

The 2024 Economic Study is considered a DRAFT document until approved and adopted by the City Council. The City Council will be reviewing the DRAFT 2024 Economic Study at the December 2, 2024, City Council meeting.

West Hollywood Economic Study

November 2024





Table of Contents

Executive Summary	5
Introduction	7
A Holistic Approach to Community Outreach and Data Analysis	9
<i>Community Engagement</i>	10
<i>Existing Conditions Data Analysis</i>	12
<i>Bringing it Together: Key Takeaways and Recommendations</i>	13
West Hollywood Today	15
1. <i>West Hollywood's status as a premier regional destination offers significant economic benefits.</i>	16
2. <i>A mosaic of distinct districts, West Hollywood can provide something for everyone.</i>	17
3. <i>Visitor activity is not uniform across the city.</i>	18
4. <i>Small businesses are challenged by high operating costs.</i>	20
5. <i>West Hollywood is well- positioned to grow its daytime population.</i>	22
Recommendations	23
<i>Goal 1: Preserve and Expand West Hollywood's Audience</i>	24
<i>Goal 2: Support and Grow Small Businesses</i>	26
<i>Goal 3: Promote Entrepreneurship</i>	28
<i>Overview of Actions</i>	30
<i>Phase 1: Start-Up</i>	31
<i>Phase 2: Scale</i>	32
<i>Phase 3: Launch</i>	33
<i>Summary Matrix (Goal 1)</i>	34
<i>Summary Matrix (Goal 2)</i>	36
<i>Summary Matrix (Goal 3)</i>	38
Appendix	40



Executive Summary

The West Hollywood Economic Study charts a roadmap for prosperity, inclusive growth, and recovery.

The City of West Hollywood commissioned the West Hollywood Economic Study to assess West Hollywood's economic health and formulate a strategy to strengthen West Hollywood's economy for all.

Significant community engagement led up to this report, with input from all parts of West Hollywood's economy – businesses large and small from a wide variety of industries, labor unions and advocates, residents, and city staff. The report is also grounded in real estate, employment, demographic, and other data.

The result is a five-year plan with a detailed set of short-, medium-, and long-term actions, based on:

- **Goals:** Outcomes that West Hollywood sets out to achieve, and
- **Strategies:** How the City of West Hollywood will achieve those outcomes.

These goals and strategies are shown below. For the detailed actions (and more), read on!

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



Introduction

Despite being just 1.9 square miles in size and home to just over 35,000 people, the City of West Hollywood is home to an incredible density of over 1,500 brick-and-mortar businesses and over 500 home-based businesses.

West Hollywood's business community has played an outsized role on the national scene, with national brands like Barry's Bootcamp and others getting their start in the city, and hotels and nightlife venues along the famed Sunset Strip, as well as LGBTQ+ nightlife businesses in the Rainbow District, receiving national recognition. Millions of visitors come to West Hollywood every year to dine, shop, stay in the city's hotels, enjoy live entertainment, and more.

At the same time, West Hollywood's economy faces challenges, like many communities across the country. The COVID-19 pandemic and associated shutdown, while necessary public health measures, also made it difficult for many businesses to continue. Even after the worst of the pandemic, rising costs – including rent, insurance, materials, labor, and more – have forced some West Hollywood businesses to close, and others to adapt by raising prices, reducing services, or otherwise changing their operations. Shifting consumer preferences – such as trends around reduced alcohol

consumption and dating apps as an alternative to bars and other third spaces to meet new people – have presented challenges. Hybrid and remote work trends are among the factors driving reductions in foot traffic, especially around offices, impacting office properties themselves, as well as lunchtime businesses whose customer base included office workers now coming in less frequently. The rise of other regional competitive markets has also eroded West Hollywood's regional market share in certain sectors, such as Silver Lake's LGBTQ+ nightlife scene.

In response to these growing challenges, from 2023 to 2024, the City of West Hollywood commissioned this Economic Study, led by HR&A Advisors, Designing in Color, and Entertainment and Culture Associates (collectively, the "Project Team"). The goal of the study was to assess the city's economic health, with a focus on businesses, employment, and the City's fiscal health, and arrive at recommendations to chart a path for recovery, inclusive growth, and prosperity.



A Holistic Approach to Community Outreach and Data Analysis

West Hollywood's economic health is a multifaceted issue encompassing the state of businesses, employees, residents, and the public sector. A comprehensive assessment of West Hollywood's economic health required community engagement as well as data analysis.



Community engagement for the West Hollywood Economic Study was extensive. The Project Team interacted with community partners from diverse aspects of West Hollywood's economy - business owners, residents, employees, and more - in focus groups and interviews. Each conversation was based on a core set of questions to spark wide-ranging conversations:

- How was your organization or store location founded?
- What do you think are the biggest challenges to owning and operating a business in West Hollywood?
- What specific financial pressures impact your industry and business the most? What trends concern you the most for economic health of the city?
- What can the City's Economic Development Department do to help businesses, business owners, and/or employees in West Hollywood? What does the City need to do to attract more successful businesses like you?
- What are the biggest trends or opportunities for economic growth for the city for the next 5 to 10 years?
- How do you acquire clients or how are your services promoted? Are there any perceptions related to the service you provide?

Community partner feedback is noted throughout the report, and together with data analysis, drove the findings of the Economic Study.



Existing conditions data analysis examined demographic, fiscal, real estate, visitation, and employment data to assess the state of the West Hollywood economy today. To understand how West Hollywood's economy is performing regionally, the city was compared against the neighboring cities of Los Angeles, Beverly Hills, Santa Monica, and Culver City. To understand how different areas of the city are performing, five commercial subareas of West Hollywood were compared against each other.

Community Engagement

Throughout the Economic Study, the City and Project Team engaged in robust engagement to gather input from a wide range of community partners in West Hollywood's economy. These included the Economic Study Working Group, as well as Focus Groups.

Economic Study Working Group

The Project Team worked closely with City staff to recruit and assemble the Economic Study Working Group (hereafter, "Working Group") to function as a sounding board for the Economic Study. Working Group members represented a wide swath of the West Hollywood business community, including newer and legacy and smaller and larger businesses, businesses from the hospitality, restaurant, cannabis, office and retail industries, nonprofit and labor, commercial real estate, as well as BIPOC-, women-, and LGBTQ+-owned businesses. The Working Group members from businesses included representation from all 5 Commercial Districts (Sunset Strip, Rainbow District, Design District, Mid-City, and Eastside). Over the course of the Economic Study, City staff and the Project Team held three in-person meetings with the Working Group at City Hall. The purpose of the three working group meetings were, respectively, to cover initial findings from community outreach and data analysis, review a Strengths, Weaknesses, Opportunities, and Threats ("SWOT") Analysis, and review recommended goals and strategies.



Key Takeaways from Working Group

WORKING GROUP MEETING #1

- High operating costs (e.g., high rents) pose challenges for West Hollywood businesses.
- West Hollywood is at an inflection point with a changing commercial environment and identity.
- The City should take steps to ensure West Hollywood remains inclusive to and achieves equitable access for all residents, workers, and visitors no matter their class, race, sexuality, gender, or other aspects of their background.
- A possible reduction in foot traffic is adversely impacting businesses, driven by work-from-home and public safety concerns.

WORKING GROUP MEETING #2

- There is a need to build awareness of local businesses, community assets, and community programming.
- Increased business collaboration can provide shared benefits.
- Customers need parking or other ways to facilitate travel to West Hollywood businesses more easily.

WORKING GROUP MEETING #3

- New multigenerational and multicultural spaces are needed to attract younger and BIPOC visitors to West Hollywood.
- Clear and frequent communication between the City and businesses is essential for success.
- Entrepreneurs need to be supported at all phases of business growth (growth, scale, and exit).

Focus Groups & Interviews

Throughout the Economic Study, City staff and the Project Team facilitated 17 focus groups and interviews to discuss specific issues. Focus Group meetings were either in-person or virtual, depending on scheduling needs. Their valuable insights are incorporated throughout the report.

To get a full picture of West Hollywood's economic health, the Project Team engaged community partners from all aspects of West Hollywood's economy,

including employees, residents, City staff, the real estate community, business owners, and more. **An overview of the community partner representation is shown below.**

WeHo 40 Strategic Plan

The Economic Study's community engagement and data analysis took place at the same time as the WeHo 40 Strategic Plan's. Findings from the Economic Study benefited the Strategic Plan and vice-versa.

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 businesses
Legacy businesses
Recently closed businesses
Major employers and small businesses

West Hollywood Residents

City of West Hollywood Staff

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

Labor Advocates

BY THE NUMBERS: ECONOMIC STUDY COMMUNITY OUTREACH

3 Working Group Meetings

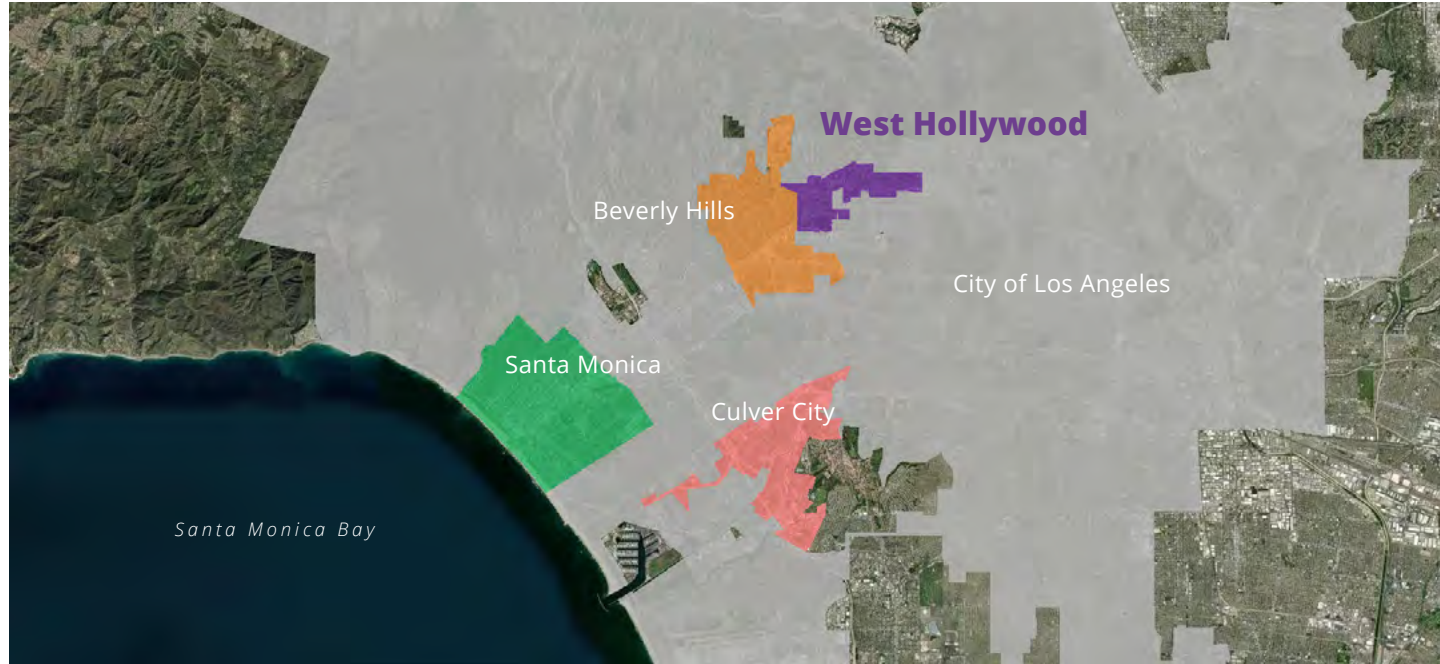
17 Focus Groups & Interviews

THANKS!

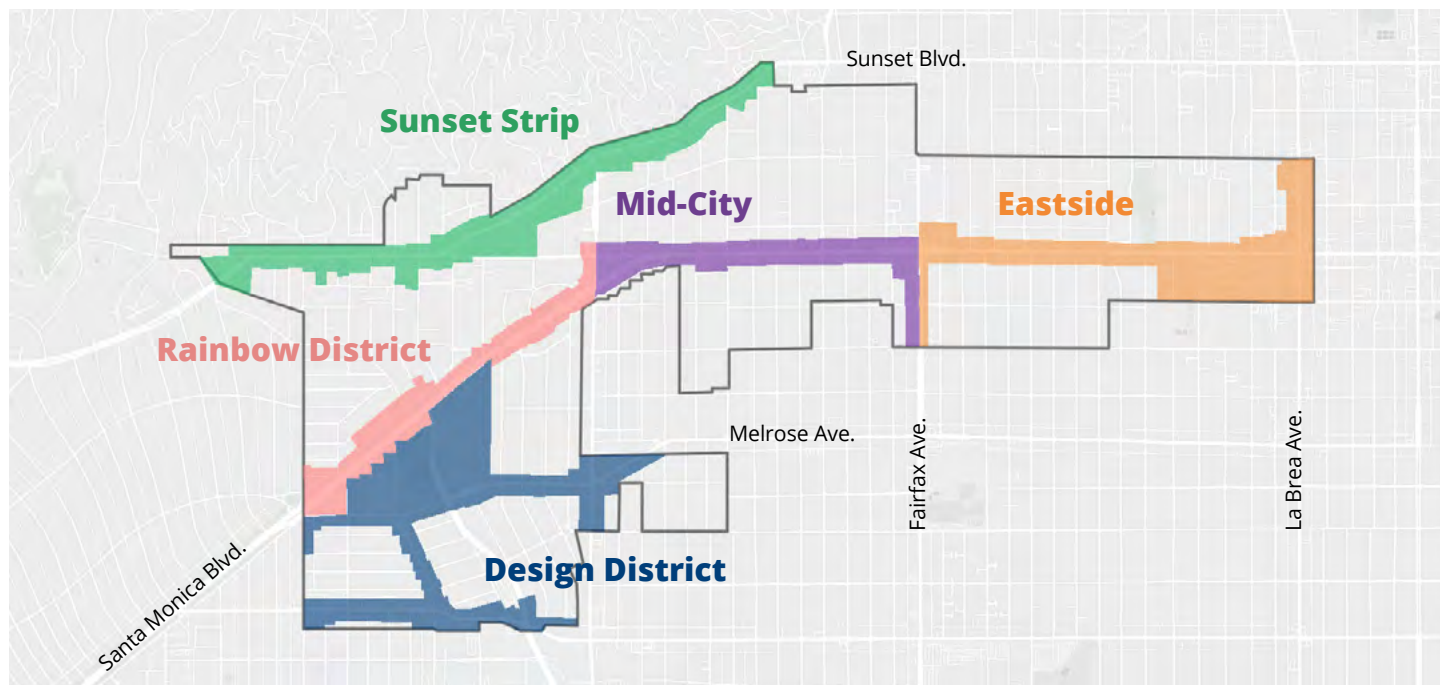
The Project Team thank the Working Group, focus group attendees, and interviewees for their time and input, which contributed greatly to this report.

Existing Conditions Data Analysis

The Project Team did a deep dive into economic data in the Economic Health and Visitation Analysis (“Diagnostic”), appended in full to this report. The Project Team examined business, employment, and fiscal trends on a citywide level, comparing West Hollywood’s economic health to its neighbors: Beverly Hills, Santa Monica, Culver City, and the City of Los Angeles.



To understand how the economies of different parts of West Hollywood are doing, the Diagnostic also included analysis of and comparisons between five commercial districts: the **Design District**, the **Rainbow District**, **Mid-City**, **Eastside**, and the **Sunset Strip**.



Business

The Diagnostic examined West Hollywood businesses in four categories:¹

- **Retail and food and beverage**, including traditional retail stores, restaurants, and cafes, as well as fitness, and personal care and services.
- **Nightlife and entertainment**, including bars, nightclubs, and performing arts venues.²
- **Office**, including the media industry, health care, professional services, real estate, and more.
- **Hotels**, including traditional hotels but excluding long-term stay hotels.

Analysis included real estate trends like average rents and vacancies, employment trends, visitation levels, and more.

Employees

The Project Team examined employment in West Hollywood, analyzing aspects such as employment by industry and earnings.

Fiscal Health

The Project Team examined trends in revenue sources that fund West Hollywood public services. Because some of these revenue sources are a function of business activity (e.g., hotel and sales taxes), municipal revenues are also broad indicator of economic activity and health.

¹ Expanded descriptions of each of these business categories can be found in the appended

² Real estate trends for nightlife and entertainment venues were examined together with the retail and food and beverage category due to data availability.

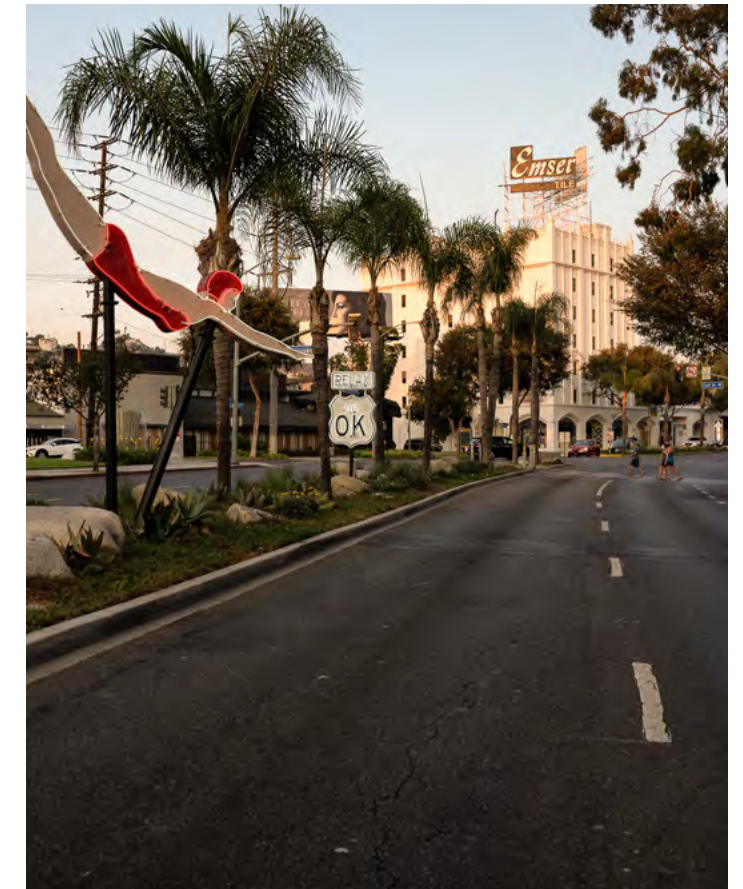
Bringing it Together: Key Takeaways and Recommendations

The remainder of this report is a summary of the City and Project Team’s work over the past year. It is split into two main parts.

West Hollywood Today provides five key takeaways from community engagement and the assessment of economic, demographic, and visitation data.

The takeaways from West Hollywood Today provide the foundation for the **Recommendations**. This section dives into overarching goals for the City of West Hollywood to better support its economy over the next five years. Under each goal is a set of strategies and associated actions to achieve those goals.

The report also includes an **Appendix** with the full Diagnostic examining the economic health of West Hollywood.





West Hollywood Today

West Hollywood's economy has strong foundations and has experienced prolonged periods of success. However, there are areas of weakness that pose challenges to all components of the West Hollywood economy, indicating opportunities to make it even stronger.

West Hollywood's economy has significant strengths. The city is known regionally, nationally, and internationally as a Southern California destination. Its hospitality, food service, nightlife, entertainment, and other industries are an important reason for why that is. West Hollywood's various neighborhoods are distinct, allowing the city to serve local residents as well as visitors.

West Hollywood is also facing challenges. While West Hollywood is a top visitor destination, visitor activity (and spending) are not uniform across the city. Like many communities nationwide, West Hollywood's small businesses are facing rising costs – labor, insurance, rent, and more. Shifting trends – such as remote work – have reduced foot traffic.

The West Hollywood Today section profiles five significant strengths and opportunities for the West Hollywood economy that emerged from community engagement and data analysis. These include key data points and community partner insights. The Project Team used this information as the foundation for recommendations shown in the next section of the Report.

West Hollywood's Economy Today: Key Takeaways in this Section

1. West Hollywood's status as a premier regional destination offers significant economic benefits.
2. A mosaic of distinct districts, West Hollywood can provide something for everyone.
3. Visitor activity is not uniform across the city.
4. Small businesses are challenged by high operating costs.
5. West Hollywood is well-positioned to grow its daytime population.

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

West Hollywood is a premier destination, attracting 4.9 million domestic visitors in 2023. West Hollywood is both a national and regional destination, with 20% of visitors coming from more than 100 miles away, and almost 60% coming from less than 10 miles away. Visitors come to West Hollywood for many reasons. West Hollywood's Rainbow District is known nationally as a LGBTQ nightlife hub, with 15 queer bars between Robertson and La Cienega Boulevards. West Hollywood's reputation for hospitality is legendary, with over 13 times as many five-star hotels per resident as New York City.³ The Sunset Strip is host to famous nightlife and entertainment venues like the Comedy Store, Viper Room, Whisky a Go Go, Roxy Theatre, and more. High-end restaurants and retail are the most visited destinations in the Design District. Special events in and around West Hollywood are also a significant draw, such as the 2022 Super Bowl (10% of West Hollywood's visitors that year came on that week alone) and 2023 West Hollywood Pride (5% on that weekend). West Hollywood's location is also an advantage, providing convenient access for visitors staying in West Hollywood hotels to go to entertainment, tourism, and business hubs like Hollywood, Beverly Hills, Culver City, and other areas.

All these factors combined make tourism a significant economic engine for West Hollywood. West Hollywood is host to 19 hotels and over 2,500 hotel rooms, which command the second-highest hotel rates in the region, only behind Beverly Hills. Hotel and sales taxes accounted for \$53.1 million (58%) of West Hollywood City revenues in Fiscal Year 2022. 5,700 jobs (21%) of West Hollywood jobs citywide are in hotels, restaurants, bars, and other accommodations and food service sector businesses. In addition, in fiscal year 2023-2024, West Hollywood captured \$9.5 million in sales tax revenue from consumers living outside the city, and only \$317,000 in sales tax revenue leaked out of the City.

³ According to the Forbes Travel Guide, West Hollywood has three five-star hotels, whereas New York City has 53. According to U.S. Census Bureau American Community Survey Five-Year Estimates, West Hollywood's population in 2022 was 35,358, whereas New York City's population was 8,335,897. West Hollywood has one five-star hotel per 11,786 residents, whereas New York City has one five-star hotel per 157,281 residents.

KEY STATISTICS

4.9M

unique domestic visitors and 26 million domestic visits to West Hollywood in 2023

\$381

average hotel nightly rates (in 2023)
(second only to Beverly Hills in the region)

21%

of jobs in accommodations and food service
(compare to 11% in Beverly Hills and 5% in Culver City)

\$32M

hotel tax revenues (FY22, higher than pre-pandemic hotel tax revenues)

Sources (in order): Placer, CoStar, U.S. Census Bureau, City of West Hollywood, California State Controller

COMMUNITY PARTNER INSIGHTS

- West Hollywood's status as a premier destination is widely known both nationally and regionally. West Hollywood is well-positioned to continue to attract leisure and business travelers, as well as attendees to upcoming events like the World Cup, Super Bowl, and Olympics.
- West Hollywood's overall economic success is heavily influenced by tourism – if tourism does well, the city's economy as a whole generally does well (and vice-versa).
- One West Hollywood marketing agency said West Hollywood is a top location for corporate events for their clients, including venues like the Pendry Hotel, San Vicente Bungalows, and Pacific Design Center.

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

While the City of West Hollywood's brand is strong and recognizable, it has evolved over time from a haven for the LGBTQ+ population at the height of the HIV/AIDS epidemic to a tourism and entertainment destination. Still, West Hollywood's commercial districts remain distinct and identifiable. With the right support this tapestry of districts has the opportunity to attract a diverse customer base.



The **Sunset Strip** is West Hollywood's undisputed hospitality and tourism hub, with most of the city's hotel rooms and plurality of the city's top visitor destinations.

- 62% (over 1,600) of the city's hotel rooms.
- \$3.2M in taxable sales in Q1-Q3 2023 (25% of city total).
- 44% of all visits to West Hollywood included trips to the Sunset Strip in 2023.



The **Design District** is host to a concentration of luxury retail and restaurants, drawing visitors from near and far. Lunchtime businesses are also supported by a high-income workforce in legal, consulting, design, marketing, and other fields.

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



The **Rainbow District** is renowned for its vibrant queer nightlife scene, drawing visitors from across the region and nation. It also functions as an "urban village" with a robust mix of community-serving retail establishments.

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



Mid-City is host to neighborhood-serving amenities and a relatively lower-cost retail environment.

- 40 personal care businesses (e.g., barbershops, nail salons), the largest concentration citywide.
- Mid-City has the lowest retail rents citywide, presenting potential opportunities for new entrepreneurs.
- 28% of visitors to Mid-City live less than two miles away.



The **Eastside** is home to West Hollywood's Russian-speaking population and bakeries, grocery stores, and other businesses serving that community, as well as The Lot at Formosa - an entertainment industry hub.

- 99% growth in office space in Eastside from 2013 to Q1 2024, compared to a 1% decline citywide.
- 40% of Eastside visitors come from less than two miles away, indicating that retail and other amenities predominantly serve local area residents.

3. Visitor activity is not uniform across the city.

Tourism is an important economic driver not only for West Hollywood hotels, but also for businesses that serve visitor demand for dining, entertainment, retail, and more. West Hollywood benefits significantly from tourism on a citywide level, but those benefits are not uniformly distributed across the city. 85% of hotels, bars, and nightclubs are in the Design District, Rainbow District, or on the Sunset Strip. There is one hotel towards the western edge of Mid-City, and no hotels in the Eastside district.

Due to their proximity to hotels, nightlife, and other West Hollywood landmark attractions, Westside businesses are better positioned to absorb “spillover” demand from these amenities than Eastside businesses. For example, a business traveler visiting West Hollywood for work might dine and shop on the Westside because restaurants and retail there are walkable from where they parked their car. Eastside establishments are less accessible to this person without having to find (and possibly pay) for parking again or using public transit to and from the Eastside.

The imbalance in hospitality and entertainment amenities also drives an imbalance in foot traffic and revenues. For instance, about 69% of taxable sales took place in the Design District, Rainbow District, and Sunset Strip in the first three quarters of 2023. Despite covering roughly half of West Hollywood’s commercial districts by land area, Mid-City and Eastside only received less than a third of total visitation in 2023. Eastside visitors also have the lowest median incomes of all commercial districts, meaning they are likely to spend less than visitors to Westside businesses. This suggests an opportunity for the City of West Hollywood to help raise awareness of the amenities in and distinct cultural identity of the Eastside (including the Russian-speaking community), as well as expand quick and convenient mobility solutions that encourage visitors from the Westside to go to Eastside businesses.

COMMUNITY PARTNER INSIGHTS

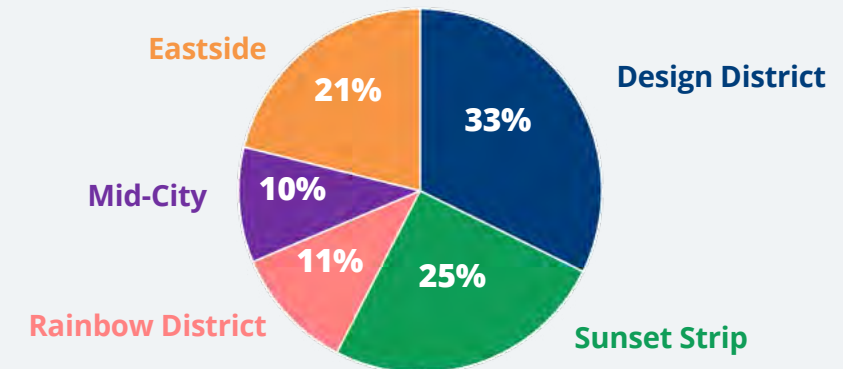
- Expanded entertainment and community programming is key to increasing visitation levels, paired with enhanced marketing and awareness efforts around regular, year-round programming already being held in West Hollywood.
- A conscious effort to encourage pop-ups beyond areas where they already occur frequently (e.g., Design District) could also expand programming and attract visitors in less-visited areas such as Eastside.
- 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.



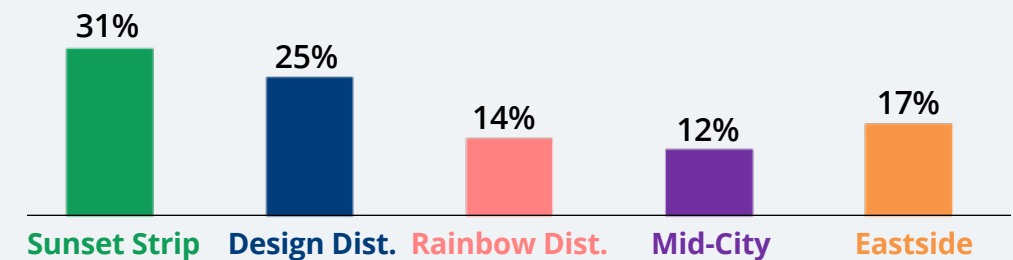
The imbalance in hospitality and entertainment amenities also drives an imbalance in foot traffic and revenues.

KEY STATISTICS

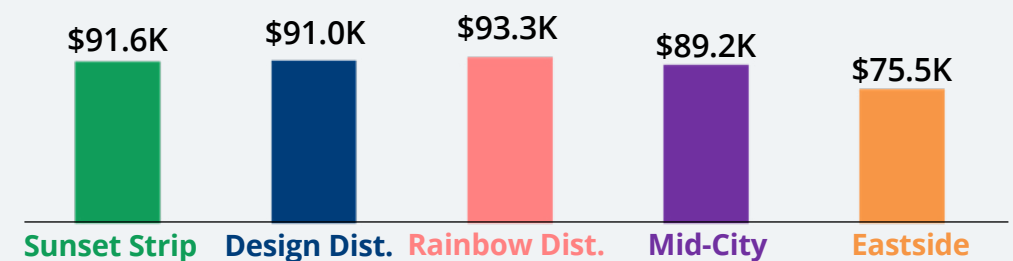
69% of taxable sales located in Design District, Sunset Strip, and Rainbow District (2023 Q1-Q3)



Westside neighborhoods received **70% of total visitation** to West Hollywood in 2023



Westside visitors have **higher median household incomes (and therefore may spend more)** than Eastside visitors (2023)



Retail real estate performance along the Sunset Strip is not uniform, indicating potential differences in foot traffic

2x

Sunset Strip retail vacancy is twice as high east of La Cienega Blvd. versus west of it (Q1 2024)

+13%

Sunset Strip average retail rents are 13% higher west of La Cienega Blvd. versus east of it (Q1 2024)

Sources (in order): City of West Hollywood (taxable sales), Placer (bar charts regarding total visitation and household incomes), CoStar (differences along Sunset Strip)

4. Small businesses are challenged by high operating costs.

West Hollywood is an expensive place to do business. This is in some ways reflective of West Hollywood's success. For example, high rents are in part due to high demand to be in West Hollywood, given the city's brand power and considerable exposure and foot traffic a West Hollywood address can provide. Yet it can also be challenging for the city's small businesses to keep up. Rising costs have forced some businesses to cut costs, reduce operations, or even close.

Retail and Storefront Businesses

While average retail rents citywide have fallen slightly since peaking in 2021, West Hollywood retail rents remain high compared to competitive markets and are especially high in Westside neighborhoods with the greatest foot traffic. While lower than its pandemic high, West Hollywood's retail vacancy rate has not fully recovered to pre-pandemic levels, and as of Q1 2024 was the highest among its neighbors at 9.2%. Labor costs are high, driven in part by West Hollywood's minimum wage ordinance and paid time off requirements.

Office-based Businesses

Like most office markets nationwide, West Hollywood's office market has faced an increasing vacancy rate over the past four years, at 15.3% as of Q1 2024 (though this is lower than the city's neighbors and the national average near 20%). The rising office rate has been driven by tenant departures, rather than expansion of inventory. Average office rents, though, are higher than all the city's neighbors except Beverly Hills at \$69 per square foot per year as of Q1 2024.

Businesses Overall

Community partners have also reported difficulties navigating regulatory processes, further increasing costs. Rising insurance premiums – sometimes escalated by insurance carriers because businesses are the victim of vandalism and other crimes through no fault of their own – are also a considerable burden.

Together, economic and regulatory costs have created barriers to entry for prospective entrepreneurs and small businesses. Many of these difficulties are due to trends in the larger regional and national economies. While the City government cannot control everything that contributes to the cost of doing business, it can assist with regulatory streamlining and other forms of support.

KEY STATISTICS (AS OF Q1 2024)

\$114

Design District annual rents per sq. ft., higher than even Rodeo Drive (\$108 sq. ft.)

2nd

Highest average retail and office rents in the region, only behind Beverly Hills

9.2%

West Hollywood retail vacancy rate (2nd highest among its neighbors)

15.3%

West Hollywood office vacancy rate (lowest among neighbors, but almost double 8.1% vacancy in 2019)

Source (all data points above): CoStar

Together, economic and regulatory costs have created barriers to entry for prospective entrepreneurs and small businesses.



COMMUNITY PARTNER INSIGHTS

- Despite the high cost of doing business, **businesses want to locate in West Hollywood** because of the city's considerable brand power and the exposure it provides. This is less accessible to entrepreneurs and small businesses, though.
- **The high-cost environment in West Hollywood is causing businesses, especially restaurants, to cut 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.
- There are **disproportionately few diverse, BIPOC-owned businesses** in West Hollywood.
- **Fewer startups are emerging in West Hollywood**, and a larger proportion of new businesses in West Hollywood are large companies establishing a West Hollywood branch.
- **Business resources** are currently on the City's business development webpage, but this is perceived as unintuitive. These resources **should be consolidated into a single navigation point** to help businesses locate and obtain information more easily.
- 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.**
- **The high cost of living** in and around West Hollywood means many of the city's workers must commute from afar, presenting some **hiring challenges.**

5. West Hollywood is well-positioned to grow its daytime population.

Since the COVID-19 pandemic, downtowns and businesses across the country have been concerned about decreased foot traffic associated with remote and hybrid work trends. Today, daytime and evening businesses in West Hollywood report decreased foot traffic and less revenue as a result. Moreover, business and leisure travelers staying in West Hollywood hotels often leave the city during the day, spending money elsewhere and indicating a need for more ways to encourage visitors to stay in West Hollywood. At the same time, there are several areas of untapped market potential. Robust nearby office markets like Hollywood offer a potential daytime customer base but may need a convenient way to access West Hollywood's amenities. Multifamily development in the city has also enlarged the city's customer base – and developments nearby could further this. Home-based businesses could also bolster West Hollywood's customer base – but additional retail targeting them (e.g., lunch spots, coffee shops) are needed. These suggest opportunities for the City to engage in marketing and other forms of business support, and potentially support ways to connect customers just outside West Hollywood to its businesses. Doing so would help expand West Hollywood's daytime population, support businesses across the city, and drive foot traffic, activating the city's streets.

KEY STATISTICS:

500+

Home-based businesses in West Hollywood

2,200+

Multifamily housing units built in West Hollywood, from 2010 to Q1 2024

5,800+

Multifamily housing units built within a half mile of West Hollywood, from 2010 to Q1 2024

Sources (in order): City of West Hollywood Business Tax Data, CoStar (for both multifamily datapoints)

COMMUNITY PARTNER INSIGHTS

- 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.
- There is a **lack of public awareness** of certain City assets such as the free Pickup Line circulator that could drive additional foot traffic and support special events and other activations.
- Pop-ups could be another way to **expand programming and attract visitors** in less-visited areas of the City.

Recommendations

The City of West Hollywood must deploy new creative tools to address the opportunities and challenges that it faces. While the City already has a robust toolkit to support businesses and employees, meeting the moment requires bold new thinking – from shaping market behavior to building local capacity.

To that end, this section outlines specific recommendations for the City to pursue over the next five years, in close collaboration with its partners. Recommendations are expressed as an interrelated

set of goals, strategies, and actions, which not only define what the vision is for West Hollywood, but also how that vision can be realized. This framework features nine strategies distributed across three goals.



GOAL 1

Preserve and Expand West Hollywood's Audience

West Hollywood will...

Remain an inviting, exciting, and attractive destination that caters to people from all backgrounds.

THIS GOAL RESPONDS TO COMMUNITY PARTNER FEEDBACK LIKE:

- Some West Hollywood bar owners shared their perception that West Hollywood has not returned to its pre-Covid vitality, particularly in nightlife, as it faces increased competition from nearby communities like Silver Lake for young and LGBTQ+ patrons as an example. Rising prices related to inflation have also reduced the number of visitors, especially the younger demographic who are not coming to West Hollywood with the same frequency as in past years. Younger consumers are also not as interested as prior generations in drinking alcohol or drinking at bars.
- Many small business owners noted the business impact of the reduction in foot traffic because of many factors (such as closed storefronts, rising prices, and public safety concerns). Restaurant owners shared that they have had to close during lunch because of increasing labor and goods costs, also contributing to the reduction in foot traffic.

STRATEGIES

1.1: CONTINUE TO SUPPORT YEAR-ROUND TOURISM TO WEST HOLLYWOOD

Tourism delivers economic, fiscal, and brand value to West Hollywood. This important industry must continue to be nurtured, especially as nearby hospitality markets threaten to consume market share.

1.2: DIVERSIFY AND GROW DAYTIME AND NIGHTTIME VISITORS

Broadening West Hollywood's visitor base can not only boost business revenues, but also enhance community vibrancy and safety by maintaining a steady flow of people.

1.3: GENERATE VISITOR ACTIVITY IN AREAS THAT ARE NOT NOT TRADITIONALLY PATRONIZED BY VISITORS

Far from major visitor hotspots, the Eastside and Mid-City are generally unable to capture the economic benefits of tourism. Incentivizing activity in these less-frequented areas can go a long way in boosting business revenues.

GOAL 2



Support and Grow Small Businesses

West Hollywood will...

Host a robust mix of thriving small businesses that deliver shared benefits for owners, employees, and patrons.

THIS GOAL RESPONDS TO COMMUNITY PARTNER FEEDBACK LIKE:

- Many small business owners shared that the significant increase in the cost of doing business (from goods to labor to real estate) makes owning and operating a business increasingly onerous and fragile for small businesses in West Hollywood.
- Many small business owners cited the impact of the significant reduction of foot traffic on their businesses and the vitality of the community and neighborhood. Many shared that areas of West Hollywood do not feel as vibrant as they used to in the past. They expressed serious concern around this perceived decrease in vitality, as they believe this is part of what West Hollywood has traditionally offered visitors.
- Entertainment labor representatives shared differences between the City of Los Angeles with regard to access to available base camp locations and parking for production vehicles and equipment.
- Rainbow District business owners expressed that the city's image and branding has lost some of its edge. Other neighboring cities attracting young queer and BIPOC patrons, the increased use of dating apps and other forms of online connection, and reduction in drinking have stunted the growth of bars. Business owners expressed the importance of collaborating more to uplift the collective health of the Rainbow District.
- An office business owner expressed interest in the development of some type of referral network or strategy that supports local West Hollywood businesses in sharing and securing business prospects. They also expressed wanting more awareness and promotion around what resources the City offers for small businesses.

STRATEGIES

2.1: REDUCE COSTS OF DOING BUSINESS AND BARRIERS TO ENTRY FOR SMALL BUSINESSES

High operating costs pose challenges to all businesses in West Hollywood, but especially small independent enterprises. By relieving cost burden, the City can help these businesses thrive and provide value to the community.

2.2: INVEST IN STREET ACTIVATION AND PLACEMAKING

Public realm investments create vibrant and attractive spaces, which can draw visitors, promote safety, and support local businesses.

2.3: STRENGTHEN MARKETING AND NETWORKING CONNECTIONS AMONG EXISTING BUSINESS BASE

Marketing and networking services help businesses reach a broader audience, foster collaboration, and provide access to existing City (or external) resources, such as partnerships and co-sponsorships with the County of Los Angeles, Los Angeles Economic Development Corporation, and Los Angeles LGBTQ Chamber of Commerce on how to get certified as a Minority Business Enterprise, Woman Business Enterprise, LGBT Business Enterprise, and more.

GOAL 3

Promote Entrepreneurship

West Hollywood will...

Facilitate creativity, innovation, and business growth.

THIS GOAL RESPONDS TO COMMUNITY PARTNER FEEDBACK LIKE:

- Small business owners across the board brought up the need to find creative ways to address empty storefronts and their impact on the vibrancy of their neighborhoods.
- Seasonal events like Pride are very profitable to businesses. Some business owners expressed a desire to see if those events could be expanded or to explore the possibility of creating more seasonal events to help businesses gain additional exposure.
- A small business owner suggested working with storefront owners to program facades or create paid installations.
- Another business owner shared that some showrooms are planning intimate, smaller-scale events and pop-ups to leverage spaces while they are closed, adding vitality to their neighborhoods.
- An office business owner shared an interest in using different West Hollywood locations like hotels and other privately owned spaces for possible networking and collaboration events.
- An office business owner shared that getting business after the pandemic has required more marketing effort than before and expressed the growing importance of knowing what resources are available to business owners in West Hollywood and how to leverage them.

STRATEGIES

3.1: FOSTER GROWTH IN THE CREATIVE ECONOMY

With its strategic location, West Hollywood is well-positioned to capitalize on growth in media, the arts, film, and other creative sectors. Attracting firms in these areas could unlock growth and reinforce the City's brand.

3.2: PROVIDE SUPPORT FOR POP-UPS AND OTHER TEMPORARY INSTALLATIONS

Pop-ups are a creative way to address ground-floor vacancies, generating unique experiences that activate the public realm, draw visitors, and provide low-cost opportunities for budding entrepreneurs.

3.3: BUILD ENTREPRENEURIAL CAPACITY THROUGH EDUCATION, TRAINING, AND NETWORKING

Entrepreneurs must be equipped with the skills, resources, and connections needed to thrive in business. The City can position itself as a facilitator of these services to encourage new ventures to start-up, scale, and prosper in West Hollywood.

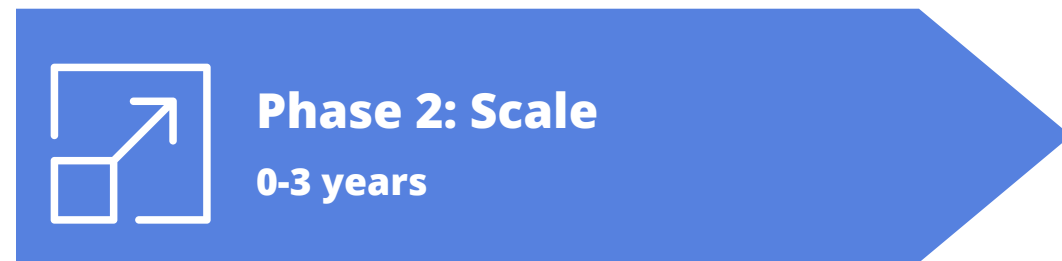
Overview of Actions

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. The actions presented on the following slides are tied to specific strategies, but are organized by timeframe to serve as a step-by-step roadmap for implementation.

Build Capacity & Capitalize on Quick Wins



Lay the Groundwork for Long-term Initiatives



Operationalize Longer-term Initiatives



Phase 1: Start-Up

The goal of Phase 1 is to **build out the internal capacity needed to deliver on the City's goals**. At the same time, there is opportunity to **leverage new or existing partnerships** and **capitalize on "low-hanging fruit"** that can generate impact under existing capacity constraints.

