

Economic Impact Analysis of the Construction of the Inglewood Transit Connector

This report presents estimates and projections of the economic and fiscal impact for the construction phase of the Inglewood Transit Connector ("Project") that will have on the City of Inglewood and County of Los Angeles. The estimates are based on the publicly available construction cost estimates to calculate the one-time economic boost of the construction of the Project.

INGLEWOOD TRANSIT CONNECTOR

The City of Inglewood’s proposed Inglewood Transit Connector (ITC) Project is approximately 1.6 miles of a fully elevated, automated, fixed-guideway transit system with three new transit stations aiming to solve first and last mile issues by connecting key Inglewood activity and employment centers to the rest of Los Angeles County by public transit. The ITC is vital to realizing the full economic opportunities that Inglewood’s new sports and entertainment venues, retail and dining centers, and the new roughly 300-acre Hollywood Park campus (which replaced the old racetrack) represent.

The Project aims to reduce traffic congestion for the growing population on non-event days while relieving the currently overworked roadway network on event days. It will improve mobility, allowing for a reduction in vehicle miles traveled, thereby reducing traffic congestion and related greenhouse gas emissions. This will help improve local air quality while allowing affordable community access.





DIRECT EXPENDITURES OF ITC'S CONSTRUCTION

Construction on this new line is planned to break ground by 2024. The Project is planned to take four phases, with primary construction activities occurring in 2025 to 2027. It is anticipated that passenger services will start in Q2 of 2029.

During this 5-year span, the City of Inglewood plans to construct the automated transit system (ATS), three stations, a maintenance center, and multiple public parking lots. Each of these Project facets contribute to the one-time economic boost resulting from ITC's construction.

The estimation of the ITC construction's economic impact is derived from the updated planned direct expenditures provided to the LAEDC. **Exhibit 1** provides a summary of the split of the \$1.89 billion direct expenditures between hard costs (\$1.11 billion) and soft costs (\$0.78 billion).

Exhibit 1
Breakdown of ITC's Direct Costs

Cost Category	Amount (\$ billions)	Share
Hard Costs	\$1.11	59%
Soft Costs	\$0.78	41%
Total	\$1.89	100%

Source: City of Inglewood, Estimates by LAEDC

ECONOMIC AND FISCAL IMPACTS OF ITC'S CONSTRUCTION

Once the initial direct expenditures were determined, indirect and induced economic impacts were estimated using models developed with software and data from the IMPLAN.

Exhibit 2 summarizes the estimated economic impacts of ITC's construction on Los Angeles County and the City of Inglewood.

Employment

It is estimated that ITC's construction would support about 17,120 total jobs (direct, indirect, and induced) throughout the County. ITC would support 9,960 direct jobs, of which we assume 100 percent would be in the City of Inglewood itself. This logically follows as the construction of ITC is contained within the City of Inglewood. Approximately 3,330 jobs would be indirectly supported by ITC's purchases of goods and services while 3,820 jobs are supported by induced impacts. Induced jobs are supported by the spending of workers involved in the ITC's construction, as well as the employees in the supply chain to the construction project in Los Angeles County. This can be thought of as money recirculating throughout the economy.

Exhibit 2
Economic Impact of ITC's Construction

	Los Angeles County	City of Inglewood
Total Economic Impact:		
Output (\$ mil):	\$3,370	\$1,893
Direct	\$1,890	\$1,890
Value Added (\$ mil):	\$1,898	\$1,008
Direct	\$1,006	\$1,006
Employment (Jobs)	17,120	9,980
Direct	9,960	9,960
Labor Income (\$ mil):	\$1,420	\$883
Direct	\$882	\$882
Total Fiscal Impact (\$ mil):	\$446	\$150
State and Local Taxes:	\$166	\$26
Federal Taxes:	\$280	\$124

Source: City of Inglewood, Estimates by LAEDC



Disaggregated Employment Impacts

The total annual economic impact is spilled across industries through indirect and induced effects. A complete list of estimated employment impacts by industry sector is shown in **Exhibit 3**. The industries represented are equivalent to the two-digit North American Industry Classification System (NAICS) code sectors. Descriptions of NAICS sectors can be found in the appendix. Of the 17,120 jobs generated in the county resulting from the ITC's construction, 6,150 will be in the construction sector, accounting for more than 35 percent of the total. Virtually all industry sectors will experience a positive economic impact from the construction expenditures. The top impacted sectors, in terms of absolute impacts, include professional and technical services, real estate, administrative and support services, all with an employment impact of over 1,000 jobs.

