Culver CITY

GENERAL PLAN UPDATE

SOCIO-ECONOMIC PROFILE & MARKET ANALYSIS

EXISTING CONDITIONS REPORT | MAY 2020

INTRODUCTION

The City of Culver City is at a critical juncture in its history. Centrally located in Metropolitan Los Angeles, Culver City is a vibrant and diverse community with opportunities for both continued economic development success and to be a pioneer in progressing land use policy that supports economic competitiveness, livability, and equitable growth. Culver City benefits from its strategic location with proximity to the Los Angeles International Airport and regional access to the I-10 and I-405 freeways. New investments in transit with the LA Metro E (Expo) Line make Culver an increasingly desirable location for residents, workers, and visitors, and the city will continue to offer high quality of life for decades to come.

The historical importance of the film and television industry has helped to make Culver City a hub for the entertainment and creative industries, and there has been unprecedented job growth in these sectors. The impacts of recent employment growth have been mixed, bringing economic vitality along with strains on City resources and infrastructure, traffic congestion, and affordability. The General Plan update provides an important opportunity to consider strategies to build on recent investments and business growth and enliven Culver City's commercial core and enhance the quality of life and livability.

The City's General Plan Update process was initiated in fall 2019 and is an opportunity for the City to position itself for success over the next generation. The goal of the General Plan is to provide the City with a guiding document for future growth that aligns with community values and is responsive to market opportunities. As the City's guiding visioning document, the General Plan should respond and capitalize on anticipated changes, including the opportunities above and safeguard against potential threats that may inhibit the City's growth.

The analysis contained in this report was conducted in Q4 of 2019, with subsequent revisions into Q1 of 2020, and relies primarily on data from 2018 as the most recently available. As such, the report reflects the economic and demographic conditions of that time, with forward-looking demand projections of employment growth and housing demand based on the same. The basis of these estimates are regional and subarea growth projections by the Southern California Association of Governments and California Employment Development Department are based on data from the U.S. Census.

Since concluding the analytical phase of the report but prior to finalizing its format, the COVID-19 pandemic and ensuing economic recession has drastically impacted local and global markets. While not yet fully articulated, the pandemic will have implications for Culver City's future, at least in the short term. At the time of report finalization in April 2020, the pandemic is impeding the normal functioning of the economy, particularly hospitality, retail, and the office market sectors. While it is not possible at this moment to fully predict COVID-19's impact on Culver City's growth over the next 25 years, it is possible that estimates of residential or employment growth may fall below the ranges estimated in this report if there are fundamental shifts in the economy and a slow recovery. Historic impacts of economic shocks to the region have not been long lasting. In the last 25 years the Southern California economy was hit by the 'Dot Com bust' of the late 1990s, the impacts of 9/11, and the Great Recession of 2008, and each time the economy has rebounded with strong fundamentals.[1] It is possible that the impacts from the current pandemic will differ from the norm, nonetheless it is important to keep in mind that the General Plan is meant to be a decades-spanning document, whose vision, goals, and actions serve the current and future residents of Culver City, no matter the temporary disruptions.

[1] Strong fundamentals suggest that a business has a viable financial structure and may be more likely to survive adverse events. Examples of business fundamentals are debt-to-equity ratio, degree of financial leverage, price-to-earnings ratio, return on investment or equity, etc.

REPORT OVERVIEW

This report, prepared by HR&A Advisors, Inc. ("HR&A"), evaluates trends and conditions in the Culver City economy to anticipate future development potential and inform its planning process, and is laid out in three sections:

1. **Demographic and Socio-Economic Profile**: This assesses socio-demographic and economic characteristics to understand the existing conditions of the city and how it compares to the region. Analyzing the composition of Culver City's residents and businesses as well as future population and employment trends can inform the current and future needs of the community and identify strengths that can serve as a foundation for the city's future growth. The socio-economic profile includes a Displacement Risk Analysis, which analyzes vulnerability to residential displacement across Culver City neighborhoods.
2. **Real Estate Market Analysis**: The market analysis offers an overview of the size and scale of existing inventory and historical trends on development, rent, and vacancy for major land uses. These land uses include office, residential, retail, and hospitality. For each land use, our report estimates future square footage or unit demand.
3. **Fiscal Health Assessment**: The assessment summarizes key indicators of the City's fiscal health, including revenues and expenditures, as measured against peer cities in the LA County area.

ISSUES AND OPPORTUNITIES

The City's demographics, economic, and real estate market conditions and future projections described in this report impact how the City should consider policies and objectives of its General Plan. The issues and opportunities below summarize key considerations from this report, which have implications on the future of the City's land uses.

Issues

- Culver City has added nearly 50 times as many jobs as housing units since 2002, increasing the shortage of housing available. Very few Culver City residents both live and work in the city, exacerbating traffic and reducing the quality of life.
- Culver City is less racially and socioeconomically diverse than Los Angeles County (LA County or the County) and the Competitive Market Area (CMA). The share of African Americans and low-income people living in the city has dropped since 2000.
- Culver City housing costs are very high and growing, threatening affordability.
- With the potential for an economic downturn, Culver City may lack economic resiliency. National trends for big box and shopping center retail could impact retail performance in the city, as well as impact the City's long-term financial sustainability. Already, the city's commercial corridors and regional shopping centers are showing some weakness, evidenced by mainly stagnating shopping center rents since the recession.
- Culver City's lack of housing and commercial affordability may reduce the potential for job growth and small business viability and may cause further displacement of vulnerable populations.

Opportunities

- Culver City is geographically central, with regional freeway connectivity, transit access, and airport proximity. The City has high-quality schools, local recreation opportunities, and proximity to regional amenities.
- Culver City has high incomes and educational attainment levels relative to comparative areas.
- Culver City has seen extremely strong job growth in high-earning industries such as tech and professional services. The city is home to several anchor employers such as Sony Pictures

Entertainment, HBO, Amazon Studios, Apple, and more. The creative economy continues to grow in LA County, and Culver City is well-positioned to continue being a center of that growth.

- Culver City's Downtown is a regional dining destination and anticipated to become an experiential retail cluster with new developments such as The Culver Steps.
- Culver City contains a relatively high concentration of retail and high retail sales per capita compared to peer cities in LA County.
- The continuing build-out of the LA Metro network and expected growth adjacent to it may further strengthen Culver City's Downtown, Arts District, and Hayden Tract, given its proximity to the E (Expo) Line.
- LA County is expected to continue to grow, and Culver City is well-positioned to attract additional employment and housing growth. By adding more workforce or affordable housing, Culver City may be able to alleviate congestion associated with commuters and bring new customers to strengthen existing retail in the long-term.

The growth of businesses and retail amenities due to new projects such as Access, Platform, Ivy Station, and Culver Steps position Culver City to capture a growing share of the hospitality market.

DEMOGRAPHIC AND SOCIO-ECONOMIC PROFILE

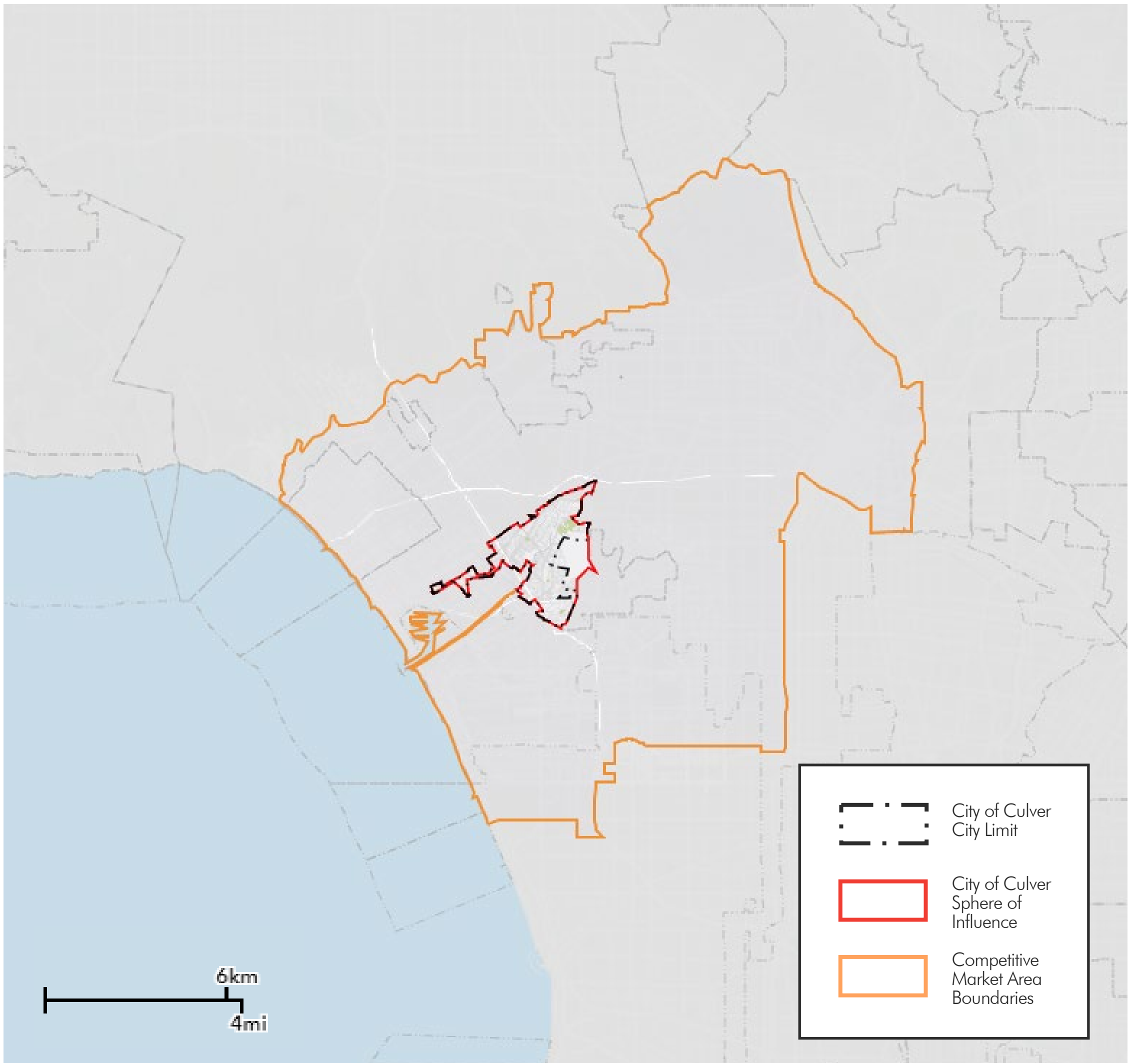
REGIONAL CONTEXT

Culver City is centrally located within the Los Angeles metropolitan area's core commercial centers. Its location, between Downtown and Santa Monica and proximity to job centers like Los Angeles International Airport (LAX) and Century City, has made it an attractive place for employers and residents alike. Culver City benefits from its location accessible to the region's major freeways, Interstate 10 and Interstate 405. In the past decade, Culver City has also benefited from proximity to several stations along the LA Metro E (Expo) Line, which connects the city to Downtown LA and Santa Monica.

In both the Demographic and Socioeconomic Profile and the Real Estate Market Analysis sections, Culver City is compared to a CMA and LA County as a whole. The CMA, shown in Figure 1, includes the employment, residential, retail, and hospitality centers with which Culver City most directly competes, including the Westside cities of Santa Monica, Beverly Hills, and West Hollywood. Comparing Culver City trends to the CMA allows the City to understand better how it is growing compared to its competitors, as well as what share of the CMA's economic and real estate growth the city is capturing.

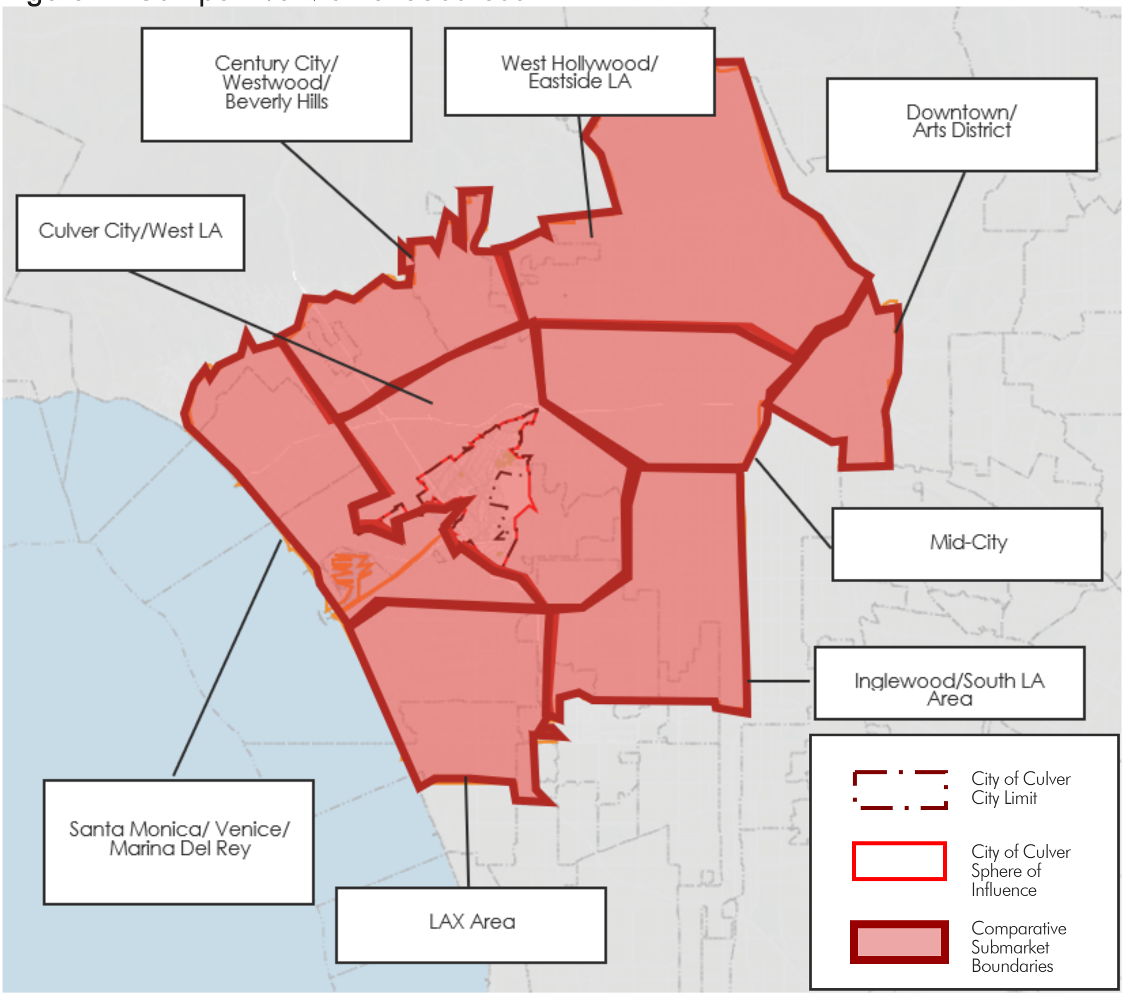
Throughout this report, HR&A compares Culver City to competitive submarket clusters and peer cities within the CMA that are shown in Figure 2.