Build Economic Development Infrastructure

- **Work with event organizers** to encourage participation from local businesses (e.g., offer provisions, adjust opening hours, sell artwork), with a focus on under-served areas.
- **Engage service providers to explore the viability of a business accelerator program** in West Hollywood in addition to the health care-focused accelerator program operated by Cedars-Sinai.
- **Partner with service providers** to provide low- or no-cost one-on-one business counseling, educational seminars, and other information to local businesses and non-profits on an ongoing basis. This can include but is not limited to partnerships with organizations that work with BIPOC-, women-, and LGBTQ+-owned businesses.
- **Partner with major event organizers on diversity supplier contracting and subcontracting** to position local businesses to become vendors for the 2026 World Cup, 2027 Super Bowl, and 2028 Olympics.
- **Partner with local businesses to host "watch parties"** for major upcoming sporting events.
- **Engage LA28** to present "Cultural Olympiad" events to West Hollywood.

Capitalize on Quick Wins

- **Expand "WeHo Loves Locals"** by recruiting additional businesses and forming employer partnerships (with consideration of major employers and film production in the City).
- **Encourage increased spending** through incentive programs (e.g., discount programs, gift card buying programs).
- **Explore the viability of discount or incentive programs** for rideshare operators to bring more people into and around the City. This could follow the examples of Monrovia and Miami, which, through their local employment centers, partnered with rideshare operators like Uber and Lyft to provide subsidized or free rides to job interviews.
- **Partner with hotel concierges** to create incentive and awareness programs to drive increased foot traffic to local businesses.
- **Amend the city business tax rebate incentive for five-year lease renewals** to extend the one-time tax rebate to all businesses, regardless of size, to promote inclusivity and support for the entire business community.

EXAMPLE: MUNICIPAL BUSINESS INCUBATOR (Long Beach, CA)

The Long Beach Accelerator (LBA) was formed in April 2019 and is an early-stage startup incubator which provides space, operating capital, mentorship, and more. LBA is a public-private partnership between the City of Long Beach, Sunstone Management, and California State University, Long Beach. To date, LBA has graduated 46 companies and facilitated over \$34 million in investment.



0-3 years

Phase 2: Scale

Phase 2 will **lay the groundwork for new initiatives** through coordination, outreach, and strategic partnerships.

Enhance Internal Processes

- **Create an economic development website**, working with the Communications Team, which serves as a “digital front door” and centralizes and efficiently communicates information about opportunities, events, programs, and other resources to businesses, entrepreneurs, employees, job seekers, and residents.
- **Amend the Public Benefits Policy** to allow developers to offer a portion of ground-floor commercial space at a discount. Economic Development Department staff can assist in finding tenants for such spaces.

Deepen Business Engagement with Dedicated Staff

- **Expand business outreach with dedicated “liaisons”** who support businesses in each of West Hollywood’s various commercial districts. Responsibilities include:
 - Regularly engaging with businesses to identify challenges
 - Connecting businesses with appropriate City resources and/or external partners to address challenges
 - Generating awareness about forthcoming events and opportunities (e.g., expansion of WeHo Loves Locals)
 - Maintaining a regular cadence of check-ins with businesses including but not limited to BIPOC-, women-, and LGBTQ+-owned businesses to disseminate information on programs and other opportunities.
- **Partner with retail and activation specialists** to advance short-term vacancy management and long-term tenant recruitment.

EXAMPLE: FACILITATING POP-UP RETAIL AND ART INSTALLATIONS *(Seattle, WA)*

In 2021, the City of Seattle launched Seattle Restored. Under the program, the City matches small business owners and artists with owners of vacant commercial storefronts (all of whom apply to participate in the program). In addition to rent from the pop-up tenant, landlords receive a subsidy of \$250 to \$1,000 per month from Seattle Restored, which also obtains liability insurance for the duration of each activation (funded by the City’s general fund). To date, Seattle Restored has activated over 75 vacant storefronts in Seattle’s central neighborhoods with pop-up retail or art installations. The program also incentivizes visiting pop-up activations through a “Digital Passport” mobile app, where users can earn points and redeem rewards.

Note: Further legal due diligence is required on the potential means for the City of West Hollywood to support a similar pop-up program.



0-5 years

Phase 3: Launch

Phase 3 will feature the roll-out of **high-profile programs and place-based initiatives** that drive lasting impact in West Hollywood.

Establish New Programs

- Create an **Economic Development Loan Fund** that strategically deploys City funds to finance place-based investments. An objective set of criteria would need to be determined by the City department that administers the Fund, based on City priorities, to determine eligibility for financing. Potential uses of such a fund could include but are not limited to financing for:
 - Acquisition, rehabilitation, and repositioning of underutilized commercial sites in partnership with a developer.
 - Low-interest loans for local startups.
- **Establish a worker cooperative initiative to assist in ownership conversion strategies** to prevent business closures, help home-grown businesses expand, and provide opportunities and wealth creation for all workers, including but not limited to BIPOC, women, and LGBTQ+ workers.
 - Utilizing the business liaison program, coordinate with business owners who may be interested in establishing a worker cooperative ownership structure for succession planning or scaling.
 - Serve as a centralized hub for resources and assistance referrals for business owners or potential worker cooperatives.
 - Work with non-profits and CDFIs to improve access to low-cost capital and business support for worker cooperatives.

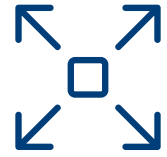
Advance Place-Based Initiatives

- **Implement public realm improvements in under-visited parts of West Hollywood**, including pedestrian improvements.
- **Extend Cityline service** into Hollywood and other neighboring areas to draw workers and residents from outside West Hollywood to West Hollywood for daytime and nighttime activities.
- **Adopt an office rehabilitation program** that incentivizes the upgrade and/or conversion of older office buildings. Incentives may include low-interest financing (via the Economic Development Loan Fund), fee waivers, or permit streamlining.

EXAMPLE: MUNICIPAL SUPPORT FOR WORKER COOPERATIVES *(Santa Ana, CA)*

One way retiring business owners can sell their business to employees is if the employees collectively purchase and own it through a worker cooperative structure. In 2017, the City of Santa Ana implemented a set of policies and programs to support worker cooperative formation and operations that includes but is not limited to:

- City staff to identify and promote resources for worker cooperatives, such as technical and financial assistance
- Promoting worker co-op job opportunities at the City’s employment center
- Direct outreach by city staff to legacy businesses on the option of worker cooperative conversion



Goal 1: Preserve and Expand West Hollywood's Audience

Strategy	Action	Key Performance Indicators	Start-Up (0-1 yrs.)	Scale (0-3 yrs.)	Launch (0-5 yrs.)
1.1 Continue to support year-round tourism to West Hollywood.	1.1a Work with event organizers to encourage participation from local businesses (e.g., offer provisions, adjust opening hours, sell artwork), with a focus on under-served areas.	<ul style="list-style-type: none"> Count (and percentage) of all businesses participating in events. Variety of business types (e.g., retail, food, art) and geographic representation in events. 	✓		
	1.1b Partner with hotel concierges to create incentive and awareness programs to drive increased traffic to local businesses.	<ul style="list-style-type: none"> Percentage of concierges actively participating in the promotional efforts. Feedback from local businesses on the impact of concierge promotions. 	✓		
1.2 Diversify and grow daytime and nighttime visitors.	1.2a Partner with local businesses to host "watch parties" for major upcoming sporting events.	<ul style="list-style-type: none"> Total number of events and activities organized around the major events. Number of attendees at each event. Variety of events and activities offered (e.g., cultural, sports, entertainment). 	✓		
	1.2b Engage LA28 to present "Cultural Olympiad" events to West Hollywood.	<ul style="list-style-type: none"> Number of meetings held before the end of 2025. 	✓		
	1.2c Extend Cityline service into Hollywood and other neighboring areas to draw workers and residents from outside West Hollywood to West Hollywood for daytime and nighttime activities.	<ul style="list-style-type: none"> Number of passengers using the extended Cityline service. 			✓
1.3 Generate visitor activity in areas that are not traditionally patronized by visitors.	1.3a Expand "WeHo Loves Locals" by recruiting additional businesses and forming employer partnerships (with consideration of major employers and film production in the City).	<ul style="list-style-type: none"> Total count of new businesses joining the initiative. Total count of partnerships established with employers. Total spending by customers at participating local businesses. 	✓		
	1.3b Explore the viability of discount or incentive programs for rideshare operators to bring more people into and around the City.	<ul style="list-style-type: none"> Total count of rides taken using the discount or incentive programs. Percentage of users who use the discount or incentive programs multiple times. 	✓		



Goal 2: Support and Grow Small Businesses

Strategy	Action	Key Performance Indicators	Start-Up (0-1 yrs.)	Scale (0-3 yrs.)	Launch (0-5 yrs.)
2.1 Reduce costs of doing business and barriers to entry for small businesses.	2.1a Amend the Public Benefits Policy to allow developers to offer a portion of ground-floor commercial space at a discount. Economic Development Department staff can assist in finding a tenant for such spaces.	<ul style="list-style-type: none"> Total count of agreements that include provisions for affordable commercial space. 		✓	
	2.1b Adopt an office rehabilitation program that incentivizes the upgrade and/or conversion of older office buildings. Incentives may include low-interest financing (via the Economic Development Loan Fund), fee waivers, or permit streamlining.	<ul style="list-style-type: none"> Number of older office buildings that have been upgraded or rehabilitated. 			✓
	2.1c Amend the city business tax rebate incentive for five-year lease renewals to extend the one-time tax rebate to all businesses, regardless of size, to promote inclusivity and support for the entire business community.	<ul style="list-style-type: none"> Number of businesses that receive the tax rebate. 	✓		
2.2 Invest in street activation and placemaking.	2.2a Create an Economic Development Loan Fund that strategically deploys City funds to finance place-based investments. An objective set of standards or criteria would need to be determined by the City department that administers the Fund, based on City priorities, to determine eligibility for financing.	<ul style="list-style-type: none"> Total count of properties acquired using the fund. Percentage of properties successfully repositioned for economic development. Average time taken to reposition acquired properties. 			✓
	2.2b Implement public realm improvements in under-visited parts of West Hollywood, including pedestrian improvements.	<ul style="list-style-type: none"> Number of physical improvements completed. 			✓
2.3 Strengthen marketing and networking connections among existing business base.	2.3a Partner with service providers to provide low- or no-cost one-on-one business counseling, educational seminars, and other information to local businesses and non-profits on an ongoing basis. This can include but is not limited to partnerships with organizations that work with BIPOC-, women-, and LGBTQ+-owned businesses.	<ul style="list-style-type: none"> Number of sessions, seminars, and workshops provided. Feedback from businesses on the quality and usefulness of the counseling sessions. Percentage of clients who return for additional counseling sessions. Average number of attendees per seminar/workshop. Measurable improvements in client business performance (e.g., revenue growth, customer acquisition) after counseling. 			✓
	2.3b Partner with major event organizers on diversity supplier contracting and subcontracting to position local businesses to become vendors for the 2026 World Cup, 2027 Super Bowl, and 2028 Olympics.	<ul style="list-style-type: none"> Number of local businesses that become contractors or subcontractors for major events, including but not limited to BIPOC-, women-, and LGBTQ+-owned businesses. 	✓		
	2.3c Encourage increased spending through incentive programs (e.g., discount programs, gift card buying programs).	<ul style="list-style-type: none"> Average amount spent by those who use discounts. Increase in revenue attributed to the use of discount programs. Total count of gift cards purchased. 	✓		



Goal 3: Promote Entrepreneurship

Strategy	Action	Key Performance Indicators	Start-Up (0-1 yrs.)	Scale (0-3 yrs.)	Launch (0-5 yrs.)
3.1 Foster growth in the creative economy.	3.1a Engage service providers to explore the viability of a business accelerator program in West Hollywood in addition to the health care-focused accelerator program operated by Cedars-Sinai.	<ul style="list-style-type: none"> • Launch of RFP process to select an accelerator. • Number of companies recruited. • Amount of investment facilitated or created. 	✓		
3.2 Provide support for pop-ups and other temporary installations.	3.2a Partner with retail and activation specialists to advance short-term vacancy management and long-term tenant recruitment.	<ul style="list-style-type: none"> • Number of property owners actively engaged in tenant recruitment efforts. • Number of new tenants successfully recruited to fill vacant spaces. 		✓	
3.3 Build entrepreneurial capacity through education, training, and networking.	3.3a Create an economic development website, working with the Communications Team, which serves as a “digital front door” and centralizes and efficiently communicates information about opportunities, events, programs, and other resources to businesses, entrepreneurs, employees, job seekers, and residents.	<ul style="list-style-type: none"> • Time taken to develop and launch the website. • Number of unique visitors to the website. • Number of inquiries about programs and opportunities received through the website. 		✓	
	3.3b Expand business outreach with dedicated “liaisons” who support businesses in each of West Hollywood’s various commercial districts.	<ul style="list-style-type: none"> • Total count of businesses that have interacted with the business liaisons. • Average number of interactions (e.g., meetings, calls, visits) between liaisons and businesses per month. • Average time taken by liaisons to respond to business inquiries and requests. • Total count of businesses helped by liaisons to apply for funding or grants. 		✓	
	3.3c Establish a worker cooperative initiative to assist in ownership conversion strategies to prevent business closures, help home-grown businesses expand, and provide opportunities and wealth creation for all workers, including but not limited to BIPOC, women, and LGBTQ+ workers.	<ul style="list-style-type: none"> • Percentage of business owners expressing interest in converting to a worker cooperative. • Level of engagement from identified business owners through meetings, consultations, and follow-ups. • Number of businesses successfully converted to worker cooperatives. 			✓



Appendix: Economic Health and Visitation Analysis

West Hollywood Economic Study

April 2024



Entertainment + Culture Advisors



Table of Contents

Introduction	42
Citywide Industry & Business Ecosystem	46
City Subareas	96
Takeaways	147
Appendix	150



| 01

Introduction

INTRODUCTION

The City of West Hollywood has engaged HR&A Advisors to assess the economic conditions in the City's business community and chart a roadmap for prosperity, inclusive growth, and recovery. This document compiles the findings of the initial "Diagnostic" task.



Diagnostic



SWOT Analysis



Interventions & Implementation

Community Outreach Throughout

INTRODUCTION

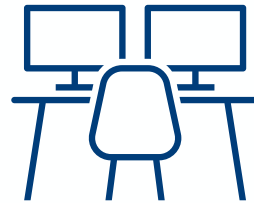
In this analysis, HR&A focused on four business categories, each of which included industry subcategories.



RETAIL AND FOOD & BEVERAGE

Industry Subcategories such as:

- General Retail, including:
 - Retail/Wholesale Sales
 - Gyms and fitness studios
 - Personal Care Services including salons, laundry, tailors, tattoo parlors
- Food and Beverage, including:
 - Restaurants
 - Delis
 - Coffee Shops



OFFICE

Industry Subcategories such as:

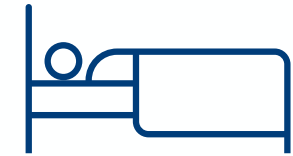
- Information,* including Film/Post-Production/TV
- Finance/insurance
- Real estate/rental/leasing
- Professional services/consulting
- Management of companies
- Health care/medical



NIGHTLIFE AND ENTERTAINMENT

Industry Subcategories such as:

- Bars and nightclubs
- Events
- Acting/talent/theater



HOSPITALITY

Industry Subcategories such as:

- Hotels

*HR&A's analysis categorized West Hollywood businesses using North American Industry Classification System (NAICS) codes. The broadest 2-Digit "sector" categories include the "Information" sector, which includes media industries like film and post-production.

INTRODUCTION

Economic health is a multifaceted concept that evaluates the state of businesses, employees, and the public sector. A diagnostic study must take the following into account:

Businesses



What are the drivers of West Hollywood's economy?

What challenges face businesses today?

What growth trends present opportunities for West Hollywood?

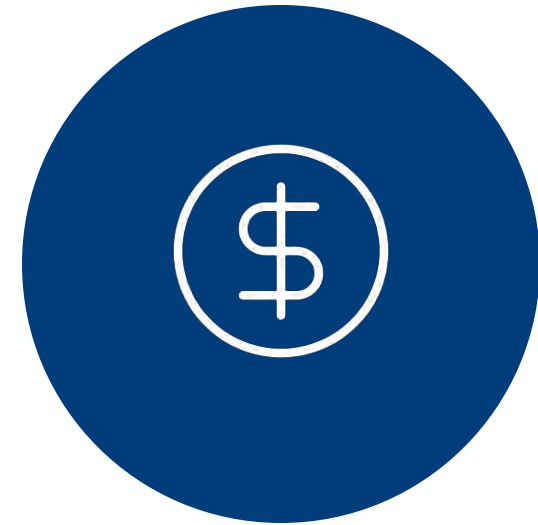
Employees



Who works in West Hollywood, and where do they come from?

What is the earning potential for West Hollywood's workforce, and how does this differ by sector?

Fiscal Health



What are the City's main revenue sources?

How do changes in economic activity affect the City's fiscal health?



| 02

Citywide Industry & Business Ecosystem

OVERVIEW | REGIONAL CONTEXT

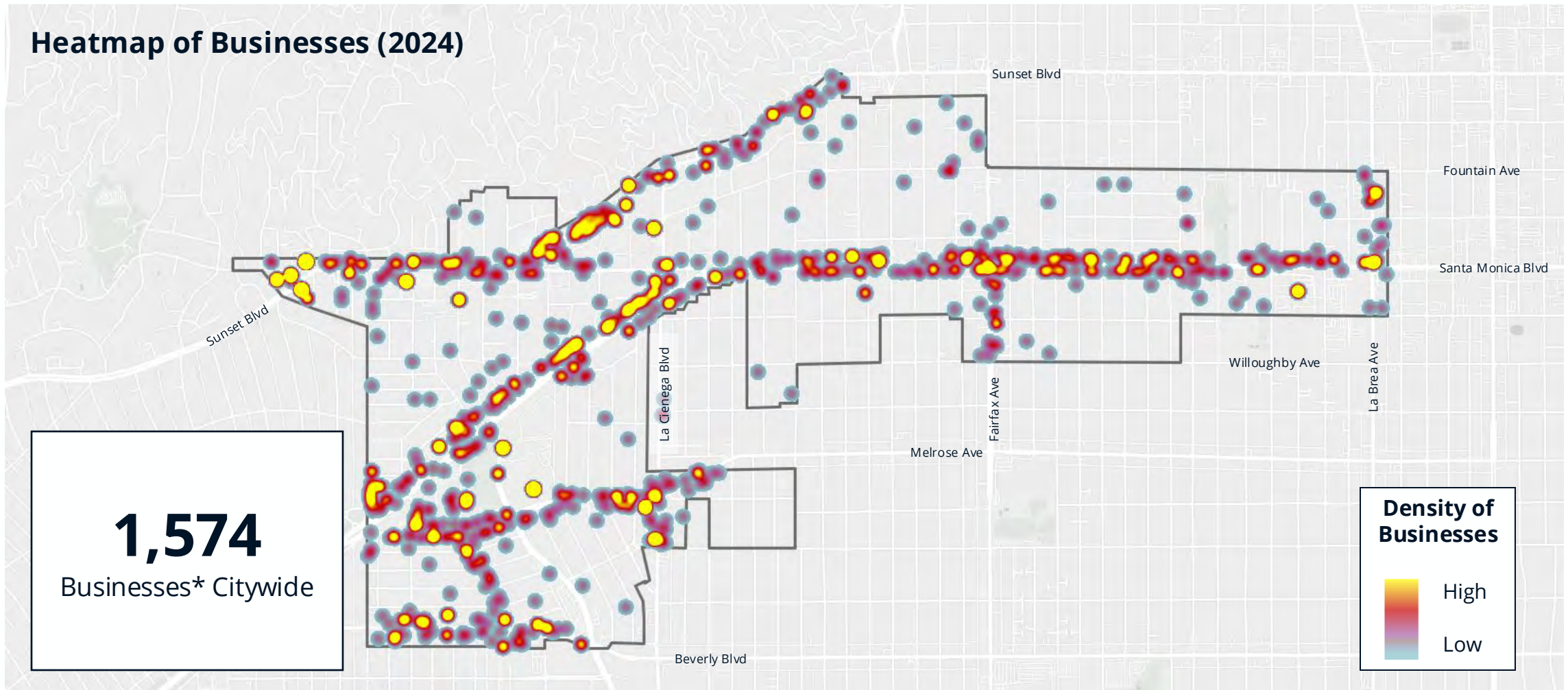
The City of West Hollywood is a 1.9 square mile city on the west side of Los Angeles County.

Nearby communities include the cities of Los Angeles, Beverly Hills, Santa Monica, and Culver City.



INDUSTRY & BUSINESS ECOSYSTEM

West Hollywood's businesses are concentrated along several main commercial corridors: Melrose Avenue, and Santa Monica, Sunset, Beverly, and Robertson Boulevards.



OVERVIEW | HOME-BASED BUSINESSES

West Hollywood is also home to over 500 home-based businesses. While important to West Hollywood's economy, home-based businesses are not analyzed in this document due to lack of available data specific to these businesses.



OVERVIEW | BUSINESS OWNERSHIP DEMOGRAPHICS

Starting in 2024, the Annual West Hollywood Business Tax Registration form started including an optional field for businesses to report if more than 50% of the business was owned by individual(s) that identify as Black, indigenous, or people of color (BIPOC).*

3,507

Businesses (including home-based and contractors) have submitted a Business Tax Registration form this year**

241

Have self-identified as having more than 50% BIPOC ownership

7%

Of the businesses that have submitted a Business Tax Registration form this year have more than 50% BIPOC ownership



Source: City of West Hollywood. *The form includes the following optional questions: (1) Is 50% of the business ownership BIPOC? (Yes or No). (2) Affiliated Race/Ethnicity of Business Owner. (Drop Down Selection). Both of the above fields are listed as optional fields and are not required to be filled out to complete the Business Tax Registration form. These questions are included in the Business Tax Registration form for informational purposes only and responses do not affect the business tax rate. Additionally, the City of West Hollywood does not require any certification or verify the accuracy of the optional self-reported fields by respondents. **Note that this number of businesses includes home-based businesses and contractors, which are excluded from analysis in the rest of this document, which is why there is a significant difference in the total number of businesses.



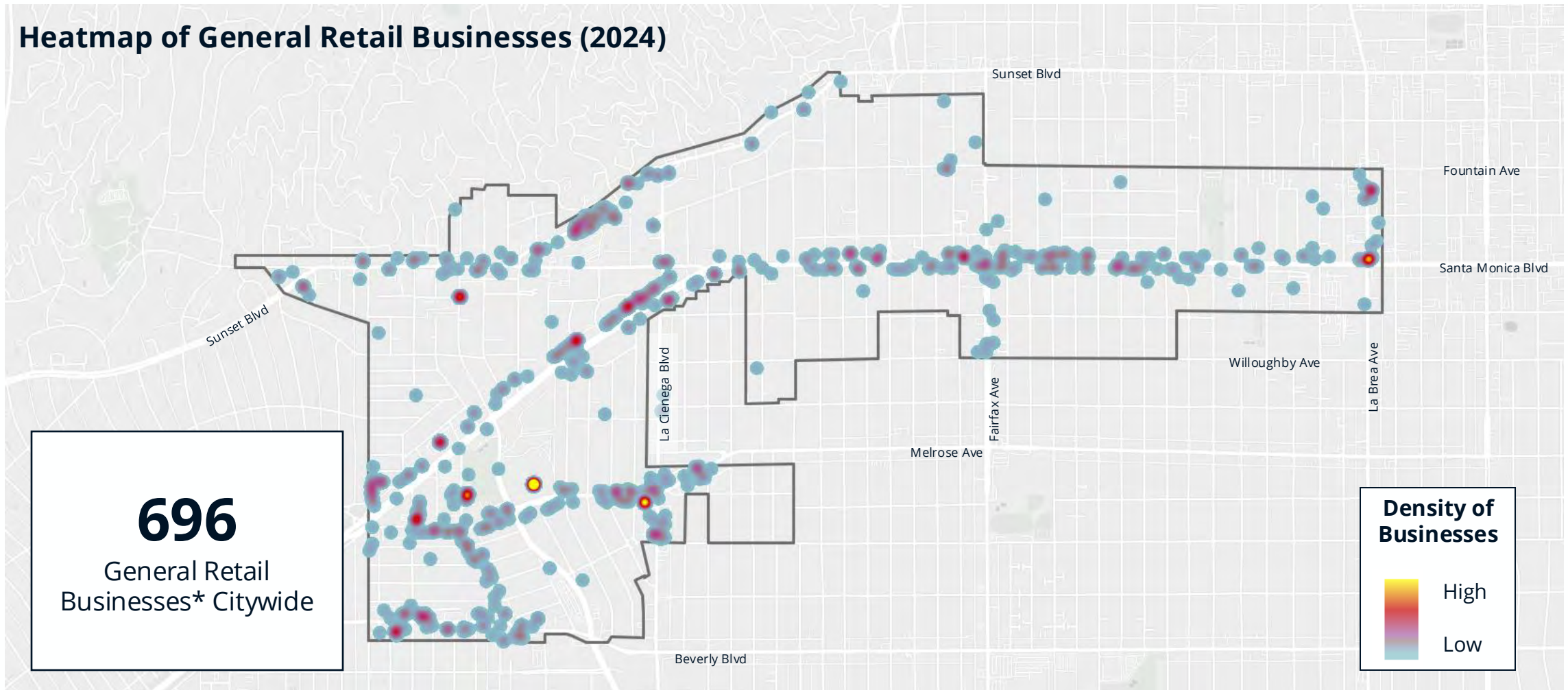
02.1

Retail

INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

General retail businesses are located along all major commercial corridors in the City but are most concentrated on the west side of the City.

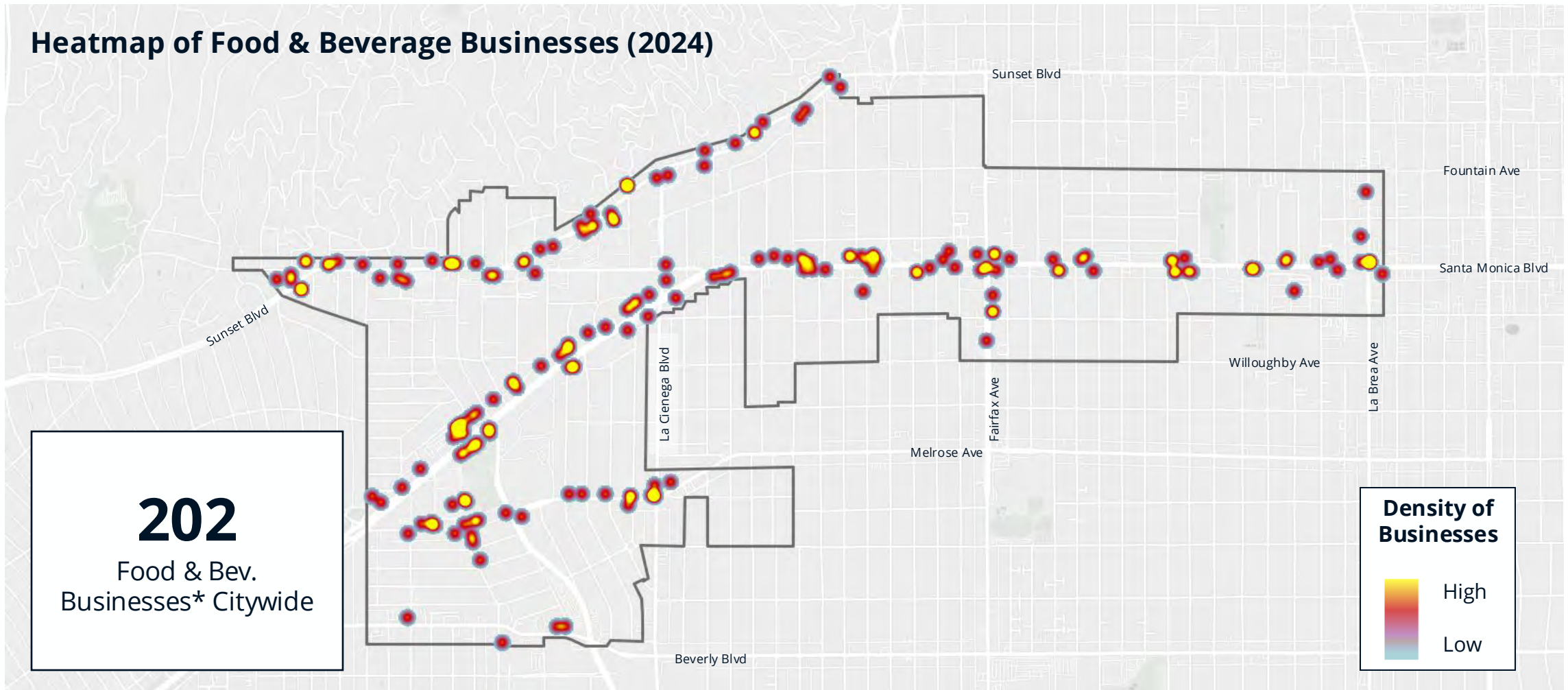
Heatmap of General Retail Businesses (2024)



Source: City of West Hollywood Business Tax Data. *Excludes home businesses and contractors. Includes businesses associated with NAICS codes 44, 45, 713, and 81.

INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

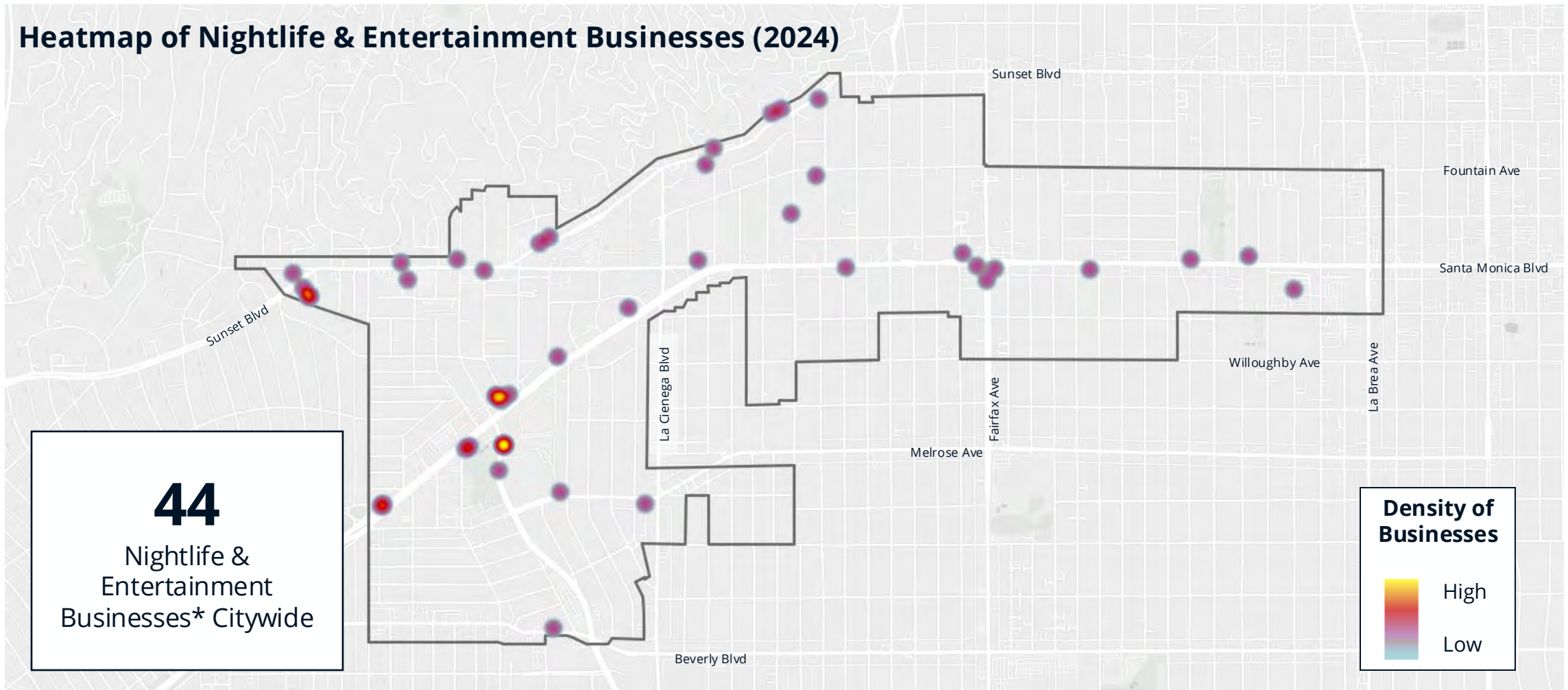
Restaurants, coffee shops, and delicatessens are concentrated along Sunset Boulevard, Santa Monica Boulevard, and Melrose Avenue (denser on the west side of the City).



INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

Nightlife and entertainment uses are most concentrated along Santa Monica and Sunset Boulevards but are also still well distributed throughout the City.

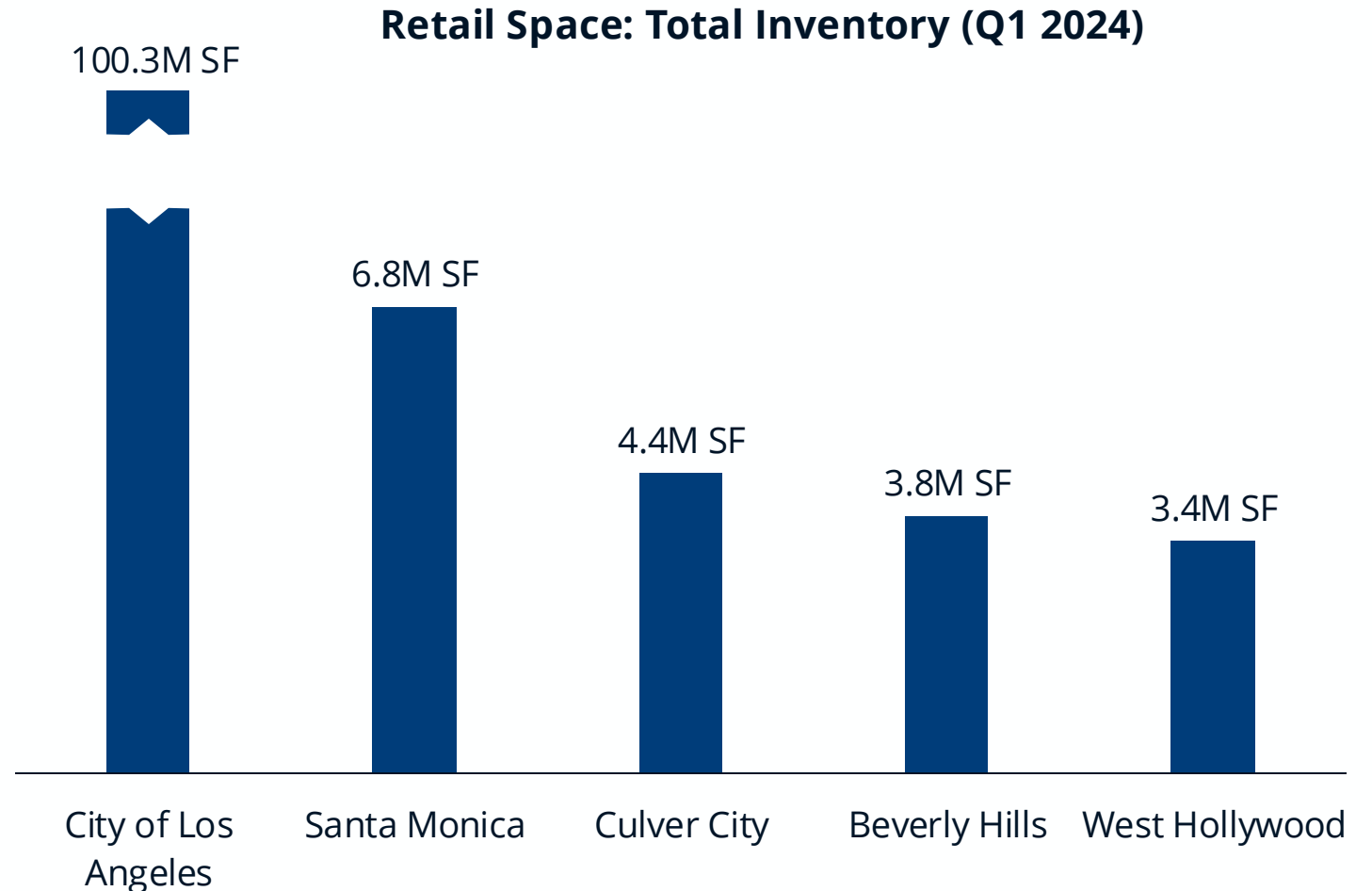
Heatmap of Nightlife & Entertainment Businesses (2024)



INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

West Hollywood is a **small retail market** when compared to nearby competitors, though it has more retail space per capita than Santa Monica and Los Angeles.

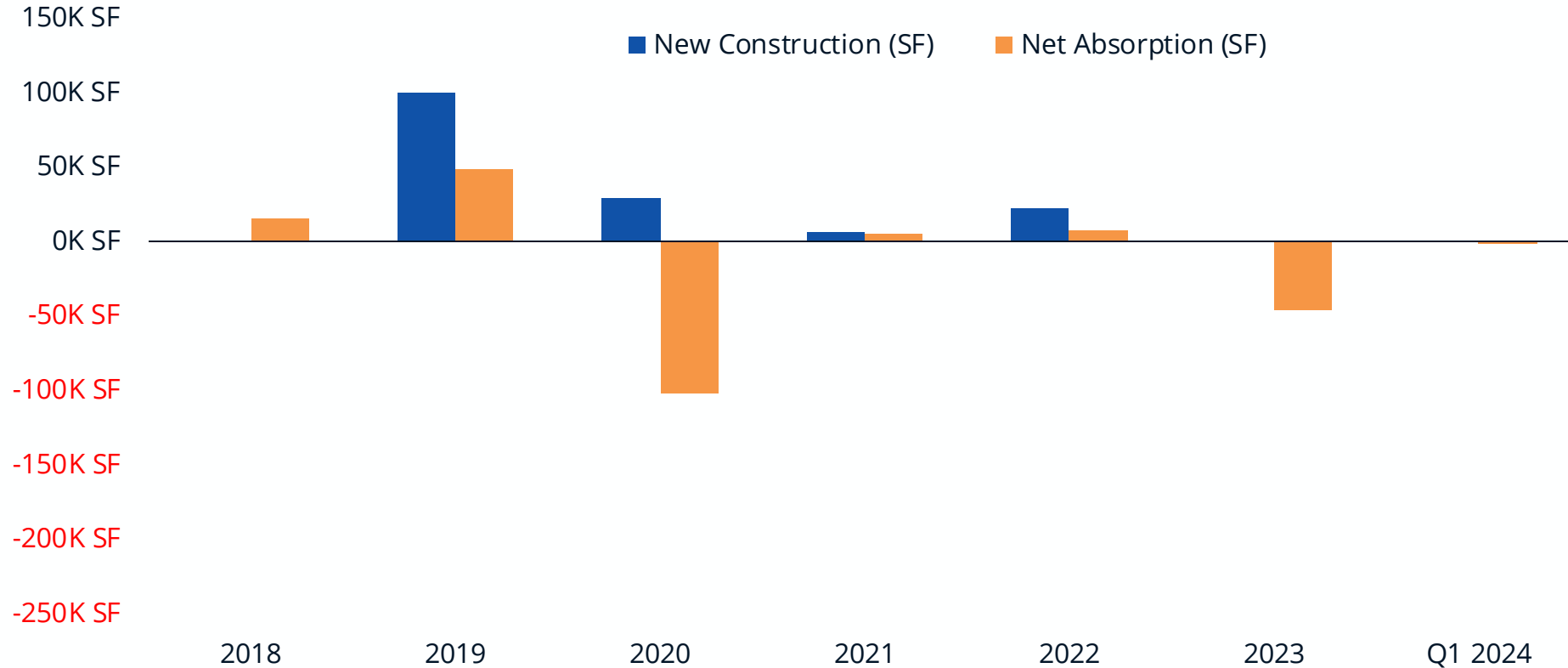
City	Retail SF <i>Per Capita</i>
Beverly Hills	115 SF
Culver City	108 SF
West Hollywood	95 SF
Santa Monica	74 SF
City of Los Angeles	26 SF



INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

There have been a **few large retail developments** in West Hollywood since 2018, but otherwise very little development and absorption activity.

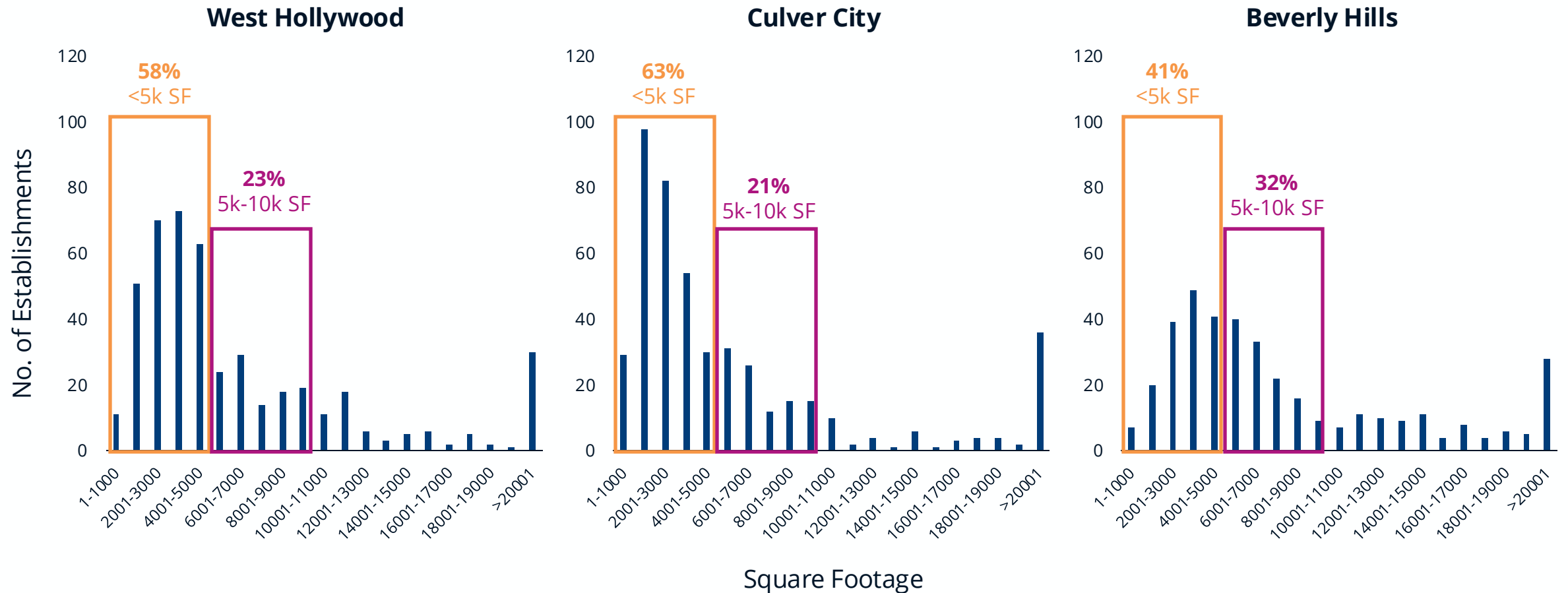
West Hollywood Retail Deliveries, Net Absorption, and Vacancy



INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

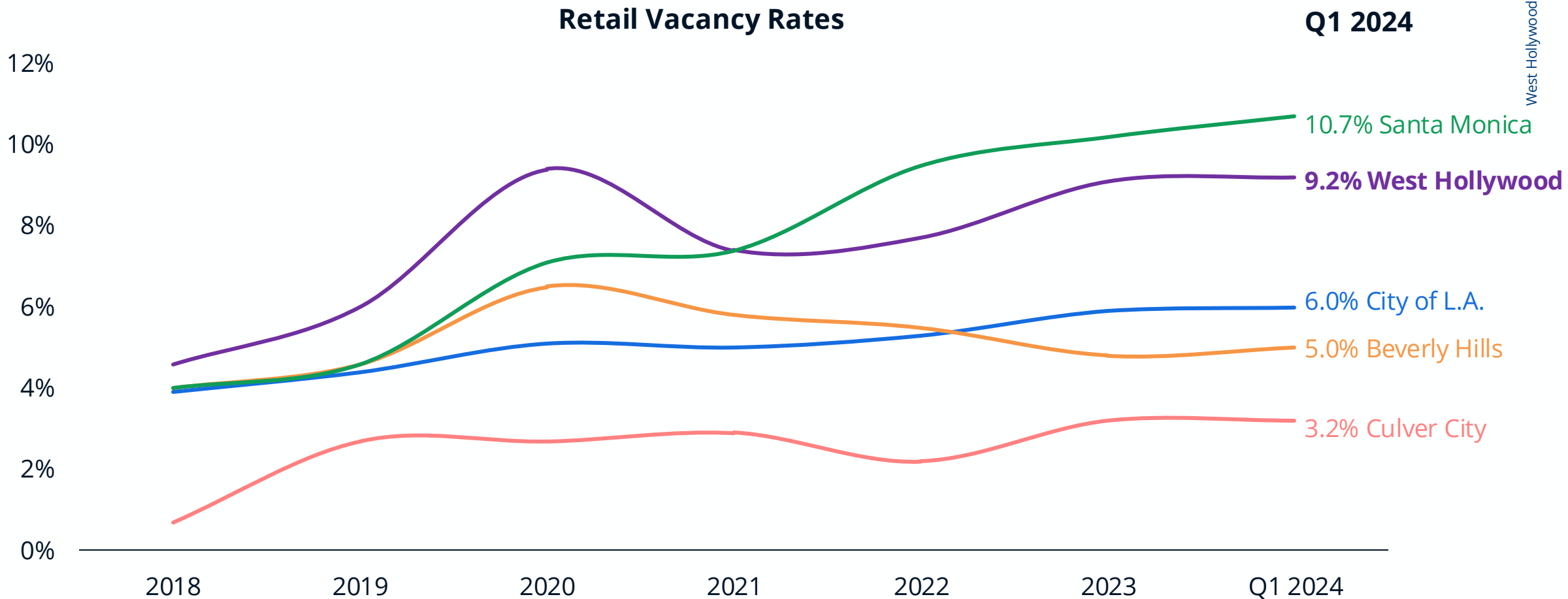
When compared to Beverly Hills and Culver City - markets of similar size - West Hollywood has a **higher proportion of smaller retail space** than Beverly Hills but is on par with Culver City.