Exhibit 3
Distribution of ITC's Construction's Total Employment Impacts by Industry in Los Angeles County (jobs)

Total Employment Impacts:	17,120
Ag, Forestry, Fish & Hunting	0
Mining	0
Utilities	10
Construction	6,150
Manufacturing	80
Wholesale Trade	320
Retail trade	770
Transportation & Warehousing	530
Information	130
Finance & Insurance	390
Real Estate & Rental	1,340
Professional, Scientific & Tech Svcs	3,820
Management of Companies	130
Admin & Support/ Waste Mgmt/ Remediation	1,020
Educational Services	160
Health Care and Social Assistance	870
Arts, Entertainment & Recreation	120
Accommodation & Food Services	620
Other services (except gov't)	590
Government Enterprises	70

Source: City of Inglewood, Estimates by LAEDC, May not sum due to rounding

Exhibit 4
Distribution of ITC's Construction's Total Output Impacts by Industry in Los Angeles County (\$ millions)

Total Output Impacts:	\$ 3,370
Ag, Forestry, Fish & Hunting	0
Mining	1
Utilities	12
Construction	1,124
Manufacturing	71
Wholesale Trade	131
Retail trade	109
Transportation & Warehousing	70
Information	100
Finance & Insurance	138
Real Estate & Rental	440
Professional, Scientific & Tech Svcs	747
Management of Companies	34
Admin & Support/ Waste Mgmt/ Remediation	115
Educational Services	13
Health Care and Social Assistance	104
Arts, Entertainment & Recreation	15
Accommodation & Food Services	65
Other services (except gov't)	56
Government Enterprises	25

Source: City of Inglewood, Estimates by LAEDC, May not sum due to rounding

Output

Los Angeles County's total output will rise by about \$3.37 billion as a result of the ITC's construction. Approximately \$1.9 billion of this output would be tied to the City of Inglewood. Direct output resulting from the construction would be about 55 percent of total output impacts. This direct output would be created by activities such as expenditures on construction materials, engineering and architectural costs, and right of way payments. The remaining 45 percent of output would be created by indirect and induced economic activities. Among these, the real estate and rental industry would see the largest impacts, representing \$235.57 million in indirect and induced output. The real estate industry would see increased



property values and utilization during and after the construction of the automated transit system. Following in terms of increased indirect and induced output in dollar terms would be the professional scientific and technical services industry, which would represent \$172 million in output. Other sectors that are most impacted in terms of indirect and induced output include finance & insurance, wholesale trade, and administrative & support services. **Exhibit 4** disaggregates total output by industry sector defined by two-digit NAICS code.

Labor Income

For the purposes of economic impact analysis, labor income includes wages as well as any benefits earned, such as overtime and health insurance. The direct, indirect, and induced labor income for Los Angeles County is estimated to be about \$1.4 billion, while over 62 percent, or \$883 million of this labor income would reside within Inglewood. The remaining would be paid to jobs supported by indirect and induced effects. The disaggregation of these total labor incomes by industry is similar to the distribution exhibited in Exhibits 3 and 4, wherein about one third would be paid to the construction industry.

A disaggregation of the labor income impacts by industry for the County can be found in appendix chart A-1.

Value-added is an economic impact metric derived by subtracting values of intermediate inputs from total gross output. Total value-added resulting from ITC's construction is estimated to be about \$1.9 billion. This represents the total contribution of ITC's construction, supply chain purchases, and the spending of construction employees in the organization supply chain to Los Angeles County's gross regional product (GRP). Of this \$1.9 billion of value-added, about \$1 billion would be contained within the City of Inglewood. Value-added stemming directly from ITC's construction is estimated to equal \$1 billion. Indirect and induced value-added would be the residual, approximately \$898 million.

Fiscal Impact

As a result of the ITC's construction, about \$445.5 million in fiscal impact would be created. A summarization of the fiscal impact broken down by level of government and type of tax is highlighted in **Exhibit 5**.