Figure 1. Competitive Market Area



Source: ESRI, HR&A

Figure 2. Competitive Market Subareas

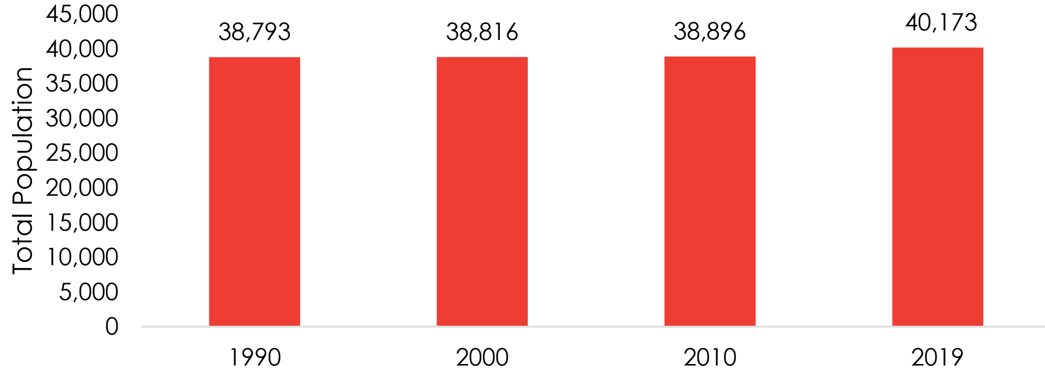


Source: ESRI, HR&A

POPULATION AND HOUSEHOLDS

As of 2019, Culver City had an estimated population of 40,173 in 17,732 housing units across its 5.14 square miles. Culver City has added about 1,360 persons since 2000 – or about 3%, as shown in Figure 3. Culver City's slow population growth is attributable to a lack of residential development over the past 20 years.

Figure 3. Historical Population Growth, Culver City



Source: California Department of Finance E-4

As shown in Figure 4, Culver City's growth has been slower than LA County and the CMA, with a compound annual growth rate (CAGR) of 0.16 % compared to 0.42 % in LA County as a whole.

Figure 4. Historical Population Growth, Comparative Areas (2017)

	2000	2017[2]	Population Growth (2000-2017, CAGR*)
City of Culver City	38,816	39,867	0.16%
CMA	1,912,411	1,983,235	0.21%
LA County	9,519,330	10,226,920	0.42%
Culver City Population as a % of CMA	**2.03%**	**2.01%**	

Source: California DOF E-4, E-5, and E-8; U.S. Census ACS 2013-2017 for CMA

Culver City has added only 267 net new households since 2000, which is less than 1% of the CMA's growth of 41,332 households. Culver City's household and population share of the region is shrinking: the city comprised 2.21% of the CMA's households in 2000, and as of 2017 represents only 2.13%.

[2] HR&A uses 2017 figures when including the CMA, as 2019 Department of Finance data is not available for this area. 2017 Culver City and Los Angeles County figures are from the Department of Finance and 2017 CMA figures are from the U.S. Census American Community Survey.

Figure 5. Culver City Households as a Share of Regional Market (2017)

	2000	2017	Household Growth (2000-2017, CAGR)
Culver City Households	16,611	16,878	0.09%
CMA	751,023	792,355	0.32%
LA County	3,133,771	3,314,758	0.33%
Culver City Households as a % of CMA	**2.21%**	**2.13%**	

Source: California Department of Finance E-4, E-5, and E-8; U.S. Census ACS 2013-2017 for CMA

POPULATION BY AGE

Culver City's population skews older than the CMA and LA County, as shown in Figure 6. Culver City has a larger share of residents over the age of 55 (29% in Culver City compared with 24% in LA County) and a smaller percentage of residents under the age of 35 (41% in Culver City compared with 49% in LA County) than the comparative areas. The CMA has a greater share of 25 to 34 year-olds, which includes the "young professionals" cohort, compared with both Culver City and the County as a whole.

Figure 6. Population by Age, Comparative Areas (2017)

Source: U.S. Census ACS 2013-2017

As shown in Figure 7, Culver City's median age is four years older than LA County's at 41 years versus LA County's median age of 36 years. However, Culver City's median age has increased by only two years since 2000, while LA County's median age has increased by four years.

Figure 7. Median Age - Culver City and Los Angeles County

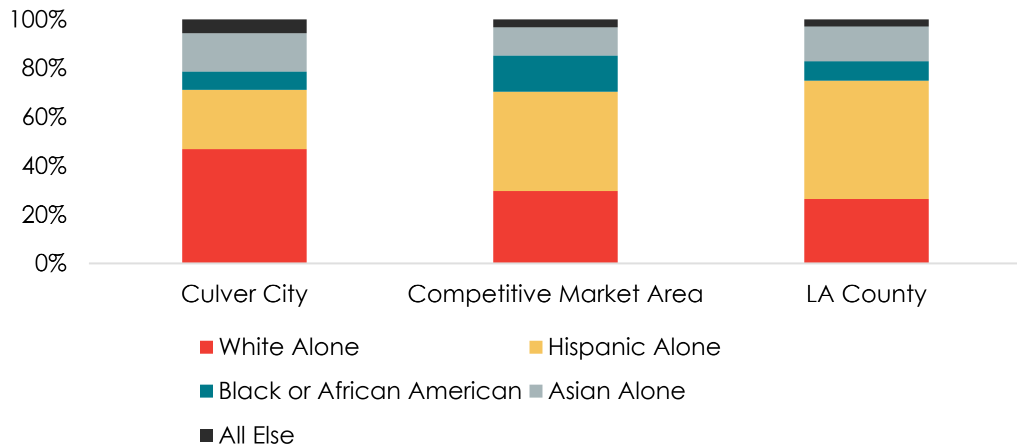
	2000	2017
Culver City	39.1	40.9
LA County	32.0	36.0

Source: Decennial Census 2000 and U.S. Census ACS 2013-2017

POPULATION BY RACE AND ETHNICITY

Culver City's population has a significantly larger percentage of White people who do not identify as Hispanic, and a smaller share of Hispanic people than the CMA and LA County. 45% of Culver City's population is white alone, compared with 33% of the CMA's population and 26% of LA County's population. Culver City has a comparatively smaller Hispanic and Black/African American populations than the CMA and LA County.

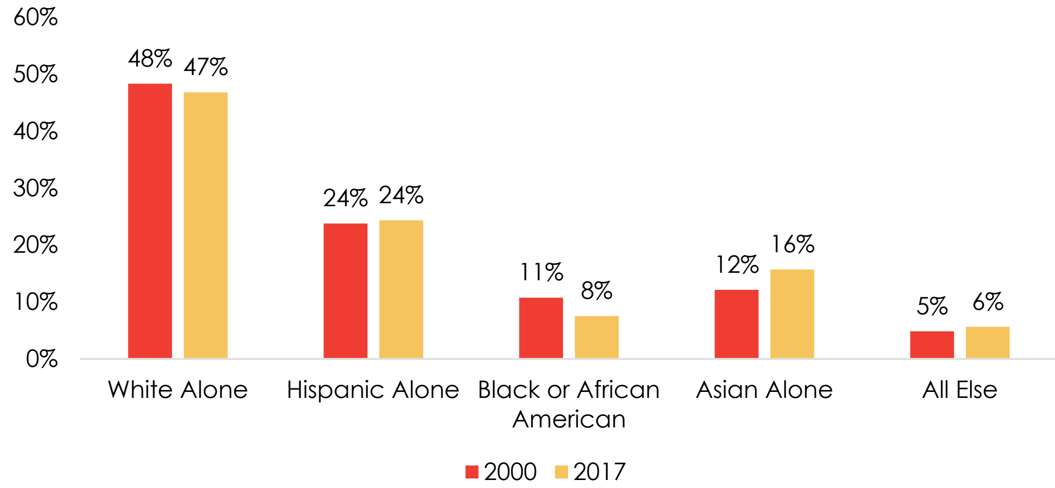
Figure 8. Population by Race and Ethnicity Comparative Areas (2017)



Source: U.S. Census ACS 2013-2017

Culver City's racial and ethnic distribution has changed, notably over the past two decades. Since 2000, Culver City has seen a decreasing share of Black or African American residents, from 11% of the population in 2000 to 8% of the population in 2017. During this same period, Culver City's share of Asian residents increased from 12% of the population to 16% of the population, shown in Figure 9. Given the city's stagnant population growth, this suggests a net loss of Black or African American households and a gain in Asian households.

Figure 9. Change in Population by Race and Ethnicity, Culver City

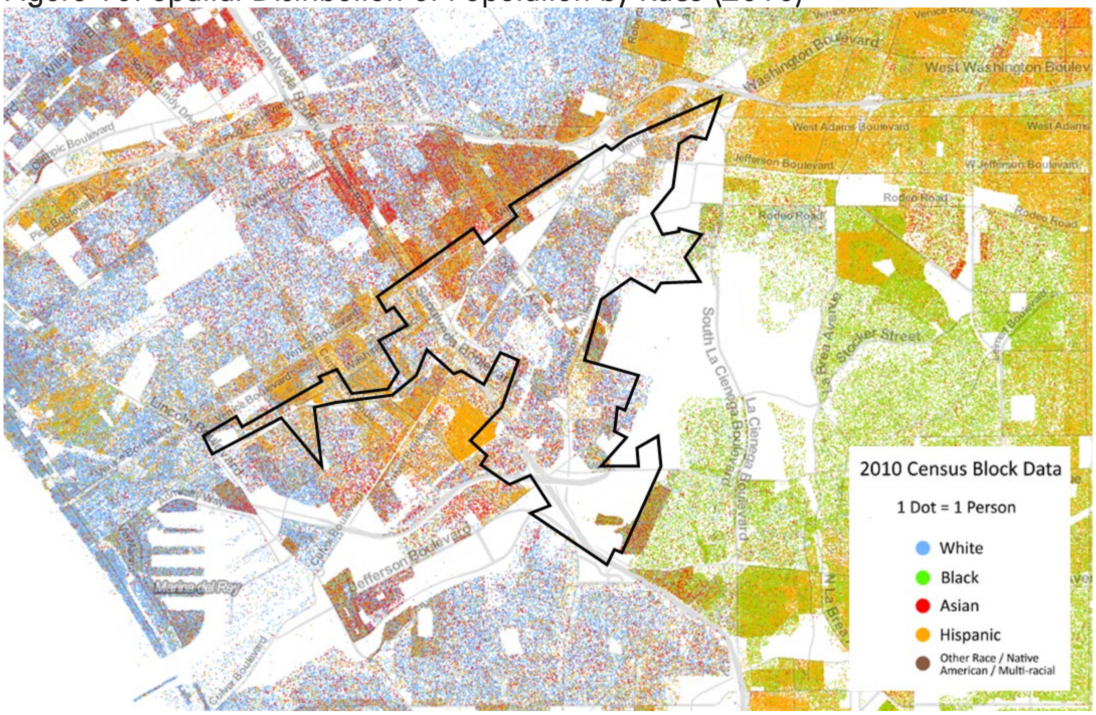


Source: U.S. Census ACS 2013-2017

Culver City's Hispanic and Asian populations are more concentrated on the western side of the city along the Washington Boulevard Corridor and in the McLaughlin neighborhood, as shown in Figure 10.[3] Immediately outside of Culver City's borders to the north is a large Hispanic and Asian population in Los Angeles' Palms neighborhood, and to the south of the city are predominantly Black/African-American neighborhoods in Ladera Heights and Baldwin Hills.

[3] The most recent available data for spatial distribution by race and ethnicity is the 2010 U.S. Census. Population distributions may have changed in the last decade.

Figure 10. Spatial Distribution of Population by Race (2010)

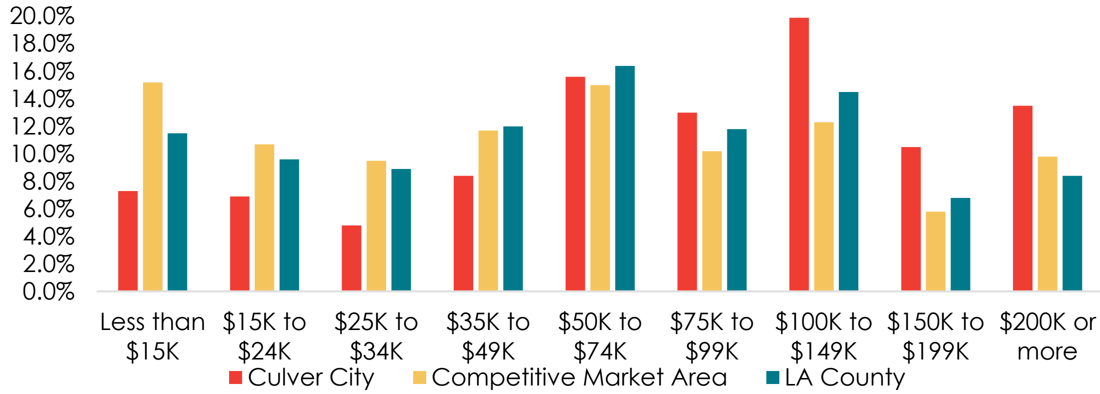


Source: University of Virginia, U.S. Census 2010

HOUSEHOLD INCOME

In 2017, the median household income in Culver City was $87,000, compared with a median household income of $54,000 in the CMA and $61,000 in LA County. In addition to having a higher median household income, Culver City has a much smaller share of lower-income households than the CMA or LA County: in 2017, 19% of Culver City residents were earning less than $25,000 in household income compared with 30% of LA County households (Figure 11). Culver City has a high percentage of wealthy residents, with 14% of Culver City households earned more than $200,000 compared with 8% of LA County households (Figure 11).

Figure 11: Household Income Distribution, Comparative Areas (2017)

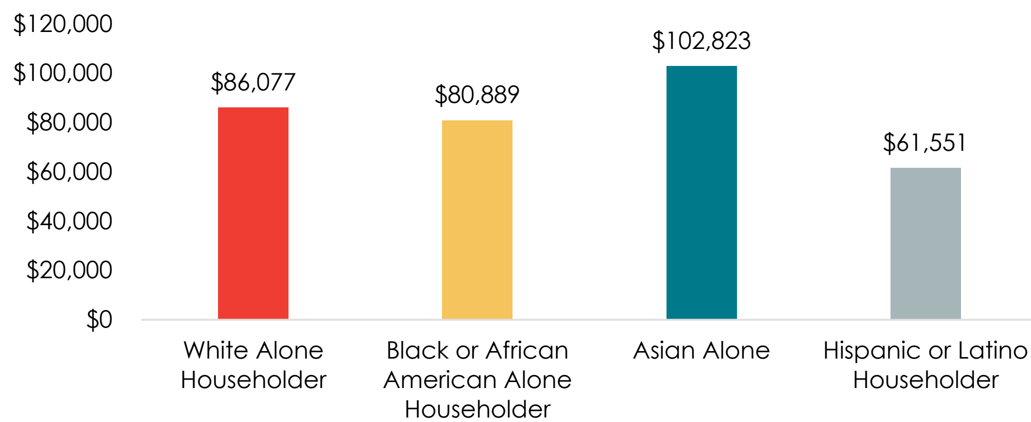


Source: U.S. Census ACS 2013-2017

CULVER CITY INCOME DISPARITIES

Household income in Culver City varies significantly by race and ethnicity. White household earnings in Culver City are about the same as the city's median income. Black households earn 7% less, and Hispanic households earn 29% less than the city's median household income, while Asian households earn 18% more than the city's median household income.