Distribution of Retail Space Size



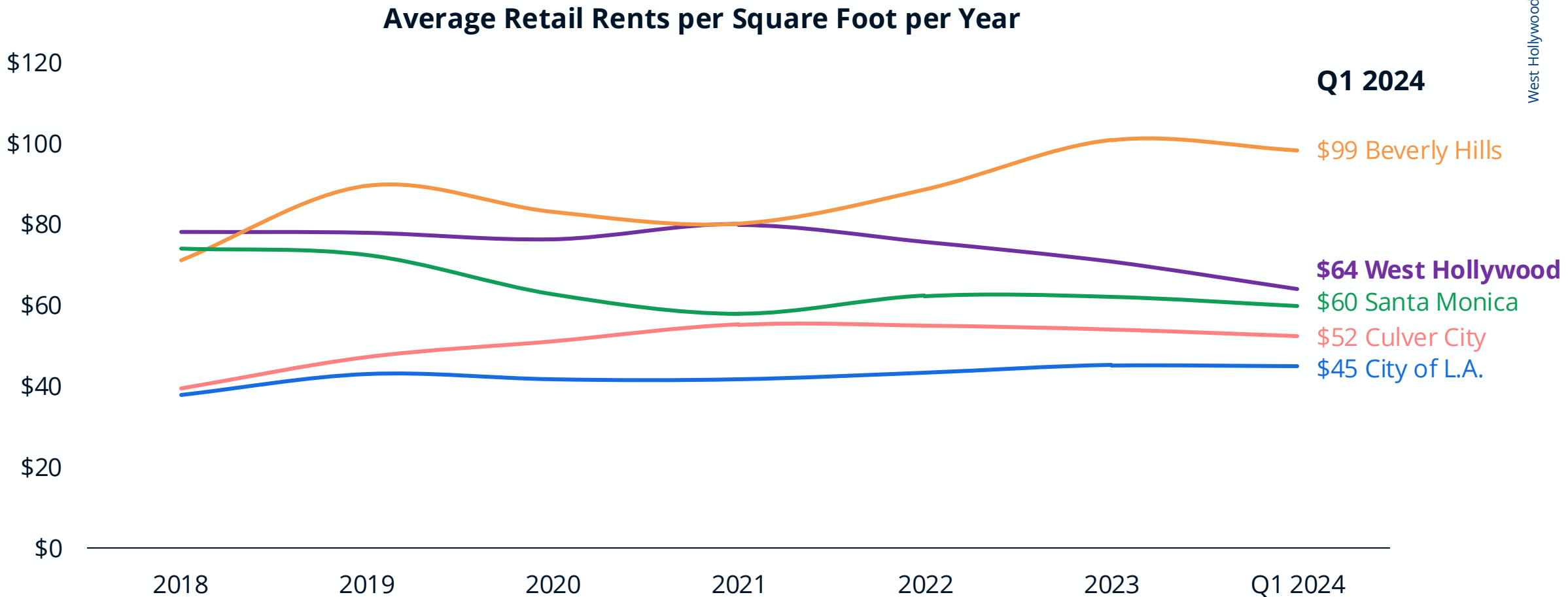
INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

West Hollywood has the **second highest retail vacancy rate** among its neighbors, and although vacancy rates have fallen since pandemic highs, they are not yet at pre-pandemic levels.



INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

Retail rents have decreased since 2018 but remain higher than in competitive markets. However, **combined with high vacancy rates, West Hollywood's retail market is facing some headwinds.**



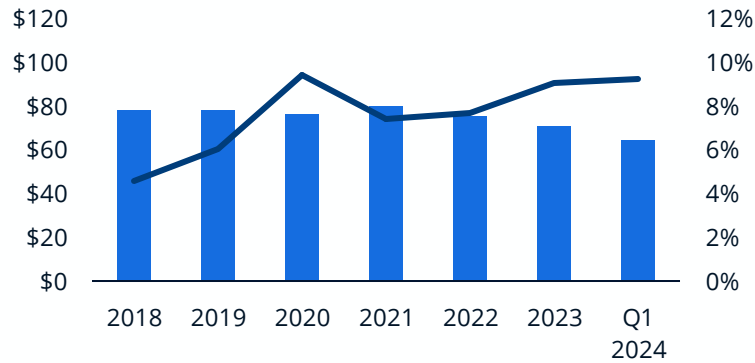
INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

Compared to **West Hollywood's retail market**, Beverly Hills commands a rent premium and a lower vacancy rate. In Santa Monica, the vacancy rate is higher, and rents are lower.

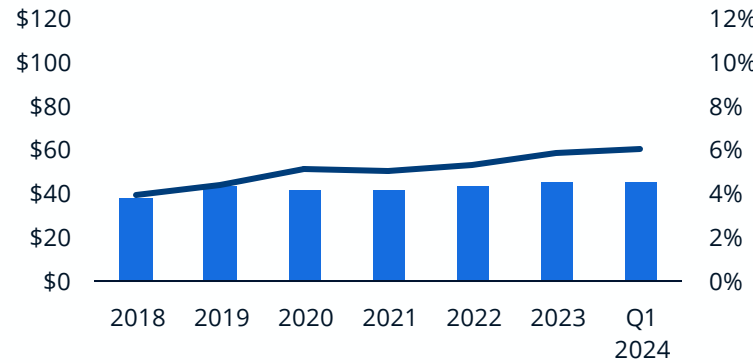
Retail Rents and Vacancy Rates

■ Annual Rent/SF (\$) — Vacancy (%)

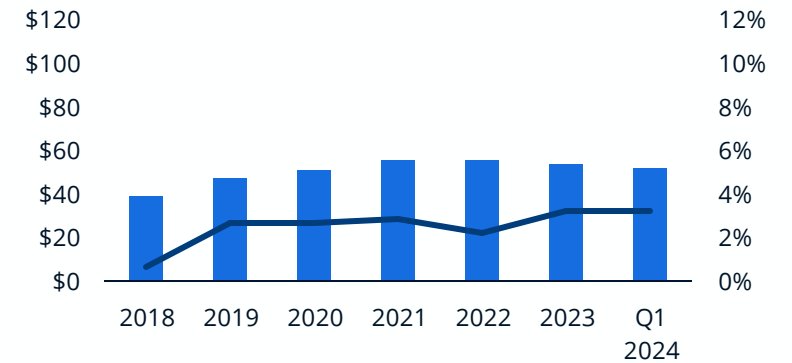
West Hollywood



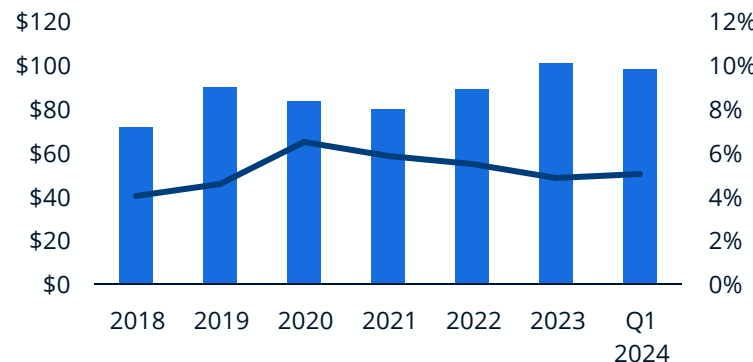
City of Los Angeles



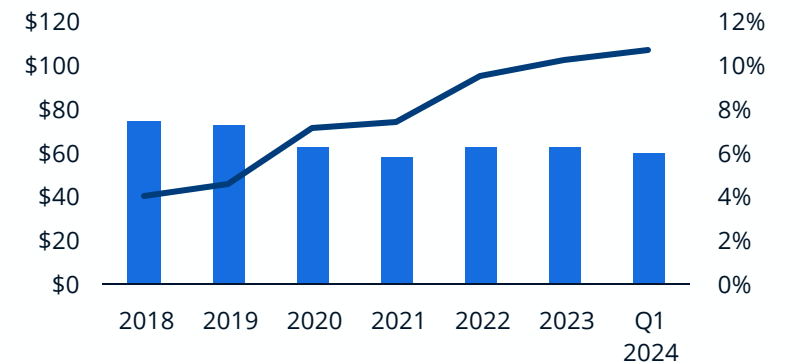
Culver City



Beverly Hills



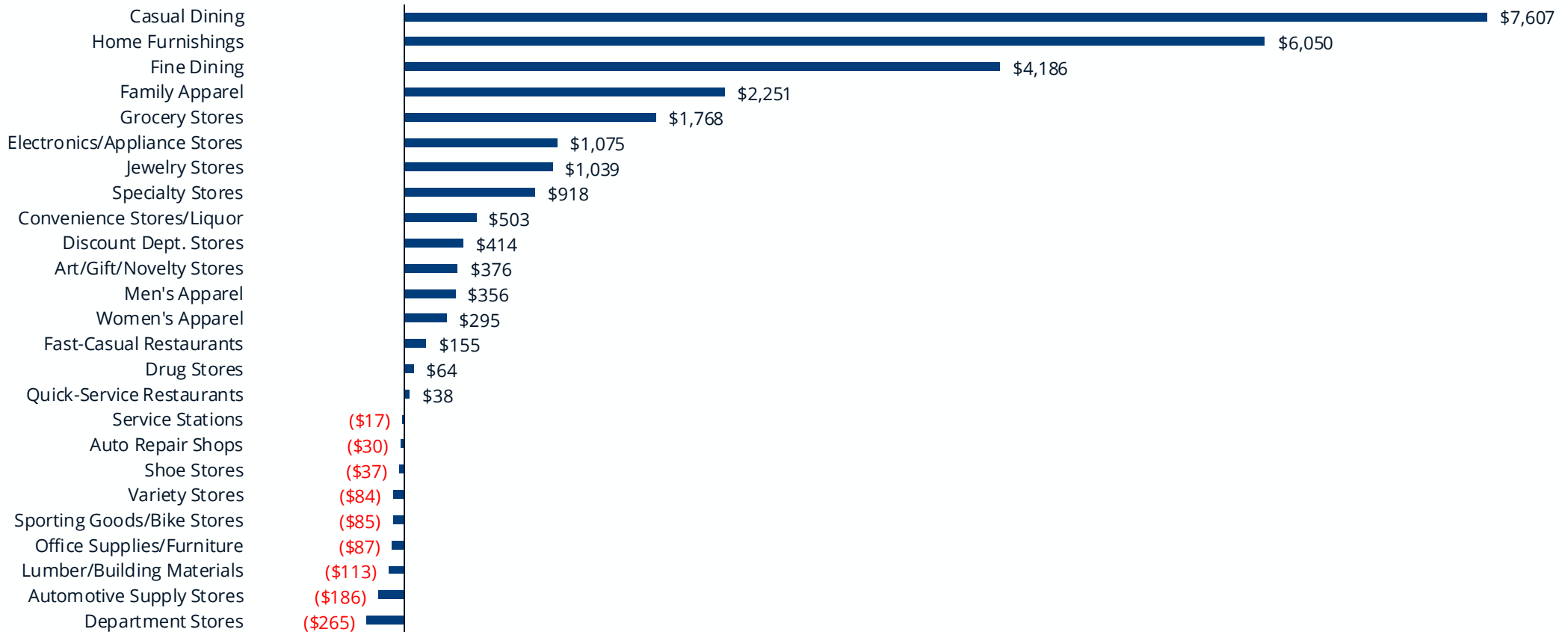
Santa Monica



INDUSTRY & BUSINESS ECOSYSTEM | RETAIL

In FY 2023-24, **West Hollywood captured \$9.5M in sales tax revenue** from consumers living outside the city. **Only \$317k in sales tax revenue leaked out of the City**, mostly in retail categories that occupy larger footprints like department and building supply stores.

Per Capita Sales Tax Capture or Gap (FY23-24)



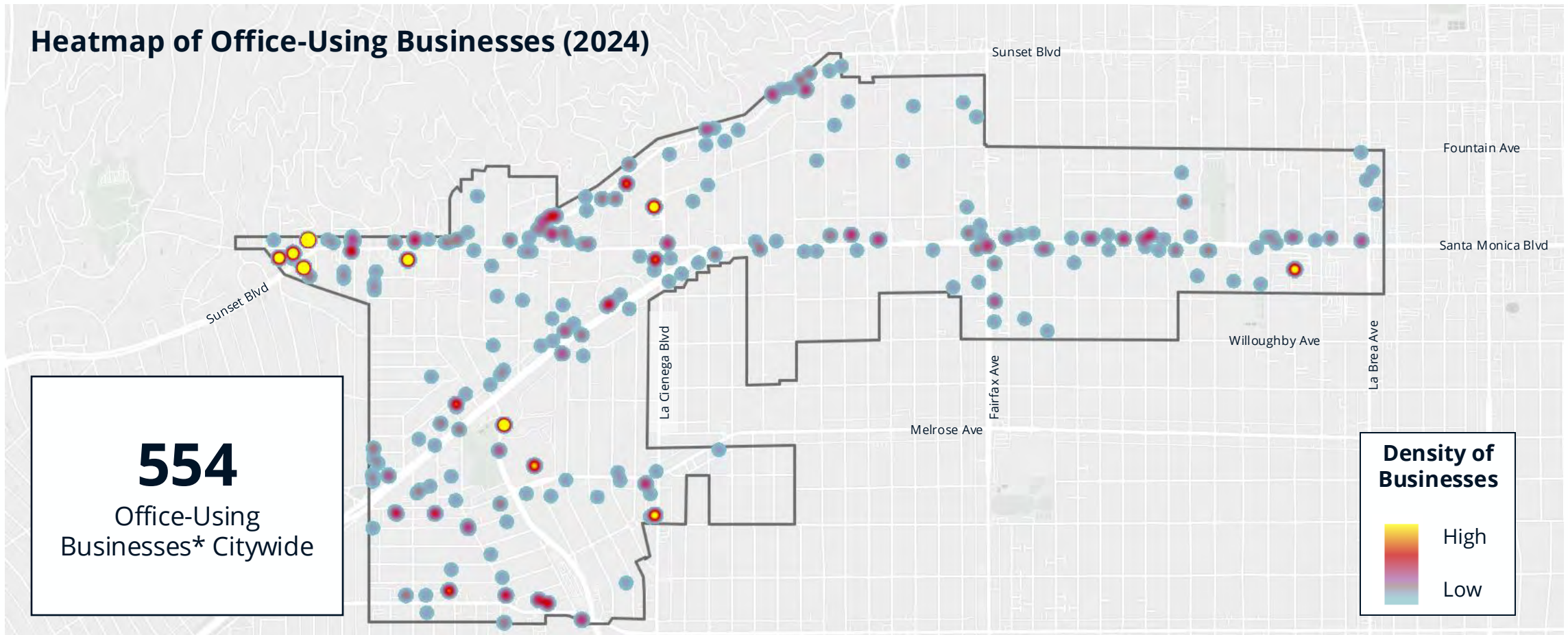
Pacific Design Center

02.2

Office

INDUSTRY & BUSINESS ECOSYSTEM | OFFICE

West Hollywood's office-using businesses are concentrated along Sunset and Santa Monica Boulevards, with the remainder distributed throughout the City. Notable hubs include the Pacific Design Center and area surrounding the Sunset Medical Tower.

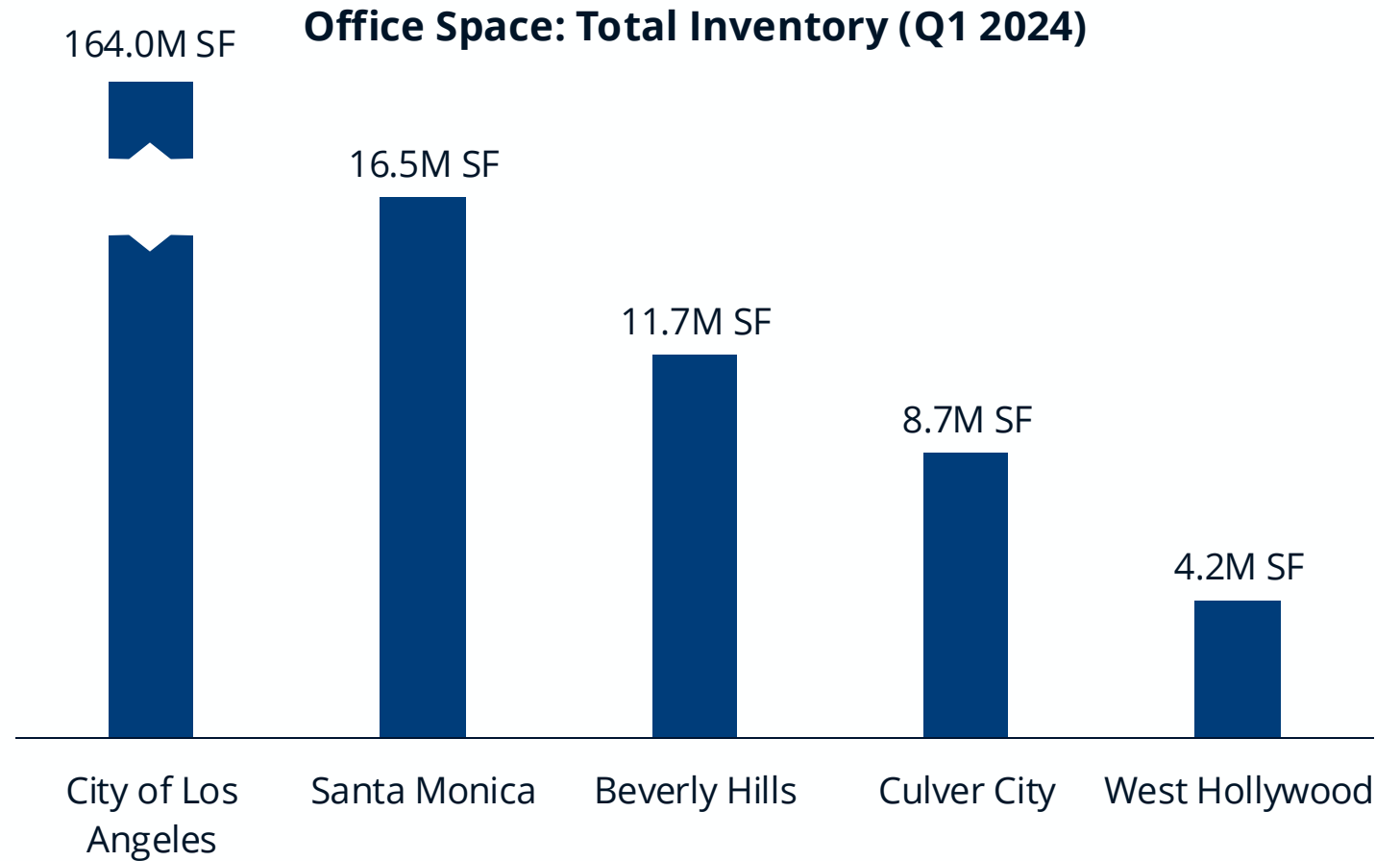


Source: City of West Hollywood Business Tax Data. *Excludes home businesses and contractors. Includes businesses associated with NAICS codes 51, 52, 53, 54, 55, and 62.

INDUSTRY & BUSINESS ECOSYSTEM | OFFICE

As a small city, West Hollywood's office inventory is the **smallest amongst its neighbors**. It also has the second lowest amount of office space per capita.

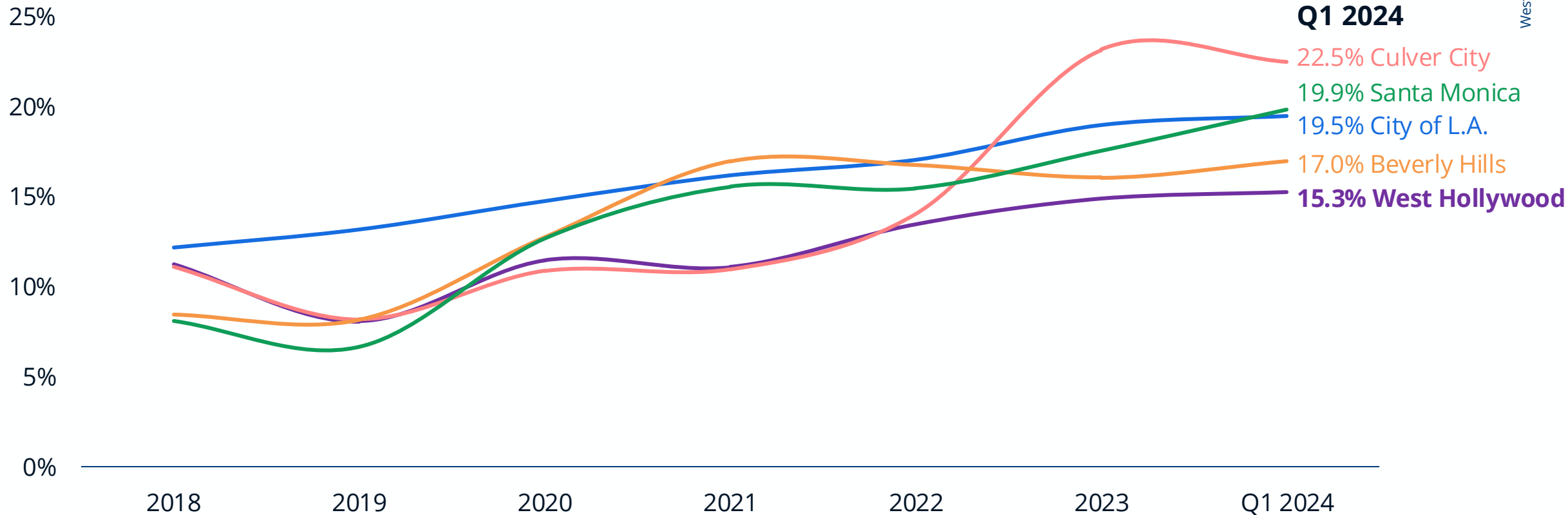
City	Office SF <i>Per Capita</i>
Beverly Hills	355 SF
Culver City	213 SF
Santa Monica	178 SF
West Hollywood	117 SF
City of Los Angeles	42 SF



INDUSTRY & BUSINESS ECOSYSTEM | OFFICE

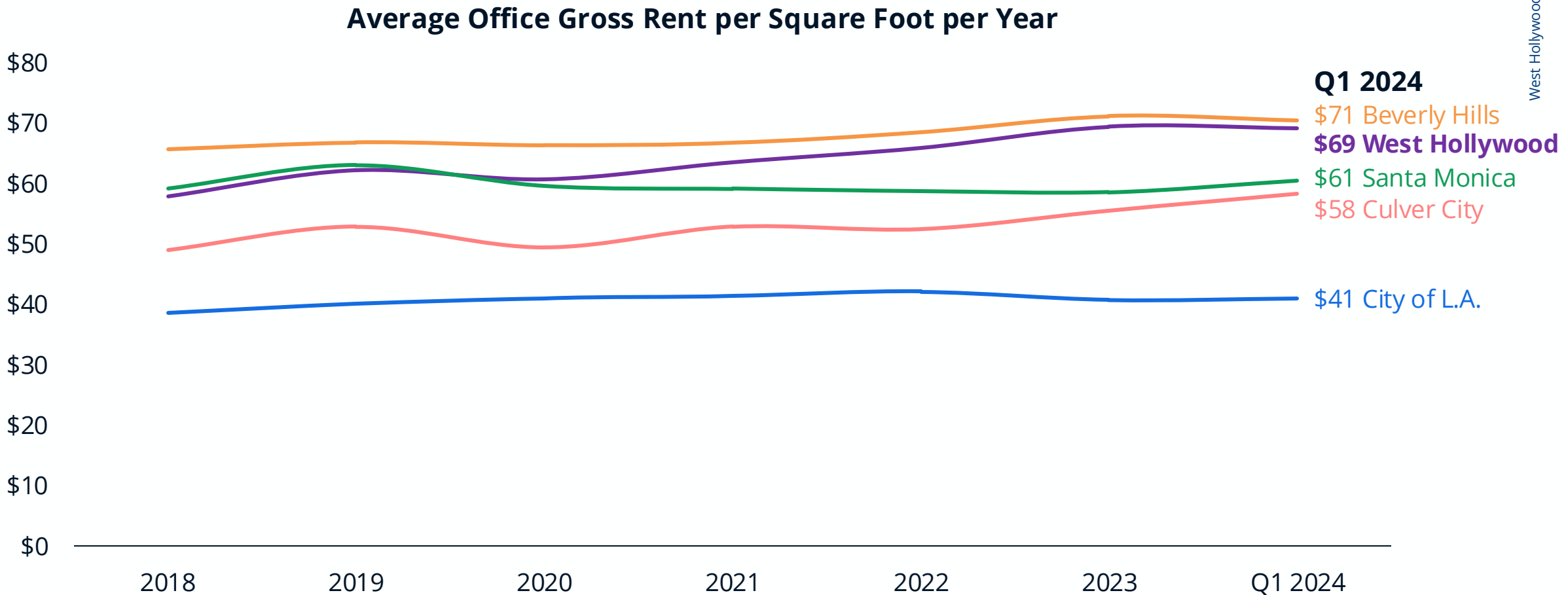
While still challenged, West Hollywood's compact **office market fared better during the pandemic than nearby competitors and appears more resilient to shifting work habits** plaguing the nationwide office market, which now boasts a vacancy rate nearing 20%.

Office Vacancy Rates



INDUSTRY & BUSINESS ECOSYSTEM | OFFICE

Lower vacancy rates and relatively high rents suggest a **comparatively strong office market** that has been stable through significant market disruptions and shifts, most likely due to the market's small size.

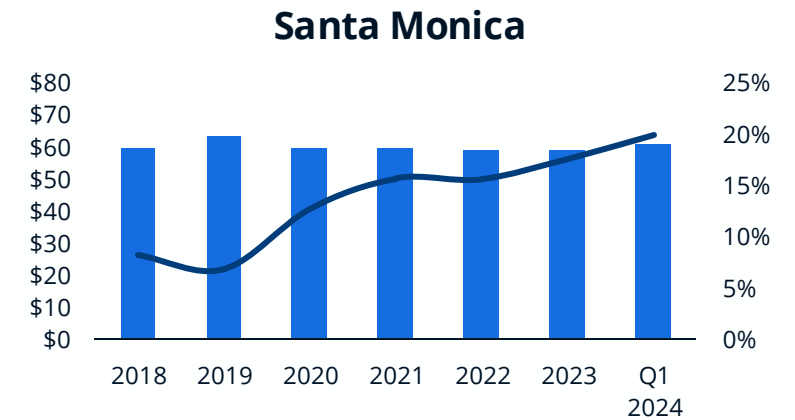
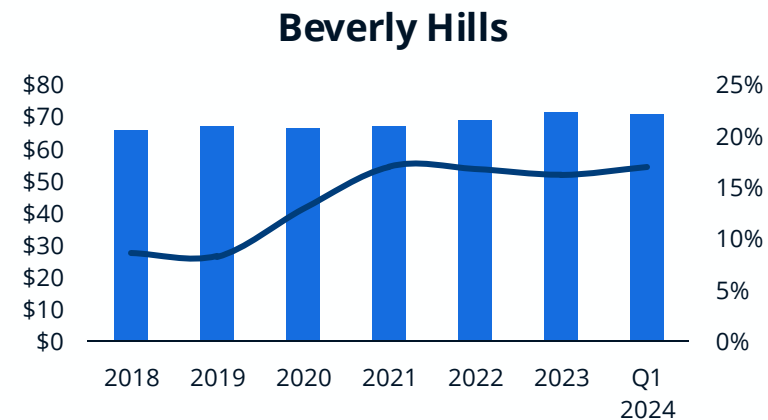
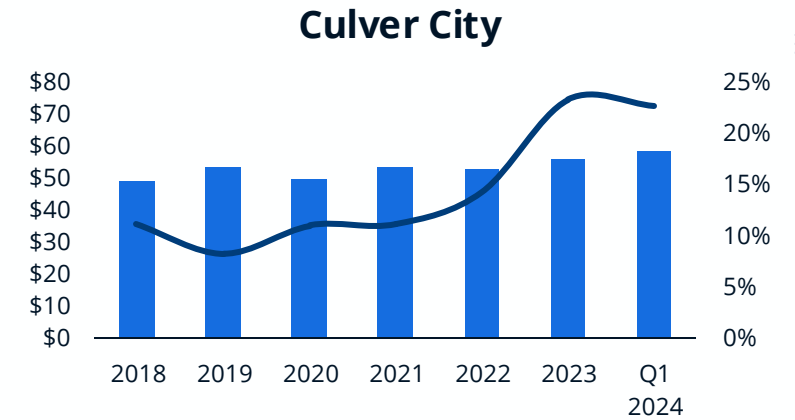
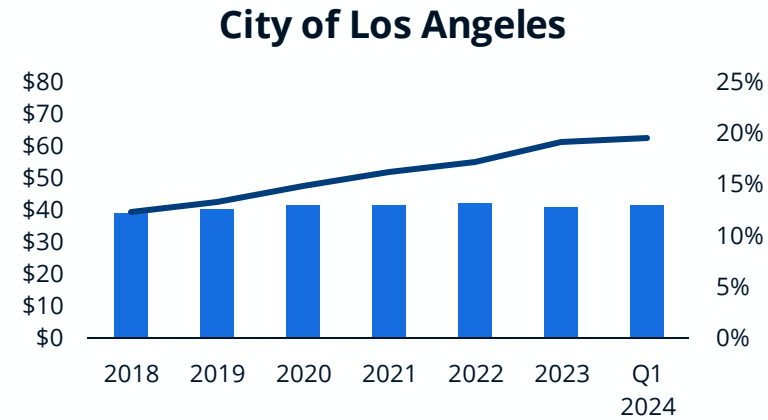
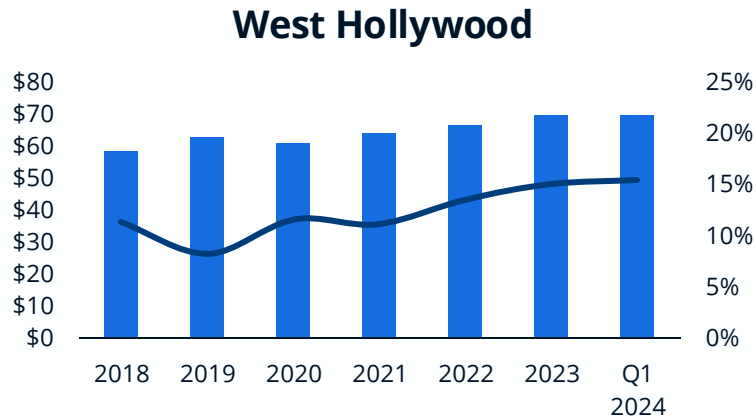


INDUSTRY & BUSINESS ECOSYSTEM | OFFICE

Despite comparatively high rents, the **vacancy rate in West Hollywood's office market is on par with neighboring jurisdictions or is lower.**

Office Rents and Vacancy Rates

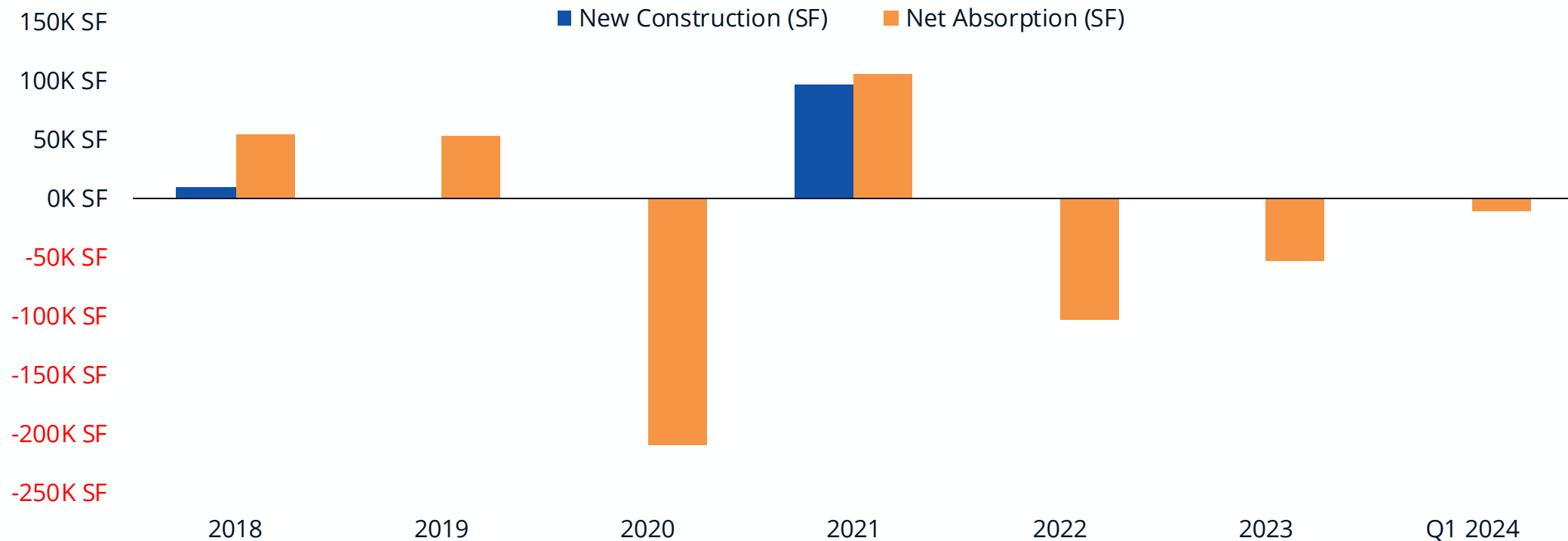
■ Annual Rent/SF (\$) — Vacancy (%)



INDUSTRY & BUSINESS ECOSYSTEM | OFFICE

The rising office vacancy rate in West Hollywood since COVID-19 have not been driven by new deliveries, but **tenant departures**, except in 2021 after construction of the Courtyard at The Lot, a building in a motion picture-focused office complex.

West Hollywood Office Deliveries, Net Absorption, and Vacancy



A tall, Art Deco-style building with a light-colored facade and vertical architectural elements. The building features decorative panels with chevron patterns. In the foreground, several tall palm trees are visible. The background shows a city skyline under a clear sky. An orange horizontal bar is overlaid on the right side of the image, containing the text '02.3' and 'Hotel'.

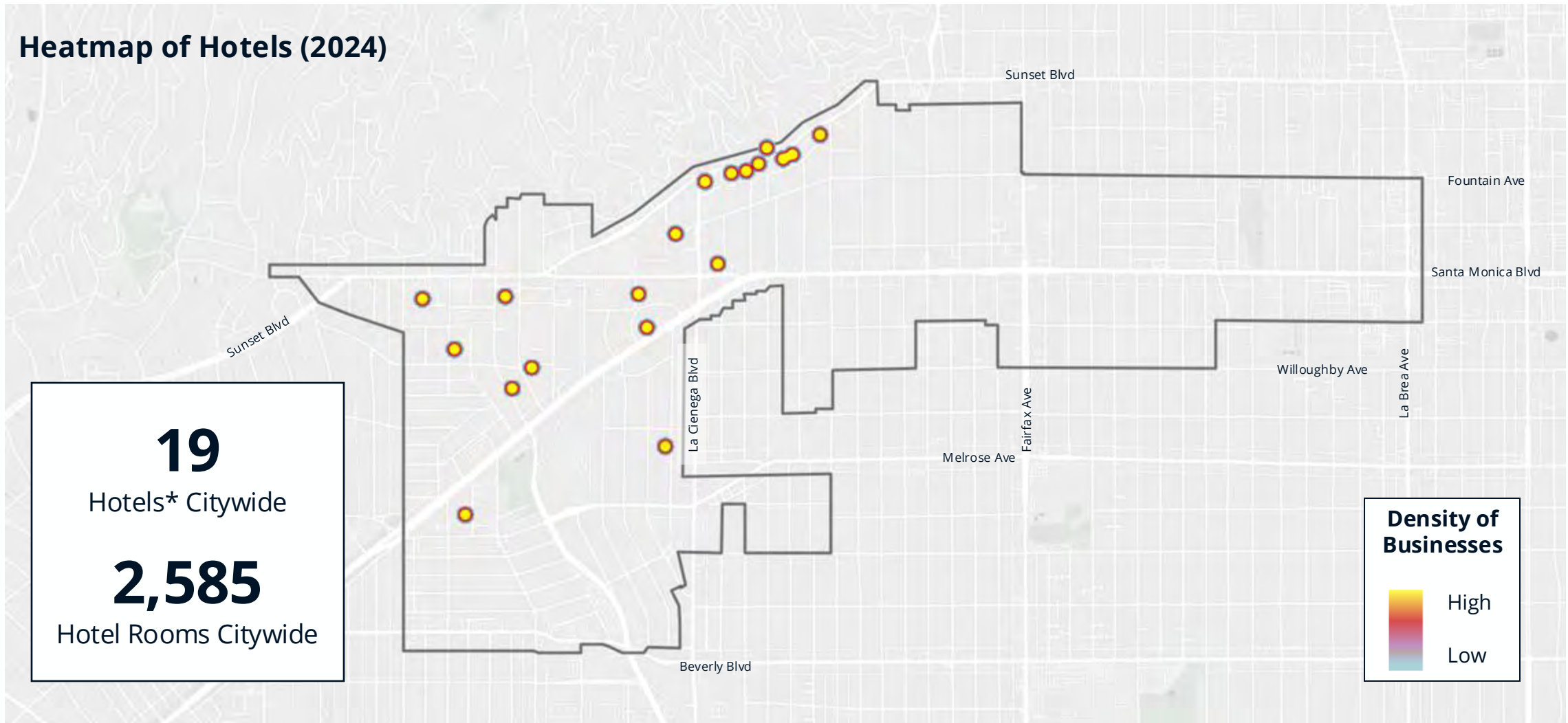
02.3

Hotel

INDUSTRY & BUSINESS ECOSYSTEM | HOTEL

The West Hollywood hotel stock is concentrated entirely on the west side of the city, particularly along Sunset Blvd.

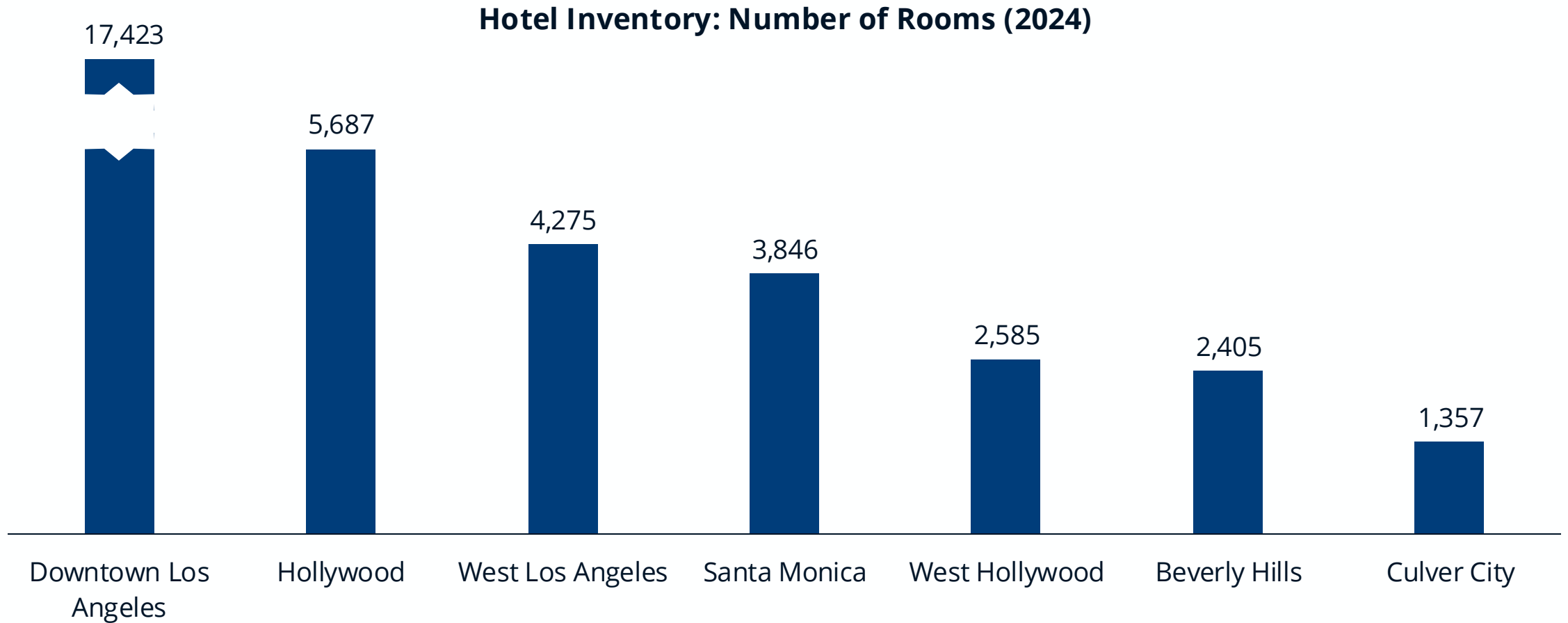
Heatmap of Hotels (2024)



Sources: Visit West Hollywood. *Note that Visit West Hollywood's data and the above map includes the Public Hotel, a hotel property that is yet to open. Excludes long-term stay hotels.