For the tax revenues generated by the economic activities in Los Angeles County stimulated by the ITC's construction, the federal government would collect nearly \$280 million, or about 63 percent of all estimated tax receipts. The remaining 37 percent of tax receipts are estimated to go to state and local governments. This amount is estimated to total \$165.6 million. Approximately \$38.5 million of these fiscal

Exhibit 5

Fiscal Impact of ITC's Construction

	Los Angeles County	City of Inglewood
By Type of Tax (\$ millions):		
Personal income taxes	\$205.0	\$41.1
Social insurance	143.3	94.0
Sales and excise taxes	34.5	2.4
Property taxes	38.7	2.8
Corporate profits taxes	23.8	9.6
Other fees and taxes	0.2	0.2
Total	\$445.5	\$150.1
By Type of Government (\$ millions):		
Federal	\$279.9	\$123.9
State	107.8	22.1
County	19.3	1.4
Cities	38.5	2.8
Total	\$445.5	\$150.1

Source: Estimates by LAEDC



gains would be tied to sub-county districts and regions such as the City of Inglewood. The County of Los Angeles itself would see another nearly \$20 million in fiscal impact.

With respect to different types of tax, personal income taxes, which account for the largest single source of fiscal revenues to the federal and state governments, are estimated to amount to \$205 million. Of this total, approximately 72 percent will be collected by the federal government, while 28 percent will go to the state government. Social insurance payments, which are distributed to both state and federal governments (with the majority going to the federal government), are expected to reach over \$143 million due to the increased economic activity in the county. Property taxes, mainly collected by county and city governments, are estimated to reach \$38.7 million. Sales and excise taxes will contribute \$34.5 million. Additional sources of tax revenues include taxes on corporate profits, motor vehicle license fees, and other taxes and fees paid by businesses and households, which collectively generate close to \$24 million in government revenues.





APPENDIX

A1 Summary Results Tables

Exhibit A-1

Disaggregation of Total Economic Impact by Industry
Inglewood Transit Connector Construction
Los Angeles County

	Jobs	Labor Income (\$ millions)	Output (\$ millions)
Ag, Forestry, Fish & Hunting	0	\$0.0	\$0.0
Mining	0	0.1	1.2
Utilities	10	2.2	11.8
Construction	6,150	488.0	1124.4
Manufacturing	80	7.7	71.4
Wholesale Trade	320	35.3	131.1
Retail trade	770	41.4	108.8
Transportation & Warehousing	530	29.9	69.6
Information	130	24.4	100.1
Finance & Insurance	390	40.5	137.6
Real Estate & Rental	1,340	92.0	440.5
Professional, Scientific & Tech Svcs	3,820	434.1	746.9
Management of Companies	130	17.8	33.7
Admin & Support/ Waste Mgmt/ Remediation	1,020	58.0	115.5
Educational Services	160	9.5	13.3
Health Care and Social Assistance	870	61.1	103.9
Arts, Entertainment & Recreation	120	7.4	15.0
Accommodation & Food Services	620	26.2	64.9
Other services (except gov't)	590	33.3	55.6
Government Enterprises	70	10.9	25.1
Total	17,120	\$1,420	\$3,370

Source: Estimates by LAEDC



A2 Approach and Methodology

The approach and methodology of economic impact analysis typically begins with a look at the increase in the final demand for an industry's output, such as a purchase of construction services. We began by estimating the impact of capital expenditures for the Inglewood Transit Connector (ITC) development in the City of Inglewood and Los Angeles County based on data provided by the client. Our approach used the expected ITC construction budget by category.

The magnitude of the multiplier 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, while the same industry multiplier in Phoenix is quite 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.

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 the IMPLAN system, which is a robust, widely used set of modeling tools that provide economic resolution from the national level down to the ZIP code level. For the purposes of this study, the region of interest is Los Angeles County and the City of Inglewood.

The metrics used to determine the value of the economic impact include employment, labor income, value-added, and the value of output. Employment numbers include full-time, part-time, permanent, and seasonal employees, and the self-employed, and are measured 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, in particular retail industries, output is the value of the services supplied. Value-added is calculated by subtracting values of intermediate inputs from total gross output.

Direct employment are the workers hired by the contractors for the construction activity related to the ITC Project in Los Angeles County. 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 purchases made by each direct company. For example, indirect jobs are sustained by the suppliers of the 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 both direct and indirect spending.



Unless otherwise noted, labor income, expenditures and output are expressed in 2023 dollars. Employment estimates are reported on an annual basis, i.e., the number of full- and part-time jobs supported in one year.

A3 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.

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.

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.