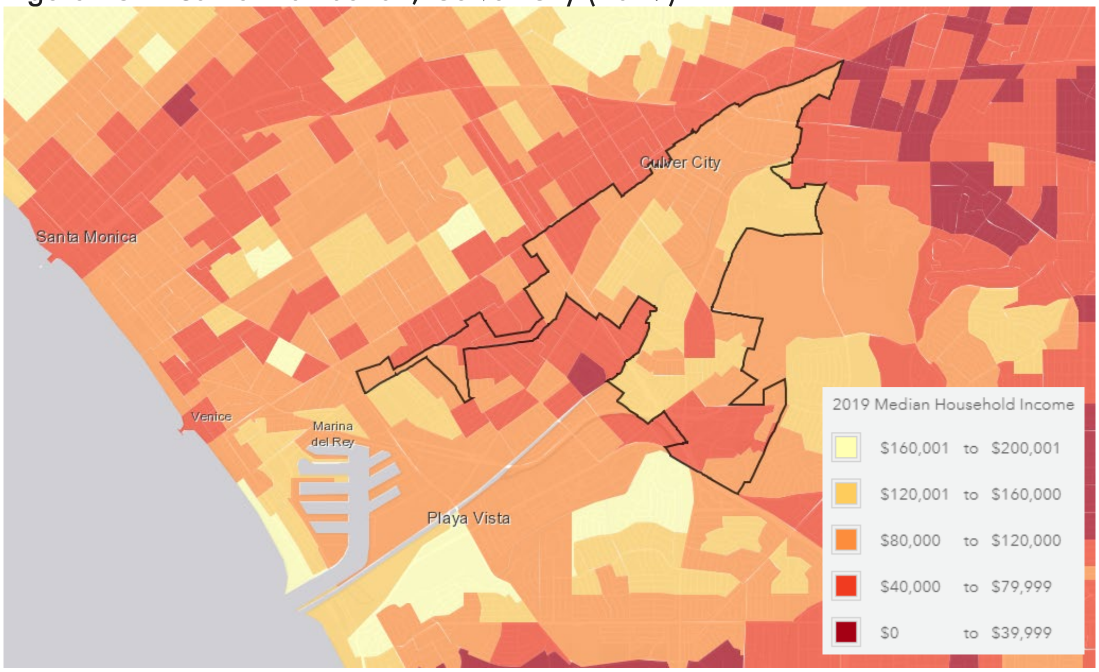
Figure 12: Median Income by Race/Ethnicity, Comparative Areas (2017)



Source: U.S. Census ACS 2013-2017

Higher-income ($120,000+) households are more concentrated in predominantly single-family neighborhoods like Blair Hills and Park West, whereas lower-income households are more likely to live near Fox Hills and in pockets of denser housing such as the neighborhood at Sepulveda and Venice Boulevards.

Figure 13: Income Distribution, Culver City (2019)

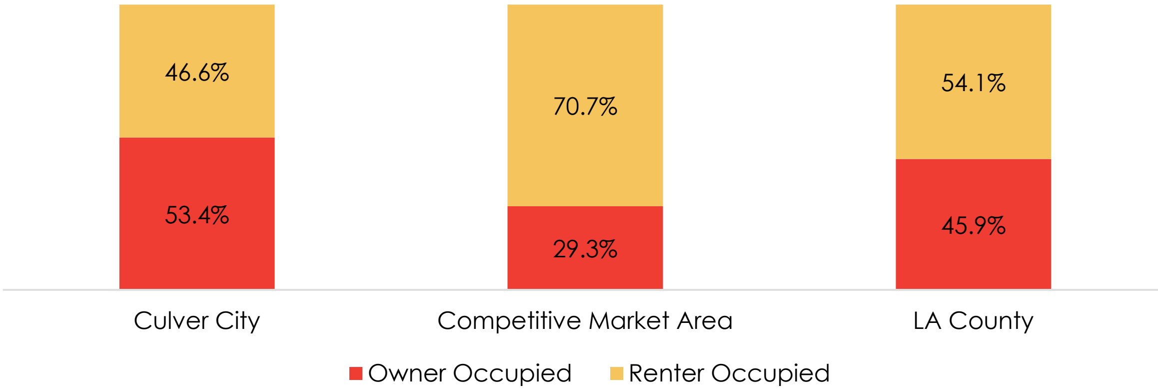


Source: ESRI Business Analyst (estimates based on data from the U.S. Census ACS 2013-2017)

HOUSING TENURE

Culver City has a much higher share of owners than surrounding areas in LA County, in which most households are renter households, as shown in Figure 14. 53% of Culver City households are owner-occupied, whereas only 29% of CMA households and 46% of LA County households are owner-occupied.

Figure 14: Households by Tenure, Comparative Areas (2017)

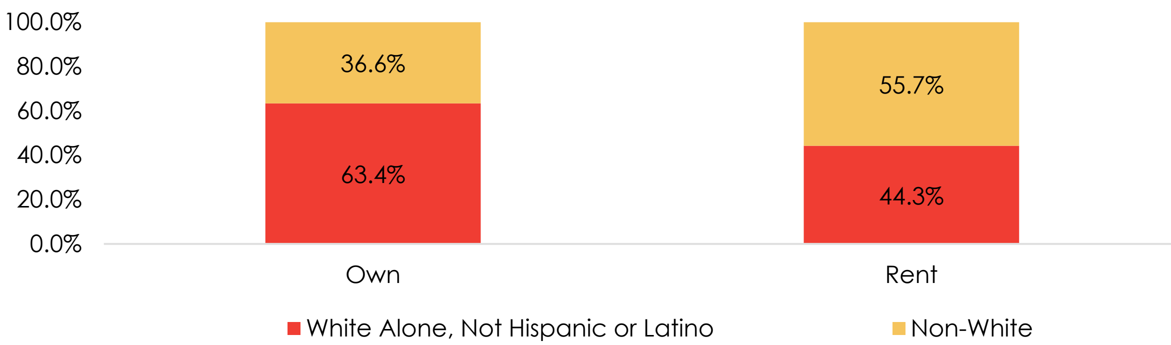


Source: U.S. Census ACS 2013-2017

HOMEOWNER AND RENTER PROFILE

Renters in Culver City are more likely to be non-white than homeowners, as shown in Figure 15. Owner-occupied households in Culver City are 63% white and 37% nonwhite, while renter-occupied households are 44% white and 56% non-white. In considering displacement vulnerability in the city, this distinction between renters and owners is significant: Culver City's non-white population is inherently at greater risk of displacement due to representing a greater share of the renter households in the city.

Figure 15: Tenure by Race/Ethnicity, Culver City (2017)



Source: U.S. Census ACS 2013-2017

About one fifth of Culver City renter households are severely rent-burdened (i.e., spend more than 50% of their monthly income on rent). Nonetheless, Culver City counts a smaller share of overburdened renters than LA County, in which 30% of renters are severely rent-burdened. Although housing costs are higher in Culver City than elsewhere, Culver City residents are also on-average higher-income. Fewer Culver City renters are low-income or very low-income compared with LA County renters (18% versus nearly 30% in LA County for very-low income households).

Figure 16. Severely Rent Burdened Households, Comparative Areas (2017)

	Culver City	LA County	California
Severely Overburdened Renter Households (Paying > 50% of Income on Rent)	1,880	523,665	1,572,055
% Renters Severely Housing Overburdened	21%	30%	27%
% of Households with Income ≤ 30% of Area Median Family Income	18%	30%	26%
% of Households with Income ≤ 50% of Area Median Family Income	30%	49%	43%

Source: HUD – Comprehensive Housing Affordability Strategy, U.S. Census ACS 2013-2017

Culver City's share of overburdened homeowners is on par with LA County. As shown in Figure 17, 15% of Culver City homeowners are severely mortgage burdened (i.e., spend more than 50% of their monthly income on rents) compared with 17% of homeowners in LA County.

Figure 17: Housing Cost Burdened Homeowners, Comparative Areas (2017)

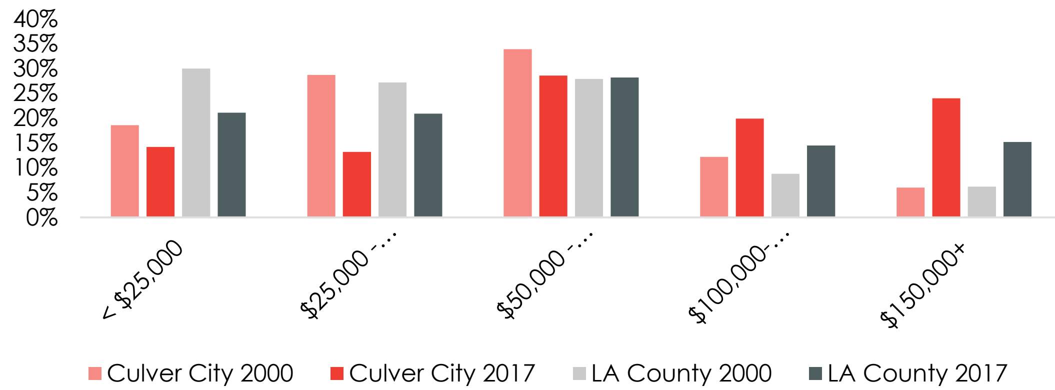
	Culver City	LA County	California
Severely Overburdened Homeowners (Households Paying >50% of Income on Housing Costs)	1,290	252,220	813,285
% Homeowners Severely Overburdened	15%	17%	12%

Source: HUD – Comprehensive Housing Affordability Strategy

DISPLACEMENT RISK ANALYSIS

The socioeconomic distribution of households in Culver City has changed dramatically in relation to changes in LA County since 2000 and suggests an outflow of lower-income households and inflow of higher-income households, shown in Figure 18. The share of households earning more than $150,000 in the city has quadrupled, while the city has lost more than half of its share of households earning between $25,000 and $50,000. As the city continues to grow as a regional employment center, and property values and rents rise, existing low-income renters may be at additional risk of displacement.

Figure 18. Household Income for all Households, 2000 and 2017 (in 1999 $ and 2017 $)



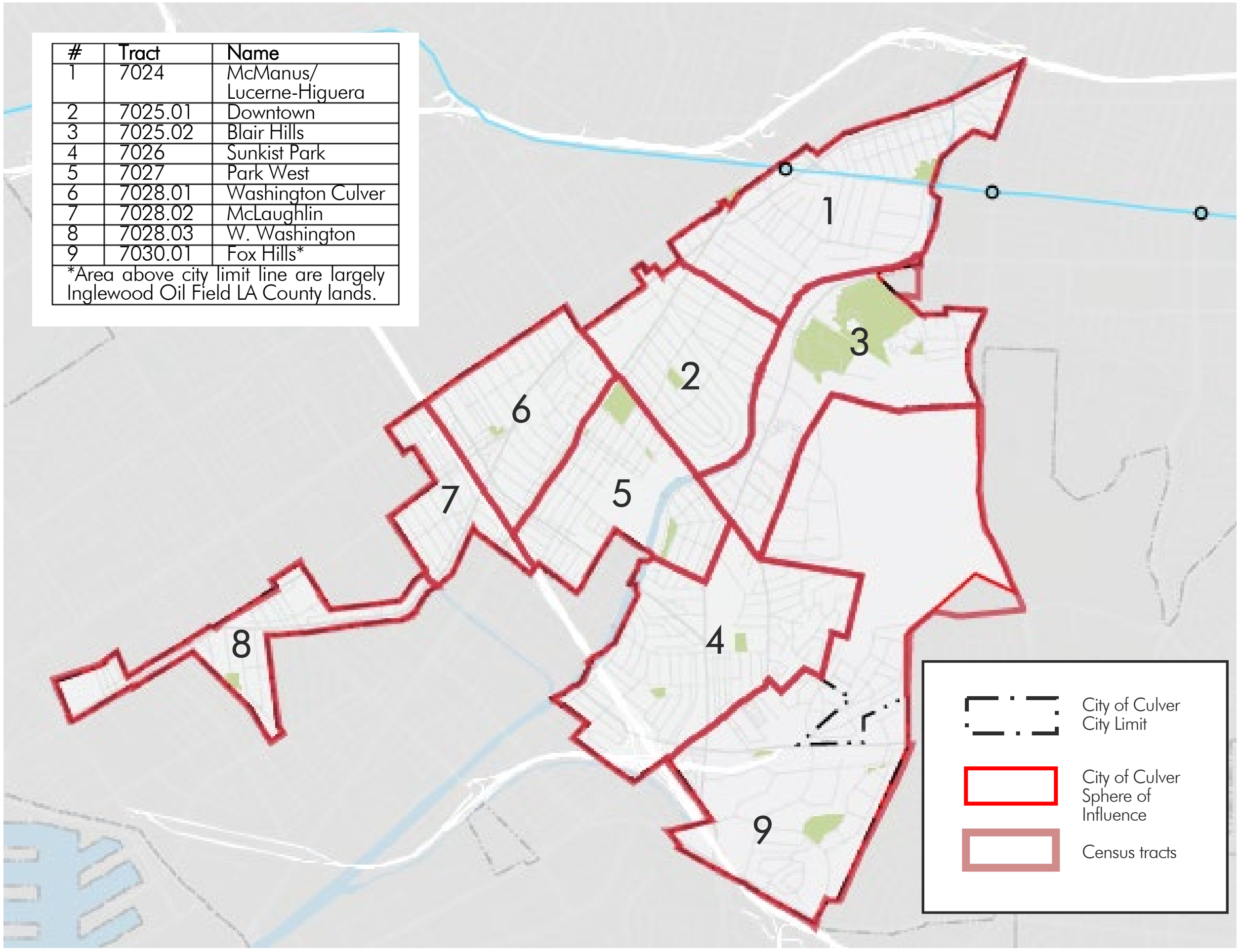
Source: U.S. Census ACS 2013-2017

Curbing displacement is a priority for the City of Culver City and contributed to the adoption of an Interim Rent Control Measure in August 2019. Per CoStar Group, since 2010, average apartment rents in the city have increased by 65% or more than 7% annually. Under the Interim Rent Control Ordinance, all multifamily units built before 1995 will have a temporary rent cap of 3%. As of November 2019, the City is considering the possibility of permanent rent stabilization, which could be an impactful mitigant to the displacement risk assessed.

This analysis quantifies the relative displacement risk of the city's nine Census tracts, which have been named for readability, as shown in Figure 19.[4] This analysis did not compare areas within Culver City to adjacent municipalities.

[4] This analysis does not include owner-occupied households. Due to California's 2% annual cap on increases in property taxes for occupied owner-occupied units, homeowners are not typically threatened by rising property values.