INDUSTRY & BUSINESS ECOSYSTEM | HOTEL

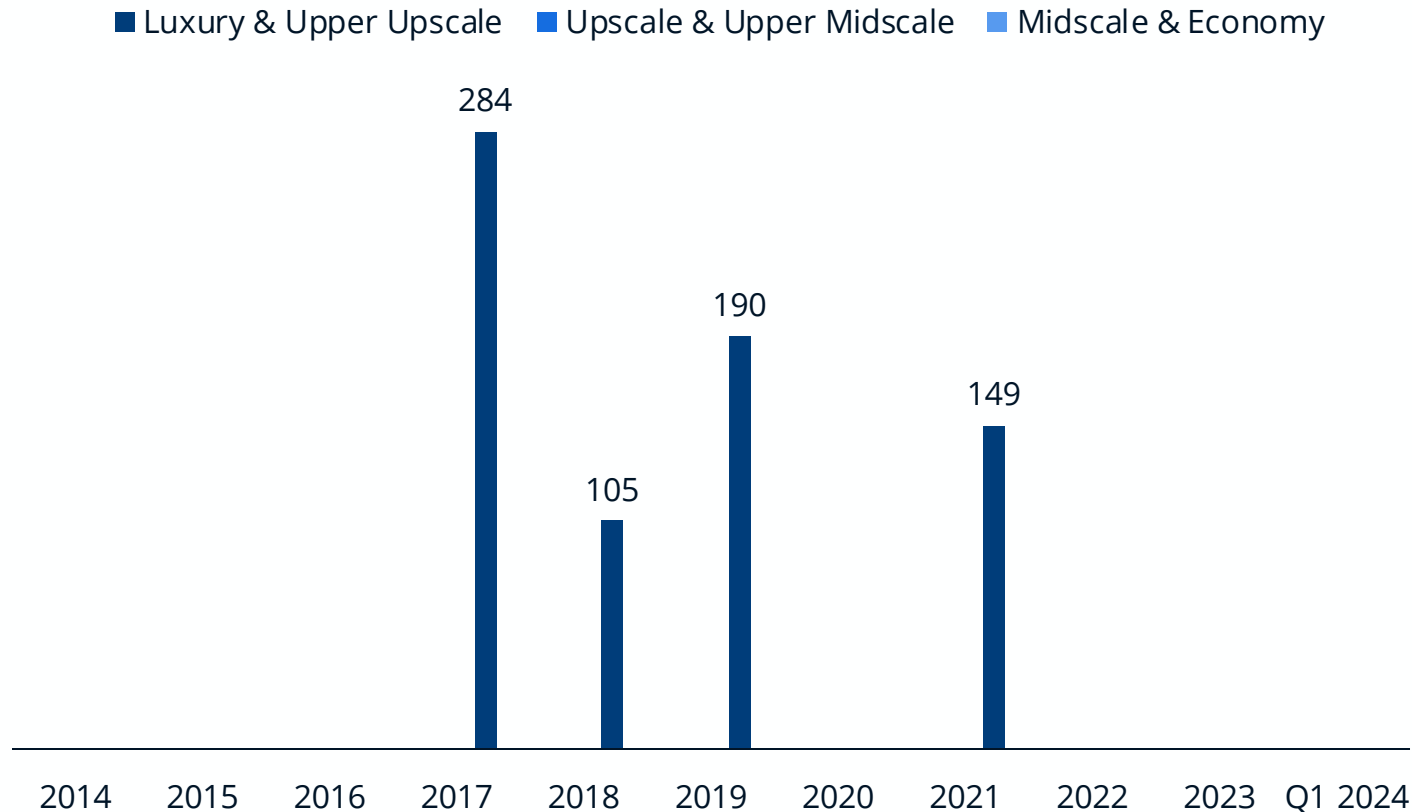
West Hollywood's hotel inventory is **on par with Beverly Hills** and **nearly double that of Culver City**, filling a market void in these nearby competitive markets.



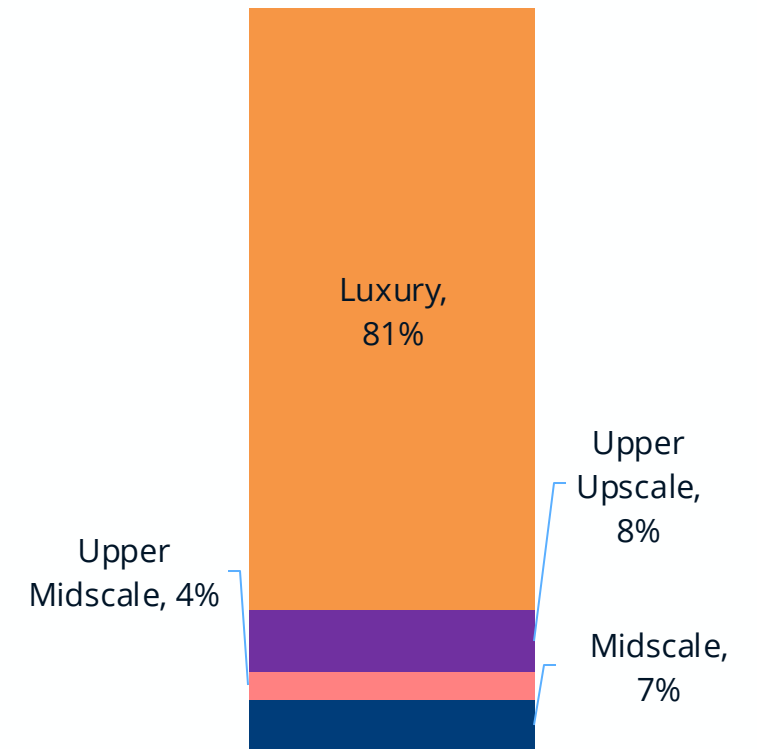
INDUSTRY & BUSINESS ECOSYSTEM | HOTEL

Only luxury hotel rooms have been added to the market over the past 10 years, resulting in a citywide hotel market **comprised of 80% rooms in the luxury class.**

Hotel Rooms Delivered in West Hollywood by Hotel Class*

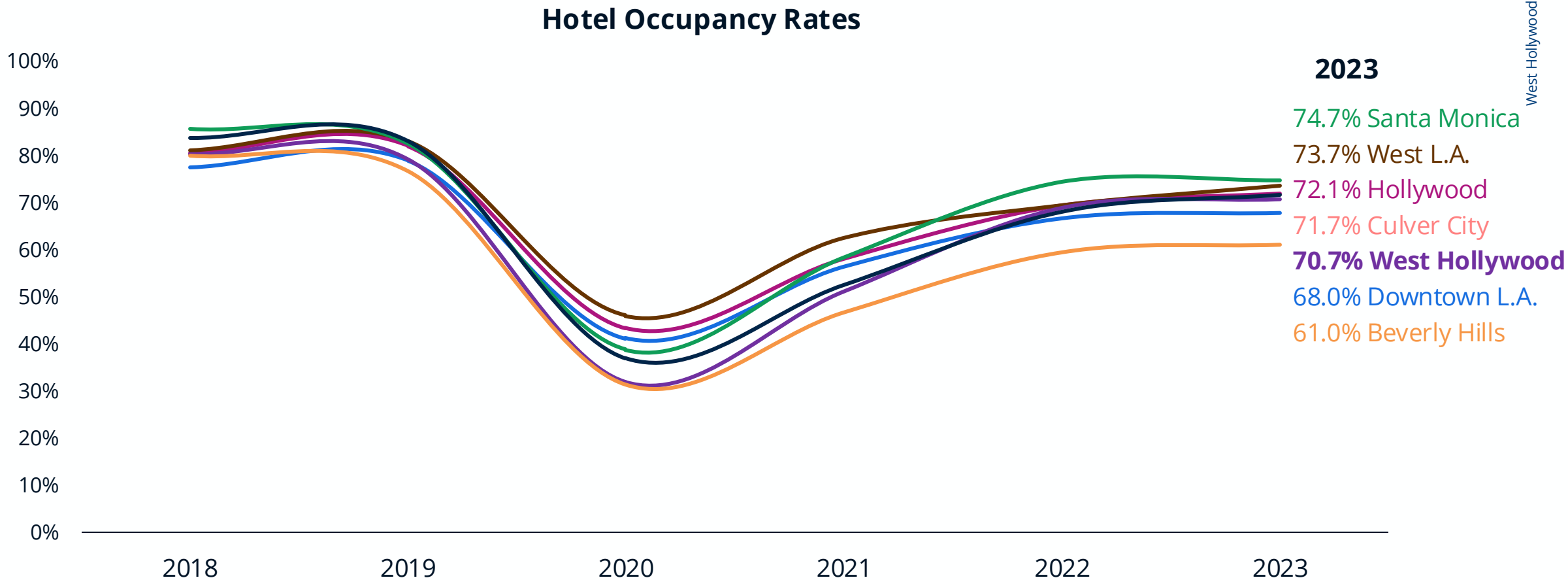


West Hollywood Hotel Rooms by Hotel Class, 2024



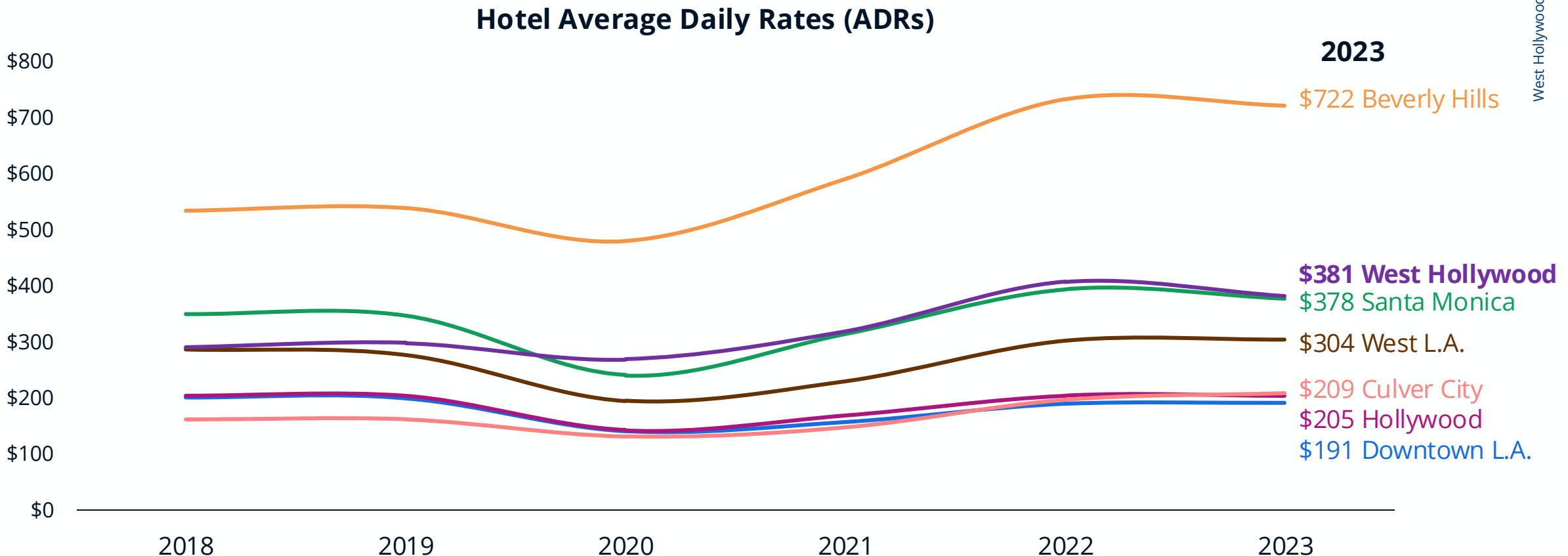
INDUSTRY & BUSINESS ECOSYSTEM | HOTEL

Like many hotel markets nationally and regionally, occupancy rates have not fully rebounded to pre-pandemic levels. West Hollywood **lags local competitive hotel markets with a current occupancy rate around 71%.**



INDUSTRY & BUSINESS ECOSYSTEM | HOTEL

Possibly a result of the hotel market skewing towards higher-end product, **hotel rates in West Hollywood have surpassed pre-pandemic levels and are higher than all nearby competitive markets except Beverly Hills.**





02.4

Employment

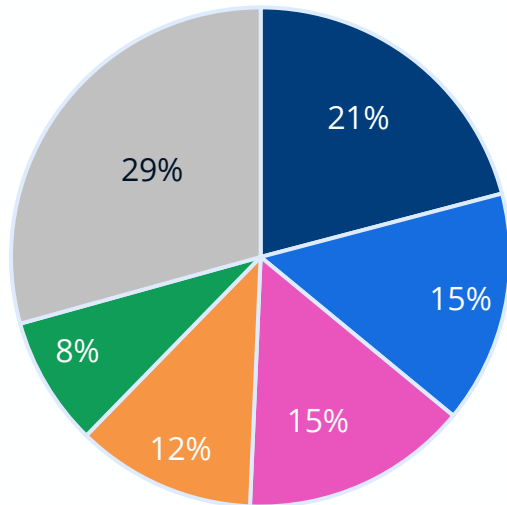
INDUSTRY & BUSINESS ECOSYSTEM | EMPLOYMENT

As a visitor-based economy, **over a third of jobs in West Hollywood are in accommodations, food services, and retail**, a greater proportion than the City's neighbors.

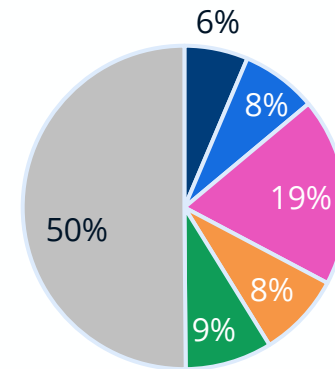
Sectors by Number of Jobs (2021)

- Accommodations & Food Services
- Retail Trade
- Health Care
- Professional Services
- Information
- Other Sectors

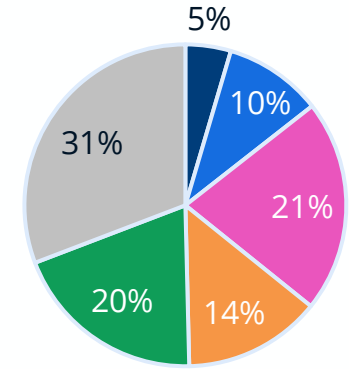
West Hollywood



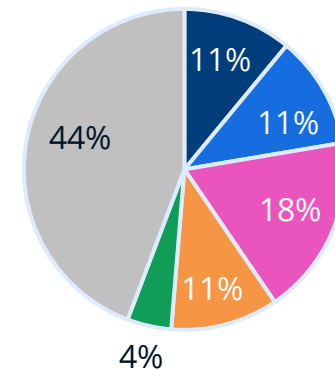
City of Los Angeles



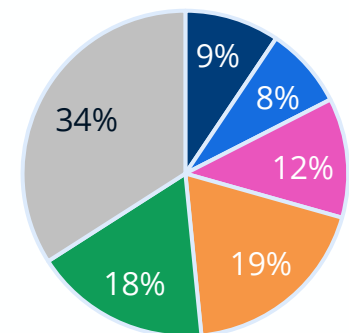
Culver City



Beverly Hills



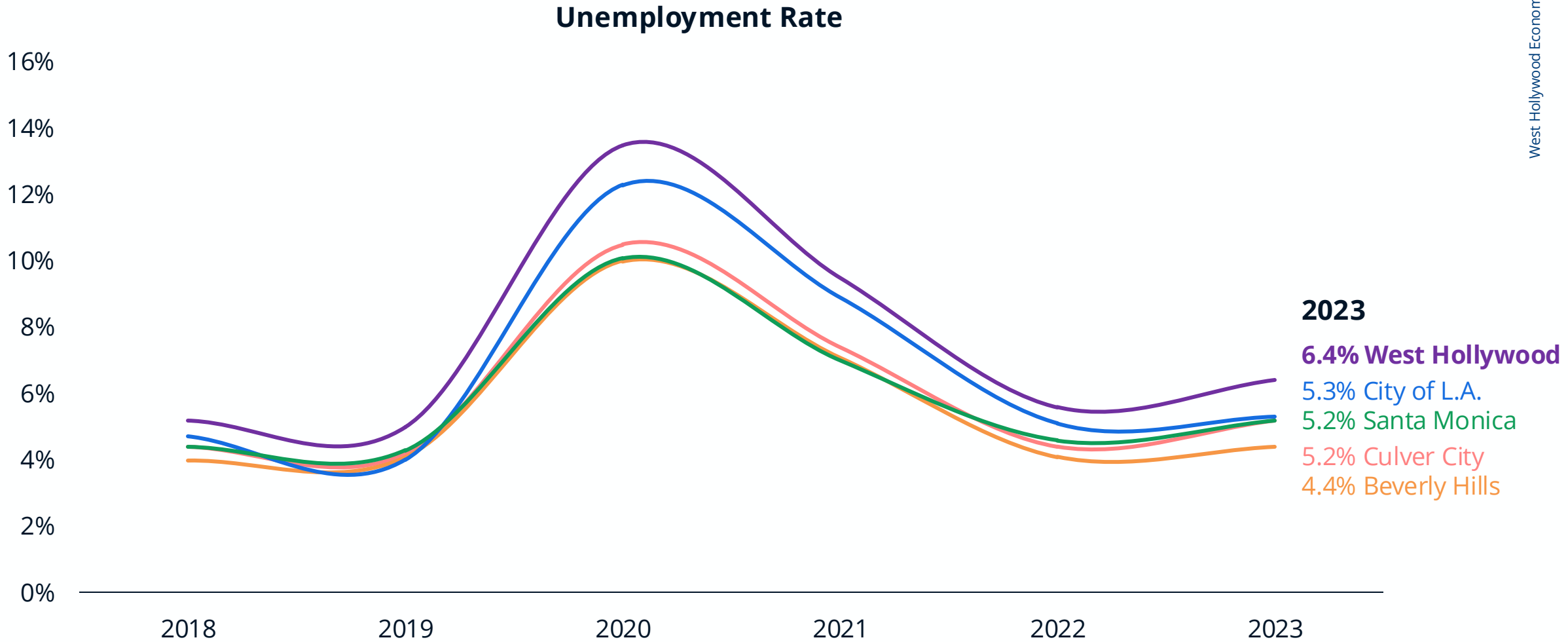
Santa Monica



Source: U.S. Census Bureau (2021 LEHD data). Note that percentages may not sum to 100 due to rounding.

INDUSTRY & BUSINESS ECOSYSTEM | EMPLOYMENT

West Hollywood's unemployment rate* has historically trended in a similar direction as its neighbors while also remaining slightly higher.

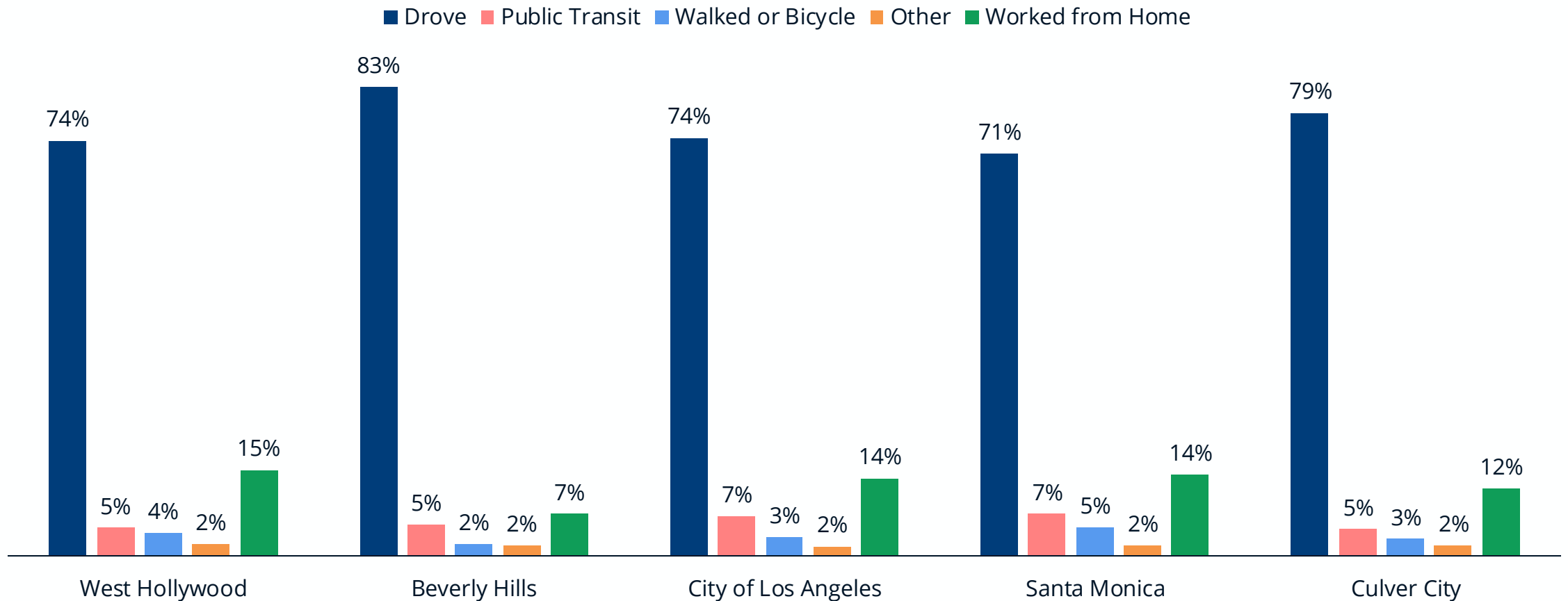


*The unemployment rate is calculated by place of residence, reflecting how many workers living within a city and seeking work are out of work.
Source: California Employment Development Department

INDUSTRY & BUSINESS ECOSYSTEM | EMPLOYMENT

Like workers employed in neighboring cities, most West Hollywood workers commute to West Hollywood workplaces by personal vehicle.

Means of Transportation to Work by Workplace Location (2022)

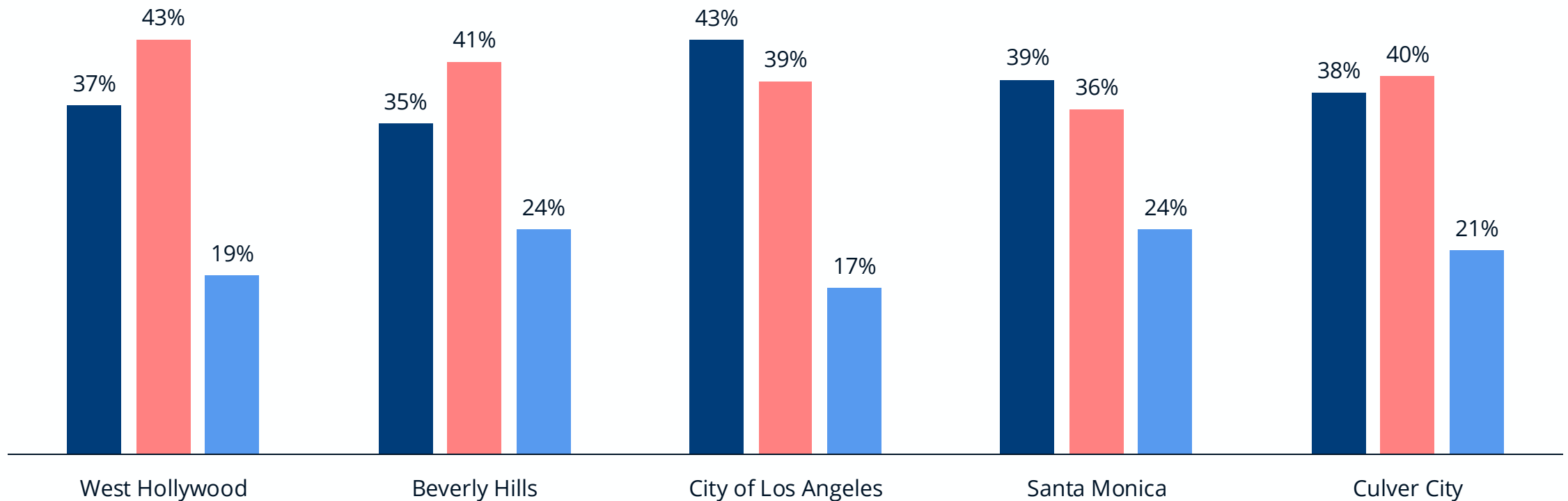


INDUSTRY & BUSINESS ECOSYSTEM | EMPLOYMENT

Commute times for West Hollywood's workers are like those for workers who commute to neighboring cities.

One-Way Commute Time by Workplace Location (2022)

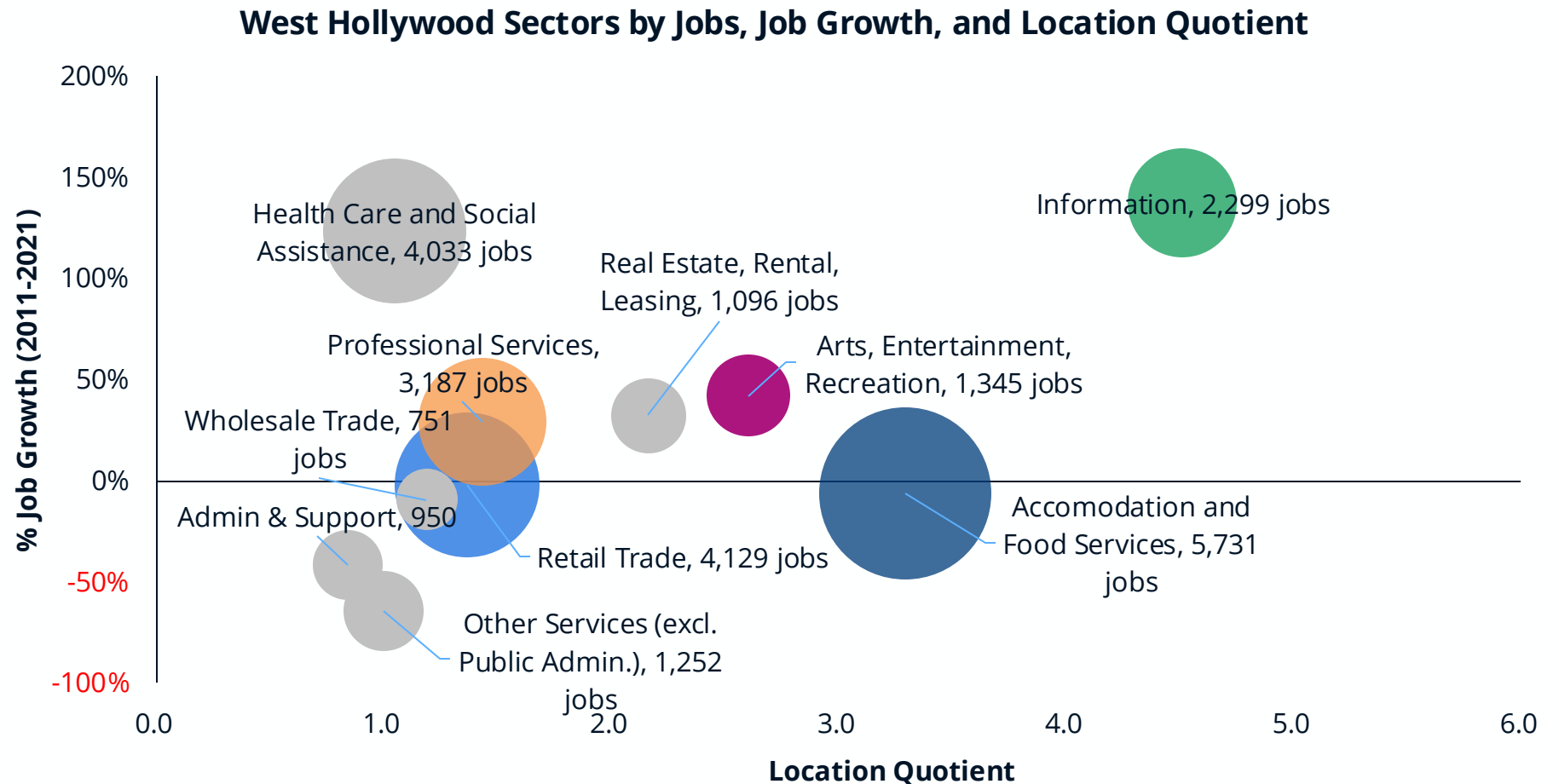
■ Less than 30 minutes ■ 30 minutes to 59 minutes ■ 60 minutes or more



INDUSTRY & BUSINESS ECOSYSTEM | EMPLOYMENT

While West Hollywood has a higher share of jobs in accommodation/food service and retail, other sectors the City specializes in – like **motion pictures, entertainment (Information), and professional services** – led job growth in the last decade.

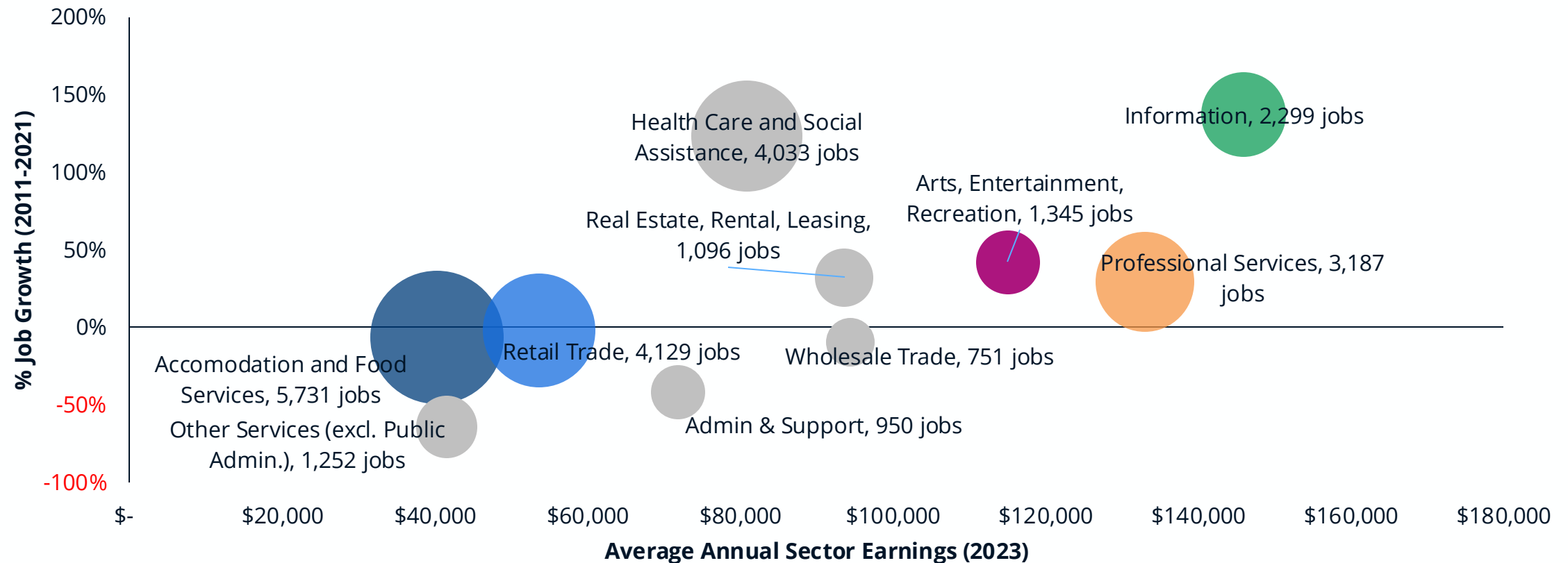
Location Quotient (LQ): measures how specialized a city's economy is in a sector relative to the nation. An LQ of 2.0 means a city's economy is twice as specialized in that sector than the national average.



INDUSTRY & BUSINESS ECOSYSTEM | EMPLOYMENT

Those high-growth sectors are also high-wage sectors, while low-wage sectors stalled or shrunk from 2011 to 2021. More recent employment data only available at the County level indicates the accommodation and food services and retail sectors will continue to shrink.

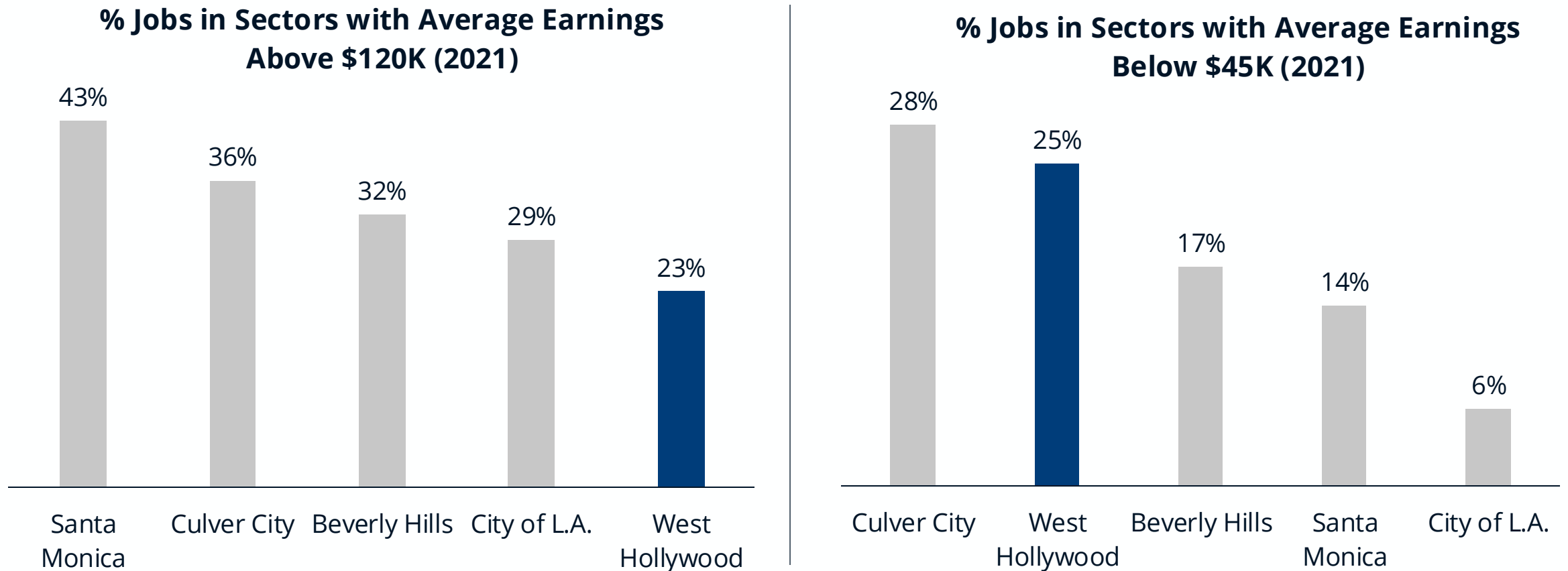
West Hollywood Sectors by Jobs, Job Growth, and Average Annual Earnings



Source: LEHD & Lightcast. Note that because wage data is not available on the city level, wage data was sourced from Zip Code Tabulation Areas that include West Hollywood as well as areas just outside the city. Also, the sectors shown are the top 10 sectors in West Hollywood by 2021 LEHD estimates.

INDUSTRY & BUSINESS ECOSYSTEM | EMPLOYMENT

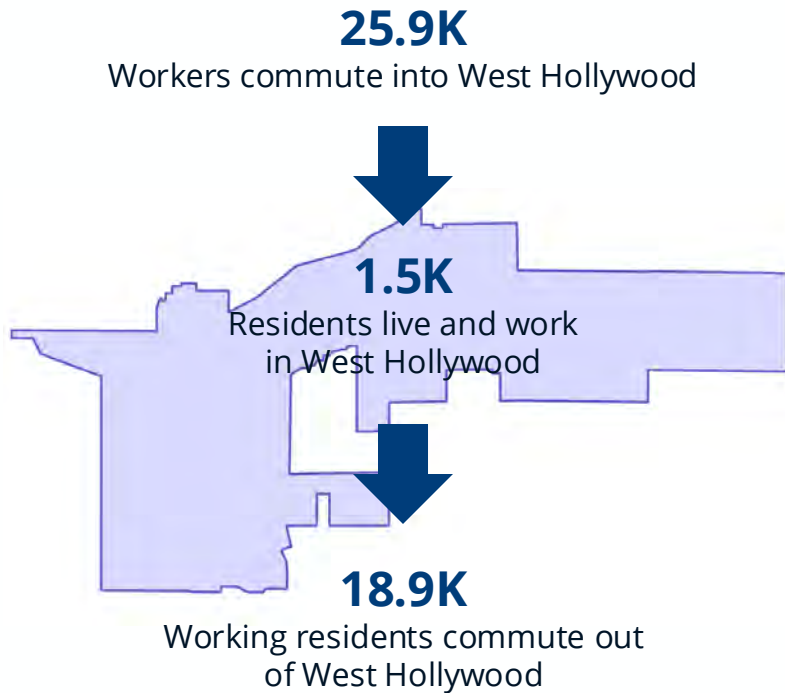
Despite high-wage sectors leading job growth over the past decade, **West Hollywood has the least share of jobs in high-wage sectors compared to its neighbors, and the second-highest proportion of its employment base in low-wage sectors.**



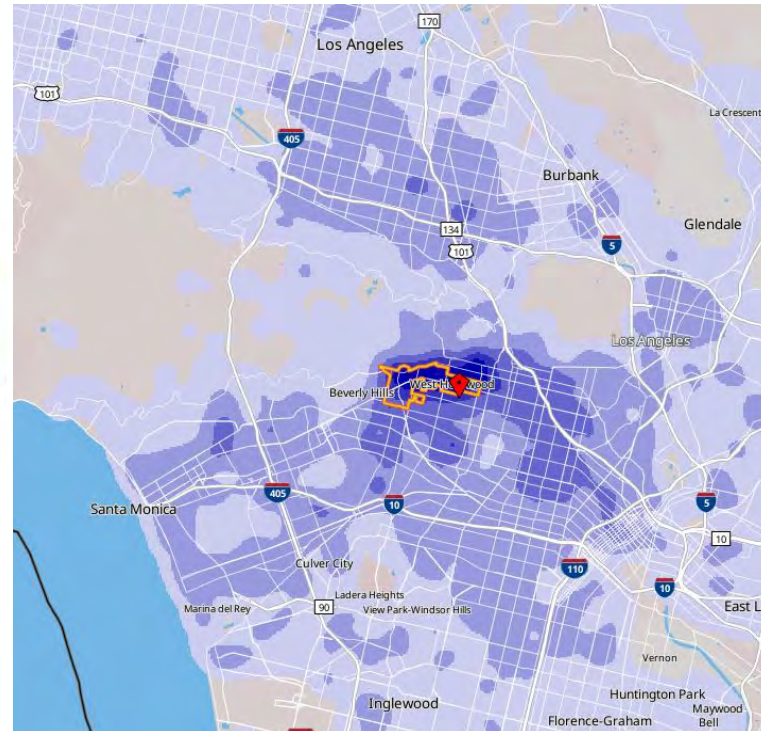
INDUSTRY & BUSINESS ECOSYSTEM | EMPLOYMENT

West Hollywood is a net importer of workers. About 95% of West Hollywood workers live outside of the City, and 93% of workers living in West Hollywood work outside the City.

