	\$0.0	\$0.0	\$0.0
2017	\$0.0	0	\$0.0	\$0.0	\$0.0
2018	\$0.0	0	\$0.0	\$0.0	\$0.0
2019	\$0.5	0	\$0.2	\$0.7	\$0.0
2020	\$2.3	0	\$1.2	\$3.9	\$0.0
2021	\$6.2	0	\$4.5	\$10.2	\$0.1
<b>Total*</b>	<b>\$9.0</b>	<b>5</b>	<b>\$5.9</b>	<b>\$14.8</b>	<b>\$0.1</b>

\*May not sum due to rounding

Source: ERC, estimates by LAEDC

Construction spending at the 2299 Pacific Ave. property generated about \$14,800 in direct, indirect, and induced economic output over the last ten years with \$5,900 paid in labor income.

**Figure 4-5****Yearly Economic Impact of 4277 S Western Ave. Construction  
Los Angeles County, 2012-2021**

(\$ thousands)

Year	Direct Expenditures	Employment (jobs)*	Labor Income	Output	State & Local Taxes
2012	\$37.5	0	\$19.0	\$62.9	\$3.0
2013	\$0.0	0	\$0.0	\$0.0	\$0.0
2014	\$0.0	0	\$0.0	\$0.0	\$0.0
2015	\$0.0	0	\$0.0	\$0.0	\$0.0
2016	\$0.0	0	\$0.0	\$0.0	\$0.0
2017	\$7.4	0	\$3.7	\$12.2	\$0.6
2018	\$0.0	0	\$0.0	\$0.0	\$0.0
2019	\$0.0	0	\$0.0	\$0.0	\$0.0
2020	\$0.0	0	\$0.0	\$0.0	\$0.0
2021	\$0.0	0	\$0.0	\$0.0	\$0.0
<b>Total*</b>	<b>\$44.9</b>	<b>5</b>	<b>\$22.7</b>	<b>\$75.1</b>	<b>\$3.6</b>

\*May not sum due to rounding

Source: ERC, estimates by LAEDC

Construction spending at the 4277 S Western Ave. property generated about \$75,100 in direct, indirect, and induced economic output over the last ten years with \$22,700 paid in labor income.

### The Activities of ERC in FY 2021:

- ▶ Spent an estimated \$184,500 in construction spending on capital improvements and repairs and maintenance of existing structures
- ▶ Provided \$100,100 in combined labor income
- ▶ Generated a total economic output from operations of \$309,800
- ▶ Contributed \$1,900 in state and local taxes from activity at all three properties and the ERC Business Park

### Planned Future Investment

ERC also has planned future investments for developing new properties in addition to making capital improvements to properties they currently own. These planned investments currently include:

- Property in Compton to be used for building a facility for Children's Institute Inc. to operate a new Head Start and child daycare program. The current estimated development budget is \$1,770,000.
- Renovations to the currently owned ERC property at 2299 Pacific Avenue in Long Beach, which will be comprehensive improvements to the entire site for the purpose of leasing this space to the YMCA of Greater Long Beach for the operation of children's programs. The current capital budget for this project, which is funded by a grant from the Economic Development Administration, is \$2,677,401.

- Purchasing and renovating space in Pacoima for the potential lease by a nonprofit organization providing SBA loans and business technical assistance. The anticipated amount of spending on capital repairs will be \$73,000 plus a further \$170,000 in capital maintenance over the next twelve years.

The total economic impact of this direct spending by Economic Resources Corporation in Los Angeles County is estimated in **Figure 4-6**. These figures represent the overall estimated impacts across the lifespan of investment and development, though it is likely that these impacts will be spread out across multiple years.

**Figure 4-6**  
**Estimated Economic Impacts of Future ERC Construction**  
**Los Angeles County**  
*(\$ thousands)*

Project	Direct Expenditures	Employment (jobs)*	Labor Income	Output	State & Local Taxes
Children's Institute, Inc. (Compton)	\$1,770.0	20	\$1,293.5	\$2,932.3	\$40.8
YMCA of Greater Long Beach (Long Beach)	\$2,677.4	30	\$1,956.6	\$4,436.0	\$61.8
Pacoima	\$243.0	5	\$130.3	\$408.4	\$2.4

\*May not sum due to rounding  
 Source: ERC, estimates by LAEDC



## Nonmonetary Impacts of ERC

There are non-monetary impacts such as environmental, social, or health effects that cannot accurately be quantified in a traditional economic impact analysis. In this section we qualitatively outline these additional non-monetary impacts related to ERC and its programs, including community outreach and other public benefit programs.

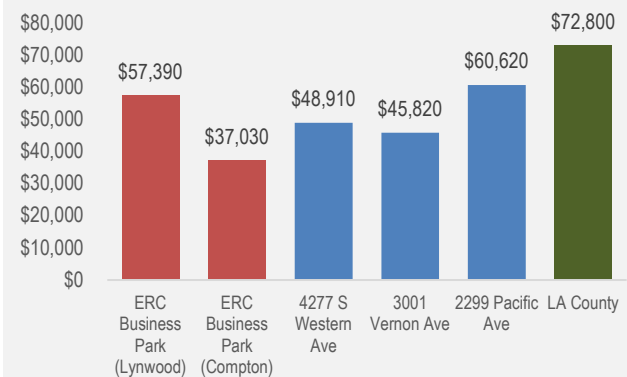
ERC's commitment to providing a public benefit to historically underserved communities is reflected in their effort to monitor and assess its impact on individuals, partners, businesses, and the local community.