Figure 19. Census Tracts, Culver City[5]

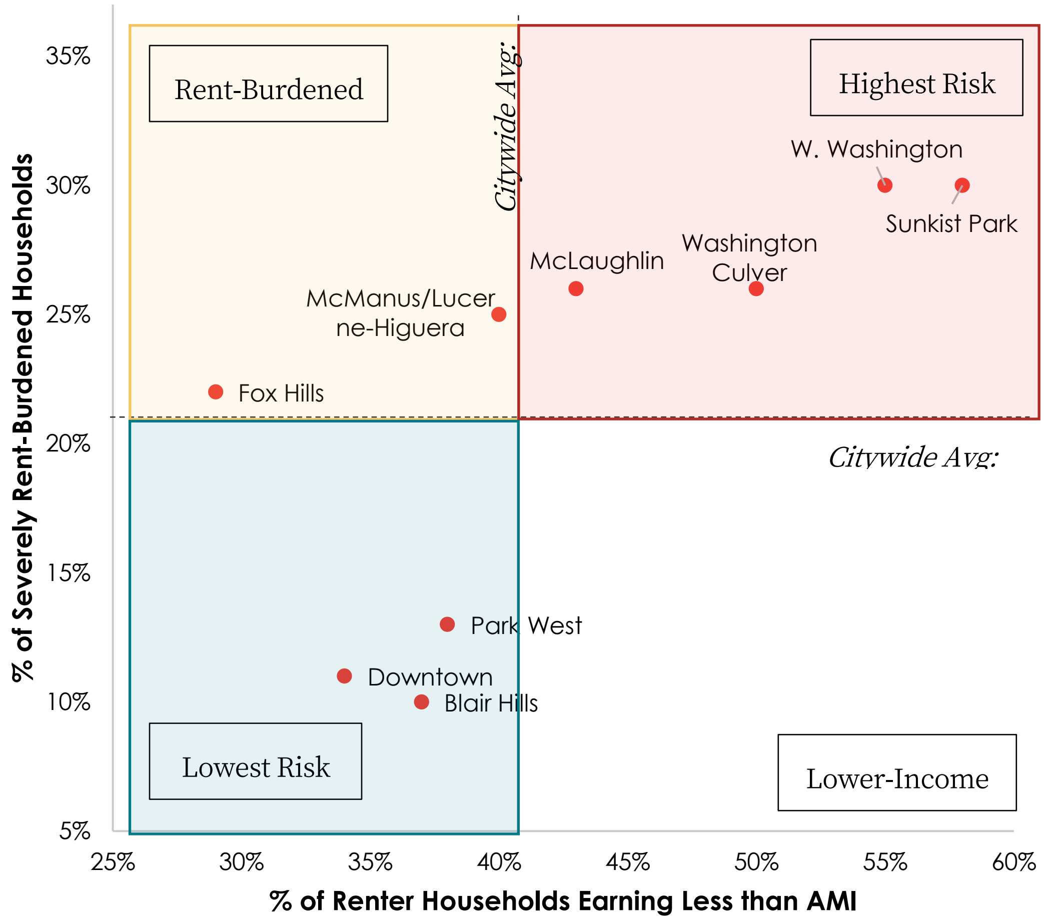


Source: ESRI Business Analyst, U.S. Census, HR&A

The displacement risk analysis quantifies both the percentage of severely rent-burdened households (defined as those paying more than 50% of their household income on rent) and lower-income households (defined as those earning less than the Area Median Income). The Area Median Income threshold was adjusted according to household size, which mainly ranges between one and three people per household for Culver City's Census Tracts. Census tracts containing a relatively high share of *both* rent-burdened households and low-income households are considered at the highest risk for displacement.

[5] Census Tracts were used as they represent the most granular, reliable data available. HR&A evaluated each of the Census Tracts within Culver City: 7024, 7025.01, 7025.02, 7026, 7027, 7028.01, 7028.02, 7028.03, and 7030.01.

Figure 20. Neighborhood Displacement Risk, Culver City

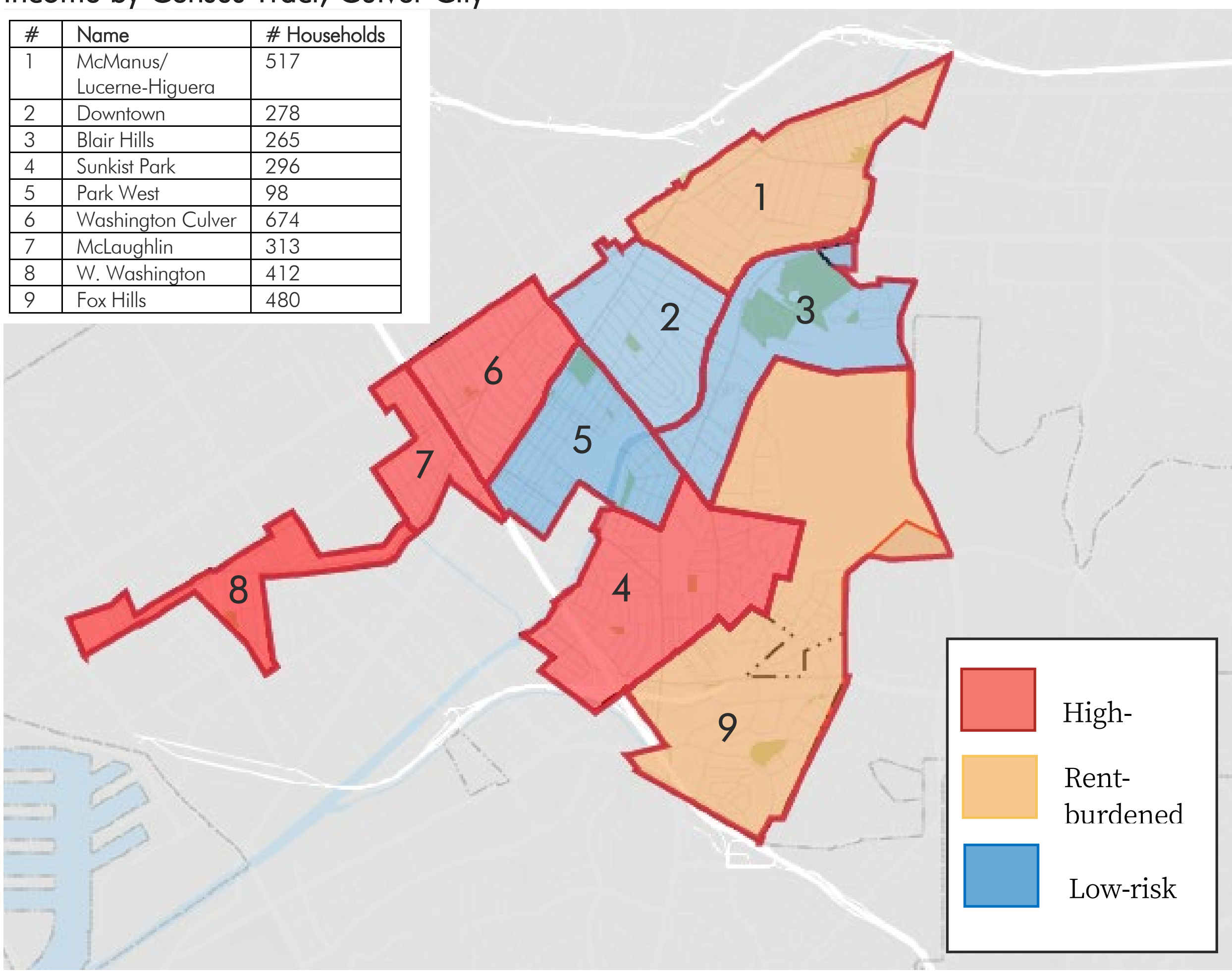


Source: U.S. Census ACS 2013-2017, HR&A Advisors

As shown in Figure 20, the least rent-burdened neighborhoods were Downtown, Blair Hills, and Park West, with between 10 and 15% of their households severely rent-burdened, while around 30% of renter households are severely rent-burdened in the most rent-burdened neighborhoods, including West Washington and Sunkist Park. Culver City's neighborhoods also range in their share of renters that fall below Area Median Income, from as low as 30% in Fox Hills to as high as 58% in Sunkist Park.

The city's southwest neighborhoods (W. Washington, McLaughlin, Washington Culver, and Sunkist Park) showed the highest displacement risk, with disproportionately rent-burdened renter households and lower-income (Figure 21). The analysis found that the core of Culver City (Downtown, Park West, and Blair Hills neighborhoods) is at lower risk for displacement, given the relatively small share of low-income renters and a low share of rent-burdened renter households. Two census tracts, Fox Hills and McManus/Lucerne Higuera, showed high rates of rent-burden but had a smaller share of their renter households were lower-income, indicating some risk for displacement but less vulnerability in the sense that these households may have resources and alternative housing choices.

Figure 21. Displacement Risk Map & Number of Renter Households Below the Area Median Income by Census Tract, Culver City



#	Name	# Households
1	McManus/ Lucerne-Higuera	517
2	Downtown	278
3	Blair Hills	265
4	Sunkist Park	296
5	Park West	98
6	Washington Culver	674
7	McLaughlin	313
8	W. Washington	412
9	Fox Hills	480

Source: ESRI, HR&A Advisors

Culver City's renter households are not distributed evenly amongst the Census Tracts, and displacement risk indicators in Census Tracts with more renters suggest a greater potential for displacement in terms of the number of households at risk. It is important, therefore, to understand displacement risk indicators in nominal terms. Figure 22 below notes the total number of renter households in each of Culver City's Census Tracts, the number of severely rent-burdened households in each Census Tracts, and the number of lower-income renter households in each Census Tract. As shown in Figure 22, McManus/Lucerne-Higuera, Washington Culver, and Fox Hills have the greatest number of renter households by a wide margin. In terms of gross households, these neighborhoods comprise 59% of the city's severely rent-burdened households and 39% of the city's lower-income renter households.

Figure 22. Displacement Risk Detail, Culver City

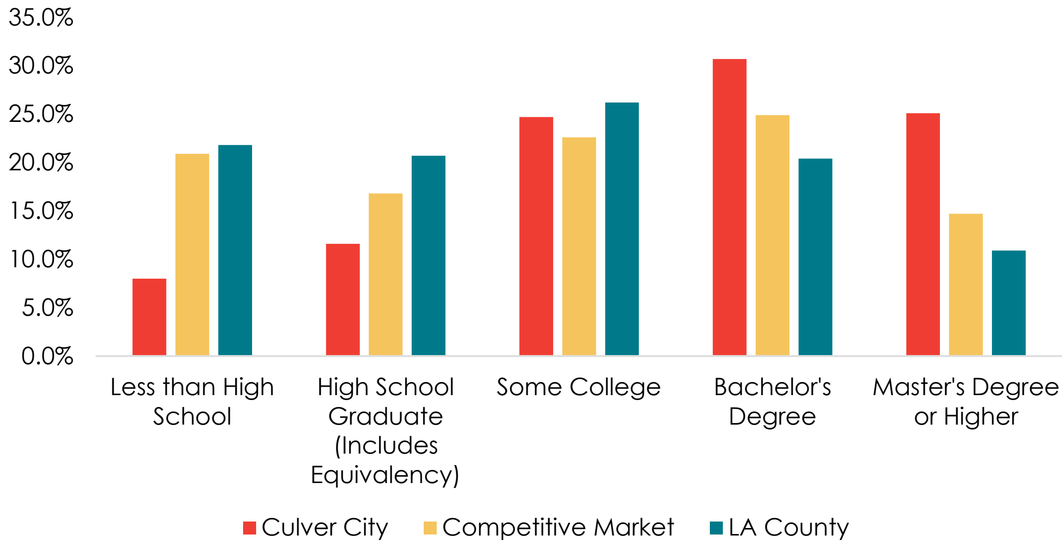
	Renter-occupied Households	Renter Median Household Income	Severely Rent-Burdened Households	Lower Income Households	Deed-Restricted Affordable Units	Displacement Risk
McManus/ Lucerne-Higuera	1,280	$77,500	323	517	8	Rent-burdened
Downtown	827	$79,250	89	278	6	Low Risk
Blair Hills	708	$74,104	68	265	100	Low Risk
Sunkist Park	509	$60,417	151	296	54	High Risk
Park West	259	$70,350	33	98	0	Low Risk
Washington Culver	1,341	$55,917	345	674	42	High Risk
McLaughlin	498	$69,583	129	313	0	High Risk
West Washington	755	$57,944	229	412	23	High Risk
Fox Hills	1,642	$102,836	354	480	81	Rent-burdened
Summary Total	**7,819**	**$73,123**	**1,721**	**4,274**	**314**	

This analysis is a snapshot in time using 2017 data and does not look at the relative pace at which neighborhood change may be occurring.

EDUCATIONAL ATTAINMENT

Culver City's population is more highly educated than the CMA and LA County. 55% of Culver City's population has a bachelor's degree or higher, and 25% of Culver residents have a master's degree or higher.

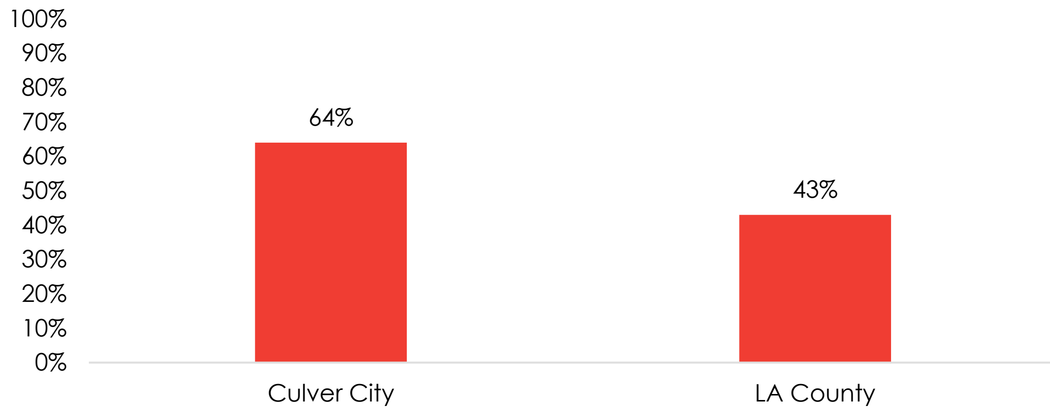
Figure 23: Educational Attainment, Comparative Areas (2017)



Source: U.S. Census ACS 2013-2017

Culver City also has an excellent K-12 public school system, as compared to school districts within LA County. The Culver City Unified School District is regionally recognized for its performance and was cited by stakeholders as a key local asset. The Culver City Unified School District is also one of the most diverse school districts in the country and has recently received national recognition for this. Culver City public school students regularly outperform LA County students on key indicators.

Figure 24: Percentage of Public School 3rd Graders Meeting or Exceeding California Standards for English Language Arts & Literacy



Source: California Department of Education, California Assessment of Student Performance and Progress System, 2017

EMPLOYMENT PROFILE

JOB GROWTH

Culver City is experiencing a period of substantial job growth. Culver City has historically outpaced the rest of the CMA in job growth, increasing its share of CMA jobs from 4.01% in 2010 to 4.67% in 2017. As of 2017, there were roughly 60,000 jobs in Culver City. Culver City's annual job growth (CAGR) since 2002 has been nearly 2.5 times higher than LA County and 0.7 times higher than the CMA (Figure 25).

The city's rapid job growth has led to an increase in the daily population (residents plus workers) by about 20,000 people between since 2002, an increase of 24%.