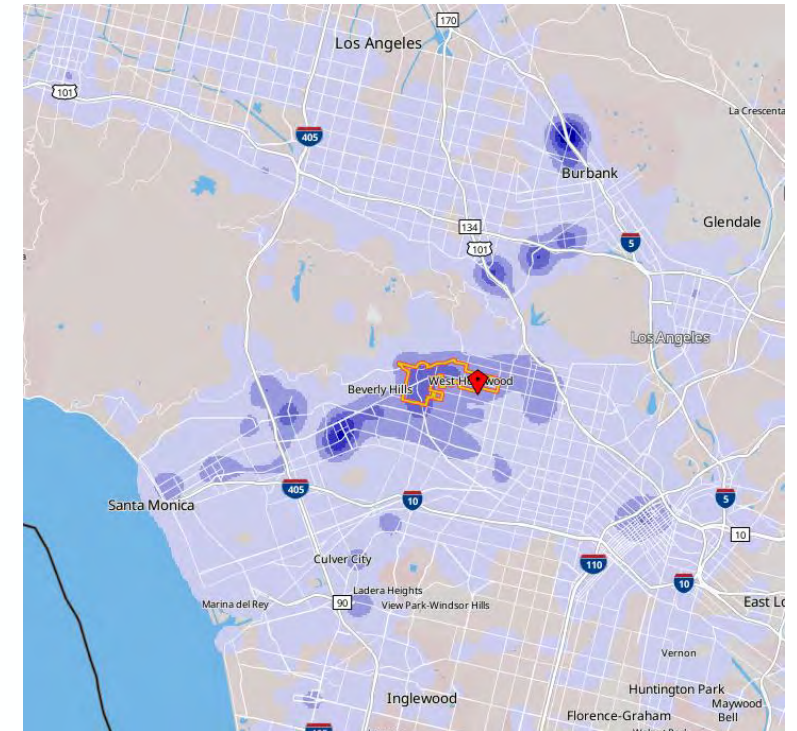
Commuter Inflow-Outflow (2021)



Heatmap: West Hollywood Workers' Homes (2021)



Heatmap: West Hollywood Residents' Workplaces (2021)



Density of Homes/Workplaces

Low



High



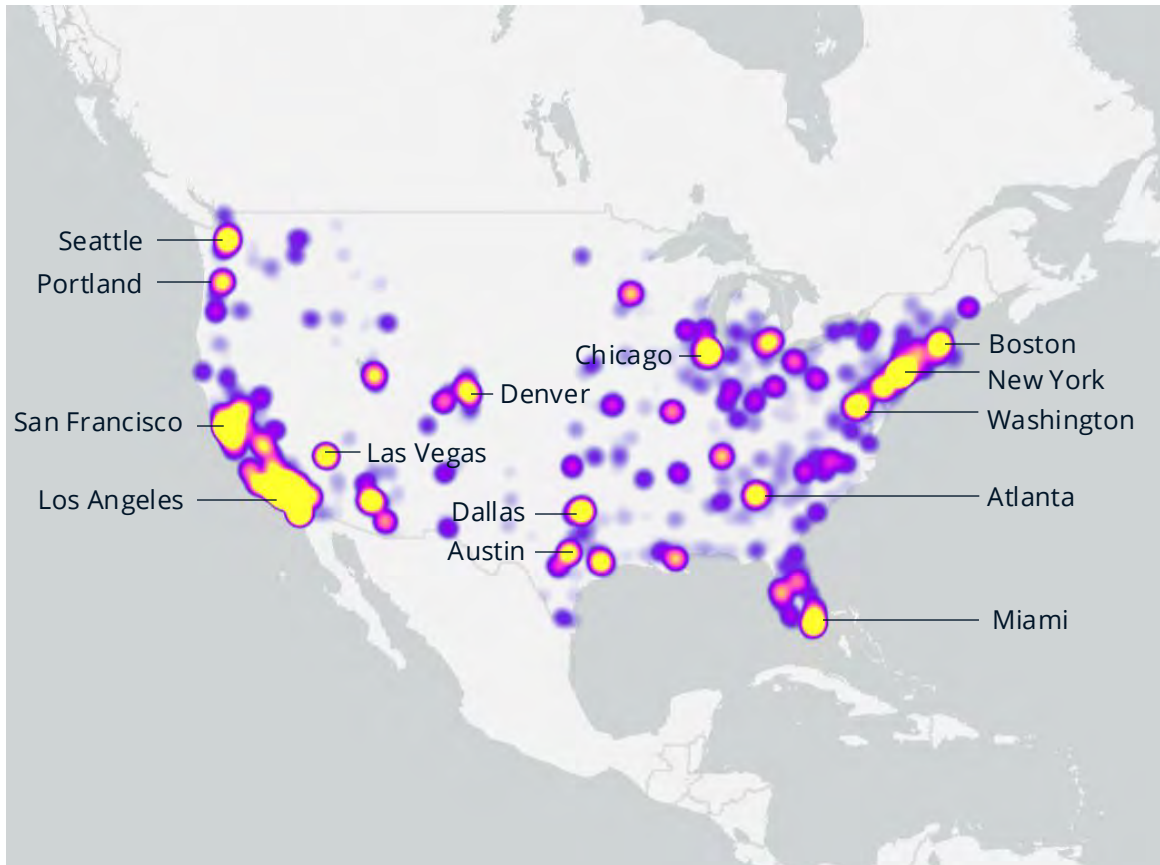
02.5

Citywide Visitation Patterns

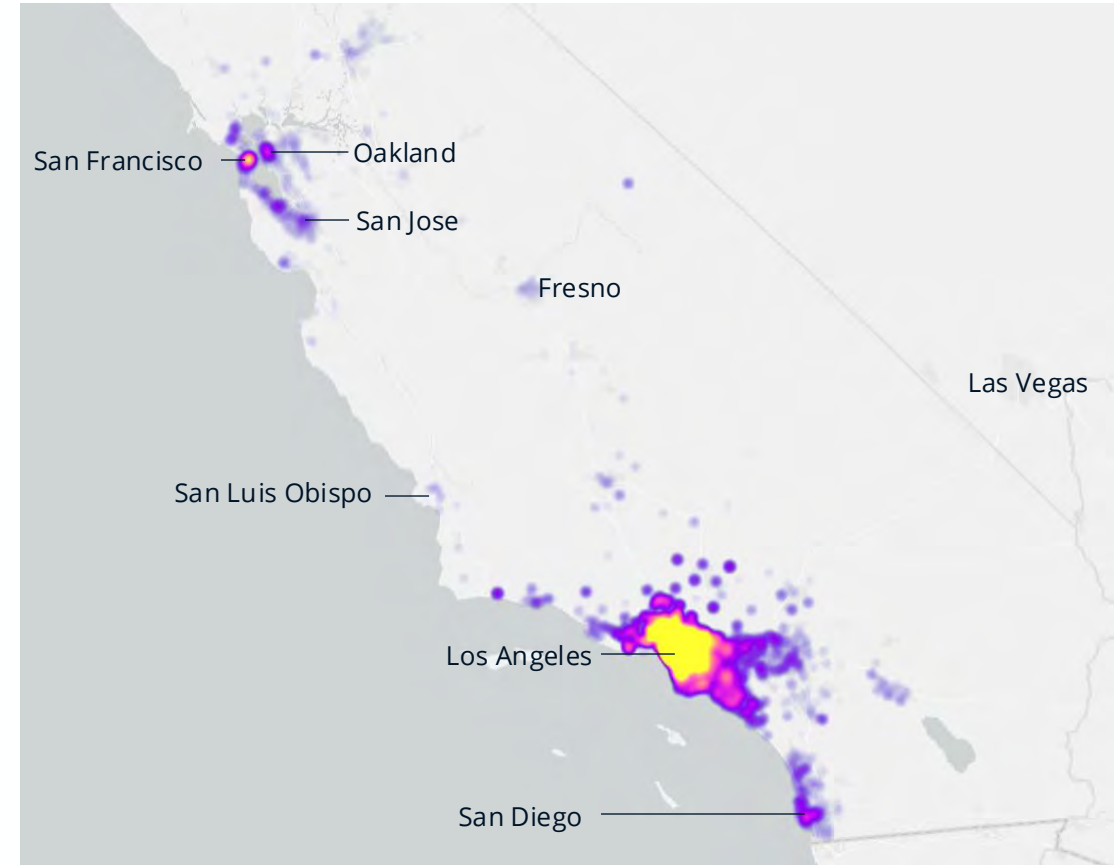
INDUSTRY & BUSINESS ECOSYSTEM | TOURISM

West Hollywood is both a **national and regional destination**. About 20% of visitors come from places more than 100 miles away, while almost 60% of visitors come from less than 10 miles.

National Visitor Origins



Regional Visitor Origins



West Hollywood Visitor Origins

Low  High

INDUSTRY & BUSINESS ECOSYSTEM | TOURISM

Visitation to West Hollywood has increased 4% since 2019 with the average visitor coming to the City five times a year. Visitor destinations are widespread across the City with the top 10 points of interest comprising only 36% of visitor destinations.



4.9M

Unique visitors to West Hollywood in 2023, up from 4.7M in 2019.



26M

Visits to West Hollywood in 2023



5.3x

Average number of times each visitor came to West Hollywood in 2023

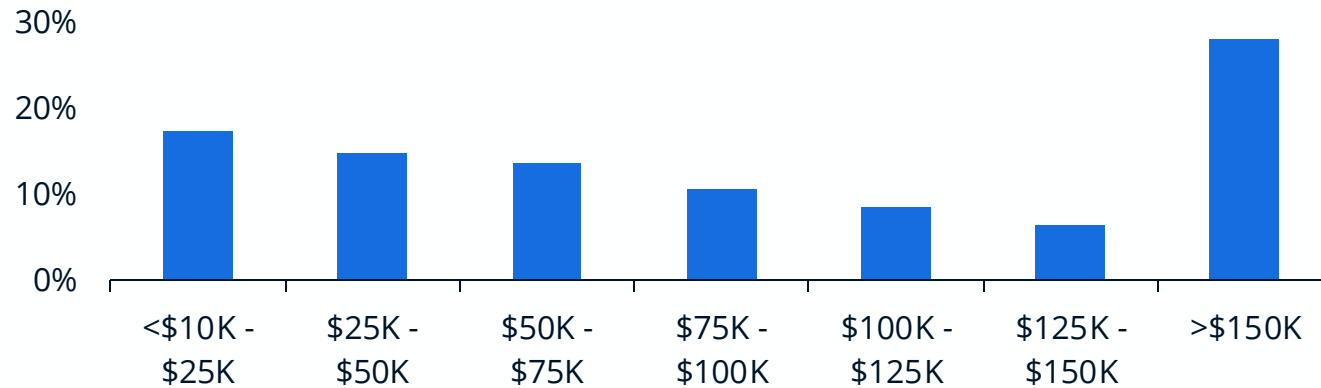
TOP DESTINATIONS FOR VISITORS IN 2023

Destinations	Annual Visitation
Sunset Plaza	325k
West Hollywood Park	250k
Saddle Ranch Chop House	230k
Catch LA	205k
1 Hotel West Hollywood	181k
Mel's Drive-In	150k
Mondrian Los Angeles	148k
Ysabel	144k
The London	129k
Laurel Hardware	120k

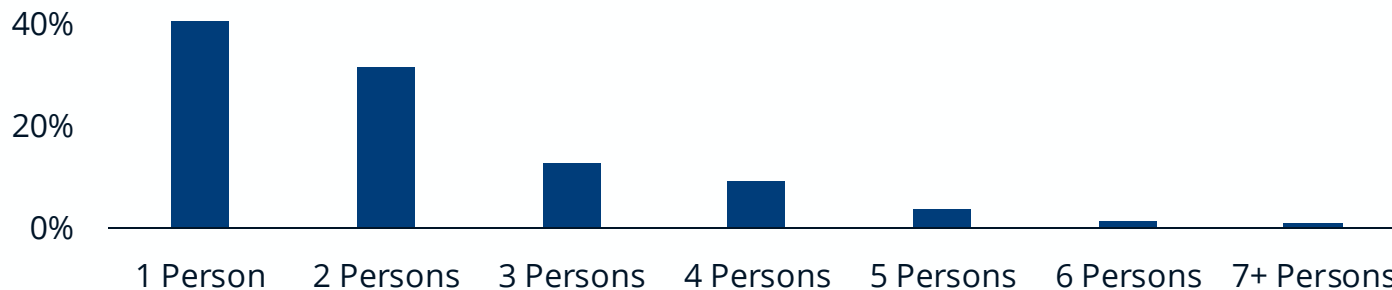
INDUSTRY & BUSINESS ECOSYSTEM | TOURISM

Visitors to West Hollywood tend to be wealthier individuals from non-family households. In addition, West Hollywood hotels maintain **consistent occupancy on weekdays versus weekends**. These data points suggest visitors include both leisure travels as well as business travelers.

Income



Size of Visitor Households



WEEKDAYS

71%

Weekday Hotel
Occupancy

\$397

Weekday Average
Daily Rate

WEEKENDS

74%

Weekend Hotel
Occupancy

\$411

Weekend Average
Daily Rate

INDUSTRY & BUSINESS ECOSYSTEM | TOURISM

Special events in and around West Hollywood bring additional visitors to the City. **Events exert a greater influence on the number of unique visitors to the City than visitation**, suggesting special events have the potential to attract visitors who might not typically visit West Hollywood.



02.6

City Fiscal Health

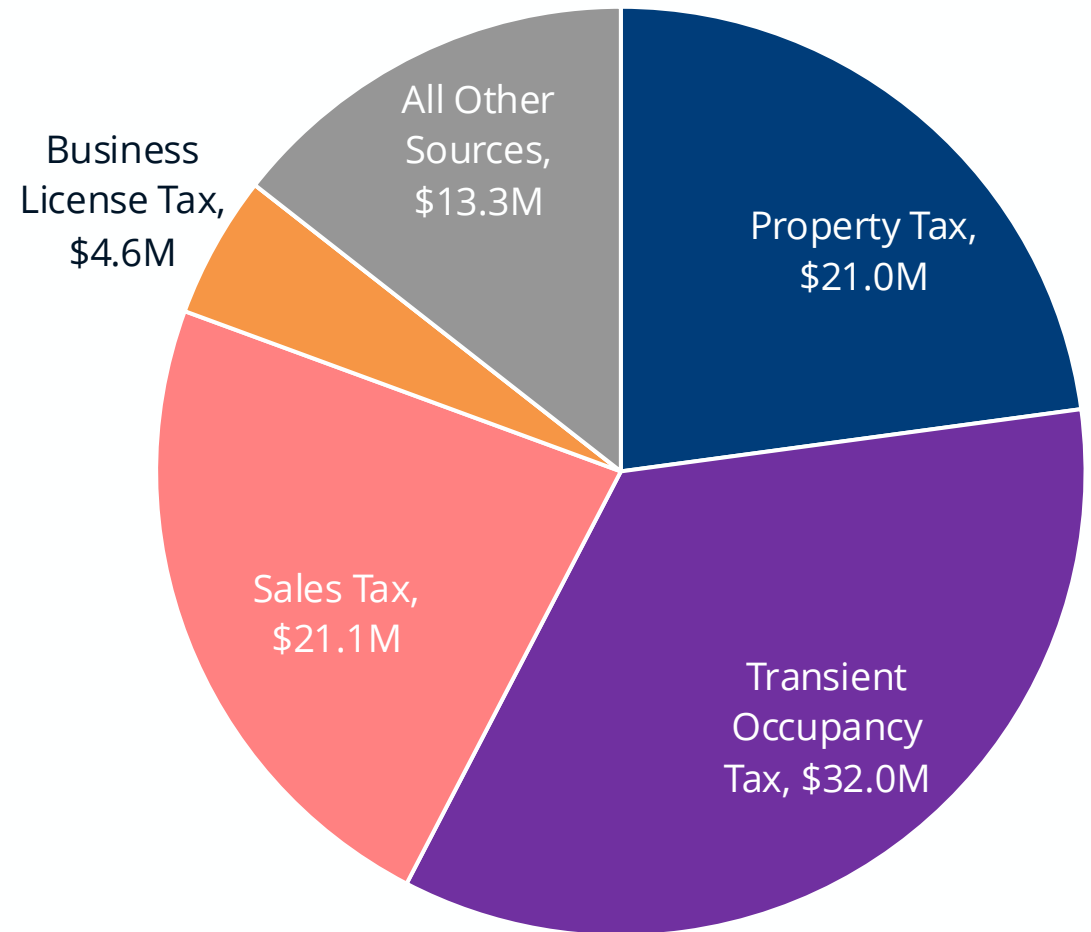


INDUSTRY & BUSINESS ECOSYSTEM | FISCAL HEALTH

Many of West Hollywood's municipal revenue sources are a function of business activity. As a result, the City's fiscal health is important as an **indicator of its economic health** as well as the municipal government's ability to provide **public services**.

For example, a substantial portion of West Hollywood's municipal revenue is derived from the **Transient Occupancy Tax (TOT)** – paid by guests staying in West Hollywood hotels.

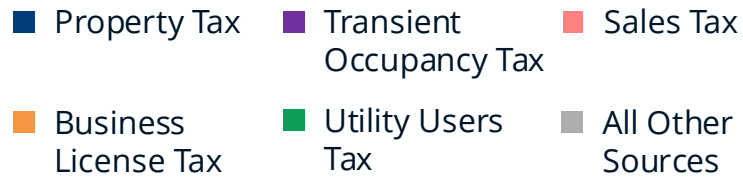
West Hollywood General Revenues
(FY2022)



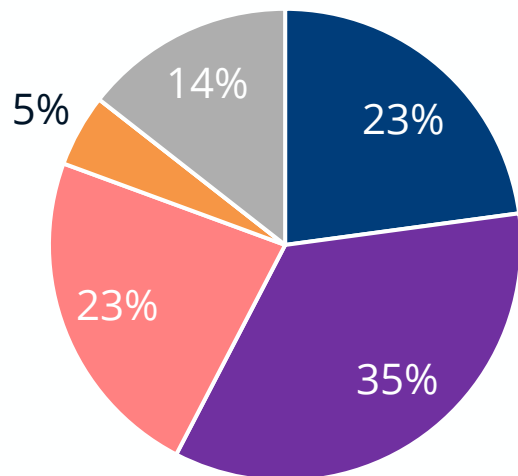
INDUSTRY & BUSINESS ECOSYSTEM | FISCAL HEALTH

Relative to its neighbors, **West Hollywood depends on revenue sources driven largely by visitors, as hotel and sales taxes accounted for 58%** of City revenues in FY2022. By contrast, the City does not levy certain resident-driven taxes, like a utility users tax.

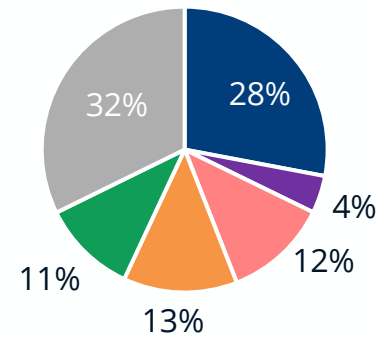
Municipal General Revenues FY2022



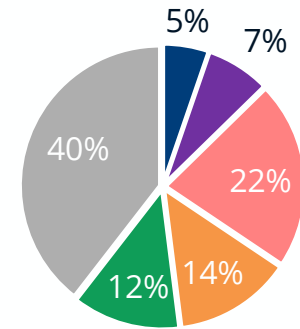
West Hollywood



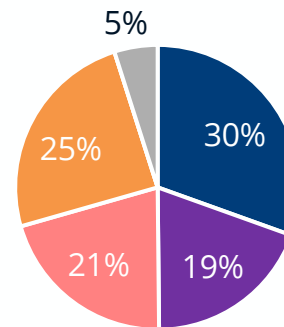
City of Los Angeles



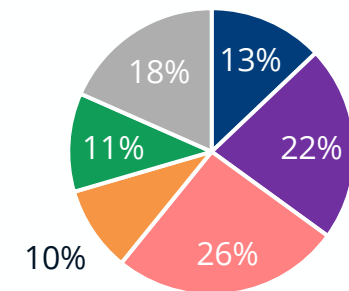
Culver City



Beverly Hills



Santa Monica

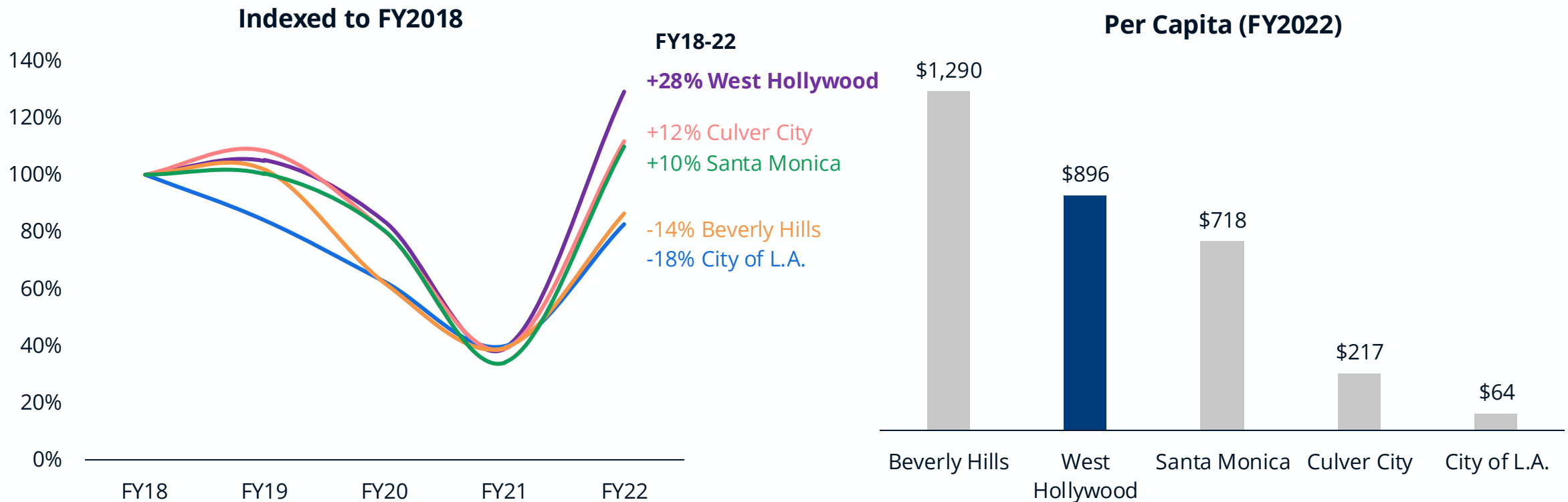


Source: California State Controller. Note that West Hollywood and Beverly Hills had no "Utility Users Tax" reported. Percentages may not sum to 100 due to rounding.

INDUSTRY & BUSINESS ECOSYSTEM | FISCAL HEALTH

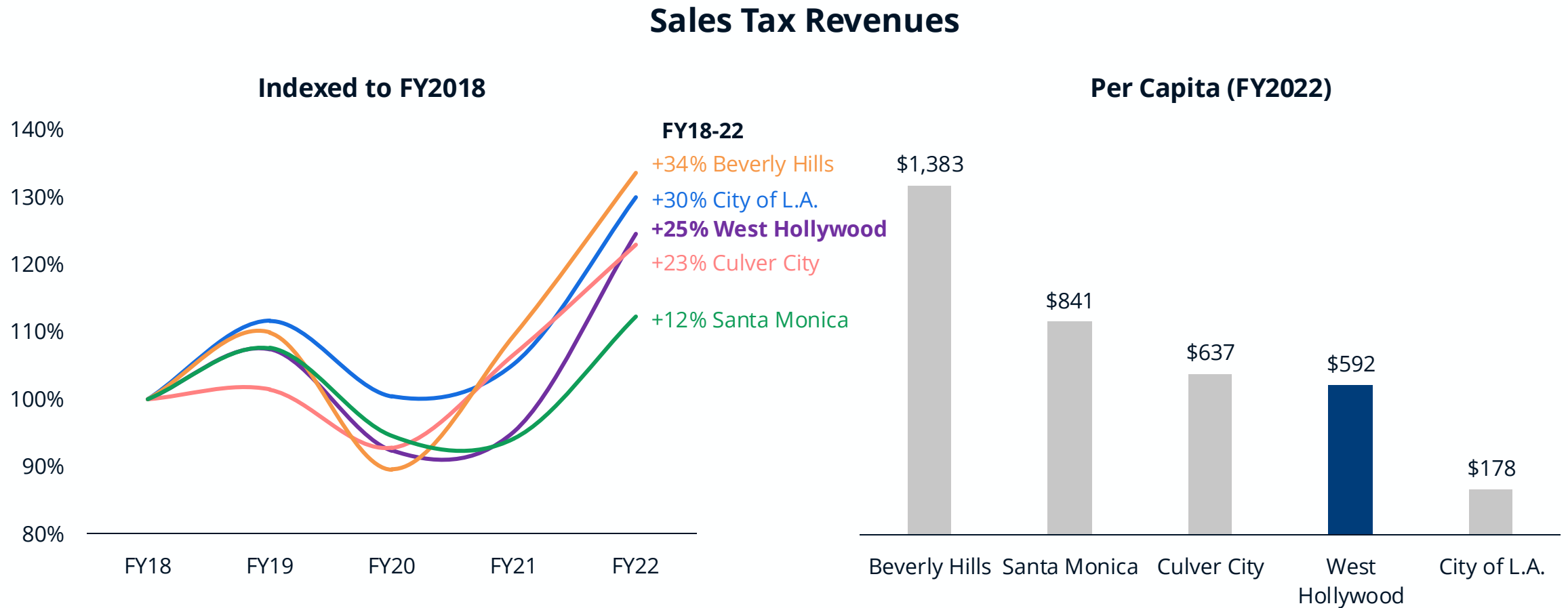
Some revenue sources have proven more resilient to COVID-19 for West Hollywood than for the City's neighbors. West Hollywood's **hotel tax revenues have more than recovered from the Pandemic**, driven by rising room rates.

Transient Occupancy Tax Revenues



INDUSTRY & BUSINESS ECOSYSTEM | FISCAL HEALTH

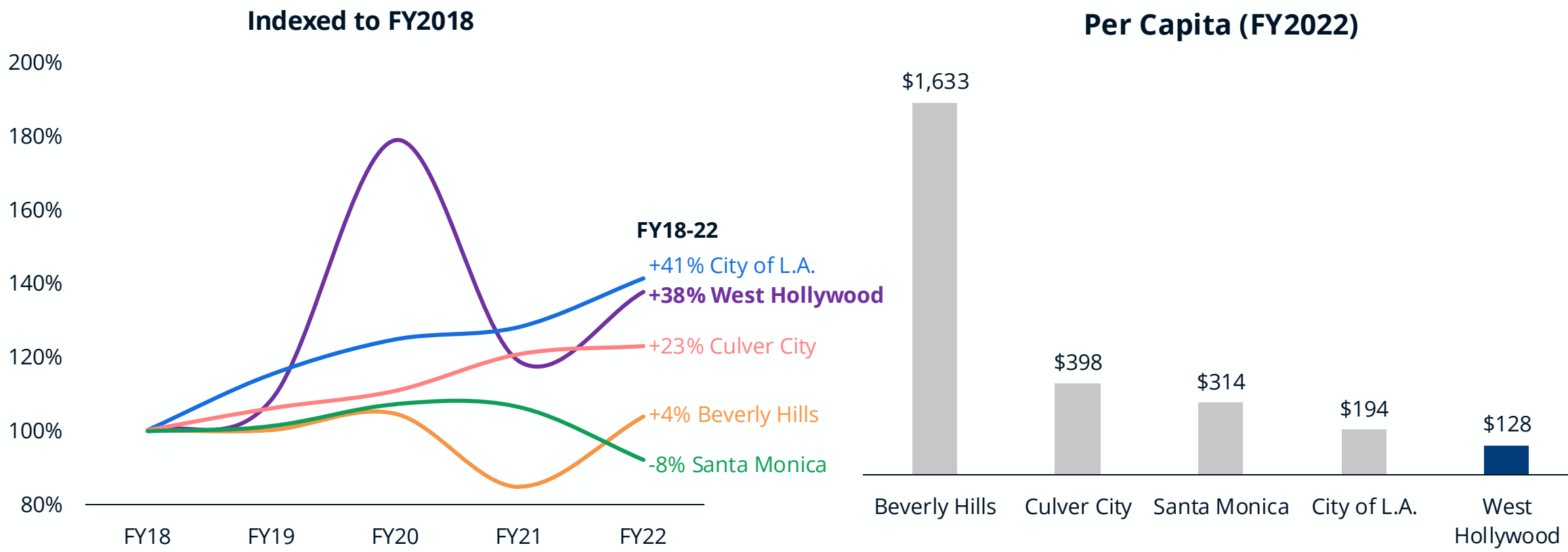
West Hollywood's sales tax revenue growth is on par with many of its neighbors – and grew twice as fast as Santa Monica's from FY2018 to FY2022.



INDUSTRY & BUSINESS ECOSYSTEM | FISCAL HEALTH

West Hollywood’s business tax* fell sharply in FY2021 largely due to a 50% tax cut for that fiscal year’s billing cycle. Business taxes are paid in the year following the revenue generated. Business tax revenues have not recovered to their 2019 peak, due to additional tax rebates offered to West Hollywood businesses, as well as overall economic conditions.

Business Tax

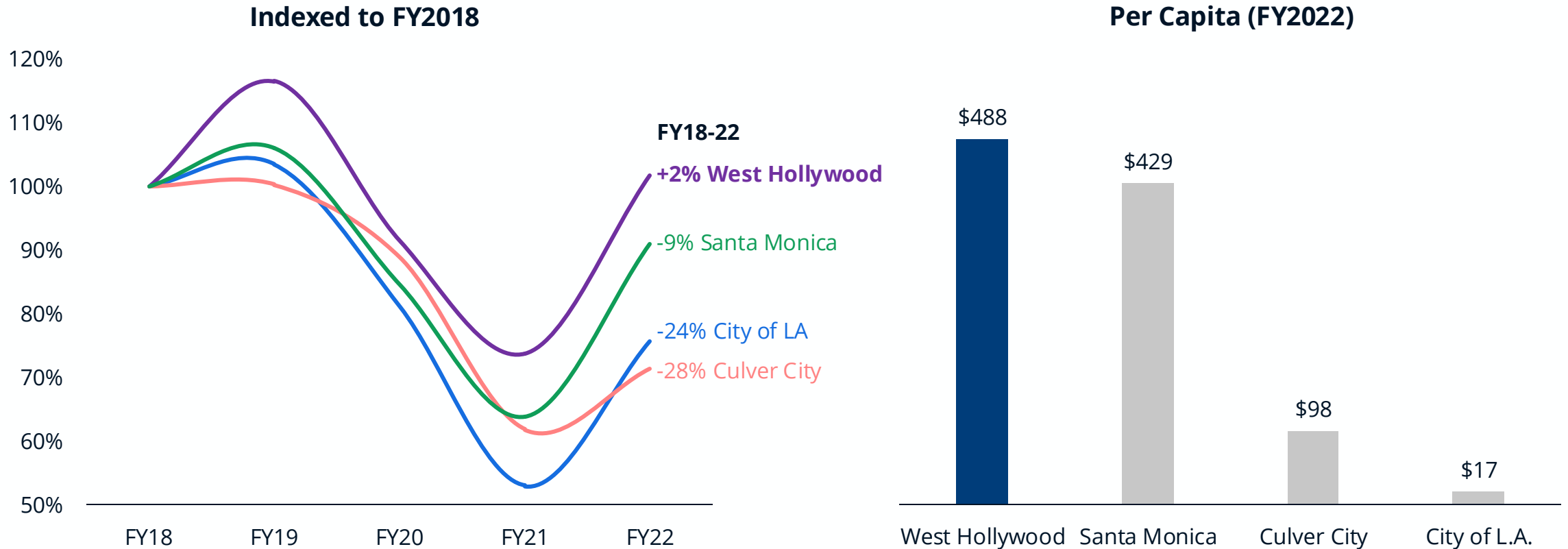


*Business taxes for all the jurisdictions shown are a function of both the number of businesses as well as their gross receipts or other measure of business activity (e.g., hours of employee payroll), making revenues an indicator of economic health. Source: California State Controller.

INDUSTRY & BUSINESS ECOSYSTEM | FISCAL HEALTH

While not a general fund revenue source, parking revenues can be a proxy for City visitation. While West Hollywood's parking revenues remain below their FY2019 peak, they have **recovered faster than neighboring cities**, indicating a return of visitors.

Parking Facility Revenues



Source: California State Controller. Note that Beverly Hills had no "Parking Facility Revenue" reported for FY18-22.



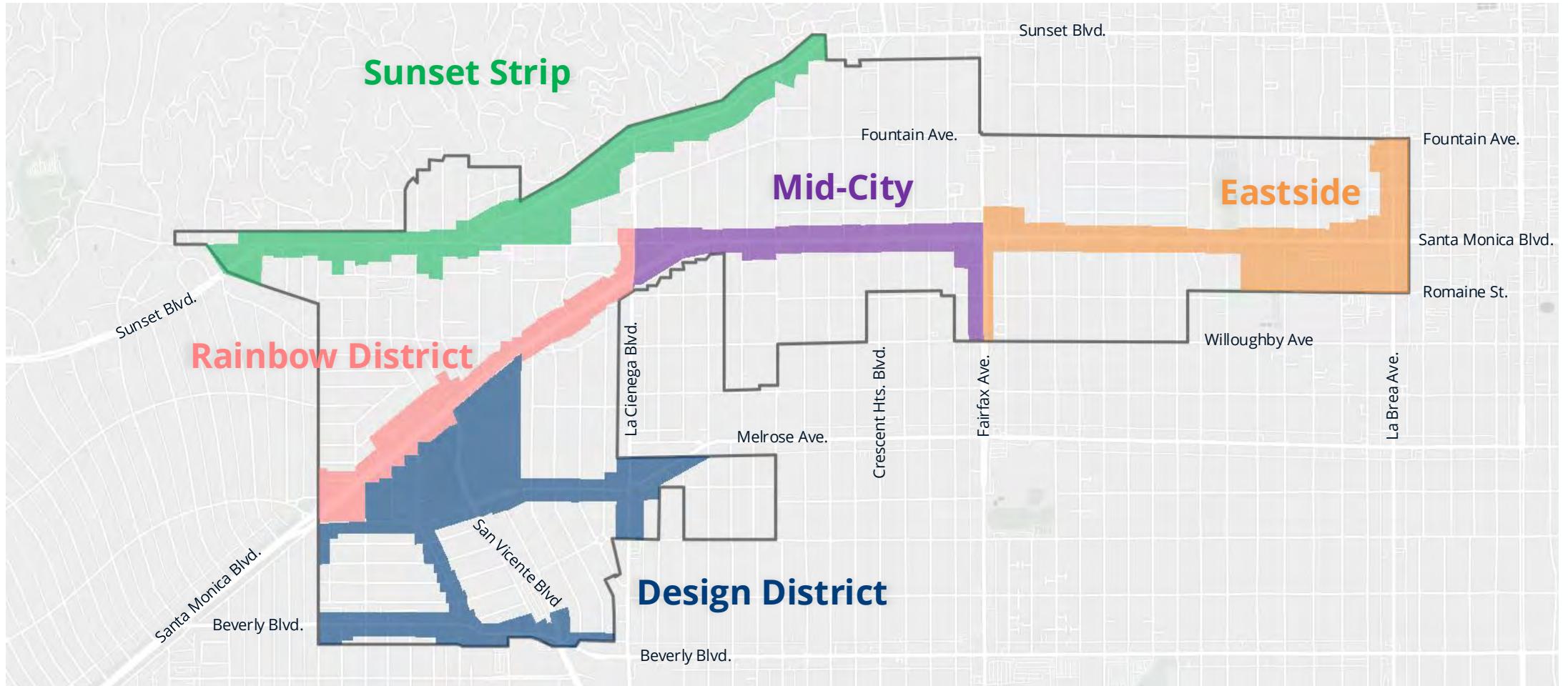
|

03

City Subareas

SUBAREAS | INTRODUCTION

West Hollywood, like many cities, is formed of several districts with diverse characteristics. To adequately assess the City's geographic diversity, **HR&A analyzed the economic performance of five distinct subareas.**



SUBAREAS | INTRODUCTION

Subareas vary in terms of character, job composition, visitation levels, and overall prospects for growth. **Strategies and interventions therefore must be tailored to the specific circumstances unique to each subarea.**

Sunset Strip



Tourism, Hospitality, and Entertainment

Design District



Luxury Shopping & Fine Dining

Rainbow District



Nightlife

Mid-City



Neighborhood Amenities

Eastside



Media & Entertainment



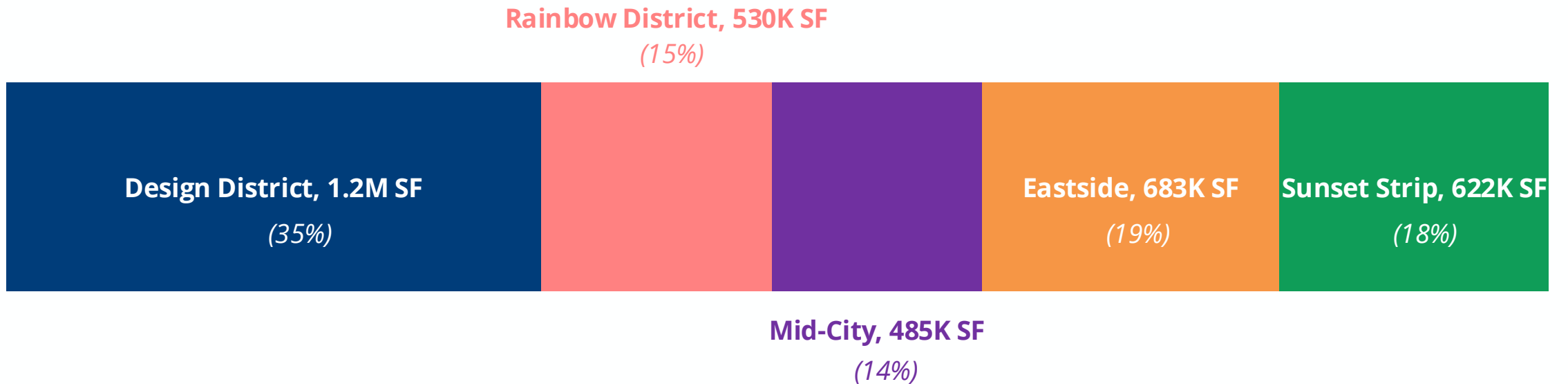
03.1

Retail

SUBAREAS | RETAIL

The Design District contains roughly **one-third of the City's 3.6 million square feet of retail** space.

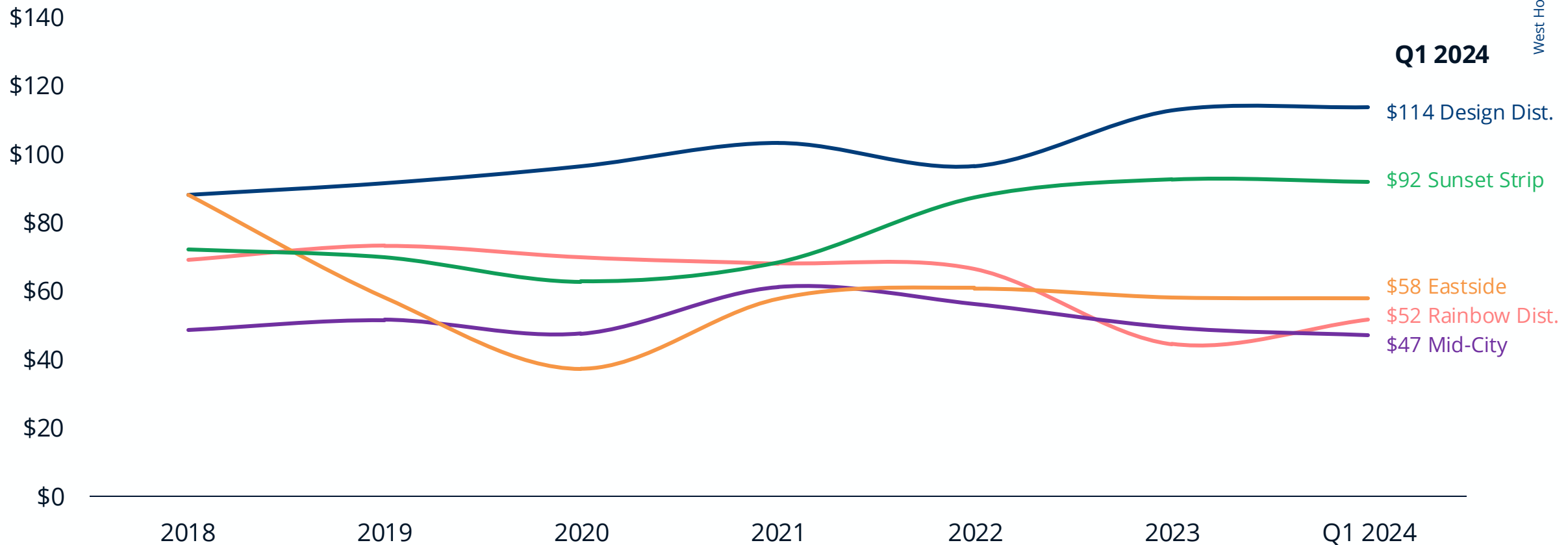
Retail Inventory (Square Feet) (Q1 2024)



SUBAREAS | RETAIL

By a significant margin, **the Design District and Sunset Strip are the most expensive retail subareas**. The Design District is one of the most expensive in the region, with per-square foot rents that exceed even Rodeo Drive (\$108/square foot).

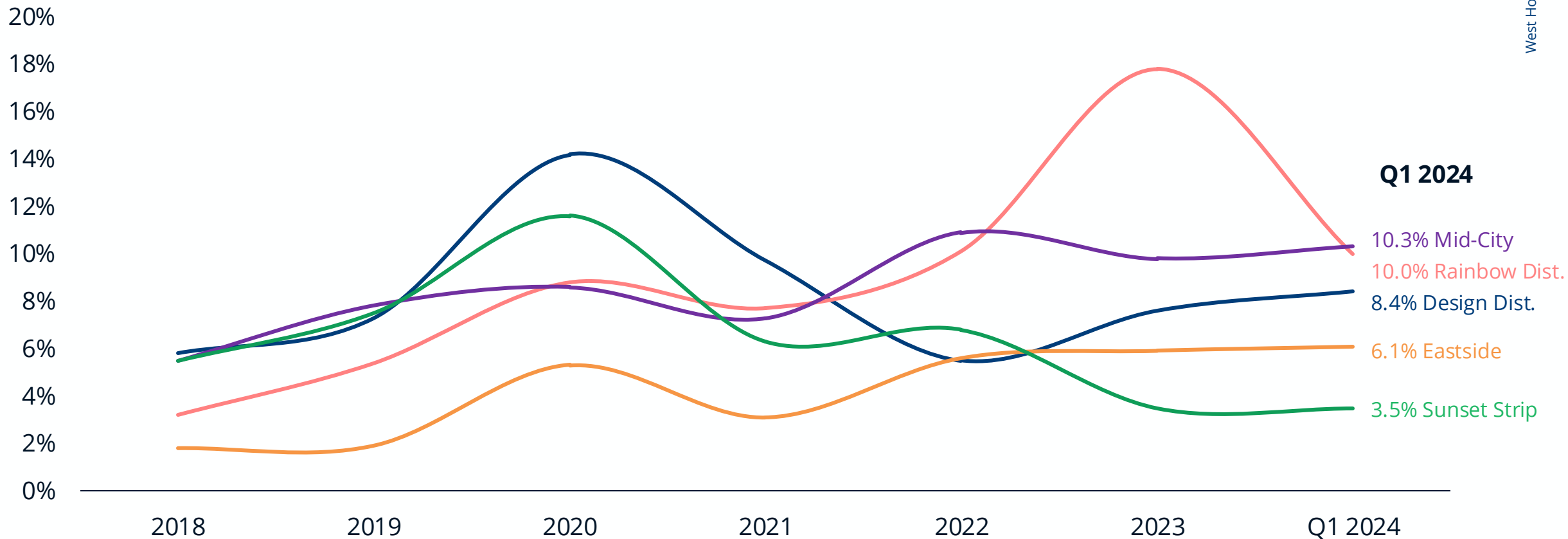
Average Subarea Retail Rents per Square Foot per Year



SUBAREAS | RETAIL

The Sunset Strip is the only subarea where retail vacancy rates have stabilized to pre-pandemic levels, indicating ongoing struggles in the business environment. In 2023, vacancy rates spiked in the Rainbow District and are now the second highest in the City.

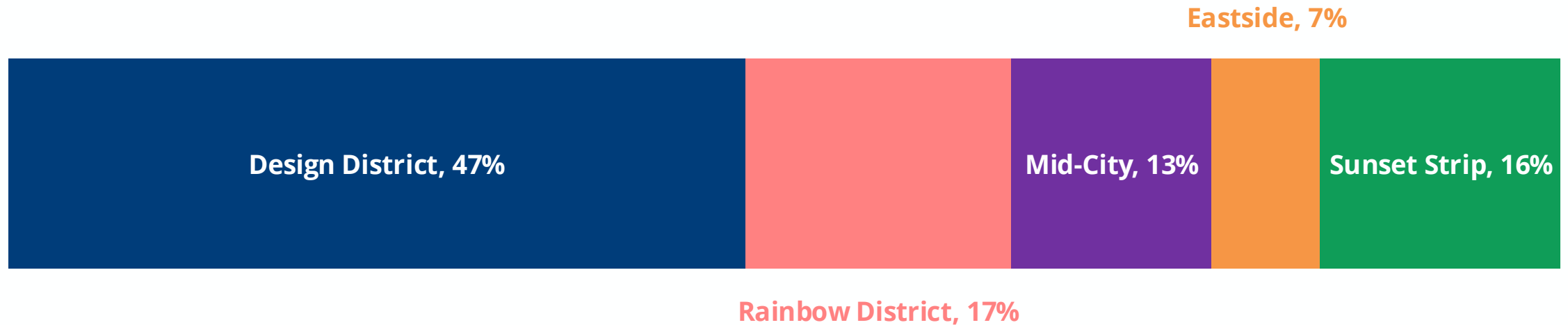
Retail Vacancy Rate by Subarea



SUBAREAS | RETAIL

The Design and Rainbow Districts accounted for nearly two-thirds of leasing activity since 2018. The Eastside accounted for just 7% of leasing activity despite comprising 19% of the City's retail inventory.

Gross Absorption of Retail Space by Subarea (% of Square Feet)
(2018-2023)





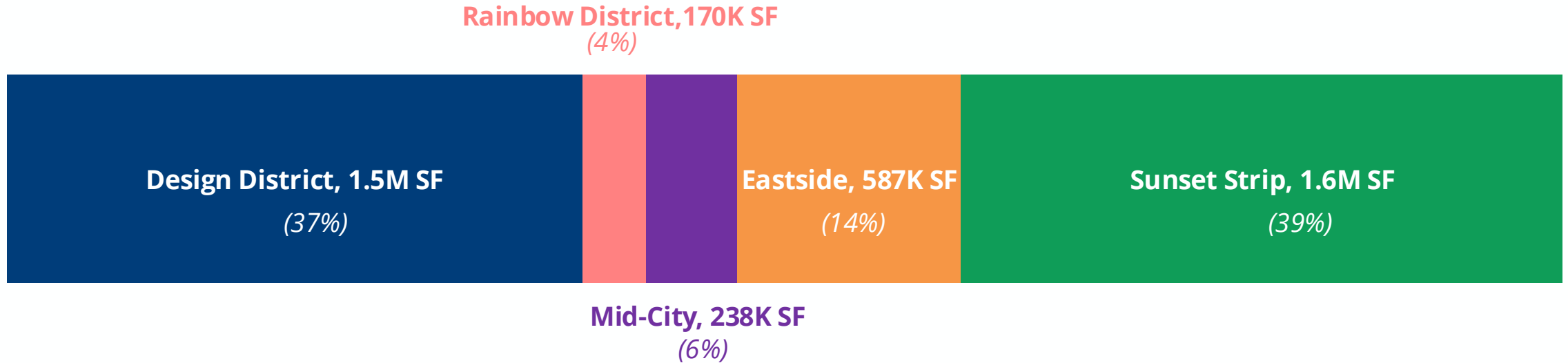
03.2

Office

SUBAREAS | OFFICE

The **Design District** and **Sunset Strip** are the largest office markets by a wide margin, together accounting for three-quarters of the City's office space.