### A Space for Small and Micro-Businesses

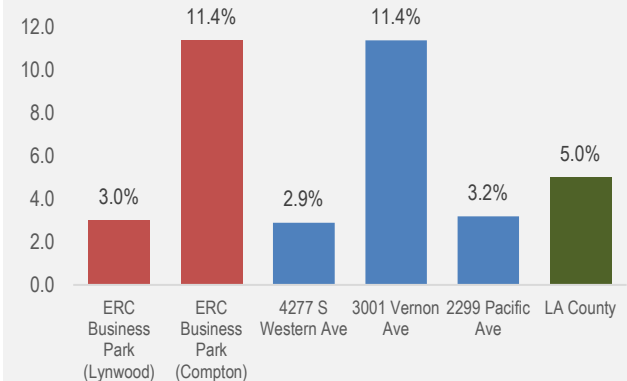
Economic Resources Corporation provides an important range of services for small businesses and micro-businesses as a real estate owner and manager. The acquisition criteria of Economic Resources Corporation requires investing in commercial properties in underserved urban submarkets of the Greater Los Angeles region, which differs from traditional developers and landlords. This includes providing leasing opportunities for small businesses that might not otherwise have qualified for renting on the open market. By prioritizing serving and supporting its tenants over maximizing profits, ERC is able to be an asset for small business owners that require assistance. Furthermore, ERC's locations have positive impacts on the surrounding communities as well, as they prioritize tenants that will create jobs for local residents and tenants that provide a community service.

All of ERC's properties are located in neighborhoods where the median income is less than the Los Angeles County average, and where unemployment and/or poverty are generally above the county average, as shown in **Figures 5-1, 5-2, and 5-3.**

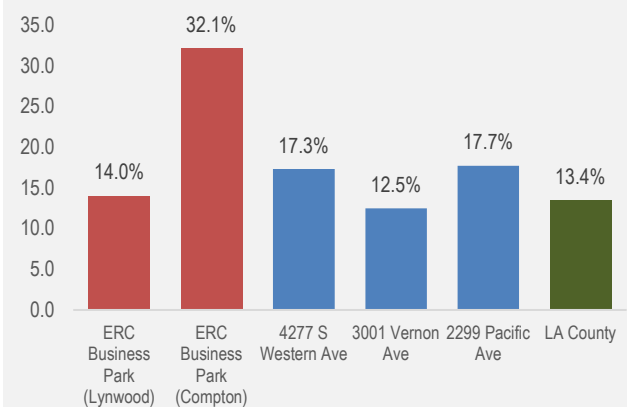
**Figure 5-1: Median Household Income, ERC Neighborhoods 2021**



**Figure 5-2: Unemployment Rate, ERC Neighborhoods 2021**



**Figure 5-3: Poverty Rate, ERC Neighborhoods 2021**



## A Home for Nonprofit Organizations

Economic Resources Corporation also provides assistance for a wide range of nonprofit organizations, from serving in an advisory role to assisting in securing new operational space.

The presence of nonprofit organizations provides numerous social benefits that cannot be solely measured using quantitative data related to financial flows. Nonprofits call attention to societal issues and their impacts on local communities, this increased awareness helps to incentivize efforts to effect change. Nonprofits help to enhance and build a sense of community. They can help drive economic development, cultural awareness, education, health, the arts, and even spirituality. Nonprofits largely focus on local issues and provide programs, services and other resources to support and offer aid to people in need in their local communities. Additionally, they engage volunteers from diverse backgrounds.



Myriad nonprofits call ERC properties home, providing programs and services that provide resources to their local community.

### Nonprofits that ERC has assisted include:

1. **Children's Institute Inc.** An organization that provides early childhood education and other youth and family services for children exposed to adversity and poverty in Los Angeles. ERC worked with this organization to secure new sites for its Head Start program and supported their grant and contract applications by providing lists of potential sites for Head Start.
2. **J-Tech (Falcon Youth Football).** ERC advised this organization on possible industrial buildings that could be used for food, sports and after-school programming, and worked to secure sites.
3. **OpenPaths.** An organization that provides affordable mental health counseling in the Los Angeles region. ERC advised on possible sites for lease and additionally helped with the drafting of potential leases.
4. **PCR.** Economic Resources Corporation provided assistance by working to find a new headquarters facility and made lease negotiations for space at 3001 Vernon Ave. ERC also helped in PCR's recapitalization of Western Ave by investing as a 50% partner and then purchasing the other 50% of the ownership interest.
5. **People Who Care.** ERC worked with the executive director to assist with their financial issues resulting from a youth facilities development project that was built on W Slauson Ave next to their headquarters.
6. **Westside Family Health Services.** ERC sourced the building for this nonprofit to relocate their offices.