Figure 25. Primary Jobs, Comparative Areas (2017)

	2002	2010	2017
Culver City Jobs	41,521	46,375	60,036
CMA	1,033,109	1,155,731	1,284,585
LA County	3,492,183	3,683,563	4,056,413
Culver City Jobs as a % of CMA	**4.02%**	**4.01%**	**4.67%**
CMA Jobs as a % of LA County	**29.58%**	**31.38%**	**31.67%**

Source: Longitudinal Employer-Household Dynamics (LEHD On the Map)

EMPLOYMENT SECTORS AND MAJOR EMPLOYERS

Culver City's employment mix includes jobs in professional sectors – like media and information technology – and household-serving sectors – like retail, restaurants, healthcare, and education. The Information sector, which includes occupations in media (e.g., Sony Pictures Entertainment), has remained Culver City's largest industry sector (Figure 26). Since 2010, the number of primary jobs in Information has grown, though they now represent a smaller share of the city's total employment due to the strong growth in the Professional, Scientific, and Technical Services sector. Professional, Scientific, and Technical Services ("Professional Services") sector is largely responsible for Culver City's recent job growth, having more than doubled its number of employees and is now the third-largest sector in the city, despite having declined in LA County during this period. Administration and Support jobs have also grown dramatically since 2010, and now represent 16% of the city's employment.

Culver City's Educational Services and Accommodation and Food Service sectors have also grown as a share of city employment, each of which currently represents 7% of the city's employment. Retail Trade remains an important sector with around 6,400 employees, but since 2010 has diminished to 11% of the city's employment.

As noted in the City's Economic Development Implementation Plan, the "Creative Tech" cluster has emerged as the primary economic driver of Culver City, and it is complemented and reinforced by the other components of the creative economy. The Creative Tech cluster is defined as the intersection of high technology and creative media, and these jobs are categorized as Information and Professional Services jobs.

Figure 26. Employment Sectors, Culver City

	2010		2017		
Sector	Count	Share	Count	Share	Net Change, 2010-2017
Information	10,816	23%	11,865	20%	+1,049
Retail Trade	6,427	14%	6,367	11%	-60
Administration & Support, Waste Management and Remediation	5,658	12%	9,361	16%	+3,703
Professional, Scientific, and Technical Services	3,951	9%	9,182	15%	+5,231
Health Care and Social Assistance	2,672	6%	3,742	6%	+1,070
Accommodation and Food Services	2,547	5%	4,011	7%	+1,464
Educational Services	2,277	5%	4,177	7%	+1,900
Wholesale Trade	2,215	5%	1,855	3%	-360
Manufacturing	1,810	4%	2,350	4%	+540
Public Administration	1,757	4%	1,229	2%	-528
Other Services (excluding Public Administration)	1,649	4%	1,568	3%	-81
Finance and Insurance	1,364	3%	976	2%	-388
All Else	3,232	7%	3,353	6%	+121

Source: Longitudinal Employer-Household Dynamics (LEHD On the Map)

Sony Pictures Entertainment is the City's largest employer with 3,000 employees, representing 13% of the City's employment. The number of Sony employees in Culver decreased by 3,000 in 2013, and Sony's share of City employment has decreased from 26% to 13%. Google, Amazon, HBO, Apple, and other "Creative Tech Cluster" tenants have plans to either expand or move to the city, which will continue to fuel job growth in the Information and Professional sectors.

Figure 27. Principal Employers in Culver City (2019)

	Employees
Sony Pictures Entertainment	3,500**
Westfield Shopping-town-Fox Hills	1,500
Southern California Hospital	1,100
Goldrich & Kest Industries	700
Symantec/NortonLifeLock (Broadcom)[6]	560-610**
City of Culver City	820
Target	530

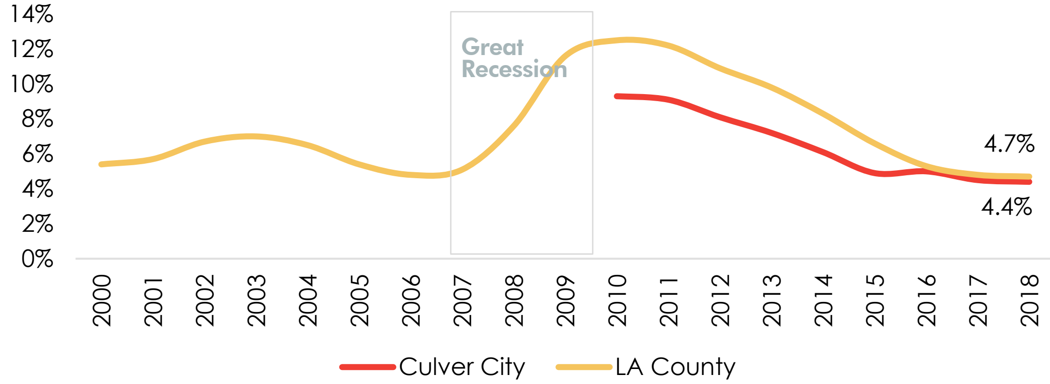
*Source: Culver City Consolidated Annual Financial Report, 2019; *,**Numbers updated as of February 2020 – Kristin Cavanaugh, Sony, Email Communication, 2020, Adam Bromwich, Symantec, Email Communication, 2020.*

UNEMPLOYMENT

Culver City has had a consistently low unemployment rate compared with LA County since the Great Recession. As shown in Figure 28, Culver City's unemployment rate was significantly lower than LA County's following the Great Recession. As the regional economy has improved, the County and Culver City's unemployment rates have converged, both around 4.5% in 2018. As mentioned in the Introduction, while it is not possible at this moment to fully predict COVID-19's impact on Culver City's employment growth over the next 25 years, it is likely that rates of unemployment will be impacted during recovery efforts and possibly for years to follow.

[6]Symantec was bought by Broadcom in 2019. Symantec, Corp. changed its name to NortonLifeLock, Inc. but the name Symantec will continue to be used for the company's previous enterprise security products (Adam Bromwich, Symantec, Email Communication, 2020; Techradar, Broadcom completes Symantec deal, rebrands as NortonLifeLock, 2019).

Figure 28. Unemployment Rate (2000-2018)[7]



Source: California Employment Development Department (EDD)

COMMUTING PATTERNS

Culver City's commuter population has grown dramatically with new job growth since 2010, and worsening traffic amidst increased commuting is a significant concern to city residents. Fewer than 10% of Culver City residents live and work in the city. 97% of workers in Culver City commute from outside the city. This daily inflow of commuters is indicative of the city's jobs to housing imbalance, which has been worsened by substantial employment growth that has been decoupled from housing growth. As shown in Figure 29 and Figure 30, 90% of Culver City residents are commuting to jobs outside of the city, with an average commute time of 26 minutes.

Figure 29: Commuter Patterns, Culver City (2017)

	Number of workers	% of Workers in Culver City	% of Culver City Residents
Live outside and commute into Culver City	58,069	96.7%	
Live and work in Culver City	1,967	3.3%	10.4%
Live in and commute outside of Culver City	16,941		89.6%

Source: Longitudinal Employer-Household Dynamics (LEHD)

[7] Unemployment data is not available prior to 2010 for Culver City. Unemployment rates are not seasonally adjusted. Unemployment was calculated on a yearly basis, averaging the unemployment rate by month.

Figure 30: Travel Time to Work, Culver City Residents (2017)

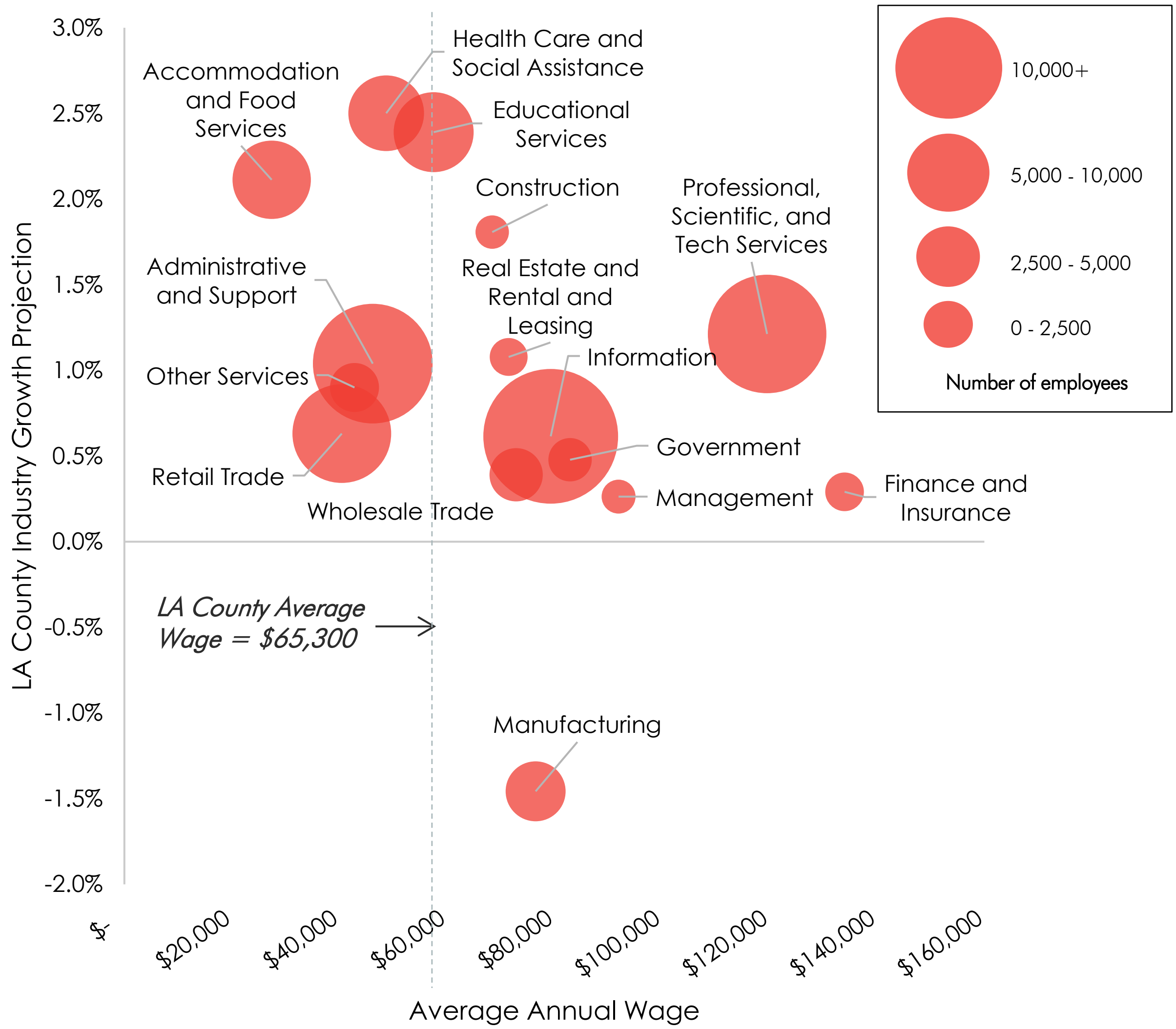
	Culver City	LA County
Less than 20 minutes	28.2%	29.5%
20 to 29 minutes	26.4%	18.2%
30 to 39 minutes	21.5%	19.2%
40 to 59 minutes	13.7%	14.9%
60 or more minutes	18.4%	27.8%
Mean travel time to work (minutes)	26 minutes	31 minutes

Source: U.S. Census ACS 2013-2017

EMPLOYMENT IN JOB GROWTH SECTORS

Culver City has a highly disproportionate share of Information jobs in relation to LA County, and a rapidly growing Professional, Scientific, and Tech Services sector (an average annual growth rate of 8% since 2002). Information and Professional, Scientific, and Tech Services, Culver City's two largest industries by size, have high wages and moderate regional growth projections through 2026. Culver City also has sizeable Administrative/Support and Retail Trade industries, which have slightly lower average wages and seeing moderate regional growth projections. The sustainability of these sectors in Culver City will require support services, particularly housing opportunities for employees in these sectors.

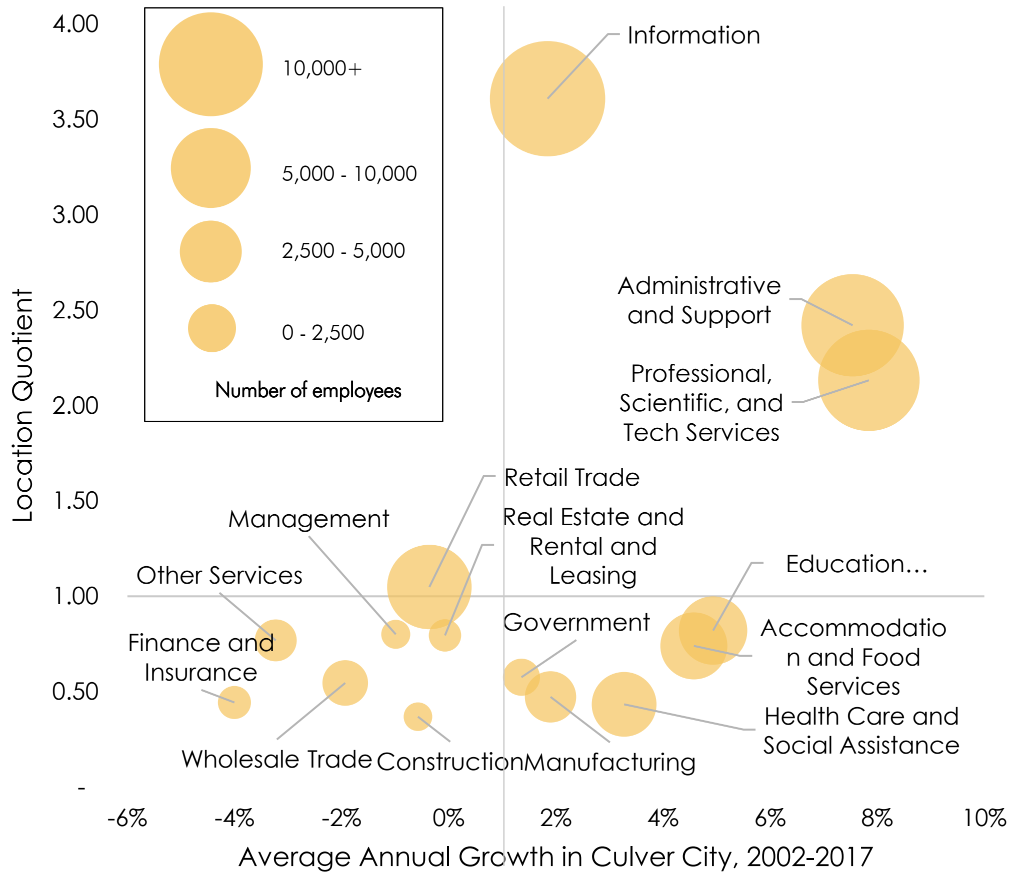
Figure 31: Industry Sectors by Size, Regional Growth Projections and Average Annual Wage, Culver City



Source: LEHD, CA EDD=

The location quotient shown in Figure 32 quantifies the concentration of jobs by industry in Culver City as compared to LA County. Industry sectors with location quotients above 1.0 are more concentrated in Culver City than in the county as a whole. Overall, the location quotient analysis indicates that Culver City has a disproportionately high share of fast-growing, high-wage jobs and particularly, Professional Services and Information Jobs.

Figure 32: Industries by Size, Historic Growth (2002-2017) and Location Quotient, Culver City



Source: LEHD, CA EDD

JOBS VS. HOUSING GROWTH

As referenced above and as shown below in Figure 33, Culver City's employment has grown about two and a half times faster than LA County's job growth from 2002 to 2017, with an annual growth rate of about 2.5%. Culver City's job growth has also stood out within the CMA, which had an annual growth rate of about 1.5%.