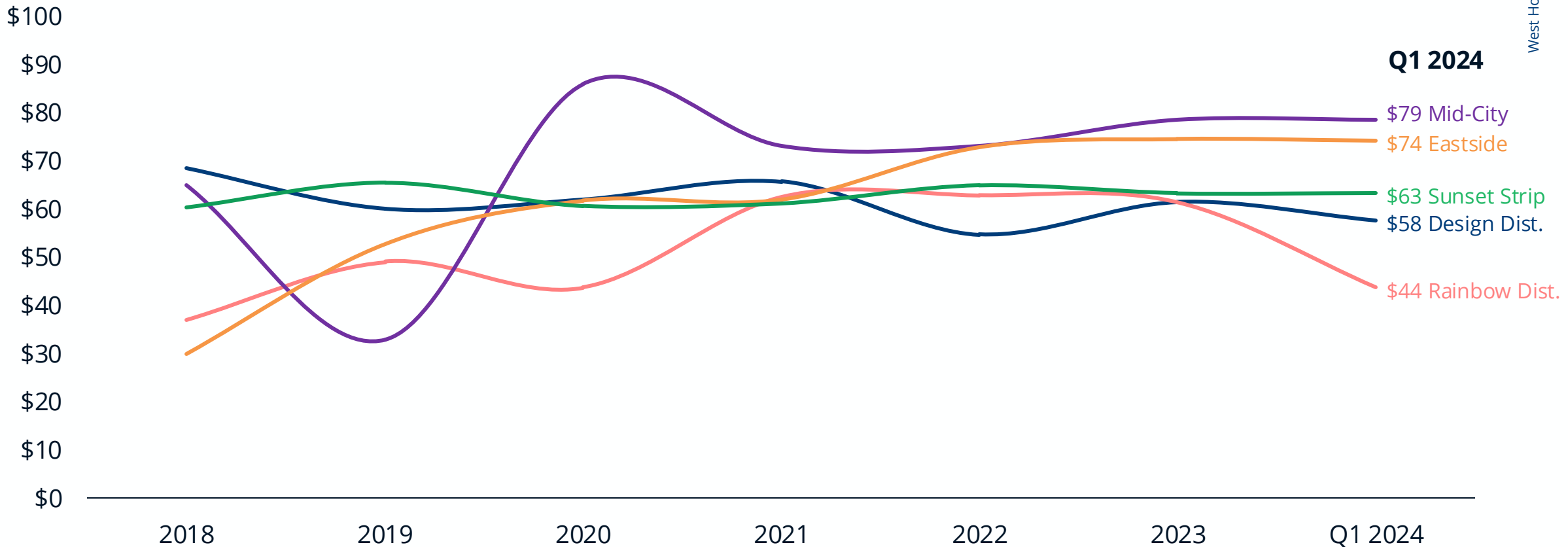
Office Inventory (Square Feet)
(Q1 2024)



SUBAREAS | OFFICE

Office rents on the East Side have experienced significant growth over the past decade, which has coincided with ample commercial development at The Lot.

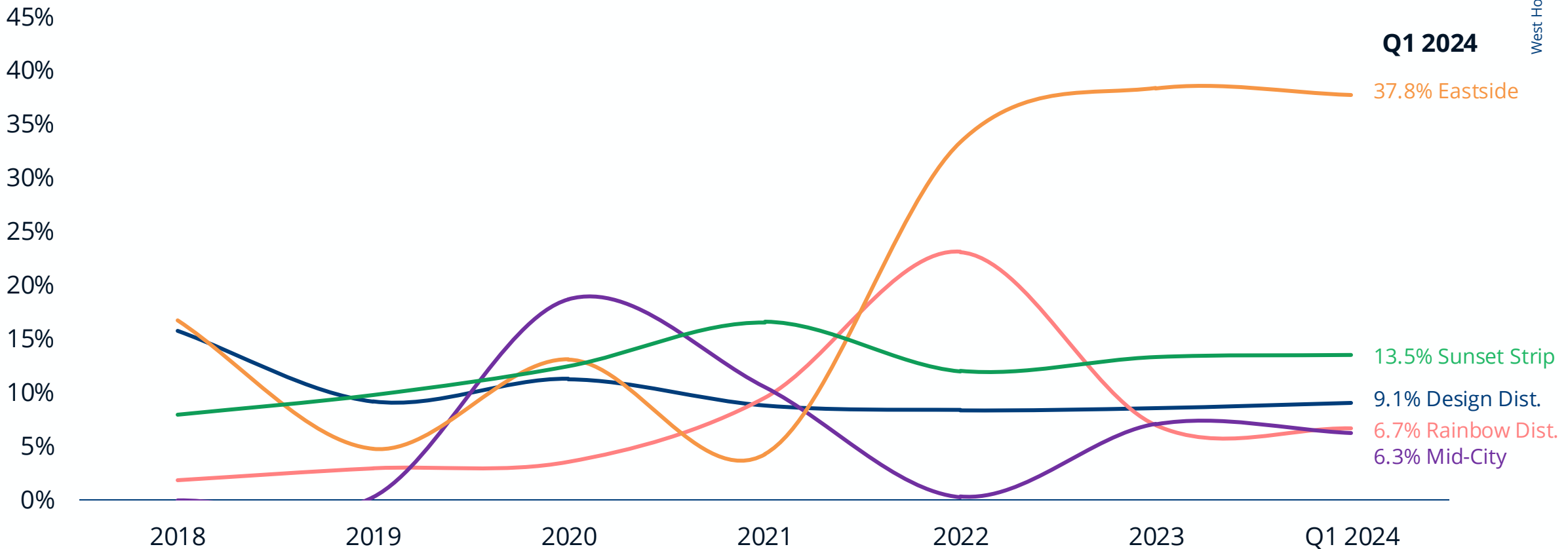
Average Subarea Office Gross Rents per Square Foot per Year



SUBAREAS | OFFICE

After briefly stabilizing in 2021, **office vacancy rates in the Eastside skyrocketed** when CIM Group put the 1041 North Formosa Avenue property on the market, including the newly developed yet still completely vacant 98,000 sq. ft. Courtyard at The Lot building.

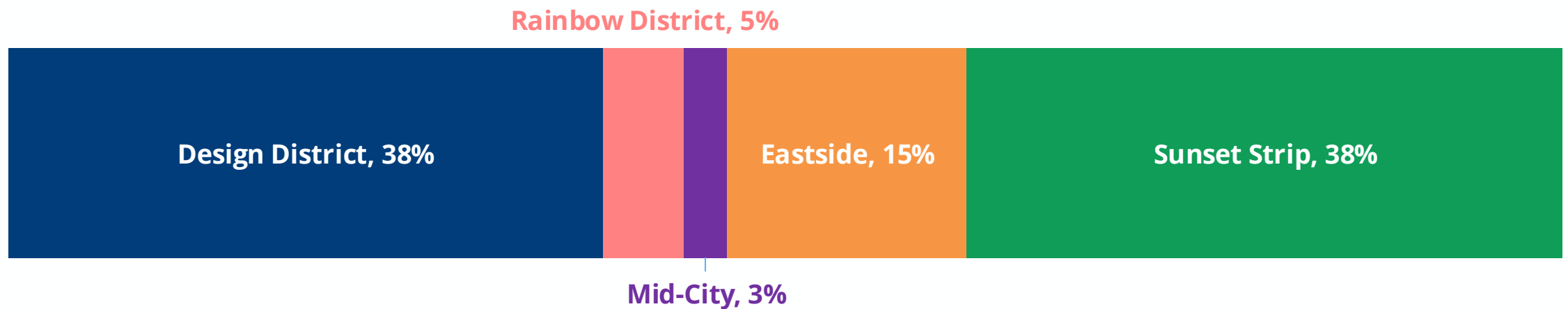
Office Vacancy Rate by Subarea



SUBAREAS | OFFICE

The Design District and Sunset Strip accounted for about 75% of all leasing activity over the past five years. Conversely, the Rainbow District and Mid-City accounted for 5% and 3% of activity, respectively, despite comprising 15% and 6% of the city's office space.

Gross Absorption of Office Space by Subarea (% of Square Feet)
(2018-2023)



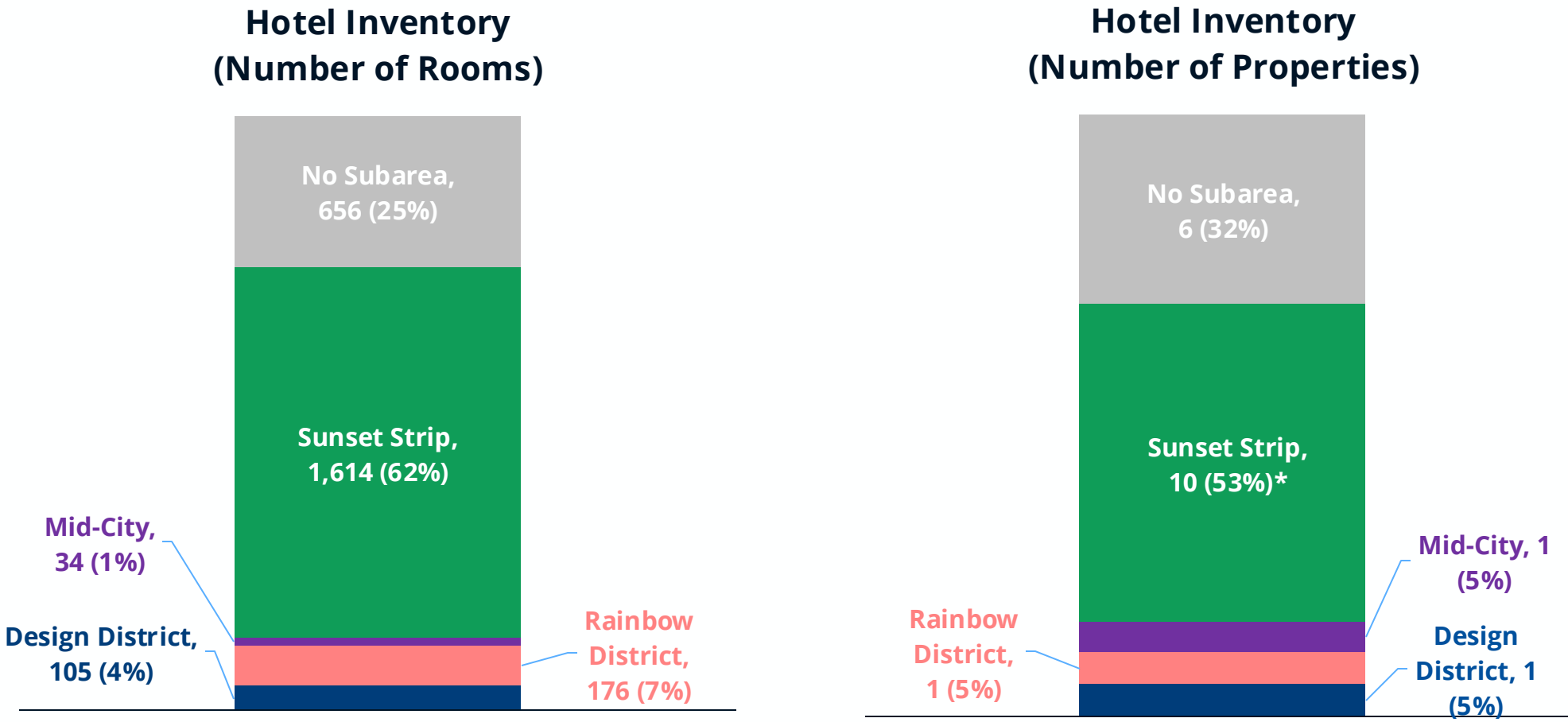


03.3

Hotel

SUBAREAS | HOTEL

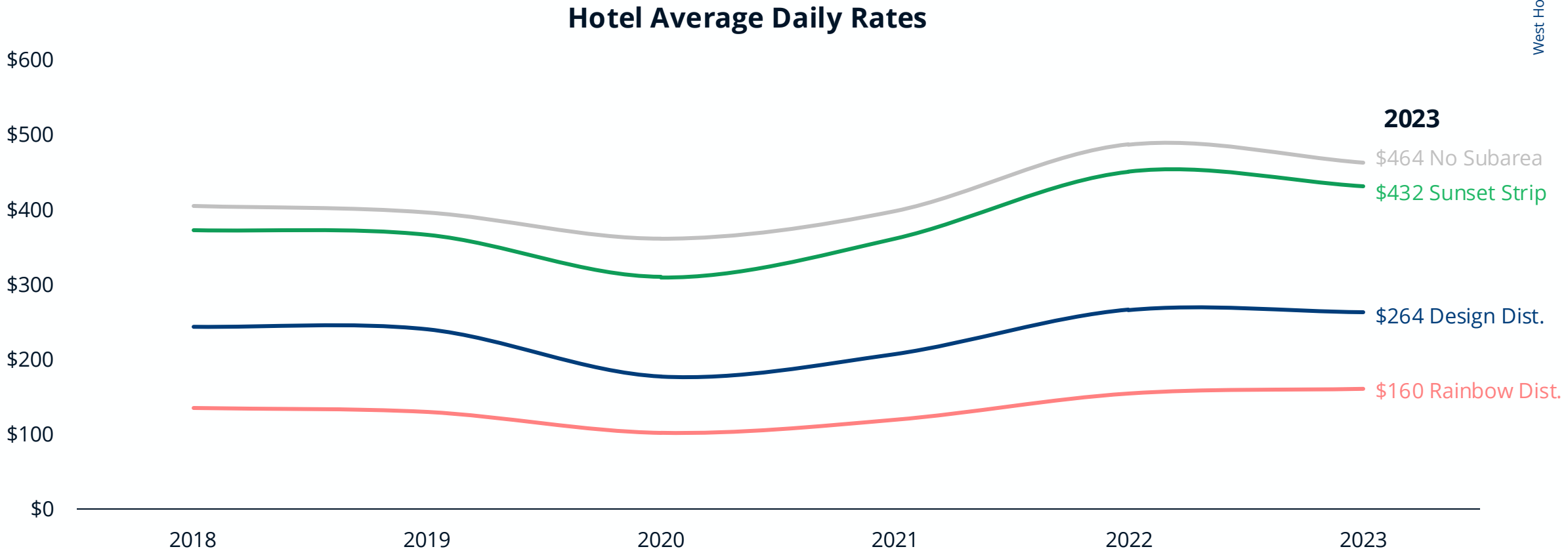
The Sunset Strip is West Hollywood’s undisputed hospitality hub, hosting over 60% of rooms in the city. Other Westside subareas – the Design District, Rainbow District, and Mid-City – have modest inventories, and there are no hotels in Eastside.



*The Sunset Strip subarea includes the yet to open Public Hotel.
 Note: "No Subarea" hotels are hotels located within West Hollywood but not within a subarea as defined in this document. Source: Visit West Hollywood.

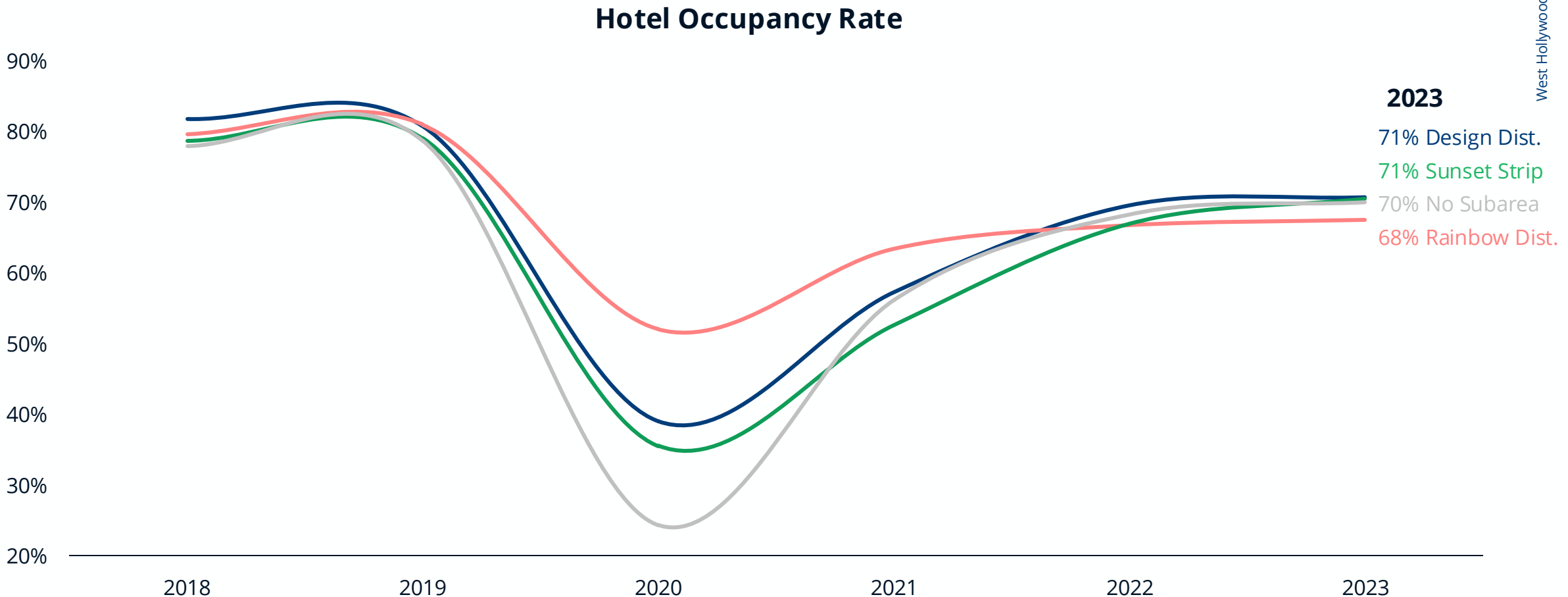
SUBAREAS | HOTEL

Average Daily Rates (ADR) in all subareas now exceed pre-pandemic levels, which accounts for the strong rebound in Transient Occupancy Tax revenues despite ongoing recovery in hotel occupancy (see next slide). Luxury hotels characterize the Sunset Strip's hospitality market, as evidenced by its exceptionally high ADR.



SUBAREAS | HOTEL

Hotel occupancy rates are comparable across subareas and healthy but have not yet returned to pre-pandemic levels. COVID-19 had a more modest effect on the Rainbow District, which has lower ADRs and caters to more rate-sensitive customers.





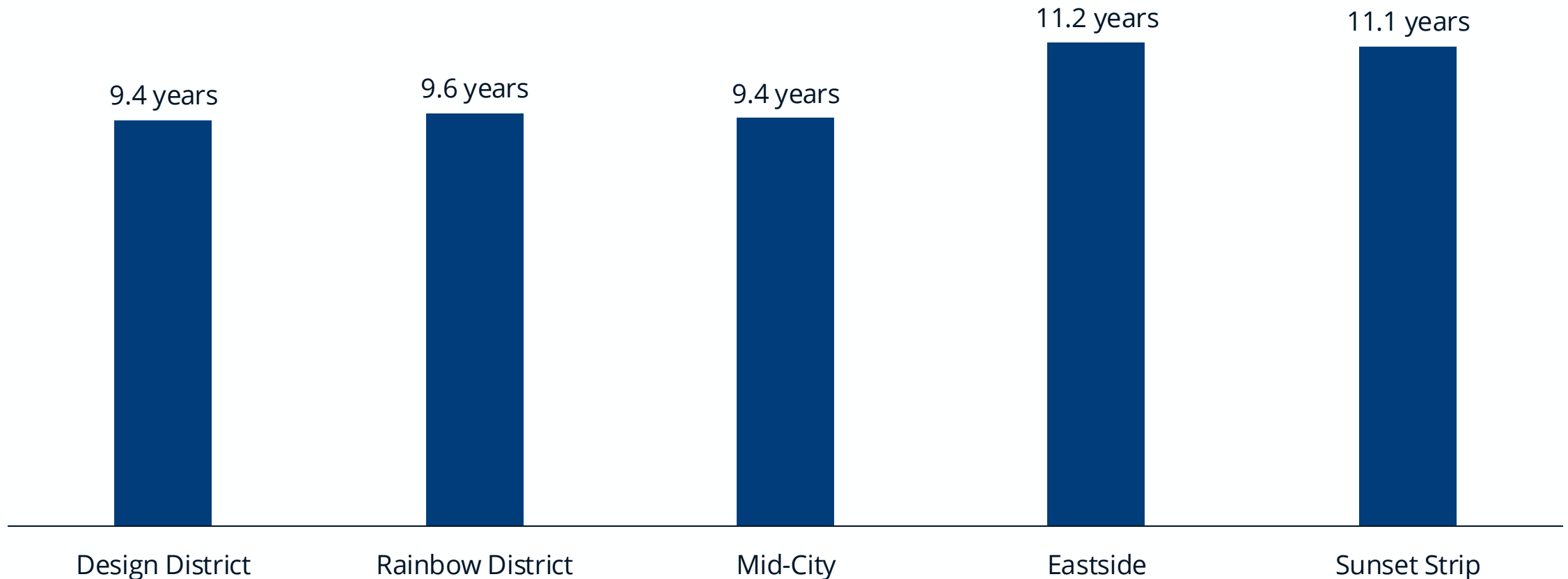
03.4

Business and Employment

SUBAREAS | BUSINESS AND EMPLOYMENT

The average age of businesses is comparable across subareas.

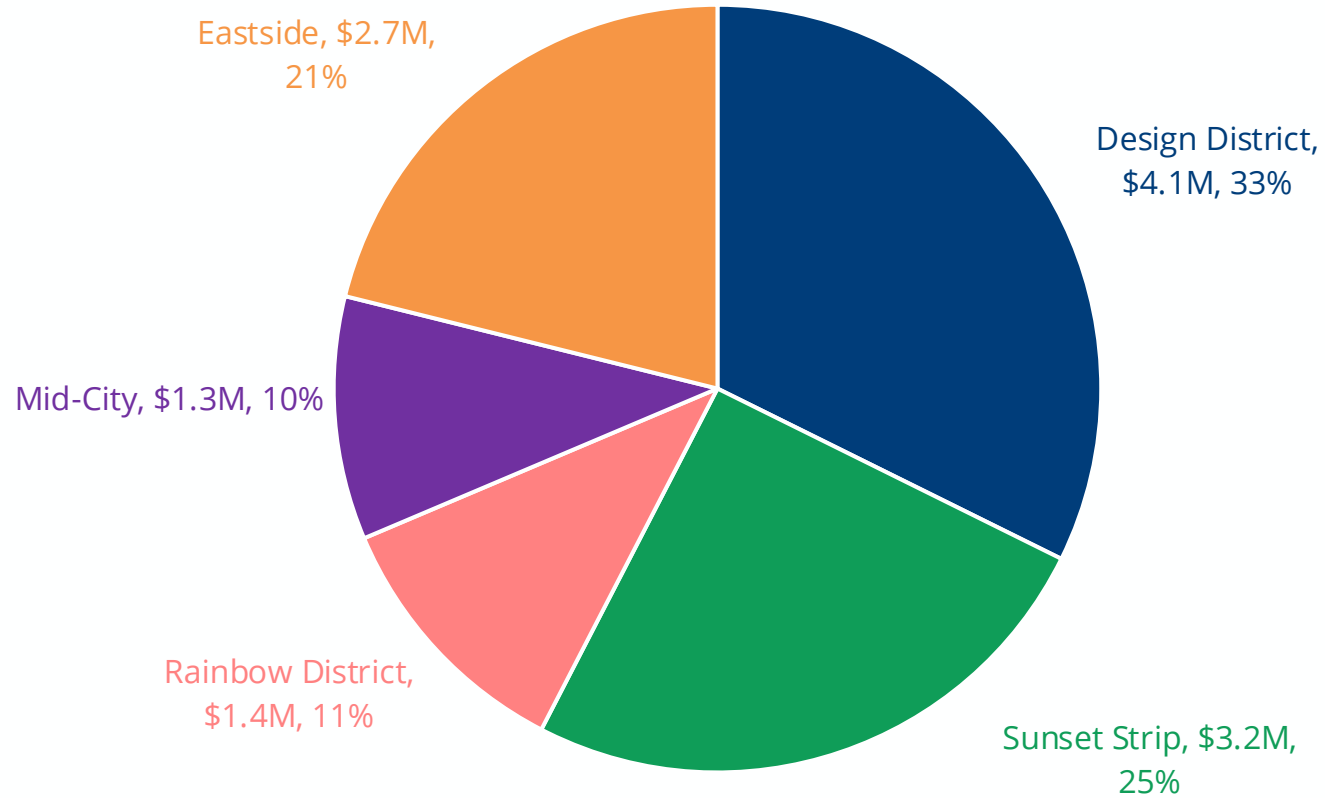
Average Age of Businesses by Subarea



TAXABLE SALES

With higher-end offerings in retail, food & beverage, and nightlife, the **Westside subareas** account for about **58% of all taxable sales** in West Hollywood.

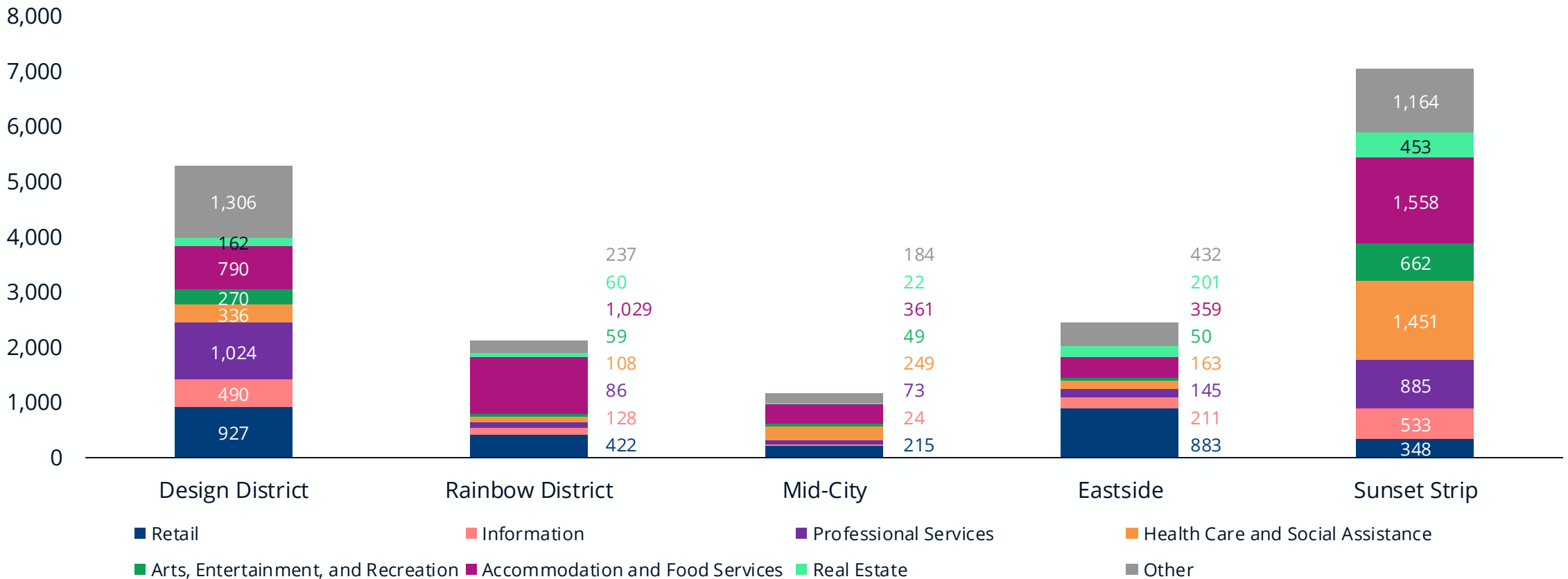
Taxable Sales (2023 Q1-Q3)



SUBAREAS | BUSINESS AND EMPLOYMENT

Unsurprisingly, **the Design District and Sunset Strip host the most jobs in almost every industry.** Notably, the Rainbow District has the second-most jobs in accommodation and food services, while the Eastside has the second-most retail jobs.

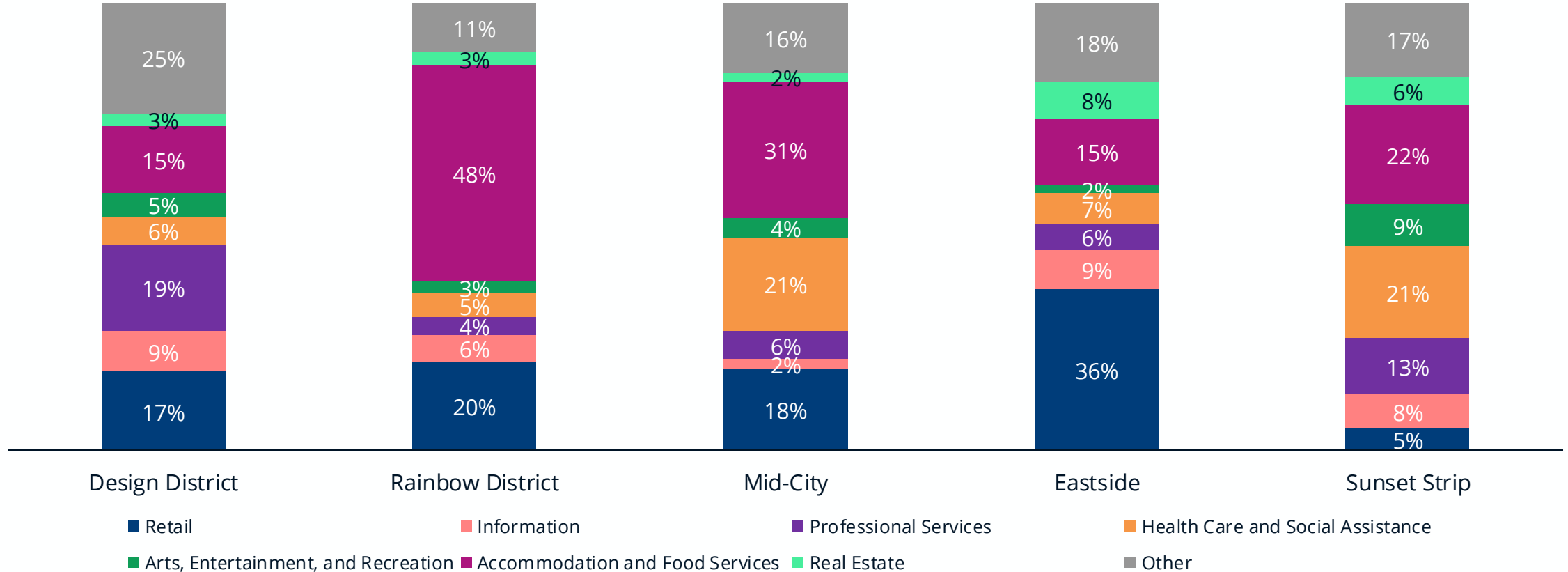
Employment Composition by Subarea (2021)



SUBAREAS | BUSINESS AND EMPLOYMENT

The largest sector in all subareas is accommodation and food services, or retail, except for the Design District, where it is professional services.

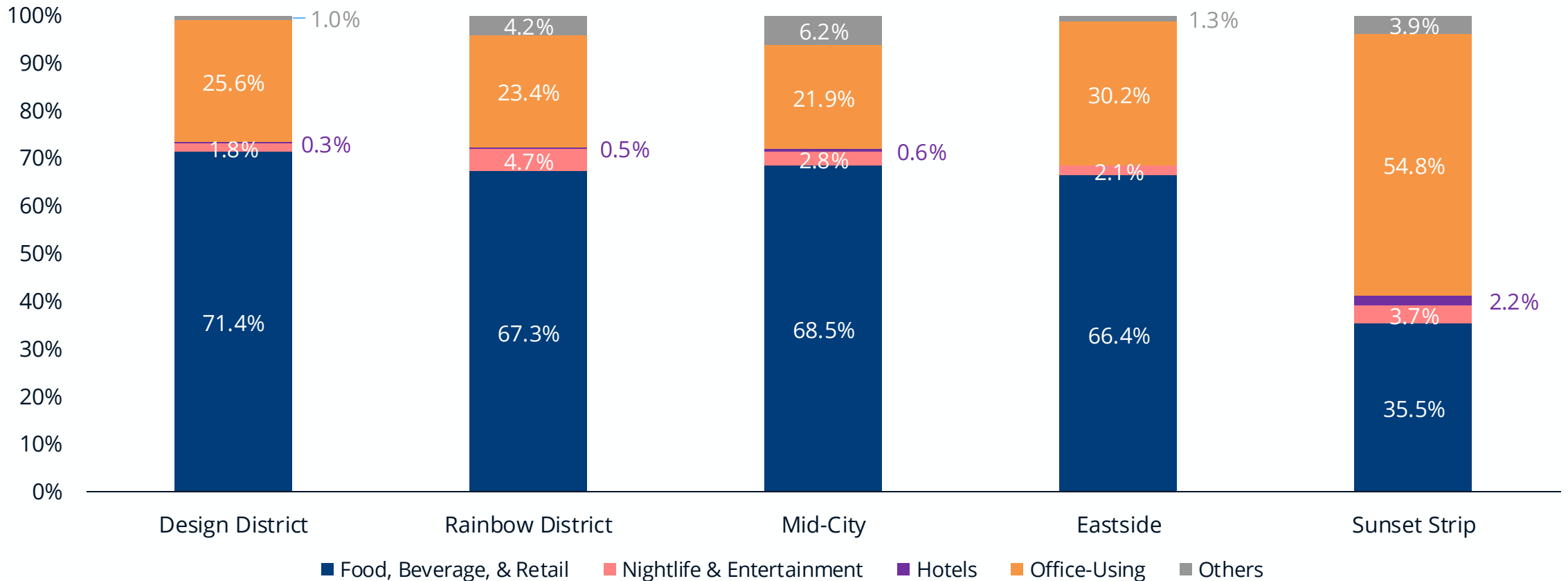
Employment Composition by Subarea as Percent of Total (2021)



BUSINESS COMPOSITION

Retail businesses form the majority in all subareas except the Sunset Strip, where office-using businesses predominate. The west end of the corridor hosts a higher concentration of commercial towers.

Business Type Breakdown by Subarea (2024)





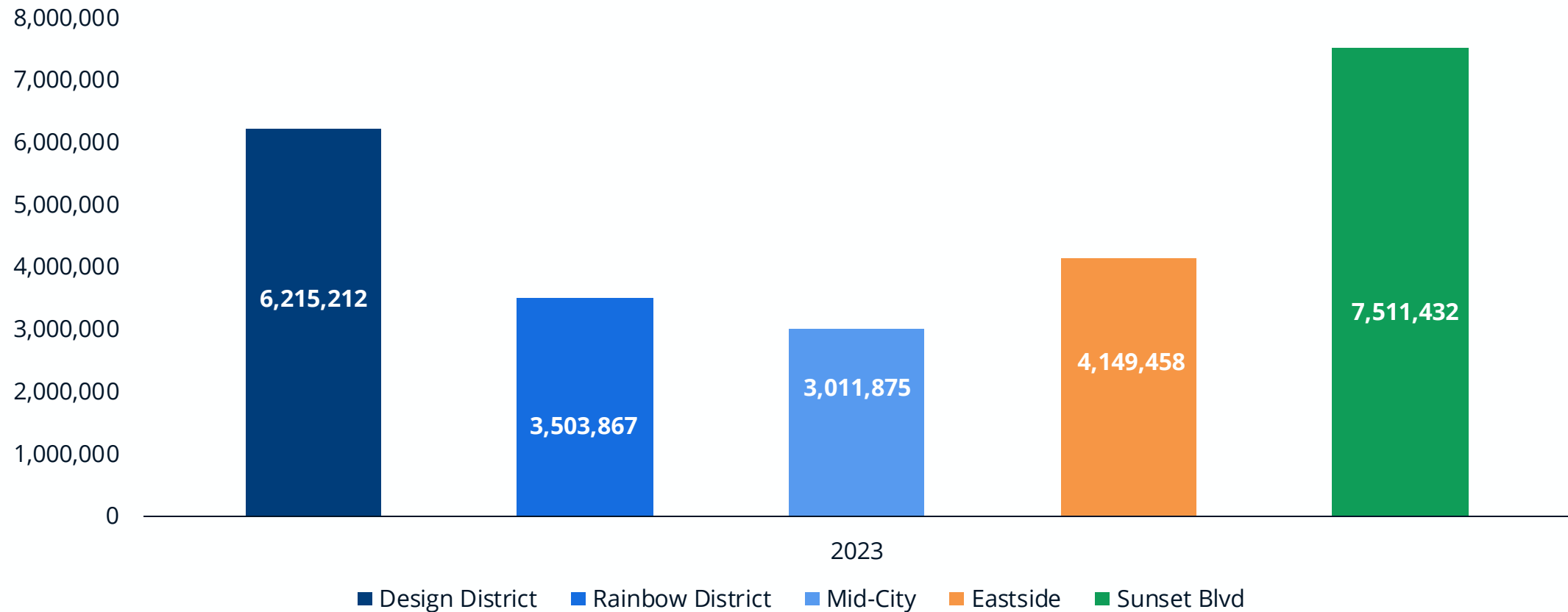
| 03.5

Visitation

SUBAREAS | VISITATION

Visitation is highest on the City's west side, namely on Sunset and in the Design District.

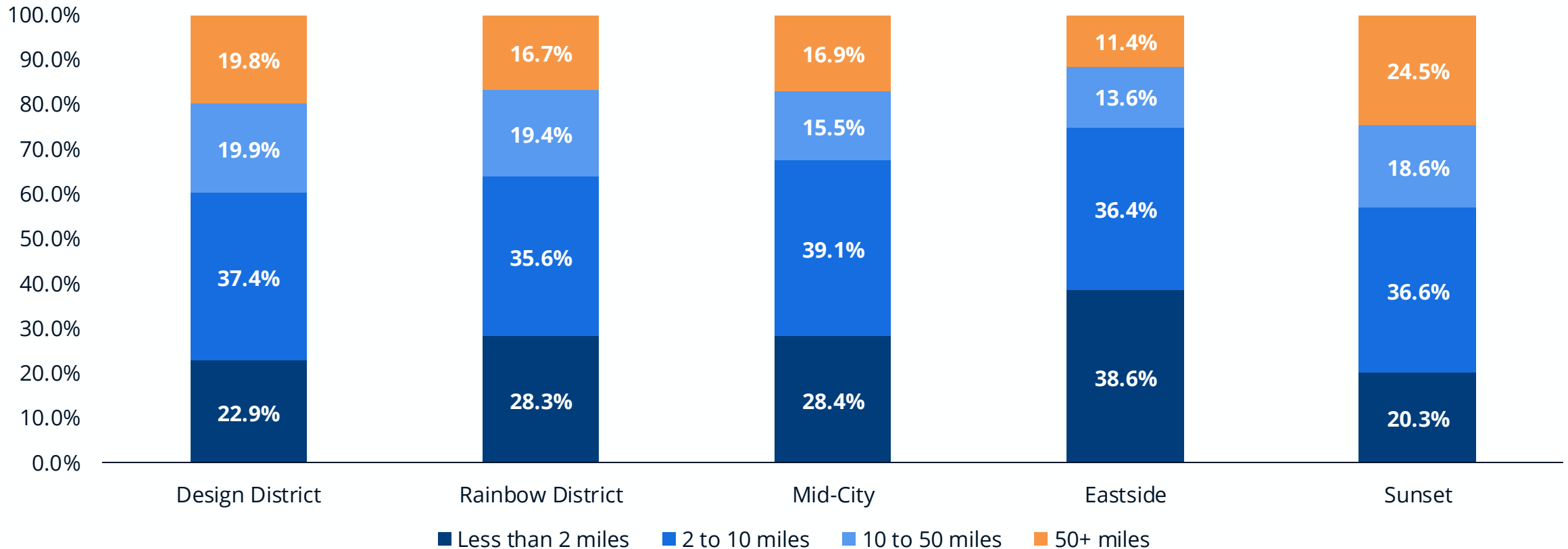
Number of Total Visits (2023)

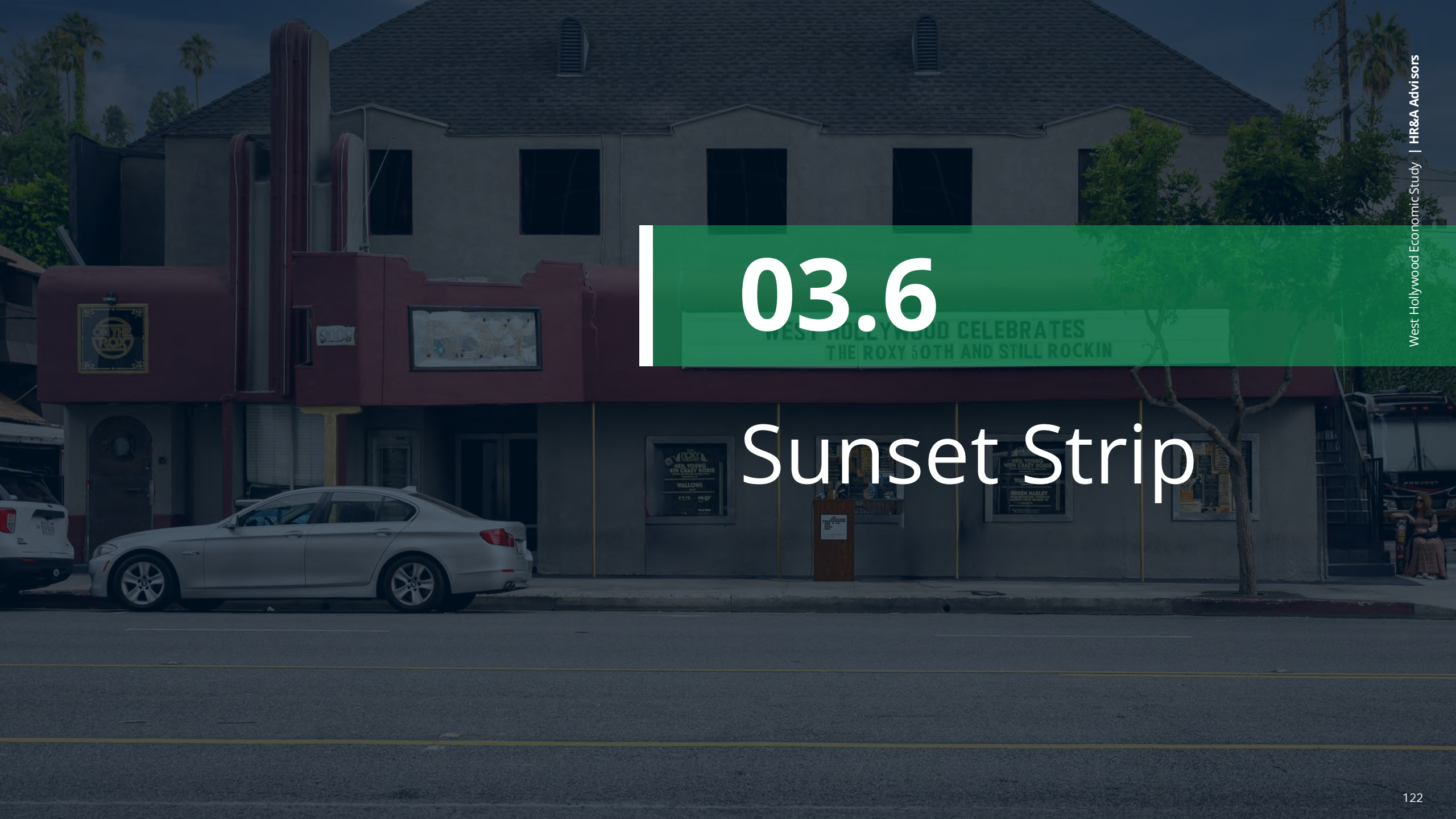


SUBAREAS | VISITATION

Nearly one-quarter of all visitors to Sunset live 50+ miles away – the largest share of any subarea. The Rainbow District, Mid-City, and Eastside are relatively more “neighborhood-serving,” with at least 28 percent of all visitors living less than two miles away.