7. **Homeownership Advantage LLC.** A venture between Economic Resources Corporation, Genesis LA and a private investor to purchase, renovate and sell foreclosed houses to low- or moderate-income first-time home buyers. Six houses were purchased and renovated over a two-year period.

## Tenant Spotlight: Drew Child Development Corporation



**Drew Child Development Corporation** is a childcare and kindergarten transition center where the community is treated like family. Many of the working tenants at the ERC Business Park have their children enrolled and provide referrals for other local families. It's a win-win situation where the impact and built relationships are extraordinarily strong. Over 11,000 children and families are served annually and given a stable, safe environment to help them succeed.

**Mission:** Preparing the children of Watts-Willowbrook, Compton and South Los Angeles to succeed and thereby strengthen our community's future.

### Services:

- Early intervention programs for infants and toddlers who are born with developmental disabilities or are considered at-risk for developmental delay
- Child care services for children 18 months to 5 years
- Family therapy services in the area of adolescent pregnancy, HIV education and substance abuse
- Linkages and referrals to community-based resources
- Mental health services and child abuse treatment program



Source: <https://drewcdc.org/drew-cdc-wins-pay-it-forward-award/>

## Business Assistance

Economic Resources Corporation provides financing for small businesses through its Revolving Loan Fund (RLF) which was re-started in 2019. The RLF, which uses \$2.35 million in funds awarded by the U.S. Economic Development Administration, provides financing for the development and expansion of small businesses. The loans can range from \$50,000 to \$500,000 and eligible uses include working capital, equipment purchases, leasehold improvements, contract financing, business expansion, and more.

Eligible applicants are small businesses in Los Angeles, Orange, Riverside, and San Bernardino counties. ERC focuses on providing loans to these specific industries: retailers, wholesalers, manufacturers, contractors, importers and exporters, non-profits, and service-related businesses. It also prioritizes small businesses owned by women, minorities, or veterans.

One such organization that has used ERC's small business assistance is The Jeffrey Foundation, a nonprofit based in Los Angeles that works with children with special needs. ERC provided a loan totaling \$330,000, which the foundation has used to retain 14 full-time jobs and 8 part-time jobs, as well as to create two more full-time jobs and one part-time job along with repairs to their facilities.



# Appendix

## 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 (2017).

*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.

## Economic Impact Analysis

*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.

*Healthcare and Social Assistance:* Activities of this sector are operating or providing healthcare 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.

## Approach and Methodology

The approach and methodology of economic impact analysis typically begin with a look at the increase in the final demand for an industry's output, such as a purchase of construction services.

Our approach used the revenues, expenditures, and employment numbers reported by ERC. We began by estimating the impact of their operations within the Los Angeles region based on the client's data.

The magnitude of the multiplying effect differs from one region to another depending on the extent to which the local region can fill the demand for all rounds of supplying needs. For example, the automobile manufacturing industry has high multipliers in Detroit and Indiana since these regions have deep and wide supplier networks. In contrast, the same industry multiplier in Phoenix is relatively small. In another example, the jobs multiplier for the construction industry is higher in say, Arkansas than in California because the same amount of spending will purchase fewer workers in Los Angeles than in Little Rock.

## Economic Resources Corporation

*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.

Multipliers can also differ from year to year as relative material and labor costs change all while the production “recipe” of industries changes as well. For example, the IT revolution significantly reduced the job multiplier of many industries (such as manufacturing, accounting, architecture, and publishing) as computers replaced administrative and production workers.

Once the initial direct activity was determined, we estimated the indirect and induced impacts using models developed with data and software from MIG, Inc. MIG's IMPLAN system is a robust, widely used set of modeling tools that provide economic resolution from the national level down to the ZIP code level. For purposes of this study, the region of our interest is Los Angeles County, where ERC operates.

The metrics used to determine the value of the economic impact include employment, labor income, and the value of output. *Employment* numbers include full-time, part-time, permanent, and seasonal employees, and the self-employed. They are measured



### Economic Impact Analysis

on a job-count basis regardless of the number of hours worked. *Labor income* is a measure of all income received by both payroll employees and the self-employed, including wages and benefits such as health insurance and pension plan contributions. *Output* is the value of the goods and services produced. For most industries, this is simply the revenue generated through sales; for others, the output is the value of the services supplied in particular retail industries.

*Direct* employment is the personnel hired by ERC. The *direct* output is the value of the services provided by each business firm or entity. *Indirect* effects are those that stem from the employment and output motivated by the

### Economic Resources Corporation

purchases made by each direct company. For example, indirect jobs are sustained by the suppliers of office supplies and insurance coverage purchased by participating institutions. *Induced* effects are those generated by the household spending of employees whose wages are sustained by direct and indirect spending.

Unless otherwise noted, labor income, expenditures and output are expressed in current FY 2021 dollars. Employment estimates are reported annually, i.e., the number of full and part-time jobs supported in one year.





## INSTITUTE FOR APPLIED ECONOMICS

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