Figure 33. Primary Job Growth, Comparative Areas

	Job Growth 2002-2017	Job Growth 2002-2017 CAGR
City of Culver City	+18,515	2.49%
CMA	+251,476	1.46%
LA County	+564,230	1.00%

Source: LEHD

One reason that 97% of Culver City employees commute in every day is that the city has a significantly higher jobs to housing imbalance than other Westside cities and LA County as a whole. As shown in Figure 34, this relationship has grown more extreme since 2002, with Culver City adding 49 jobs per one housing unit during this time. The County has added 2.4 jobs per housing unit during this time. Santa Monica, a city that has added a similar number of jobs as Culver City since 2002, has added seven and a half times more housing units than Culver City during this period. Of comparable cities in the Los Angeles area, only Burbank has seen such a high housing to jobs growth imbalance; Beverly Hills has seen imbalanced growth and has added less than 500 housing units, but because Beverly Hills has not added as many jobs, Culver City's imbalance has been significantly more severe.

Figure 34. Historic Job and Housing Growth in Nearby Areas

	Jobs to Housing Ratio, 2017	Net Increase in Jobs, 2002-2017	Net Increase in Housing Units, 2002-2017	Job Growth to Housing Growth Ratio, 2002-2017
Culver City	3.5	18,515	377	49.1
Burbank	2.7	36,462	901	40.5
Beverly Hills	2.7	9,423	450	20.9
West Hollywood	1.2	7,220	875	8.3
Santa Monica	1.4	16,500	3,000	5.5
Glendale	1.1	12,729	2,773	4.6
Pasadena	1.9	3,943	4,858	0.8
LA County	1.2	564,230	232,563	2.43

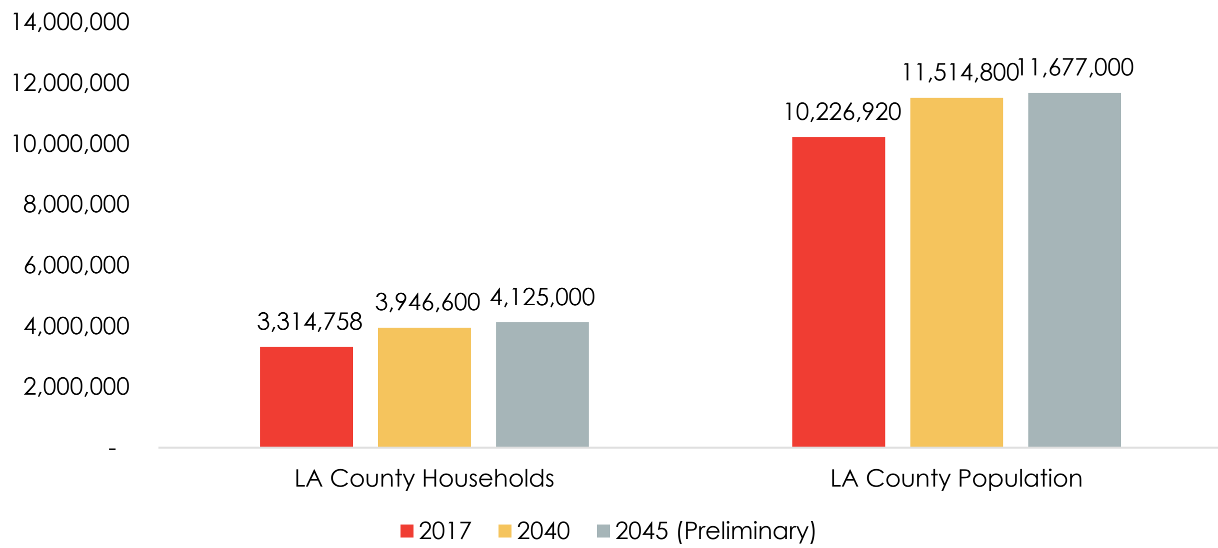
Source: LEHD, California DOF

GROWTH SCENARIOS

SCAG GROWTH PROJECTIONS

In 2016, the Southern California Association of Governments (SCAG) projected that LA County's population will grow by 0.52%, and households will grow by 0.76% annually between 2017 and 2040 (Figure 35), which is more rapid growth than LA County has seen since 2000. In 2019, SCAG published new projections through 2045, which shows a slight slowdown in population growth rate at 0.48% through 2045, and a slight uptick in household growth rate at 0.82% through 2045. Overall, these projections suggest a household size decrease in the County, from 3.09 people per household in 2017 to 2.83 people per household in 2045.[8]

Figure 35. Population and Household Growth Projected by SCAG, LA County (2017-2045)



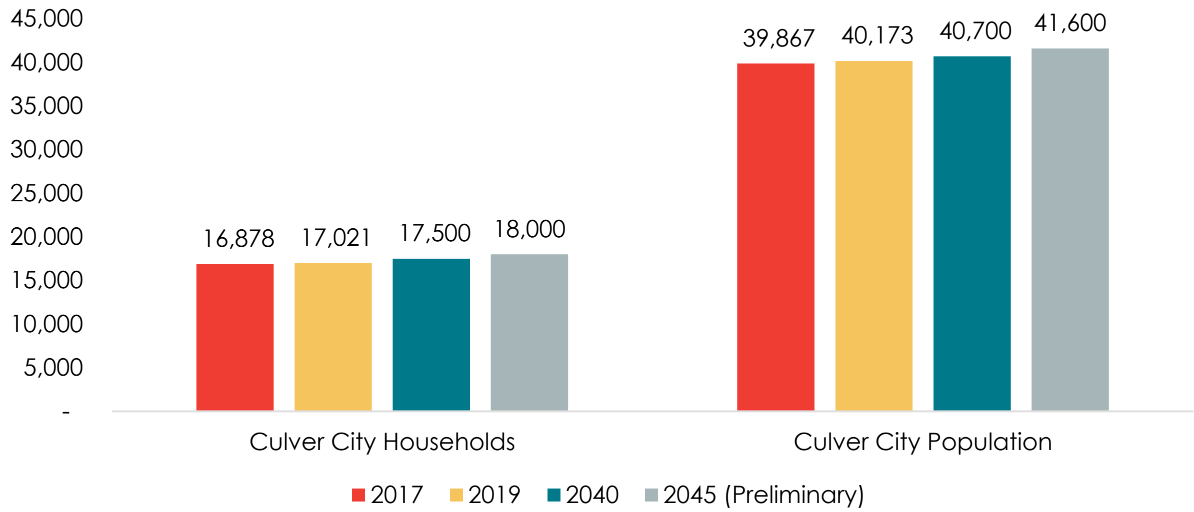
Source: California DOF E-4, E-5, and E-8 for historic figures; SCAG 2016 and 2019 projections for future figures.

For Culver City, however, SCAG's household and population projections are extremely low, with growth rates of 0.16% for households and 0.09% for population between 2016 and 2040. When accounting for the growth that occurred in Culver City between 2017 and 2019, the 2019-2040 CAGRs are even lower: 0.13% for households and 0.06% for population. Under SCAG's latest projections

[8] The projections described in this section were created in Q4 2019 and Q1 2020, using the best and most recently available data. However, the analysis was conducted prior to the onset of the global COVID-19 pandemic. While the effects of the pandemic are uncertain as of this report's writing, it is possible that the pandemic may cause long-term, fundamental shifts in the economy, which could change long-term projections of employment growth or housing demand.

through 2045, Culver City sees only slightly faster growth, with 2019 to 2045 growth rates of 0.22% for households and 0.13% for population.

Figure 36. Population and Household Growth Projected by SCAG, Culver City (2017-2045)



Source: California DOF E-4, E-5, and E-8 for historic figures; SCAG 2016 and 2019 projections for future figures.

For employment growth, SCAG projected that LA County jobs will grow at a rate of 0.67% per year between 2016 and 2040, and projections through 2045 suggest sustained growth at this average pace. SCAG's job projections for Culver City showed 2045 employment of 64,100 compared with 2016 employment of 59,300, or job growth of only about 4,000 jobs between 2016 and 2045. Because these projections are exceedingly low in comparison to the City's recent job growth, including growth since the last available data year, SCAG's Culver City projections are not used as the basis of growth projections in this analysis.

SCAG's lower job projection is in part because SCAG estimates growth based on capacity and many other factors and does not consider the market capture potential of Culver City. The analysis for this forward-looking General Plan Update uses SCAG projections for LA County and attempts to use other market and regional capture-driven growth scenarios for Culver City that do not limit supportable market demand in the city with physical or regulatory capacity considerations, including changes in land use that may be in the works through processes such as the General Plan Update.

CULVER CITY EMPLOYMENT PROJECTION

Potential job growth in Culver City was projected based on the capture of projected job growth in LA County by SCAG.[9] For capture rates, this analysis looked at the percentage of new jobs in LA County between 2007 and 2017 that are in Culver City, and the percentage of new jobs in LA County between 2012 and 2017 that located in LA County – 3.90% and 2.68%, respectively.

In the low job growth scenario, this analysis conservatively assumes that Culver City will sustain more recent capture of LA County jobs (2012-2017), whereas the high job growth scenario assumes that Culver City will capture a share of new LA County jobs equivalent to the capture it has seen in the last ten data years (2007-2017). These scenarios result in projected job growth of 22,300 to 32,400 new primary jobs by 2045, respectively.

This analysis also took the midpoint of this low and high capture to show a medium job growth scenario that falls between the low and high projections, with job growth of 27,400 (Figure 37). The annual growth implications of these projections range from 800 jobs per year under the low job growth scenario to 1,200 jobs per year under the high job growth scenario.

Figure 37. Employment Growth Scenarios, Culver City (2017-2045)

	Low Job Growth Scenario	Medium Job Growth Scenario	High Job Growth Scenario
2017 Jobs	60,000	60,000	60,000
2045 Job Projection Estimate	82,300	87,300	92,400
2045 Jobs Added	**22,300**	**27,400**	**32,400**
Annual Job Growth, 2017-2045	**800**	**980**	**1,200**

Source: LEHD, HR&A Advisors

CULVER CITY HOUSING UNITS PROJECTION

Culver City's historic job growth and low housing production have created a severe jobs to housing imbalance within the city. As noted previously in Figure 34, Culver City's 3.5 jobs to housing unit ratio

[9] This analysis uses SCAG's industry-level growth projections for LA County between 2016 and 2040 and extends the projections to the year 2045 using the same rate of growth. SCAG has not yet released industry-level projections through 2045, but the overall rate of total employment growth projected for all jobs by 2045 is in line with SCAG's previously released 2040 projections which were used in this analysis.

is higher than any peer city and significantly higher than the CMA and LA County. Further, Culver City has added 49 jobs for every housing unit added during the past 15 data years, a ratio that is unprecedented within the CMA. As Culver continues to add jobs, matching job growth with multifamily residential development will be critical to ensuring that a housing shortage does not impede Culver City's economic development priorities and that Culver City is providing its fair share of housing within the region, as well as allowing employees to live near where they work.

The Residential Growth Scenarios assume that Culver City will meet the CMA's jobs to housing ratio of 1.5 jobs per housing unit for each job that the city adds. The growth scenarios are not meant to be prescriptive, but rather reflect an estimate of demand for housing caused by Culver City's expected employment growth, which may or may not be accommodated in the city itself, surrounding cities, or other parts of the metropolitan area (based on physical or other constraints). Overall, if Culver City were to meet this jobs to housing ratio it would result in 14,900 new housing units (520 units annually) under the low job growth projection or 21,600 new housing units (750 units annually) under the high job growth projection (Figure 38). As a point of reference, Culver City's Regional Housing Needs Assessment (RHNA) allocation for 2021-2029 is 3,372 units, or about 421 units per year, as of November 2019.[10]

[10] The Regional Housing Needs Assessment is mandated by California law as part of the periodic process of updating local housing elements of the General Plan. The RHNA quantifies the need for housing within each jurisdiction during specified planning periods. The 6^{th} RHNA allocation plan covers the planning period October 2021 through October 2029, and these numbers are still under consideration, though planned to be adopted by SCAG in October 2020.

Figure 38: Residential Growth Scenarios based on CMA Jobs to Housing Ratio

	Projected Job Growth		
	Low	**Medium**	**High**
2017 Jobs	60,000	60,000	60,000
2017 Housing Units	16,900	16,900	16,900
2045 Job Projection Estimate	82,300	87,300	92,400
Jobs-to-Housing Ratio Assumption *(Applied to Incremental Job Growth)*	1.5	1.5	1.5
2045 Total Housing Units	31,800	35,100	38,500
2045 Housing Units Added	**14,900**	**18,200**	**21,600**
Annual Housing Unit Growth, 2017-2045	**530**	**650**	**770**

Throughout this report, the low and high jobs and housing unit projections are used to estimate the demand for various land uses. *It is important to note that these projections reflect a range of potential growth options for the city – which are a result of social, political, and economic decisions.*

Finally, this analysis did not incorporate the potential for Culver City to address existing, or "pent-up," demand for housing in the city. As of 2017, Culver City would need to add 23,100 housing units to achieve the CMA's 1.5 jobs per housing unit. The projections shown in Figure 38 apply the 1.5 jobs per housing unit to the new jobs added between 2017 and 2045 only; to address pent-up demand, an additional 23,100 housing units would be required to address the full extent of Culver City's existing housing shortage and meet pent-up demand for housing in the city.

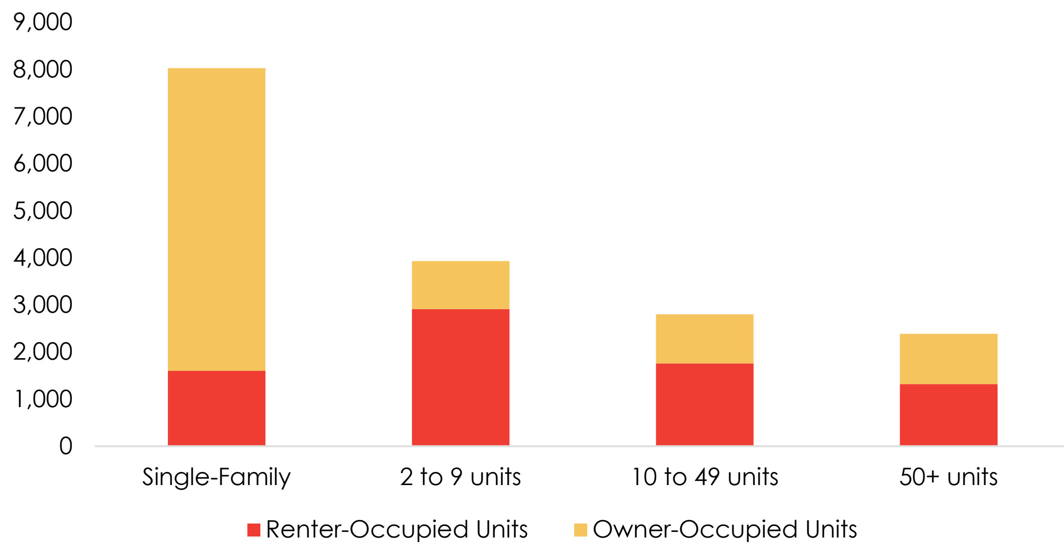
REAL ESTATE MARKET ANALYSIS

RESIDENTIAL MARKET (MULTI-FAMILY & SINGLE FAMILY)

RESIDENTIAL OVERVIEW

Culver City has 17,370 housing units, 16,540 of which are occupied (4.7% total vacancy). 46% of Culver City's housing stock is single-family homes (including attached and detached homes), and the rest (9,115 units) are in multifamily units. As shown in Figure 39, there are 5,980 multifamily rental units (66% of multifamily units) and 3,130 owner-occupied multifamily units in Culver City (34% of all multifamily units). Nearly half (48%) of multifamily rental units are in small (2 to 9 unit) buildings. Relatively few residents live in larger apartment buildings, reflecting Culver City's character as a low- to medium- density area. Large (50+ unit) buildings in the city are almost evenly split between rental and owner-occupied units.