Visitor Origin by Distance





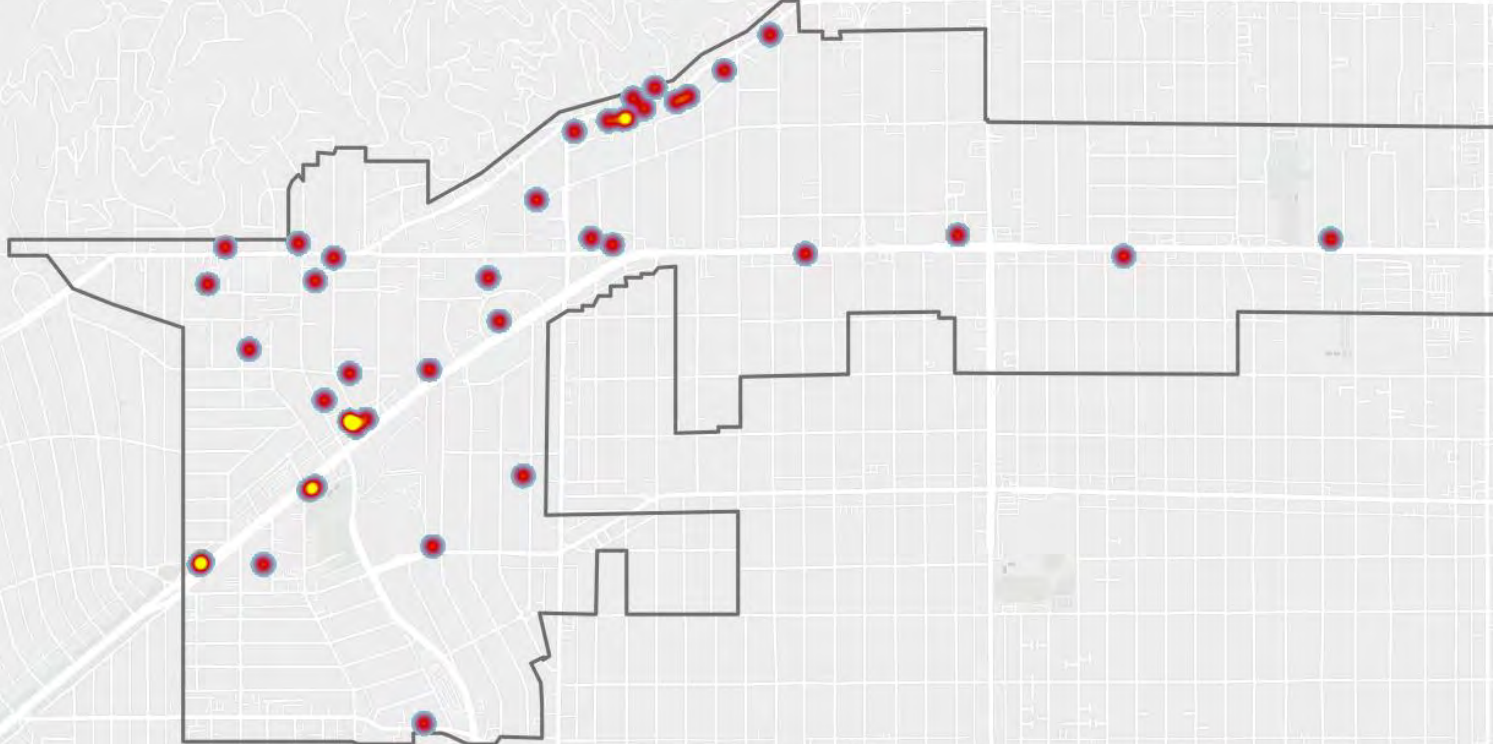
03.6

Sunset Strip

SUNSET STRIP

The **Sunset Strip** is a major commercial hub characterized by visitor-serving uses like luxury hotels, full-service restaurants, bars, nightlife venues, and boutique retail.

Heatmap of Hotels, Bars, and Nightclubs (2024)



Source: City of West Hollywood Business Tax Data, Visit West Hollywood..



Source: City of West Hollywood; HR&A Advisors

SUNSET STRIP

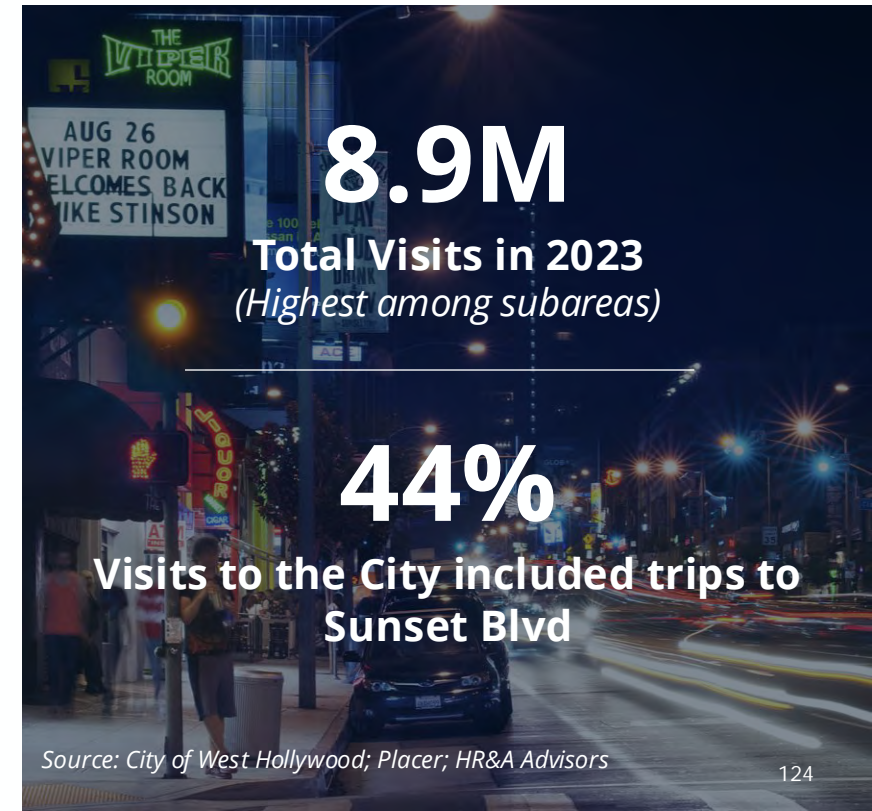
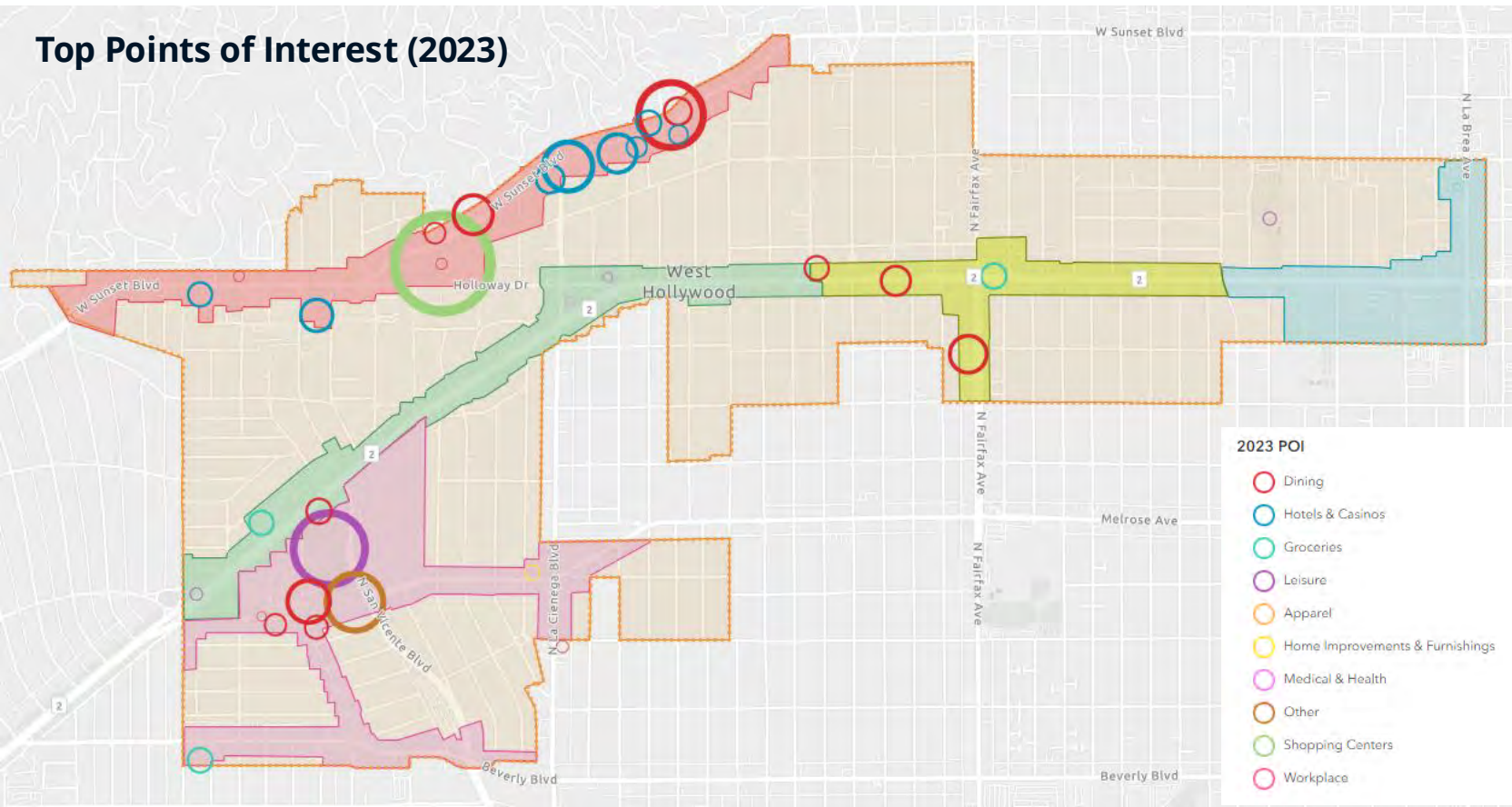
Most of the City's top visitor destinations are located along the corridor, which contributes to robust visitation and sales activity. In 2023, the Sunset Strip accounted for 25% of all taxable sales in West Hollywood.



\$3.2M

Taxable Sales in 2023 (Q1-Q3)
(25% of City total)

Top Points of Interest (2023)



8.9M

Total Visits in 2023
(Highest among subareas)

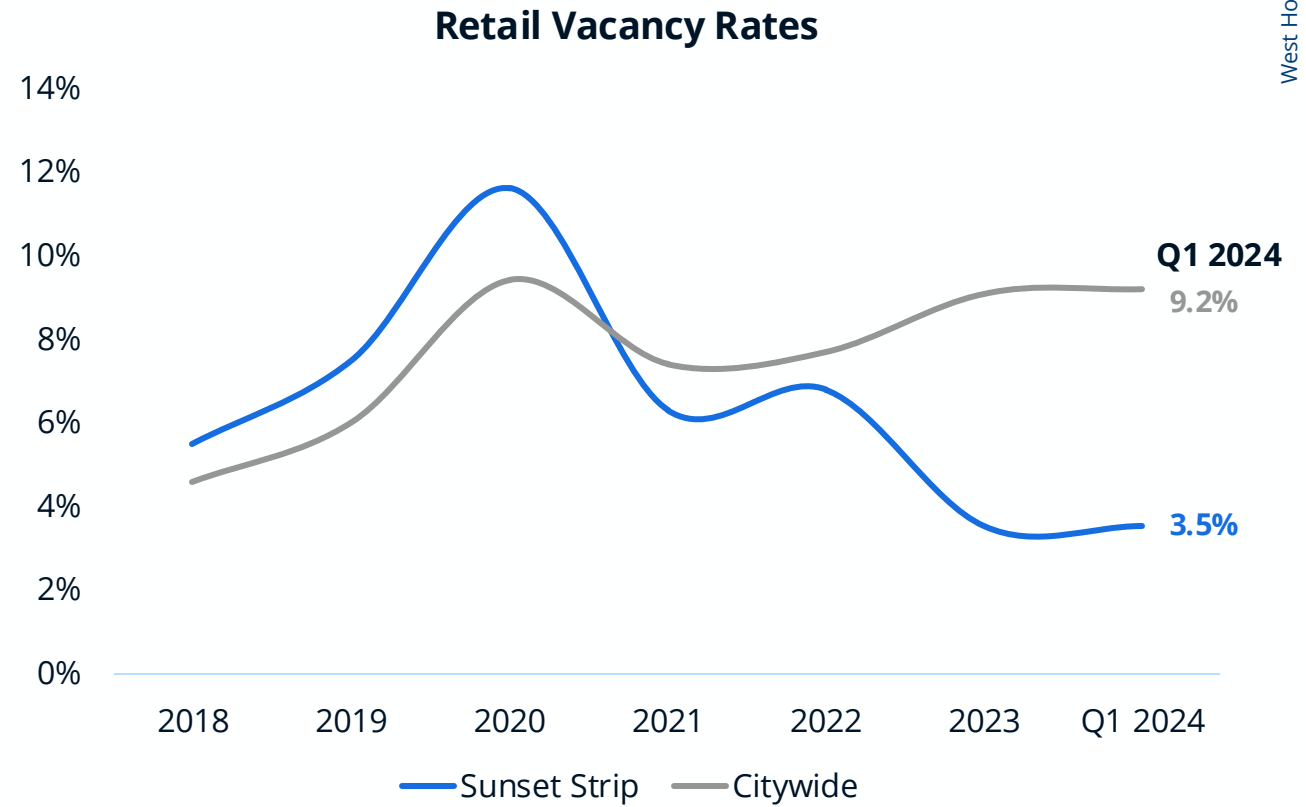
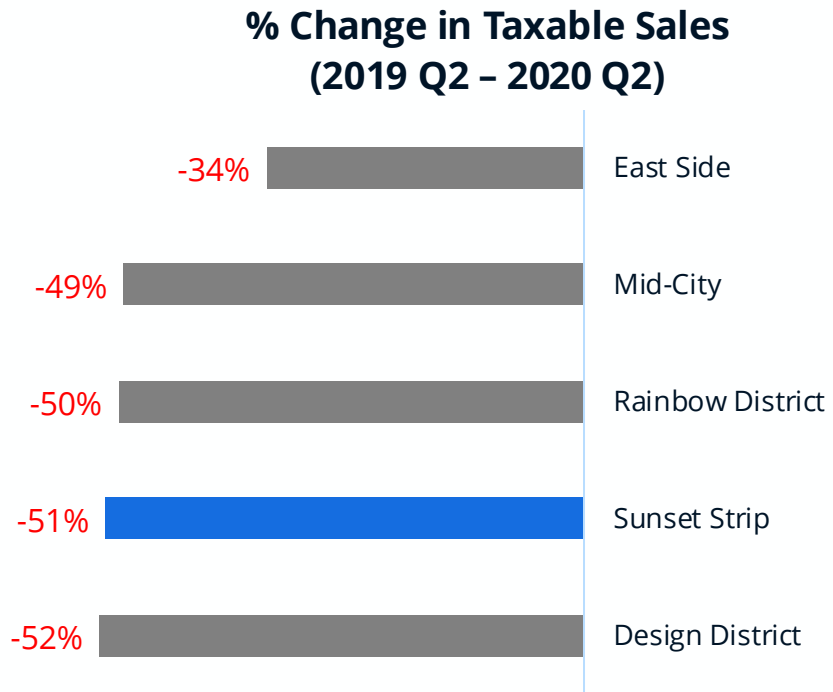
44%

Visits to the City included trips to Sunset Blvd

Source: City of West Hollywood; Placer; HR&A Advisors

SUNSET STRIP

The bevy of “pull factors” on Sunset creates a **high-demand retail environment** with an exceptionally low vacancy rate. However, while there is upside to locating within visitor-serving areas, there is also greater risk due to **unexpected shocks to consumer demand, as evidenced in the taxable sales decline during the pandemic.**

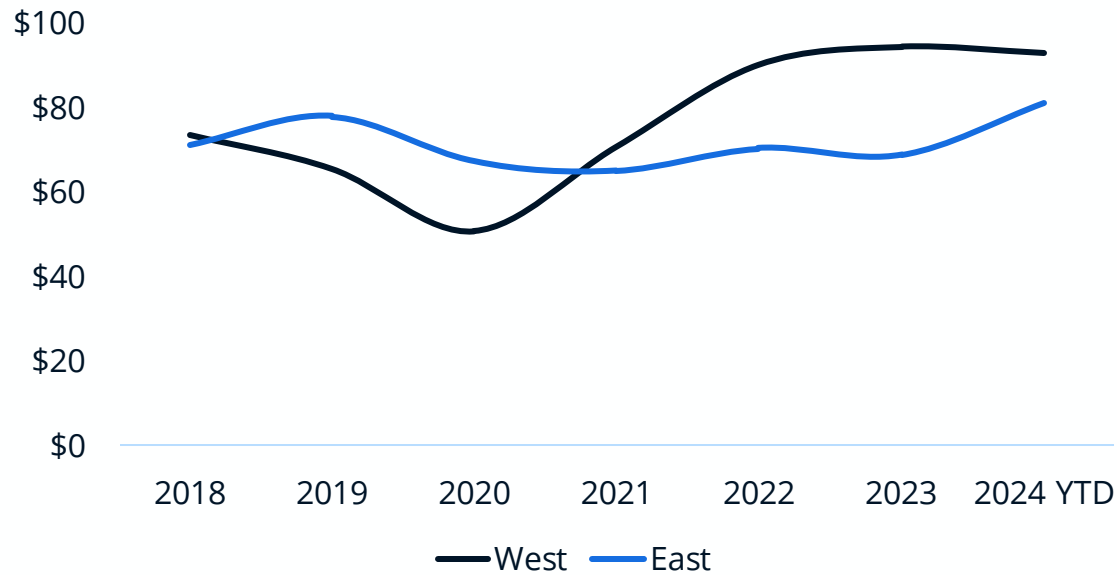


Source: City of West Hollywood; CoStar

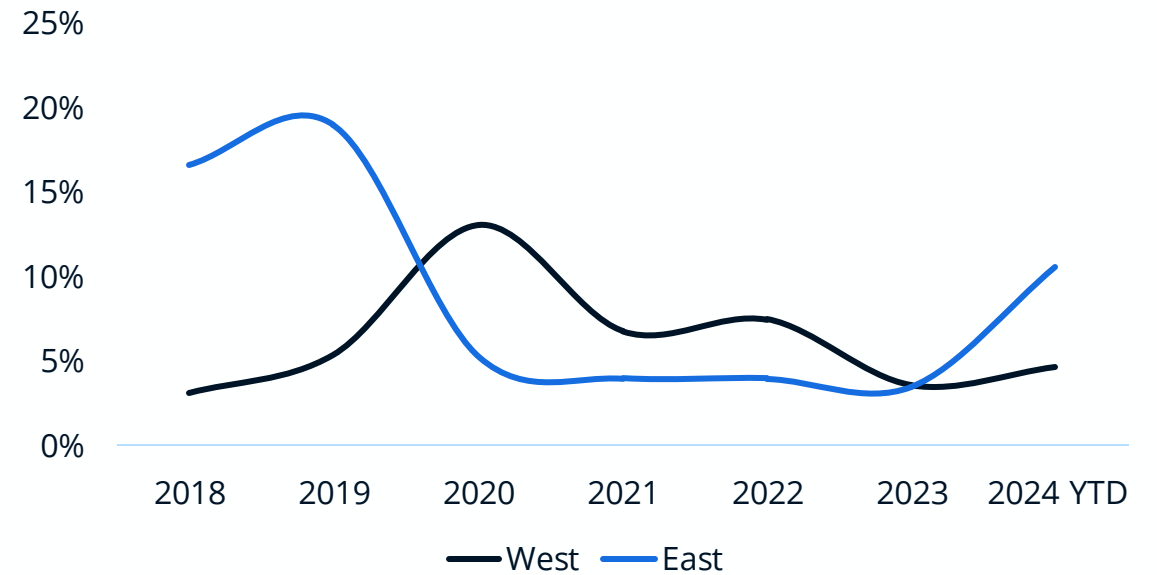
SUNSET STRIP

Although points of interest are well-dispersed, **retail performance varies along on the corridor**. Both before and after the Pandemic, the Sunset Strip's west end (west of La Cienega Boulevard) has fared much better than the east end.

**NNN Retail Rents:
West vs. East**

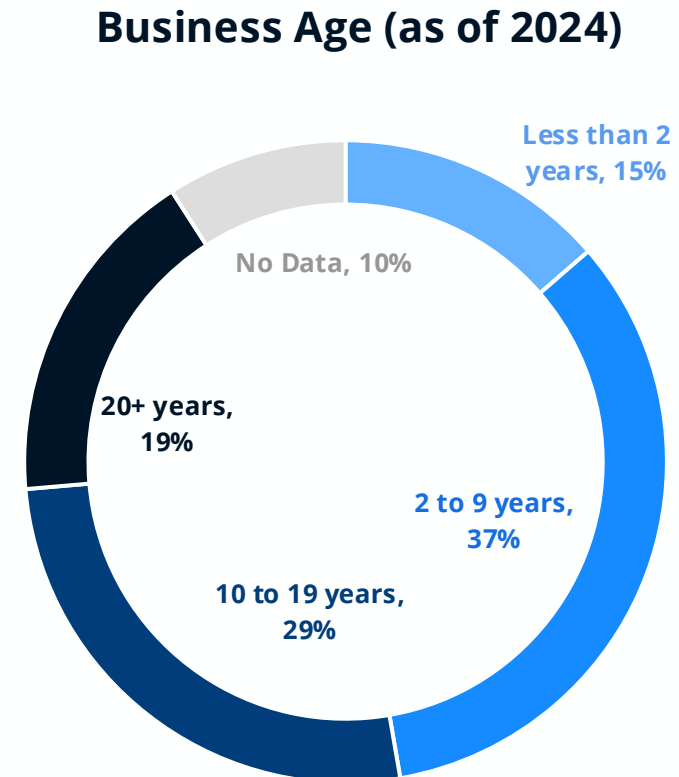
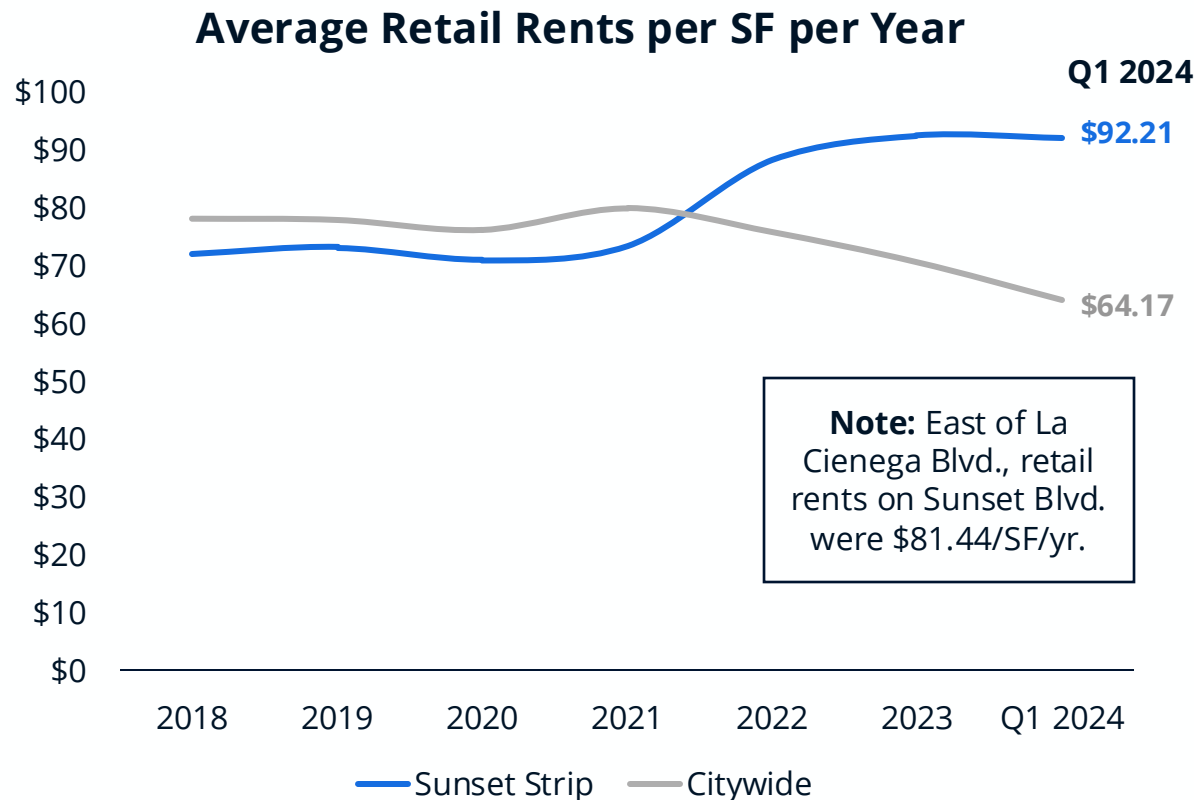


**Retail Vacancy Rate:
West vs. East**



SUNSET STRIP

High rents pose challenges for prospective market entrants, especially small businesses. Among subareas, Sunset hosts the lowest share of businesses less than two years old, indicating a much smaller share of startup businesses.





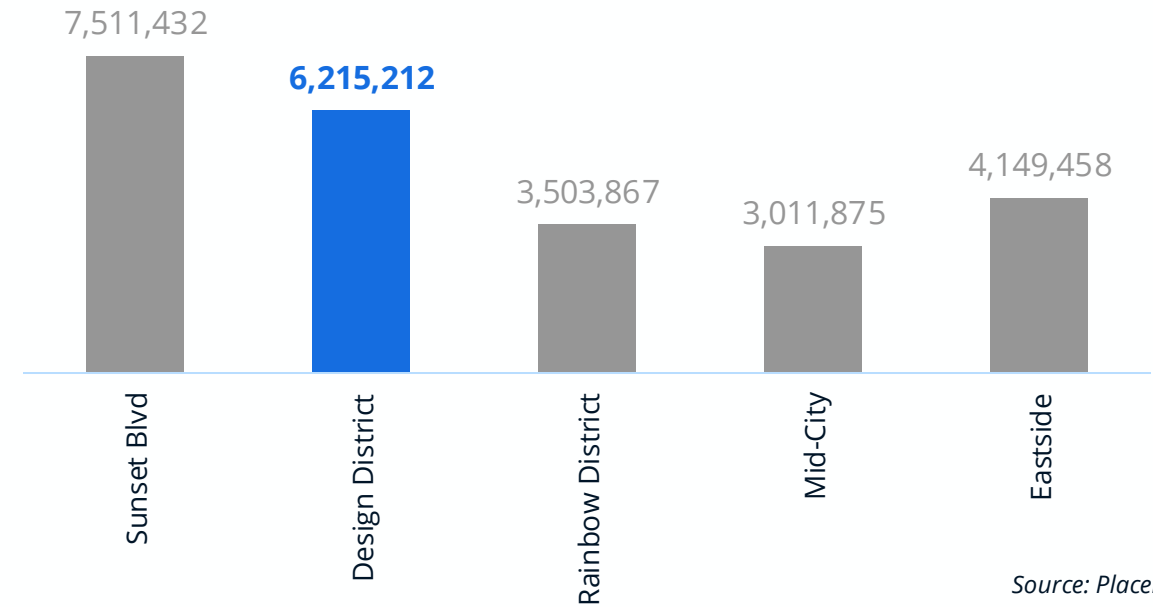
03.7

Design District

DESIGN DISTRICT

With several of the City's top 10 most visited destinations – including West Hollywood Park – the **Design District** hosted **2.2 million unique visitors** over **6.2 million total visits** in 2023.

Total Visits (2023)

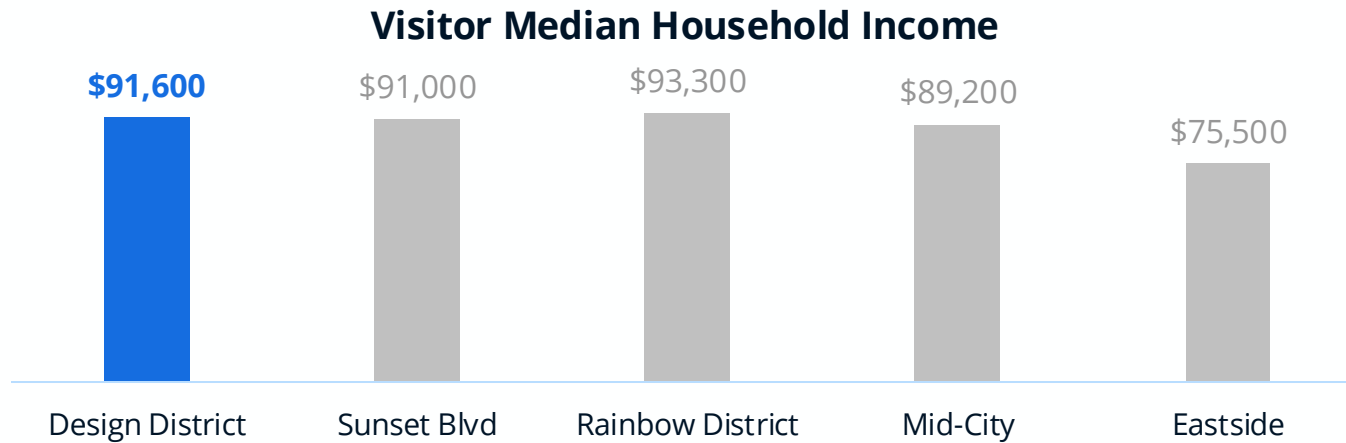


Source: Placer

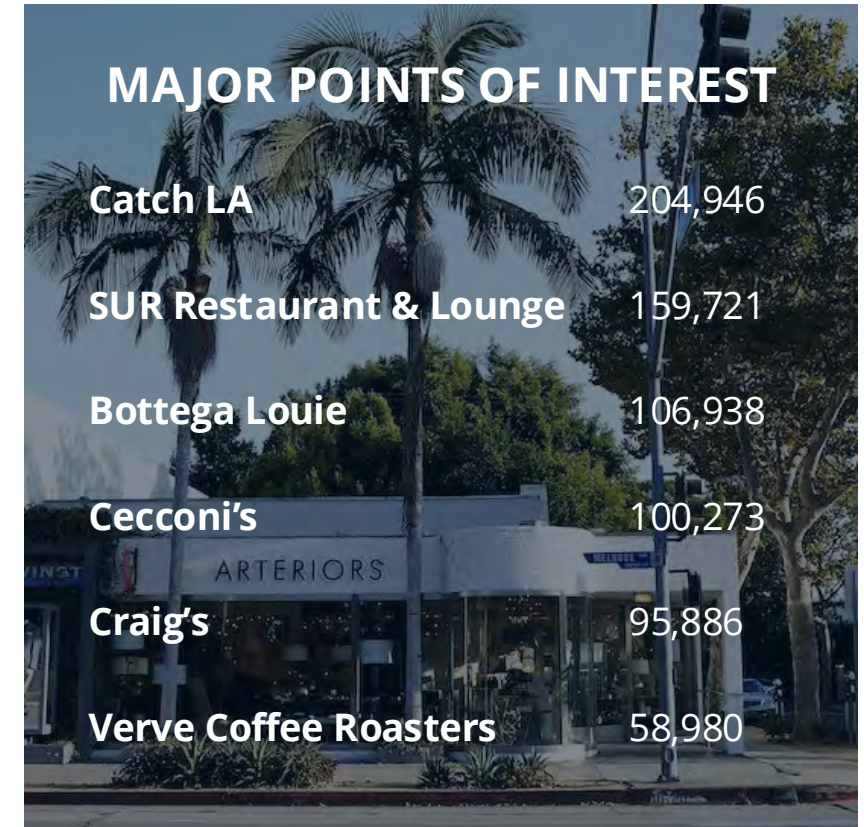
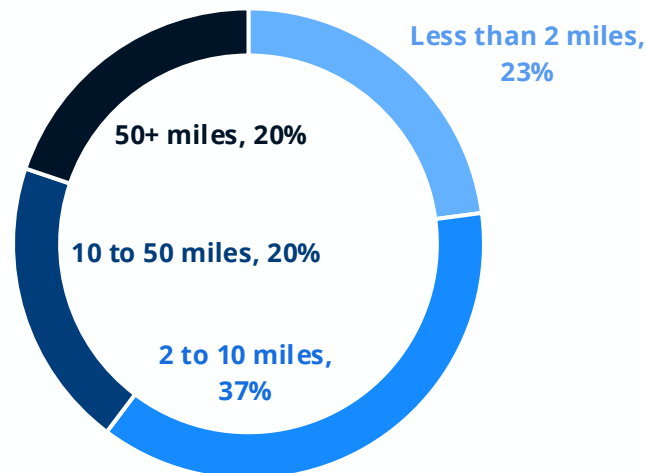


DESIGN DISTRICT

High-end restaurants are the most visited destinations in the Design District. These establishments draw wealthy visitors from near and far with 60% of visitors coming from less than 10 miles while 20% come from more than 50 miles away.

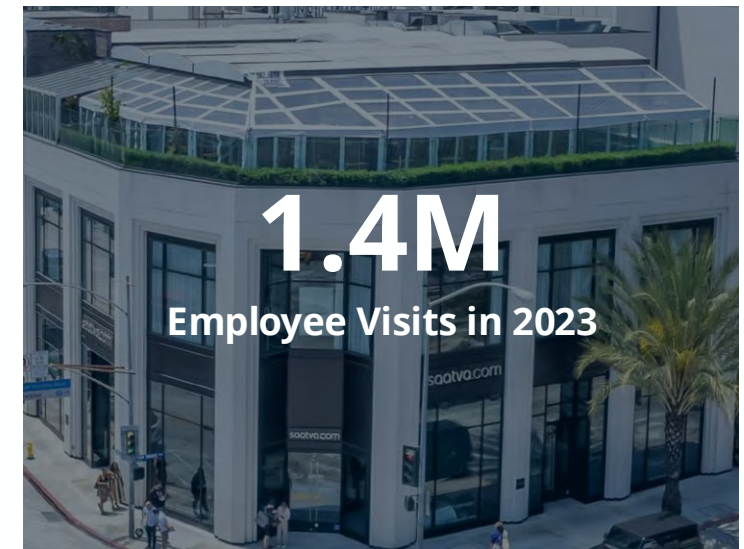
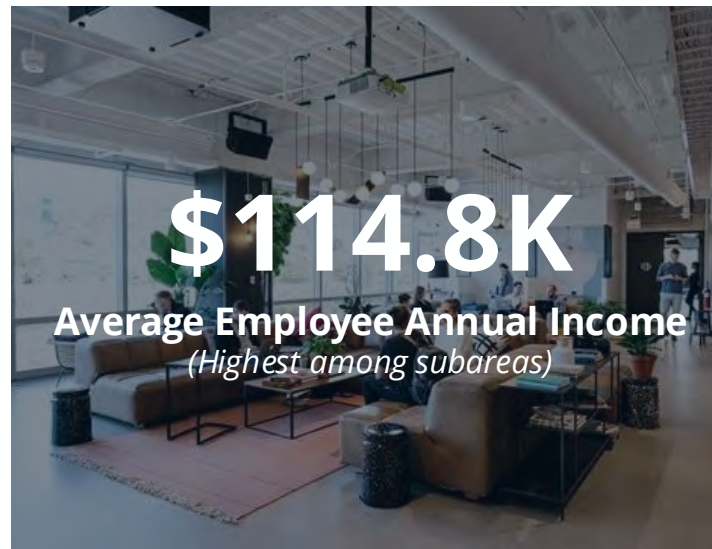
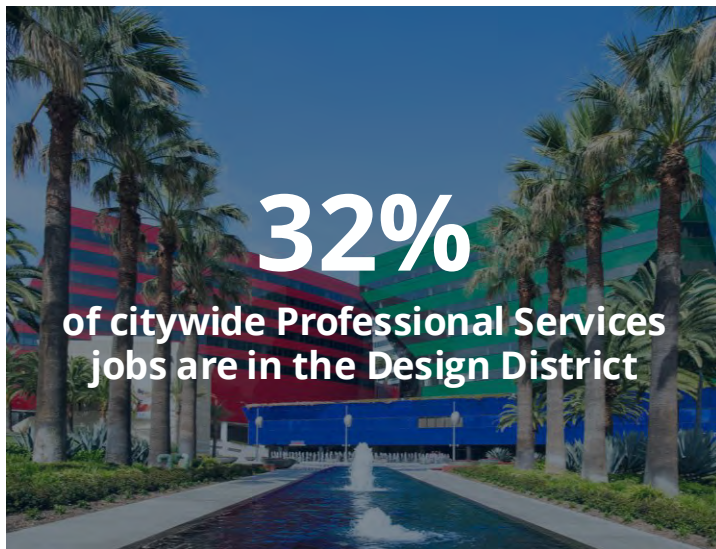


Visitor Origin by Distance



DESIGN DISTRICT

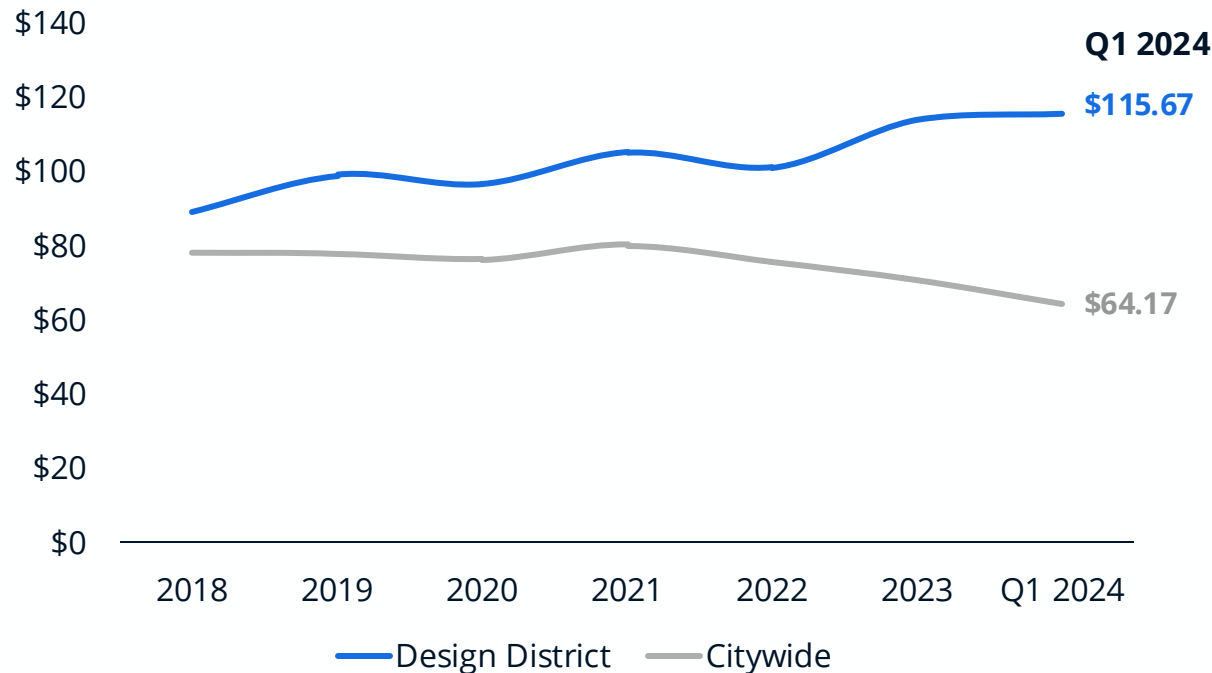
Lunchtime businesses are also well-positioned to capture demand from the subarea's robust workforce, which includes high-wage professionals in marketing, consulting, legal, and design fields, among others.



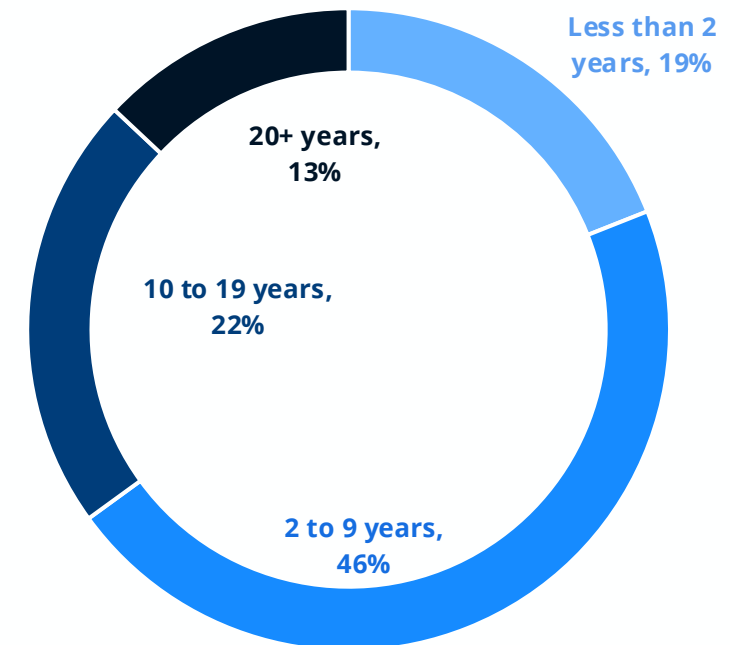
DESIGN DISTRICT

Like the Sunset Strip, **the Design District is generally inaccessible to non-luxury or non-corporate businesses** given its high-cost environment. Upscale restaurants, high-end boutiques, home furnishings stores, and craft coffee roasters headline recent entries to the retail market.