Figure 39: Tenure by Housing Units in Structure, Culver City (2017)



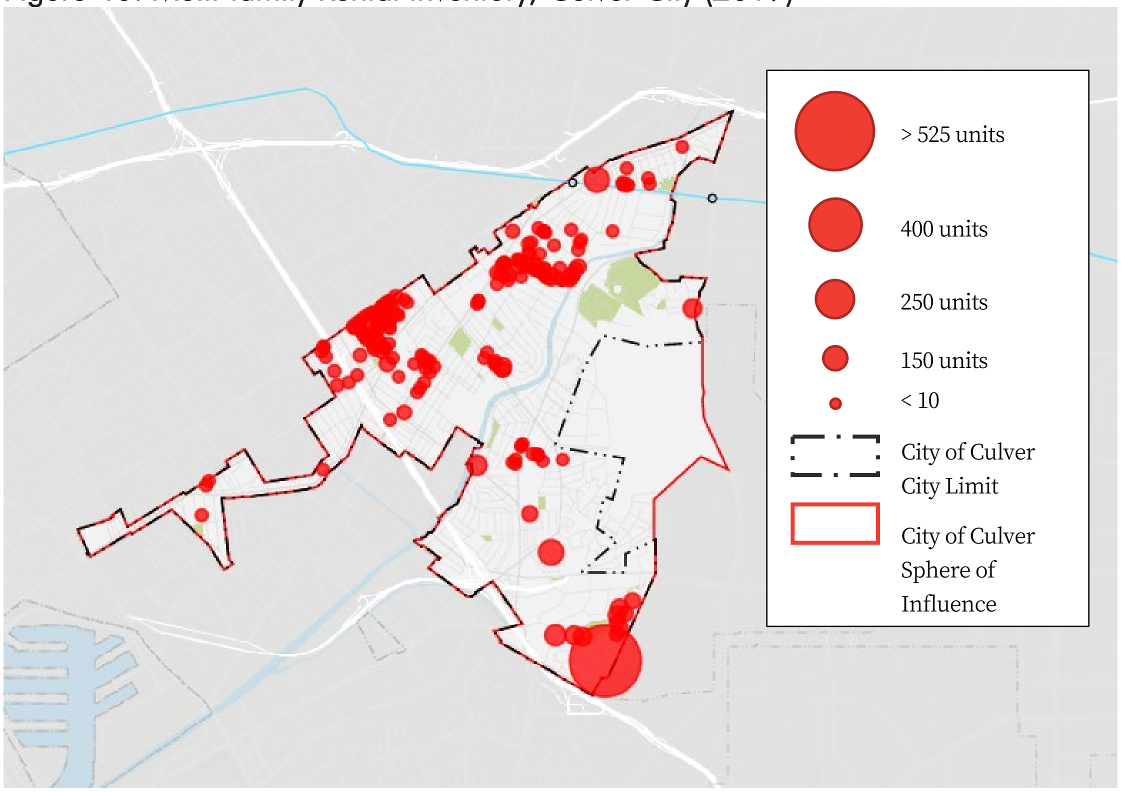
Source: U.S. Census ACS 2013-2017

MULTIFAMILY RENTAL INVENTORY

This analysis uses CoStar real estate data to evaluate market performance. CoStar is the real estate industry standard for market data in the United States. The CoStar multifamily rental inventory in

Culver City is 3,081 units.[11] As shown in Figure 40, Culver City's multifamily buildings are located primarily along the Washington and Venice Boulevard corridors and concentrated in the Fox Hills neighborhood.

Figure 40: Multi-family Rental Inventory, Culver City (2019)

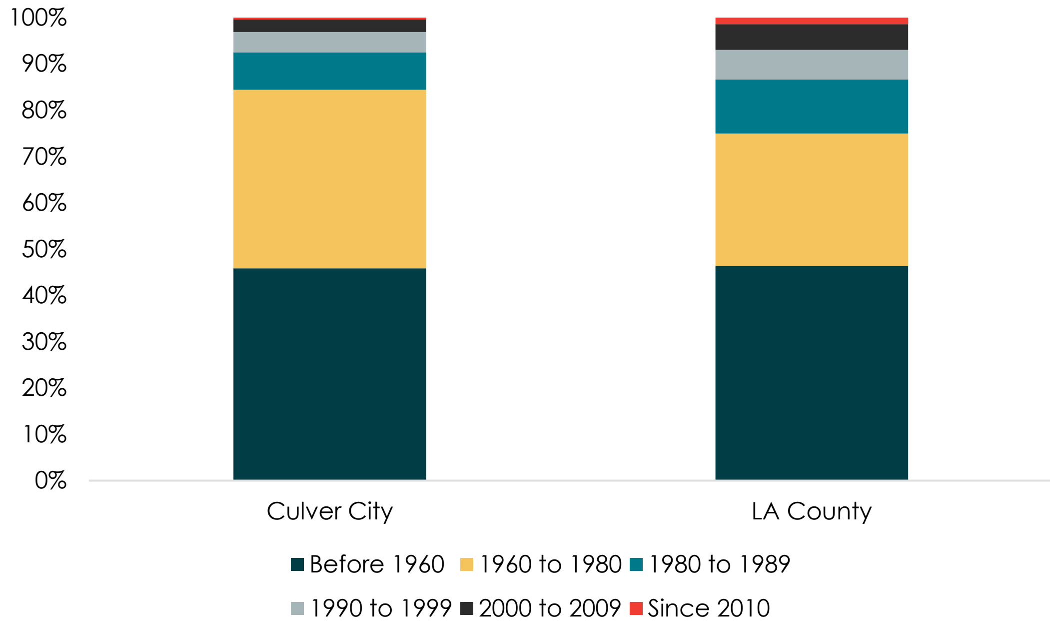


Source: CoStar

As shown in Figure 41, Culver City's housing stock is older than LA County's, with 80% of Culver City's multifamily units built before 1980 compared with 74% of LA County's inventory. Per Costar, between 2000 and 2013, no new multifamily units were delivered in Culver City. Since 2013, 207 units have been delivered.

[11] Source: CoStar. Note that the multifamily rental inventory does not match exactly with U.S. Census multifamily units due to data limitations. CoStar focuses on multifamily buildings with more than ten units, and buildings built after 1980; therefore, CoStar data is typically reflective of larger buildings.

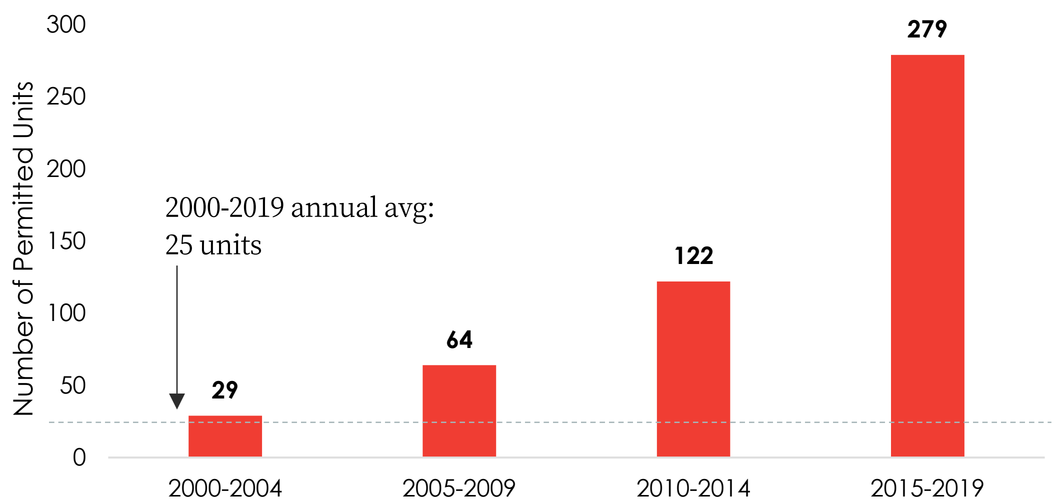
Figure 41: Renter-Occupied Housing Units by Year Built



Source U.S. Census ACS 2013-2017

As shown in Figure 42, between 2015 and 2019, 279 units were permitted, a marked shift from the 2000s and early 2010s. Between 2000 and 2014, only 259 units were permitted in total. Culver City's average annual number of units permitted is 25.

Figure 42: Building Permit Activity, Culver City (2000-2018)[12]



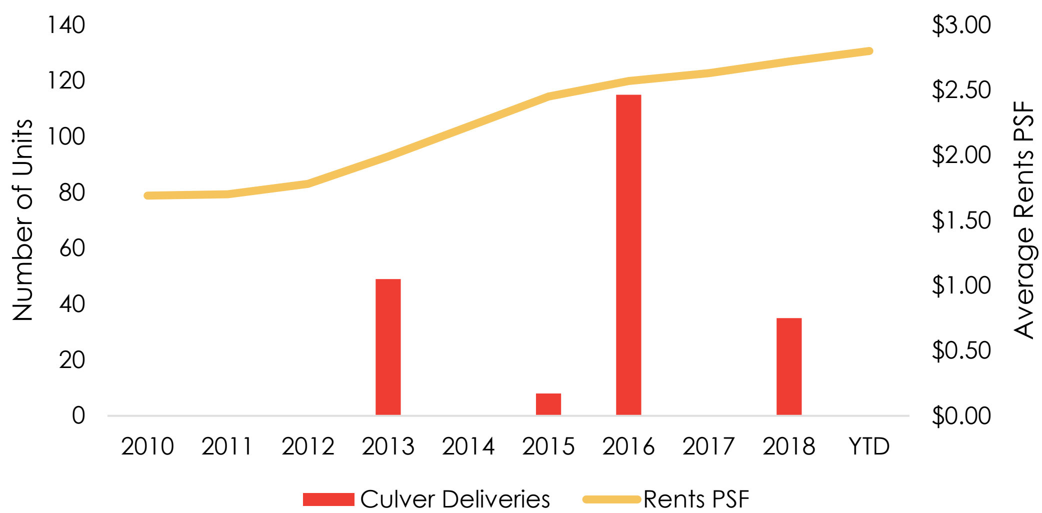
Source: City of Culver City permit data 2000-2019; U.S. Census Bureau for 2000-2013

[12] Includes construction of for-sale and rental units.

MULTIFAMILY RENTAL MARKET TRENDS

Since 2010, average multifamily rents have increased by 6.1% annually (Figure 43). This is extremely high rent growth when compared with the Consumer Price Index inflation of approximately 2.4% annually during this period and compared with LA County rent growth of 4.2% during this period. Only 207 new units were delivered in Culver City in this period.

Figure 43: Recent Development and Rents, Culver City (2010-2018)[13]



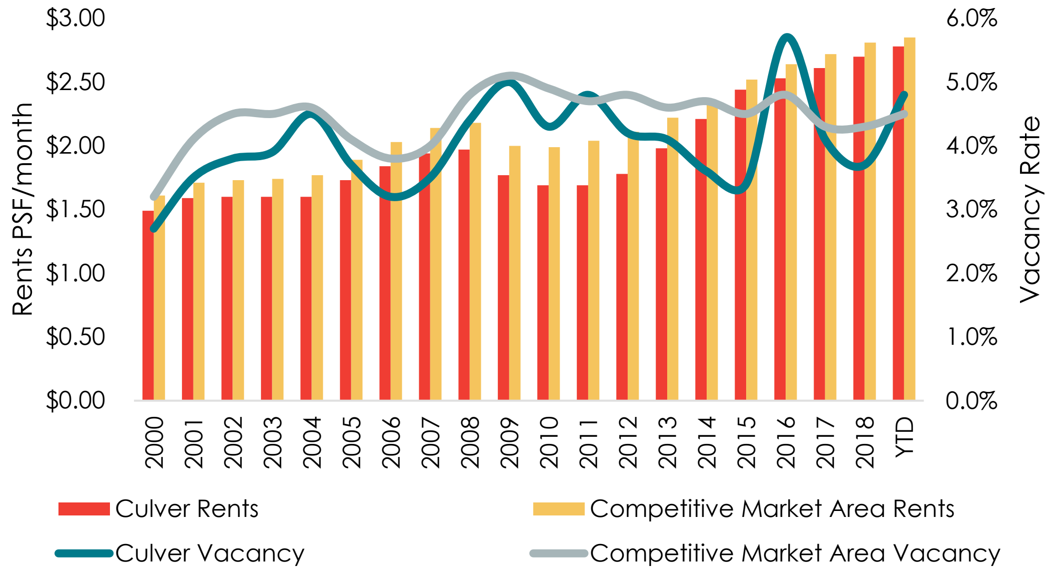
Source: CoStar

As shown in Figure 44, average rents per square foot (PSF) in Culver City are about $2.80 PSF.[14] Despite strong rent growth since 2010, Culver City's rents are consistently slightly (2-3%) lower than the CMA, but the gap between Culver City and CMA rents has narrowed since 2010, when Culver City's rents were 15% lower than the CMA. Culver City's relatively lower rents are most likely attributable to the age of the rental building stock and the lack of new development, with less than 15% of Culver's rental housing stock built since 1980 compared with 24% of the rental housing stock in LA County (Figure 41). The more recent developments see rents north of $3.50 PSF per month. Culver City's multifamily

[13] In real estate, the term "delivery" means buildings or units that have completed construction and are ready for tenant occupancy.
[14] Data for rents and vacancies are for all properties with Culver City addresses, which may not fully reflect the market trends of properties solely within Culver City boundaries.

vacancy is low but on par with the CMAs and hovers between 4-5%, excluding 2016 (during which there was a significant development of new units).

Figure 44: Multifamily Average Monthly Rent and Vacancy, Culver City and CMA (2000-2018)



Source: CoStar

COMPARISON WITH SURROUNDING SUBMARKETS

As shown in Figure 45, Culver City's average multifamily rents PSF are higher than adjacent submarkets to the South and Southeast (Inglewood/South LA and Mid-City), but lower than average rents to the West and North (Century City/Westwood/Beverly Hills and Santa Monica/Venice/Marina Del Rey). Nonetheless, rents in newer Culver City multifamily buildings resemble rents in newly delivered buildings in West LA and Mid City.

In terms of new inventory across the CMA, Culver City has delivered less than 1% of the CMA's total new rental stock. The largest amount of new multifamily residential inventory is Downtown LA, which has seen the development of more than 16,000 units since 2010.