Average Retail Rent per Square Foot per Year



Business Age





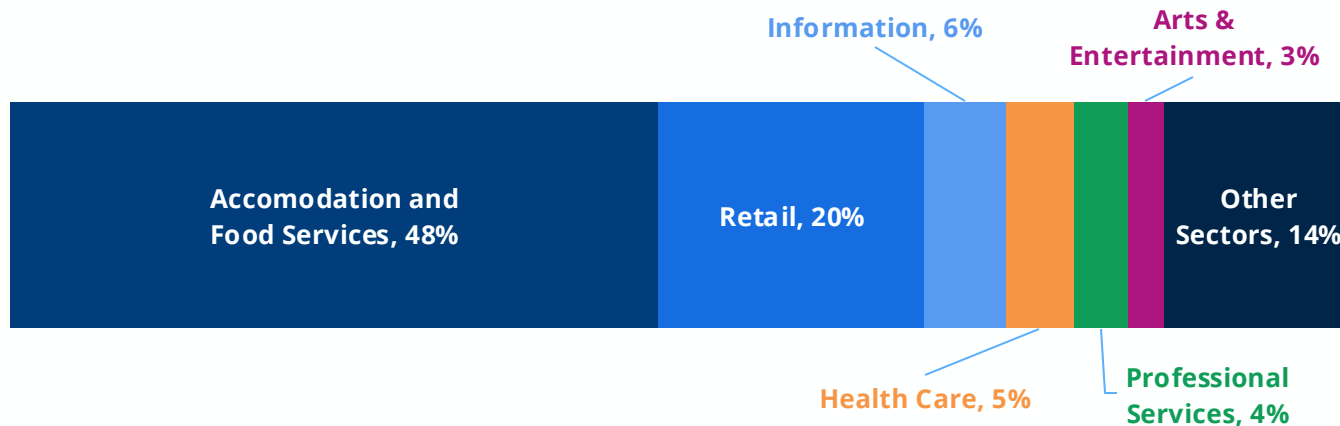
03.8

Rainbow District

RAINBOW DISTRICT

The Rainbow District is renowned for its vibrant nighttime economy, drawing visitors from across the region and nation. Restaurants, particularly late-night eateries, are well-positioned to benefit from significant nighttime visitation.

Rainbow District Jobs Breakdown (2021)



Source: U.S. Census LEHD; Placer; City of West Hollywood

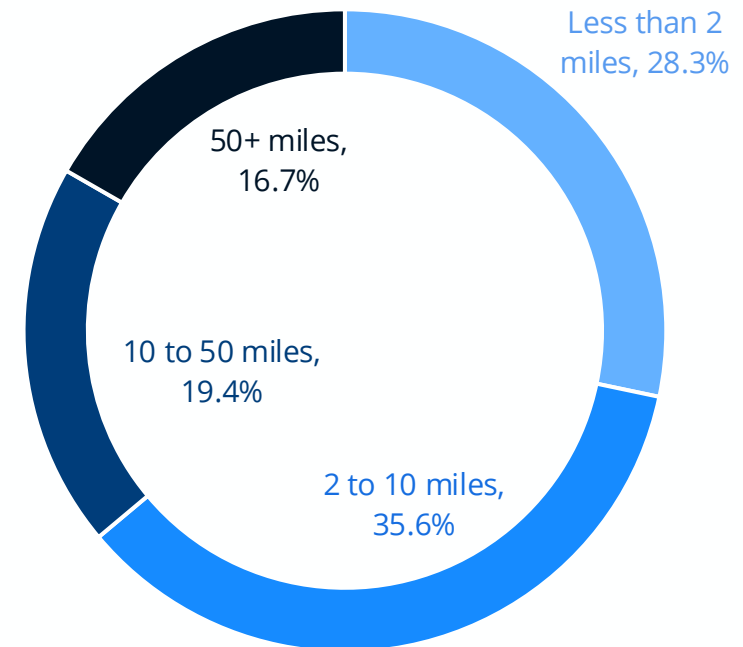


RAINBOW DISTRICT

By day, this subarea serves as **West Hollywood’s “urban village,”** housing a robust mix of community-serving retail establishments. As such, over a quarter of all visitors live less than two miles away.

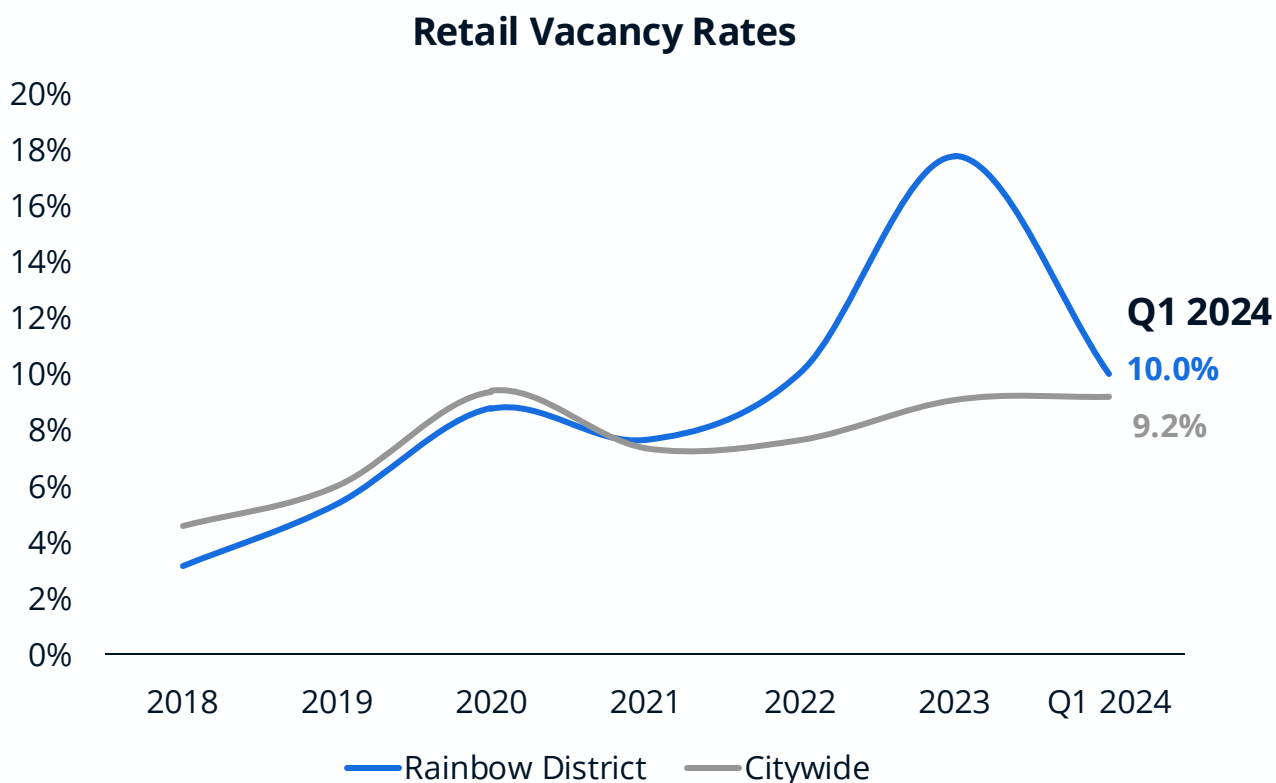


Visitor Origin by Distance



RAINBOW DISTRICT

Despite robust visitation and a large, diverse inventory, **retail vacancy rates have steadily escalated since even before the pandemic.** Numerous factors may account for this trend, including aging retail stock and changing shopping behaviors.



Source: CoStar; Gallup; The Guardian

Young Adults in U.S. Drinking Less Than in Prior Decades

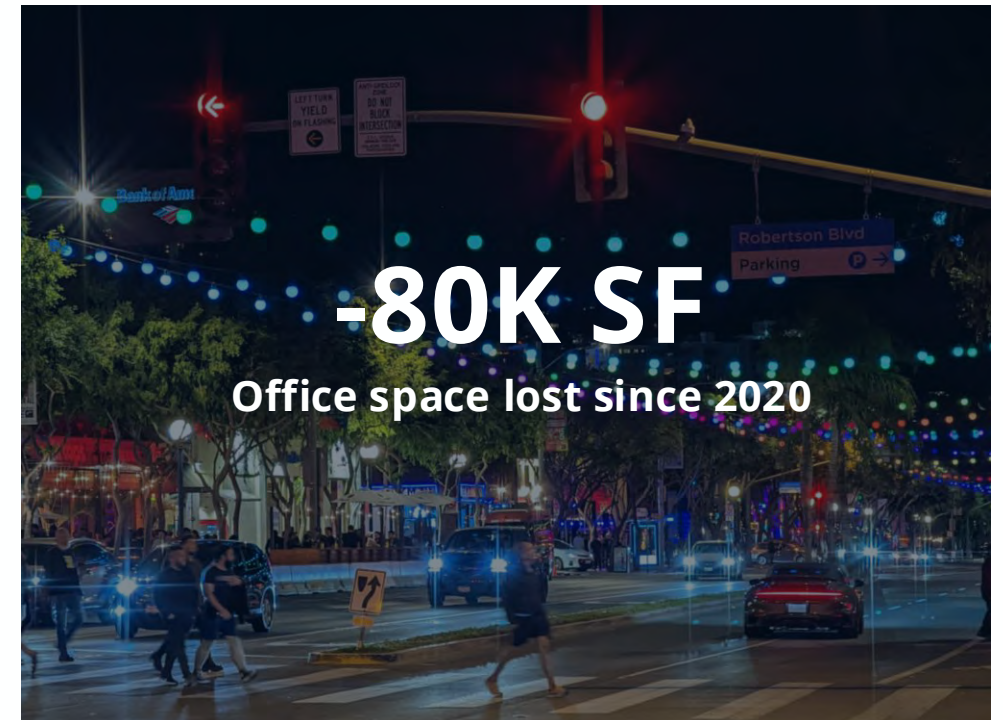
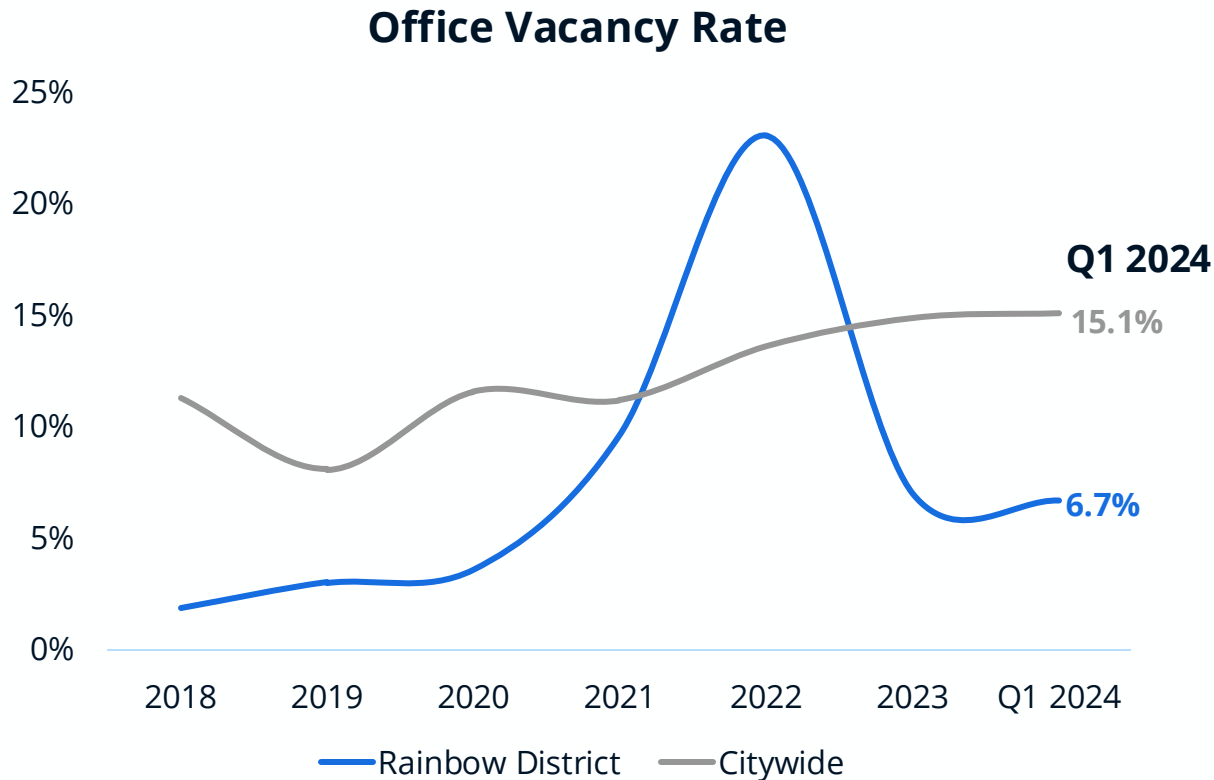
BY LYDIA SAAD



“I’d love to go out every weekend but I don’t have the money. You kind of keep quiet about what a struggle it is”

RAINBOW DISTRICT

Similar conditions face the office market, whose vacancy rate is higher than pre-pandemic levels. This trend, coupled with a contraction in the office inventory, suggests that **the subarea is increasingly uncompetitive as an office market.**



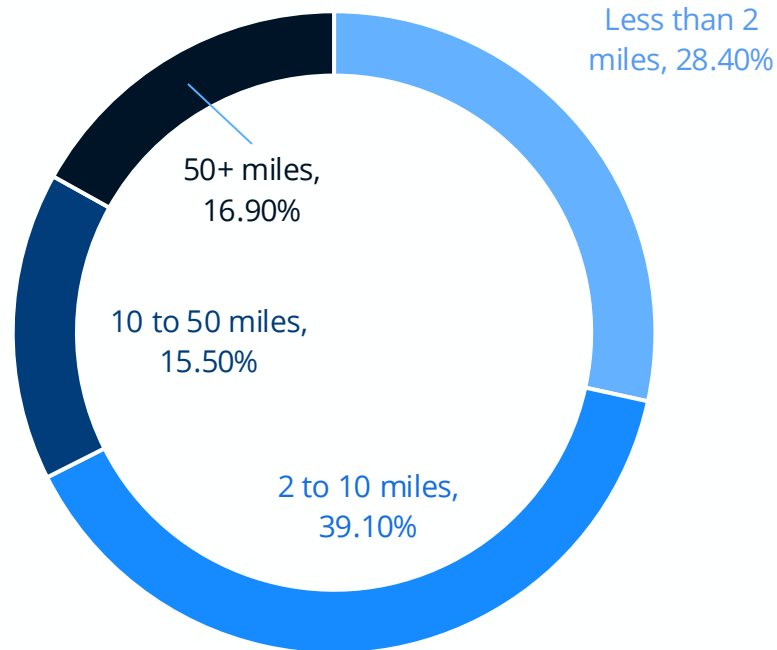


03.9
Mid-City

MID-CITY

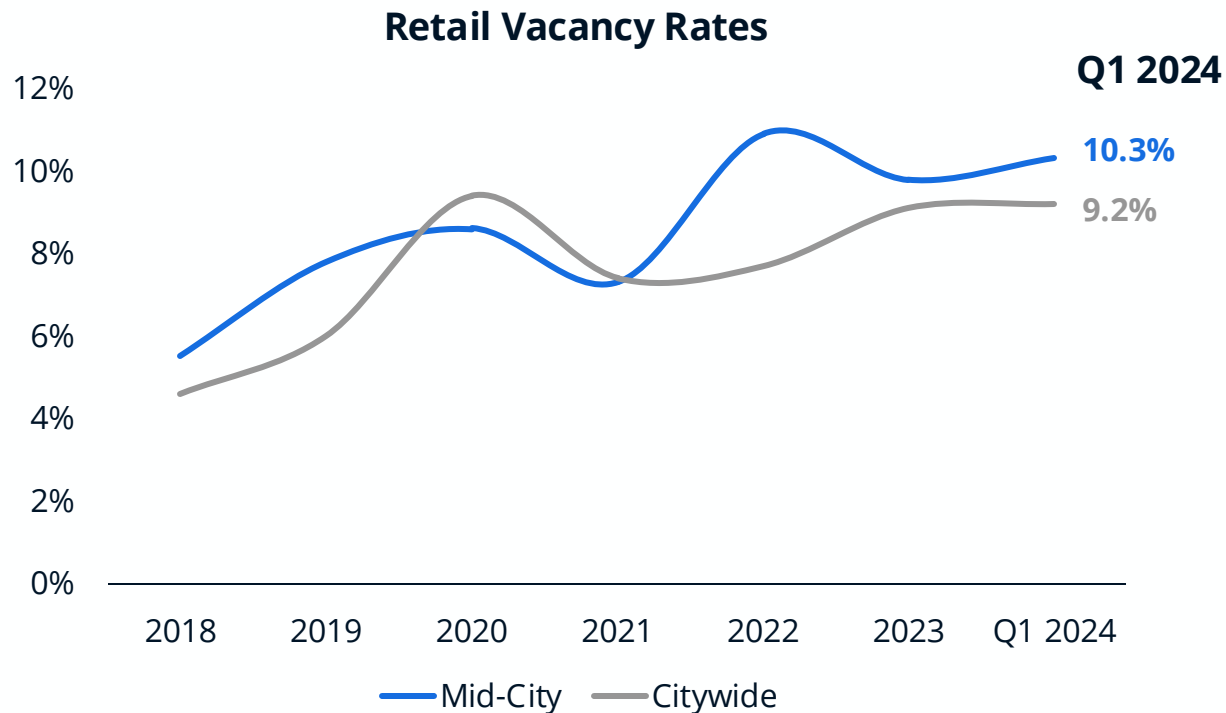
Mid-City features a wide range of neighborhood-serving establishments, **including the highest concentration of personal care businesses.** With amenities catering to the local population, **more than a quarter of all visitors live less than two miles away.**

Visitor Origin by Distance

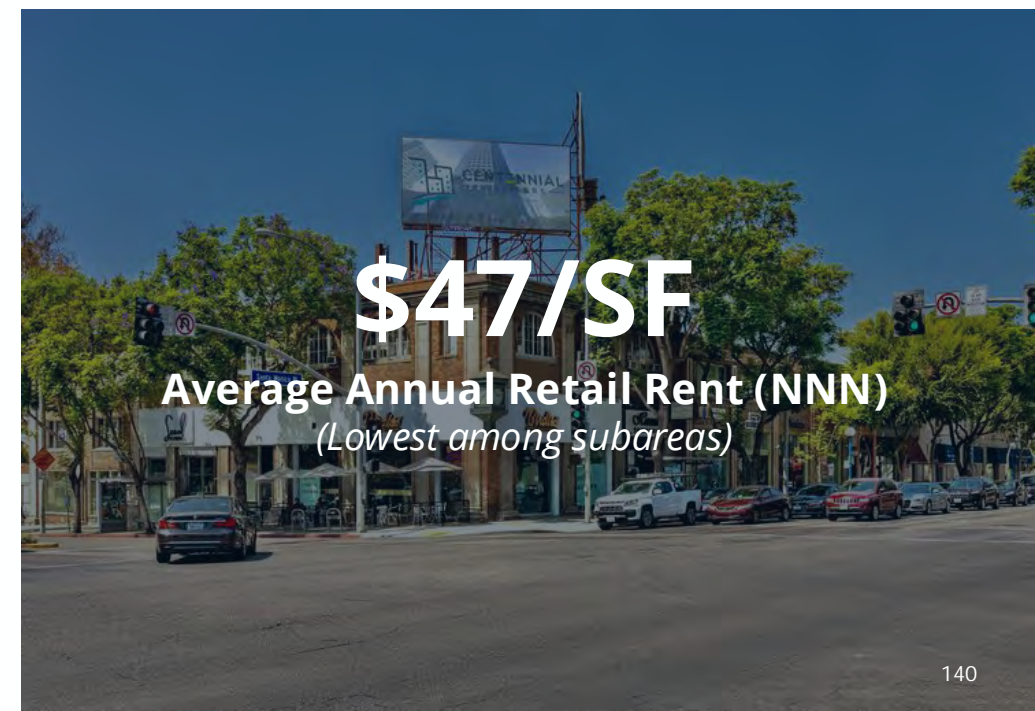


MID-CITY

Despite having the lowest visitation of any subarea, **Mid-City provides a low-cost environment suitable for both legacy establishments and startup businesses.** With low rents and high vacancy rates, entrepreneurial retail is likeliest to occur in this subarea.



Source: CoStar





03.10

Eastside

EASTSIDE

The Eastside is the hub of West Hollywood's Russian-speaking population, home to several bakeries, grocery stores, and other establishments serving this population. However, changing neighborhood demographics, coupled with relative affordability, **has led to a shifting business climate.**

-50%

Russian-Speaking population in
West Hollywood
(2010-2021)

\$58/SF

Average Annual NNN Retail Rent
(3rd Lowest among subareas)

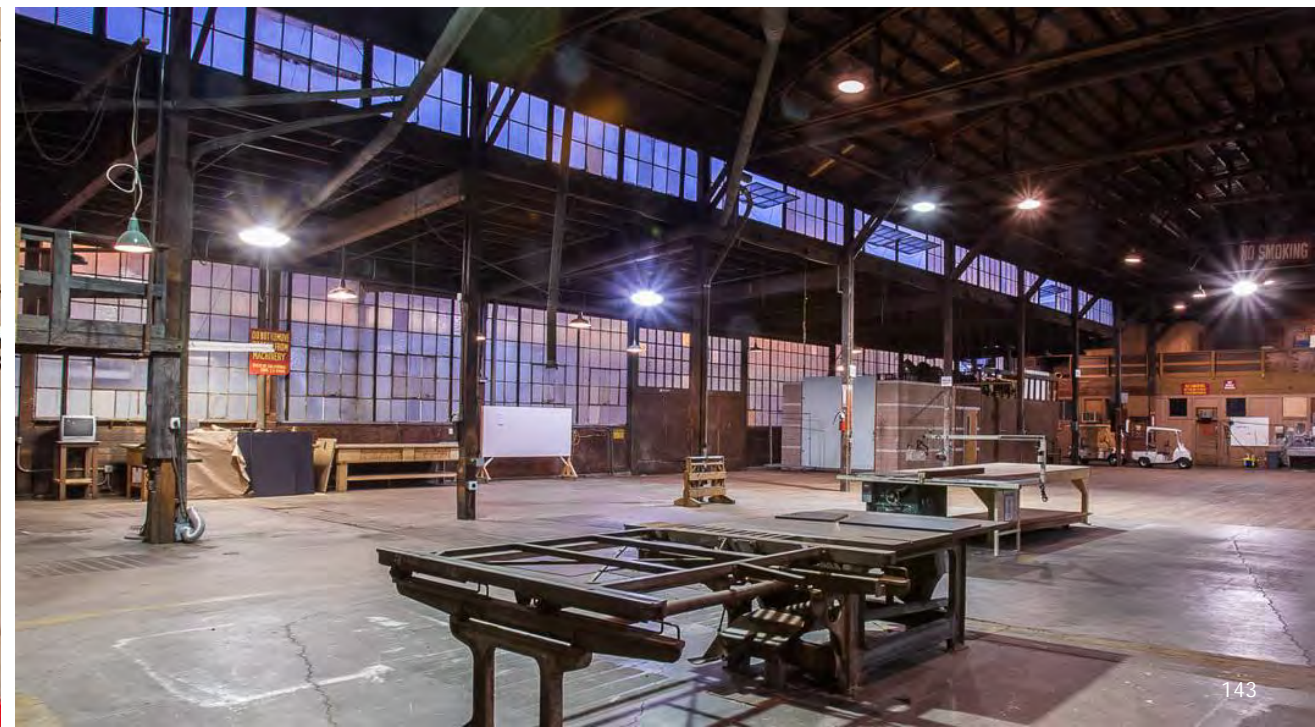


EASTSIDE

Eastside has been the **highest performing office market in the City over the past decade**, owing to significant development at The Lot at Formosa – an entertainment hub hosting a variety of soundstages, offices, and support services for major production companies.

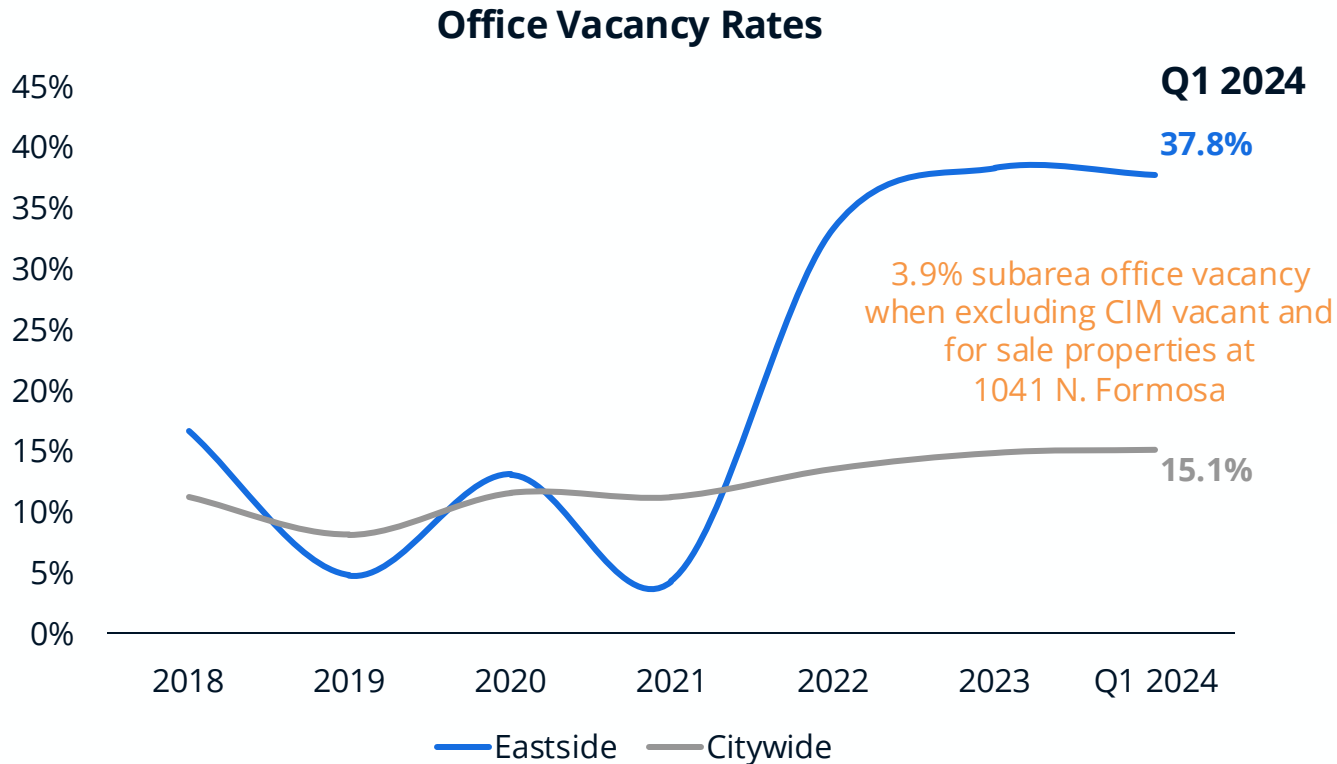
Area	% Growth in Office Space (2013 - Q1 2024)
Eastside	+99%
City of West Hollywood	-1%

Source: CoStar



EASTSIDE

However, **volatility in the media industry has led to sharply increasing vacancy rates.** Paramount recently decided to exit from The Lot, and CIM Group put their holdings at 1041 N. Formosa up for sale in 2021, leaving a newly-developed building completely vacant.



Hollywood Complex Leased to HBO and Showtime Hits the Market

Hollywood Strike Is Over but Studio-Space Developers Face New Dilemmas

Consolidation among streaming services likely would reduce soundstage demand

Paramount cancels lease for Showtime HQ at CIM building

Cable channel occupied 50K sf at The Lot at Formosa in West Hollywood

EASTSIDE

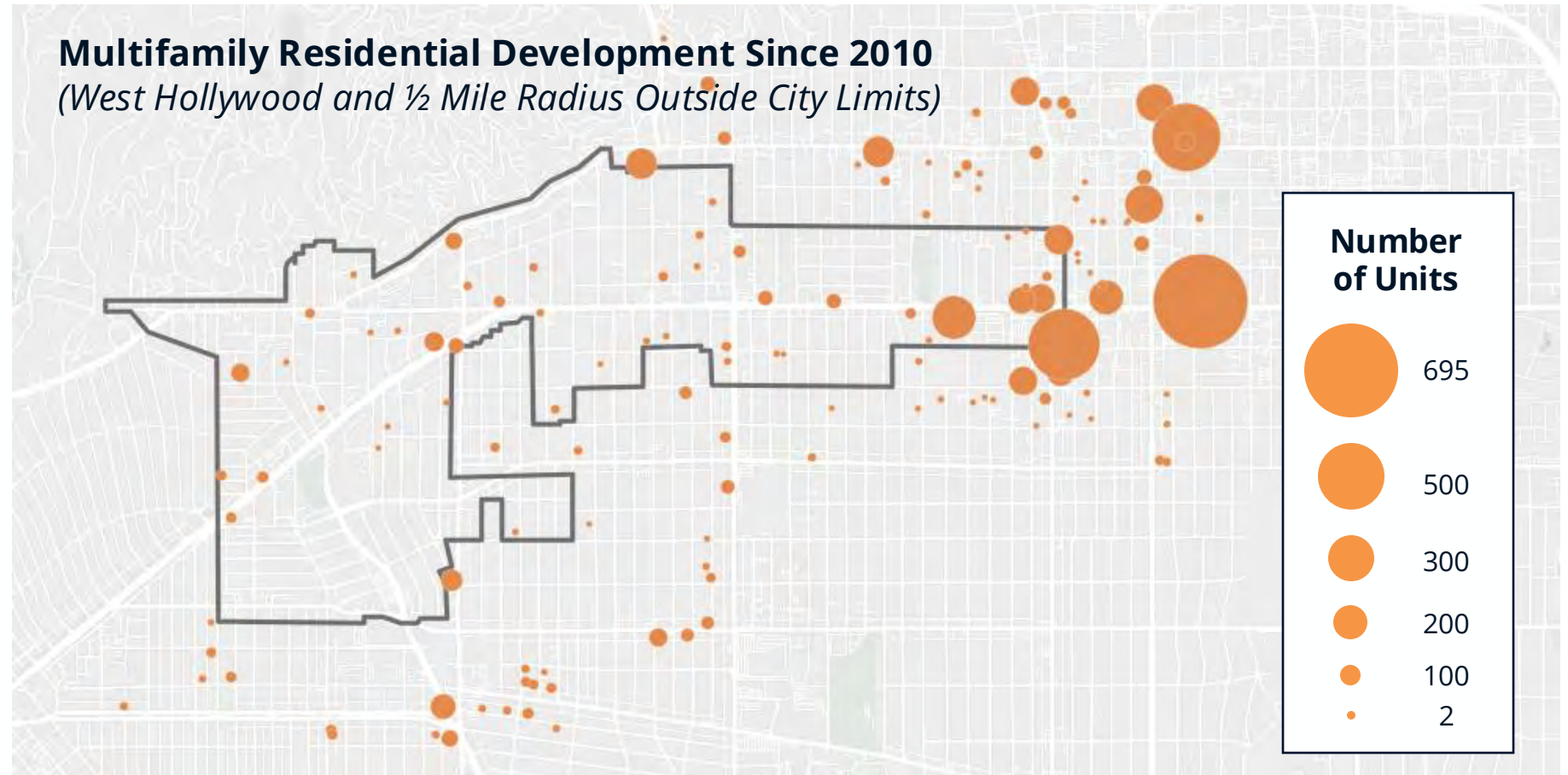
In addition to daytime workers, **multifamily development near the subarea creates a considerable retail audience.** Almost 40 percent of visitors come from less than two miles away.

2.2K

Multifamily Units Built
in West Hollywood
since 2010

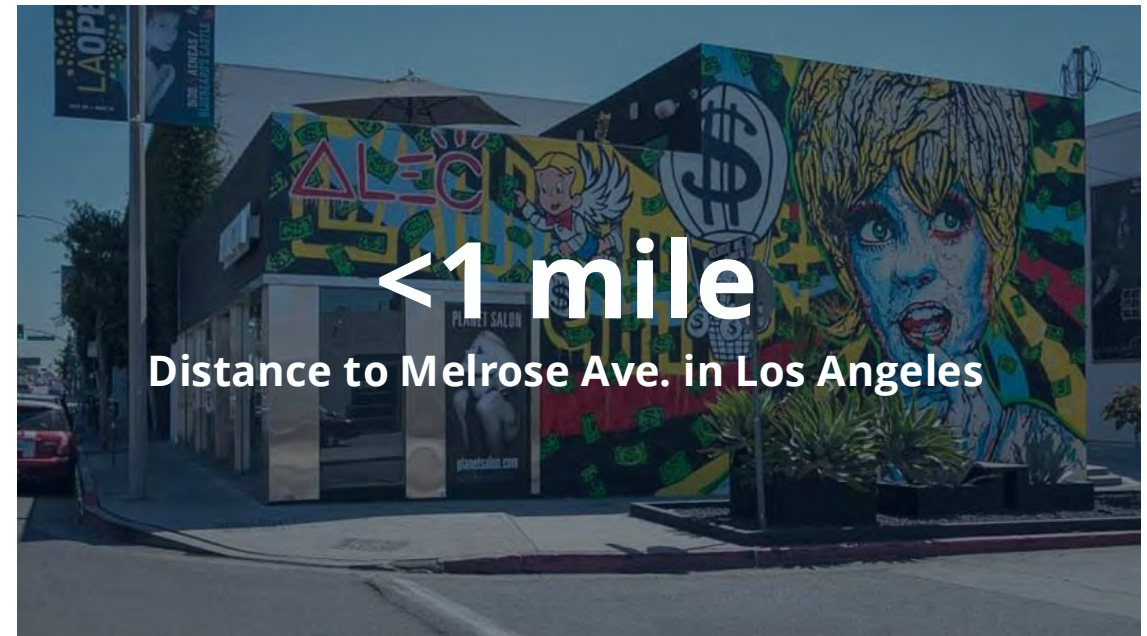
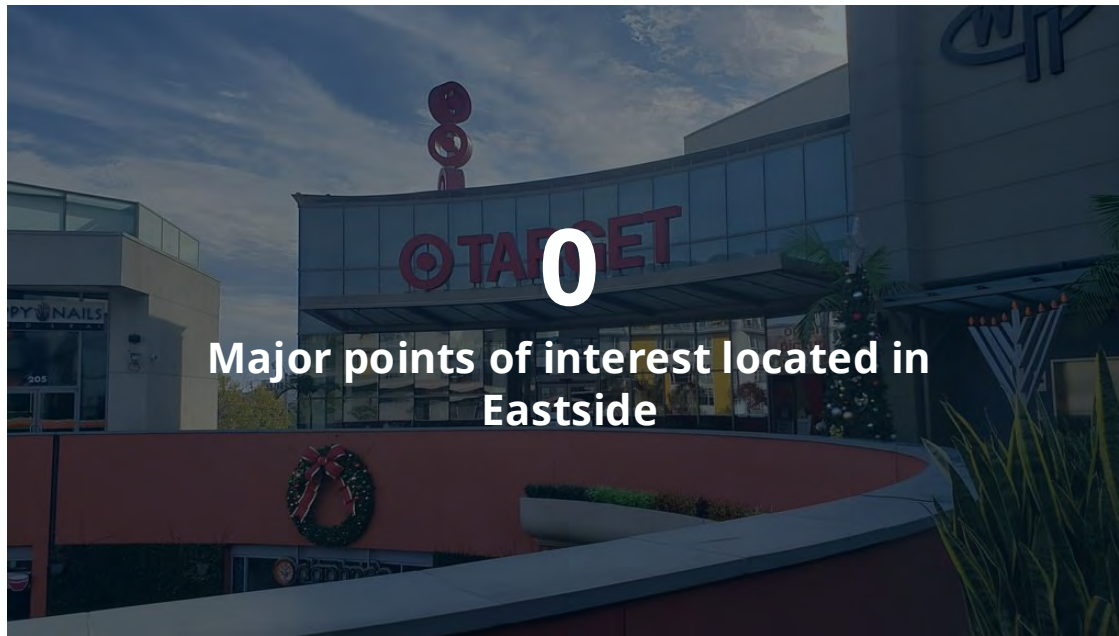
5.8K

Multifamily Units Built
within ½-mile of West
Hollywood since 2010



EASTSIDE

However, a **nondescript retail environment leaves the subarea at a competitive disadvantage relative to nearby destinations like the Design District and Sunset Strip**. While big-box retailers like Target attract regional customers and generate significant tax revenue for the City, the subarea is otherwise short on amenities for workers, residents, and visitors.





| 04 Takeaways

TAKEAWAYS



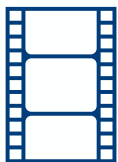
Tourism is a major economic driver in West Hollywood. Hotels generate significant tax revenues, provide jobs, and attract visitors who patronize local businesses. Overreliance on tourism, however, is likely to expose the City to risks. The COVID-19 Pandemic caused a precipitous decline in sales activity – particularly on the City’s west side – which was accompanied by major losses in both jobs and tax revenues.



While tourism benefits the City as a whole, its effects are not equitably distributed across neighborhoods. Visitation is highest on the City’s west side, given its portfolio of hotels, retail boutiques, nightlife amenities, and other attractions. Businesses on the east side depend more on employee and resident spending, which is likely leaking out of the City to nearby destinations with more retail offerings.



West Hollywood’s high-cost environment poses challenges to prospective small businesses seeking to enter the market. This is particularly true on the City’s west side, where rents are among the highest in the region, creating an environment in which luxury businesses are the only entities who can enter and thrive in the market. New business starts are likelier to occur on the City’s east side, though building rehabilitation efforts may be needed – particularly for entrepreneurial activities.



West Hollywood has benefited from significant growth in the Entertainment industry. **However, it is unclear whether – or to what extent – this trend will continue.** Showtime’s recent departure from The Lot may be a foreshadowing of similar future events, assuming media companies continue to deploy cost-cutting efforts in a fiercely competitive environment.

TAKEAWAYS



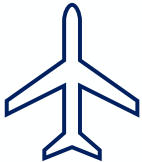
The City's small office market has been more resilient to the worst impacts of the pandemic and shifting work habits than neighboring competitors. However, volatility in the entertainment industry, aging office stock, and competition for creative office users may present increasing challenges going forward.



The City's retail stock is facing challenges due to high rents and high vacancy rates. Retail environments that cater to wealthy visitors have maintained popularity through the pandemic, but neighborhood serving retail centers struggle to create a distinguishable identity to capture worker and resident spending.



West Hollywood's luxury hotel market is dependent on wealthier travelers, pricing out more rate-sensitive visitors who are likely driven to nearby markets with more affordable hotels.



Visitors to West Hollywood come from every major City in the country. The City also receives many local and regional visitors. Special events in and around West Hollywood have the potential to attract visitors who might not typically visit West Hollywood.



|

05

Appendix

APPENDIX | BUSINESS CATEGORIES

To analyze business tax data and better match with other publicly available data sources, HR&A categorized West Hollywood businesses according to the North American Industrial Classification System.

Office-Using

51 – Information (*which includes the motion picture and related industries, among others*)

52 – Finance and Insurance

53 – Real Estate and Rental and Leasing

54 – Professional, Scientific, and Technical Services

55 – Management of Companies and Enterprises

62 – Health Care and Social Assistance

Food & Beverage and Retail

44 & 45 – Retail Trade

713 – Amusement, Gambling, and Recreation Industries

7225 – Restaurants and Other Eating Places

81 – Other Services (except Public Administration)

Nightlife & Entertainment

711 – Performing Arts, Spectator Sports, and Related Industries

7224 – Drinking Places (Alcoholic Beverages) (*which includes nightclubs*)

Hotel

721 – Accommodation

APPENDIX | STR HOTEL CLASSIFICATIONS

Smith Travel Research (STR) classifies hotels according to a scale it devised, and hotel classes are listed below, from lowest to highest. STR does not define its hotel classes but does offer examples of hotel brands for each, some of which are listed below.

Economy: America's Best Inn, Days Inn, Econo Lodge, Extended Stay America, Red Roof Inn, Motel 6, Super 8

Midscale: Best Western, Hawthorn Suites by Wyndham, La Quinta Inns & Suites, Ramada

Upper Midscale: Best Western Plus, Comfort Inn, Hampton, Holiday Inn, MOXY, Yotel

Upscale: AC Hotels by Marriott, aloft Hotel, citizenM, Crowne Plaza, Four Points by Sheraton, Hilton Garden Inn, Radisson, Residence Inn

Upper Upscale: Ace Hotel, Canopy by Hilton, Embassy Suites, Hilton, Hyatt, Kimpton, Marriott, Westin

Luxury: Andaz, Edition, Fairmont, Four Seasons, Grand Hyatt, Langham, Loews, Mandarin Oriental, The Peninsula, Sofitel, St. Regis, Ritz-Carlton, W Hotel, Waldorf Astoria

Appendix: Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

West Hollywood Economic Study

July 2024



Entertainment+Culture Advisors



CITYWIDE STRENGTHS

Existing conditions that are internal to West Hollywood and beneficial towards its economy.

- West Hollywood has a **strong mix** of visitor- and neighborhood-serving **retail**.
- West Hollywood is a haven for the **LGBTQ+ community**, as well as host to a concentration of businesses from the **Russian-speaking community**.
- West Hollywood's **brand power** attracts brand-names to locate in the city.
- West Hollywood is **walkable**, making it easier to visit multiple establishments in a single visit and a more attractive place to locate a business than otherwise.
- **Tourism is an economic driver**, supporting jobs, tax revenue, and spillover demand for local business.
- West Hollywood is a **major nightlife destination** year-round.
- **Growth in the entertainment industry** has prompted development in Eastside.
- **Special events** like Halloween, Pride, and the Super Bowl generate high visitation.
- West Hollywood's **dense residential population** is also a customer base for businesses.

CITYWIDE WEAKNESSES

Existing conditions that are internal to West Hollywood and detrimental towards its economy.

- The **high cost of doing business** is a barrier to entry for new small/medium-sized businesses and is causing some existing businesses to reduce operations or close.
- West Hollywood's **offices are in older building stock**.
- West Hollywood's **hotels are concentrated on the west side**, especially along the Sunset Strip, **meaning the Eastside benefits less from tourism**.
- West Hollywood has an **overreliance on luxury travelers**, suggesting an opportunity to diversify.
- Some neighborhoods **cater more to tourism** than neighborhood needs.
- Perceived lack of convenient and affordable **parking**, which may result in lost revenue for businesses.

CITYWIDE OPPORTUNITIES

Existing current or future conditions that are external to West Hollywood and beneficial towards its economy.

- **Upcoming regional events** (e.g., Olympics) create opportunities for businesses and hotels.
- **City of West Hollywood assets** could be leveraged for economic development (e.g., Pickup Line Trolley).
- Strategic location between West and Downtown Los Angeles provides opportunities for **“intercept” attractions** pulling from all parts of the region.
- High demand for **studio space** within the thirty-mile zone and continued growth in the **health care industry**.
- **The concentration of startups** (especially in the Pacific Design Center) provides opportunities for innovation (due to effects like knowledge spillovers and access to a shared pool of talent).
- **Lack of hotel amenities in adjacent markets** (e.g., Culver City) provides a competitive advantage.
- Expansion of **transit infrastructure** (LA Metro K Line Northern Extension) and increased mobility alternatives.
- Aging (i.e., lower-rent) office stock and retail turnover provides **opportunities for new businesses**.
- Greater interest in **pop-up retail**.

CITYWIDE THREATS

Existing current or future conditions that are external to West Hollywood and detrimental towards its economy.

- Escalating **retail vacancy** rate.
- **Quality of life concerns** (e.g., crime, homelessness) can compromise retail environment and visitation.
- **Closure of brand-defining legacy businesses**/ownership transfers.
- **Other LGBTQ+-inclusive markets** are eroding West Hollywood's market share.
- Remote work, rising vacancy, and continued **uncertainty in the office market**, rendering ground-up office development infeasible for the foreseeable future.
- **Overreliance on tourism** leaves West Hollywood particularly vulnerable to external shocks (e.g., COVID-19) that can negatively impact fiscal health and the economy.
- **Additional hotel development** in adjacent markets could erode market share.
- Visa challenges and delays could hamper **international tourism** to West Hollywood.