Table 45. Multifamily Residential Summary by Submarkets (2018)

	Inventory in Units (2018)[15]	Avg. Rent PSF (2018)	Vacancy Rate (2018)	Units since 2010	Development as a % of CMA
City of Culver City	3,081	$2.70	3.7%	207	0%
Culver City/West LA	42,904	$2.54	3.5%	1,173	3%
Santa Monica/Venice/ Marina Del Rey	56,804	$3.46	4.9%	6,951	16%
LAX Area	8,746	$2.96	3.6%	479	1%
Century City/ Westwood/Beverly Hills	38.783	$3.31	3.8%	1,937	4%
West Hollywood/Eastside	129,965	$2.74	4.2%	8,070	19%
Mid City	102,470	$2.50	3.3%	7,176	16%
Downtown/Arts District	33,590	$3.05	10.5%	16,382	38%
Inglewood/South LA	43,772	$1.81	3.2%	1,077	2%
CMA	**455,440**	**$2.81**	**4.3%**	**43,522**	**100%**
Los Angeles County	**1,086,588**	**$2.33**	**3.8%**	**73,729**	-

Source: CoStar

MULTIFAMILY RESIDENTIAL PIPELINE

Per City of Culver City data, as of December 2019 there are thirteen multifamily rental projects and 1,059 units in the pipeline, including 417 units under construction.[16] These include projects that are under review, approved, and under construction. As shown in Figure 46, these under construction multifamily projects in Culver City are located adjacent to the LA Metro E (Expo) Line and along the Washington Boulevard Corridor. Culver City is experiencing a significant uptick of residential construction, compared to its historical pace of residential development.

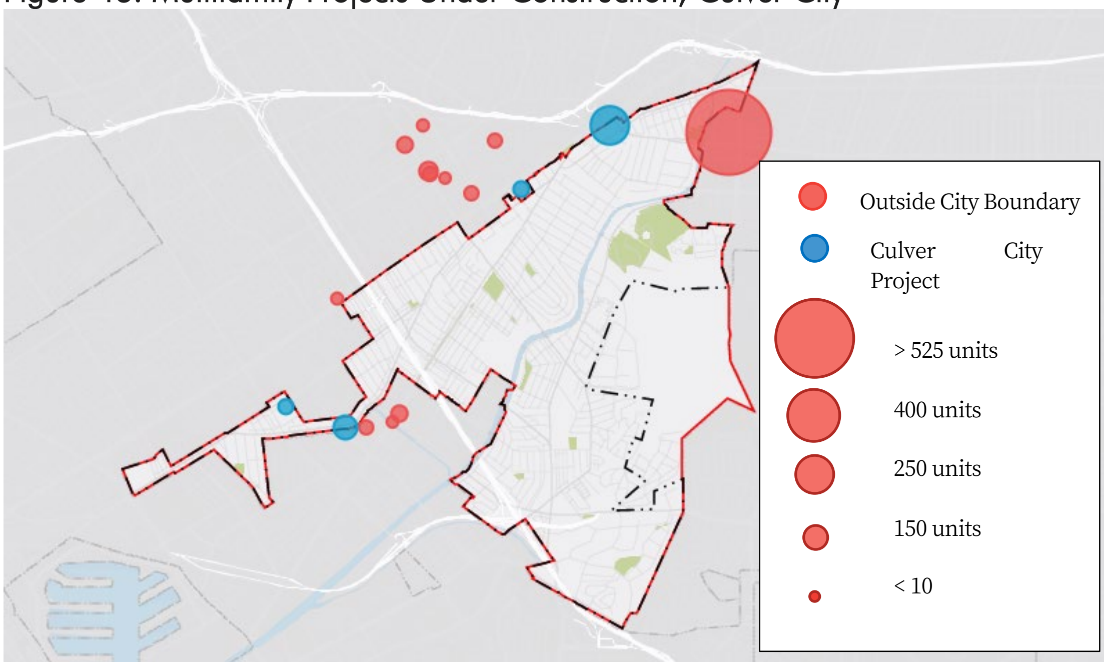
The Cumulus, a new 28-story tower in West Adams just beyond the City's northeastern limits at Jefferson and La Cienega Boulevards, will add 1,200 market-rate rental units to that neighborhood.

[15] Data is from CoStar and has the same limitations as noted above. CoStar data focuses on newer buildings with 10 or more units and therefore may not be representative of the entire rental market.
[16] Pipeline projects confirmed by City of Culver City via email on 12/3/2019.

In addition to the multifamily rental pipeline, City data as of December 2019 shows nine condominium projects and 47 condominiums under review, approved, or under construction. Five of the nine projects are buildings with three to five units resulting from subdivisions or demolition of single-family homes; the largest of these projects has ten units.

In stakeholder interviews, many real estate professionals noted that the City's 56-feet height limits in most areas are significant obstacles to redevelopment for residential uses.

Figure 46. Multifamily Projects Under Construction, Culver City



Source: CoStar, City of Culver City

One of the most notable under-construction projects is Ivy Station, a mixed-use project along the LA Metro (E) Expo Line that will include 200 rental apartments, a hotel, and new office space. Rents at Ivy Station are still unknown, but The Haven, a recent 90-unit project along Washington Boulevard, is commanding rents of $3.60 PSF, well north of the citywide average of $2.80 PSF (Figure 47).

Figure 47: Multi-Family Pipeline Examples, Culver City

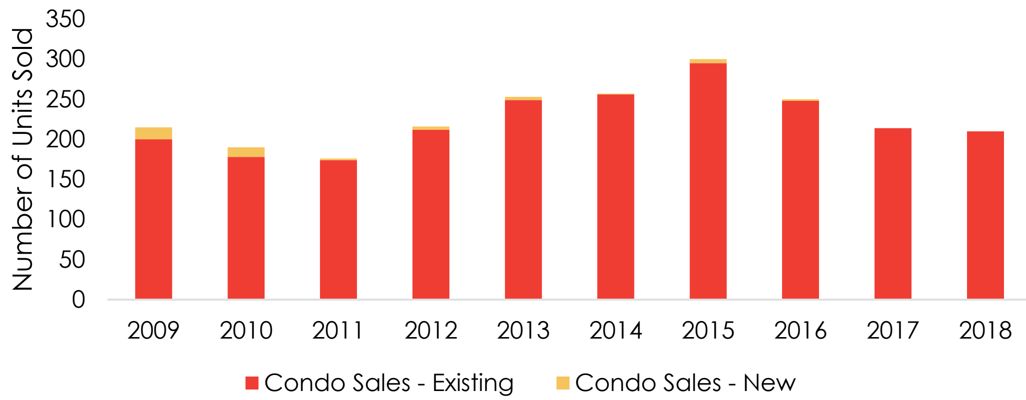
Ivy Station	The Haven
	
Under Construction Completion Year: 2020 Estimated Rents: Unknown % Affordable: 0% Units: 200	Under Construction Completion Year: 2020 Estimated Rents: $3.61 % Affordable: 0%* Units: 90

*Source: CoStar, City of Culver City. *Affordable units in The Haven are located in the City of Los Angeles.*

FOR-SALE RESIDENTIAL INVENTORY AND MARKET TRENDS

As shown in Figure 48, since 2009, 38 new condos were delivered in Culver City per DQ News. No new condos were delivered in 2017 and 2018. Lack of development opportunities for single-family homes and high condo prices in the CMA suggests that there may be potential for new condo product in Culver City. In recent years, “small lot condo subdivisions,” or the development of 2-4 condos on a lot that formerly contained a single-family home, have been prevalent. However, rental product is typically seen as more attractive to multifamily developers given current market dynamics.

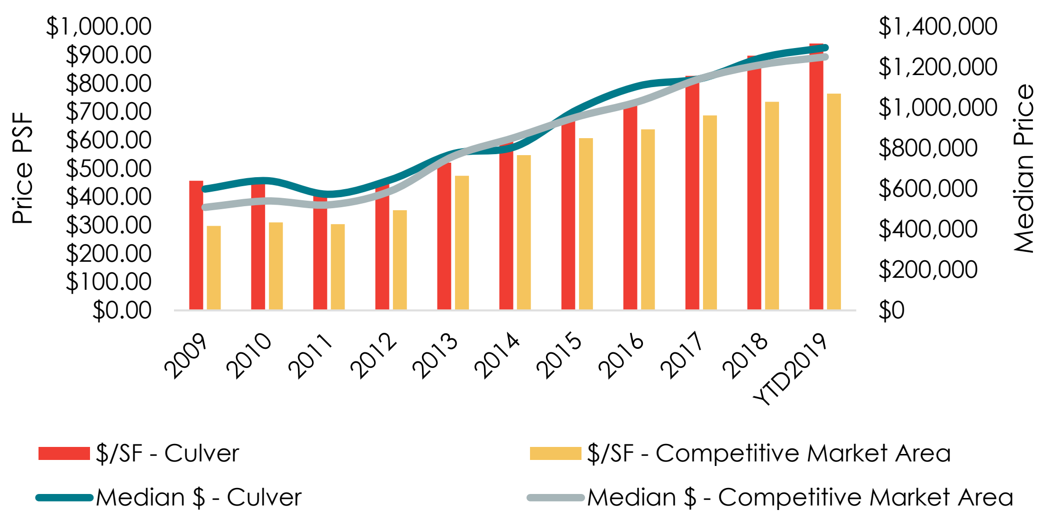
Figure 48: Condo Sales, Culver City (2009-2018)[17]



Source: Core Logic/DQ News

As shown in Figure 49, the median price for single-family residential homes has nearly doubled since the recession and is above $1.3 million, or $940 PSF. For-sale prices PSF are about 20% higher in Culver City than the CMA. Single-family homes constitute 46% of the housing inventory in Culver City.

Figure 49: Single Family Home Sales Median Price and Price PSF, Culver City and CMA (2009-2018)

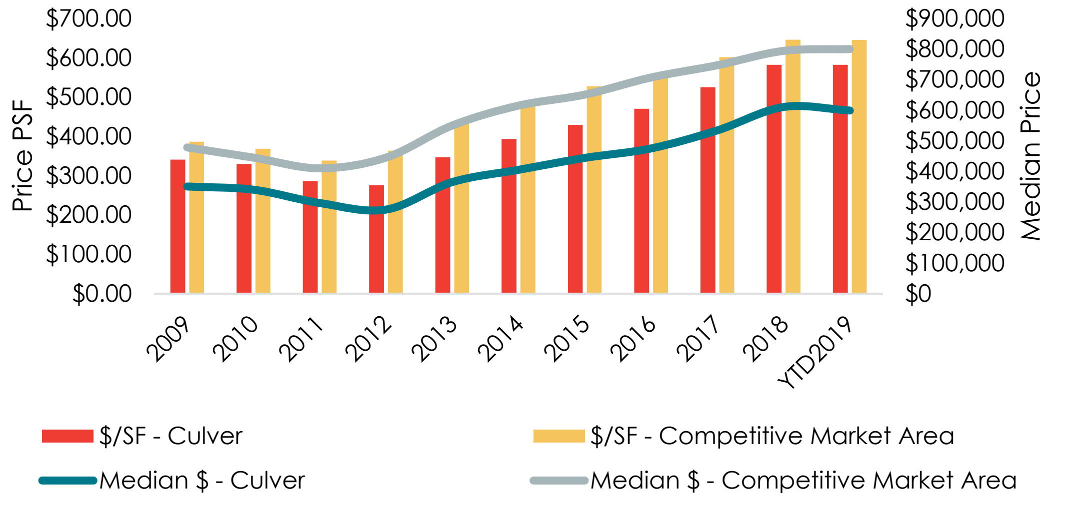


Source: Core Logic/DQ News

[17] DQ News/Core Logic reviews previous use code, year built, and seller/developer to determine new home sales. DQ News defines sales as "attached" and "detached." For the purpose of this report, HR&A refers to "attached" sales as condos and "detached" sales as single-family homes.

As shown in Figure 50, Culver City's condominium performance is weaker than the CMAs, with median sales prices at $600,000, or about $201,000 lower than the CMA.

Figure 50: Condo Sales Median Price and Price PSF, Culver City and CMA (2009-2018)[18]



Source: Core Logic/DQ News

RESIDENTIAL DEMAND

This analysis utilizes the housing unit projections scenarios detailed previously in the report to project residential demand in Culver City. As noted previously, the Growth Scenarios assume that if Culver City were to meet the CMA's jobs to housing ratio of 1.5 jobs per housing unit for each job that the city adds, this would result in gross new demand for between 14,900 and 21,600 housing units by 2045. This analysis assumes that all growth will be multifamily units, given the lack of available land for detached dwelling units.

Residential demand illustrates the gross potential demand of the Culver City market given planned employment growth and does not take into account physical capacity or other growth management policies. The Growth Scenarios present a range of projections for housing demand and do not incorporate an assessment of zoned capacity or available land in the city. For places like Culver City, with high employment, desirable neighborhoods, and quality schools, growth is as much a political consideration as a planning and zoning consideration.

[18] Includes data for both new condos and resale condos. Data may include for-sale, attached townhomes that are under a condominium ownership structure.

Figure 51. Cumulative Residential Demand, Culver City (2017-2045)

	Low Projected Job Growth	High Projected Job Growth
Total Residential Growth Potential	14,900 units	21,600 units
Less Pipeline (Proposed and Under Construction)	1,105 units	1,105 units
Net Additional Demand	**13,795 units**	**20,495 units**

Source: HR&A Advisors, City of Culver City

KEY TAKEAWAYS

- Culver City has a very constrained housing market. Although employment has increased considerably, housing stock has barely increased in the last 20 years, with the City only adding 267 net new households in that period.
- Rent growth and for sale-prices are increasing very rapidly (rent increases of 6.1% since 2010, despite very little new rental product, compared with rent growth of 4.2% annuals in LA County), and housing affordability is threatened.
- There has been a recent uptick in development and planned projects, but homeowner opposition to new development can be intense. Culver City's height limits restrict density and negatively impact the prospects of larger residential projects from being built.
- Strong demand and sale prices for single-family homes and a comparatively underdeveloped condo market suggest a potential for condo growth. The city's recent job growth and pent-up demand for housing suggest enormous demand for new housing development in the city.

OFFICE MARKET

OFFICE OVERVIEW

As of 2018, Culver City is home to 6.6M square feet (SF) of existing office space across 333 buildings.[19]

Though only 10 out of the 333 buildings are Class A (the most desirable office class, characterized by high-quality design, construction, and amenities[20]), they make up 31% of total office space square footage. Class A office space is concentrated in two locations: Downtown, predominantly at One Culver and Culver Steps, and Fox Hills, at C3 and the Corporate Pointe buildings. Class B office space (which is more utilitarian and of slightly lower quality than Class A) is clustered in Downtown, Fox Hills, and the Hayden Tract. Class C (below-average quality and zero frills) office space is spread out across the main commercial corridors of Venice and Sepulveda Boulevards. Slightly over half (53%) of total office space is Class B, with the remainder (16%) Class C. Class A floorplates (average 31,400 SF) are much larger than floorplates in Class B (average 12,700 SF) and Class C (average 5,100 SF) office spaces.

Due to its proximity to the "Silicon Beach" cluster in Playa Vista and Santa Monica, Culver City has a high concentration of digital media, entertainment, and design firms, as well as technology start-ups. Major companies like Apple, Amazon, and HBO have plans to move their media arms into the city soon. Culver City's current top employers include Sony Pictures Entertainment, the Westfield Mall, Culver City Unified School District, Southern CA Hospital, and the City of Culver City. Other employers of note include Nike, Beats Electronics, and several prominent architecture and design firms.[21]

As a note, given Culver City's unique employment makeup, this market analysis may not fully account for non-traditional employment spaces that play a critical role in serving the City's employers. Spaces not conventionally classified as office include formerly industrial spaces, studios, soundstages, or

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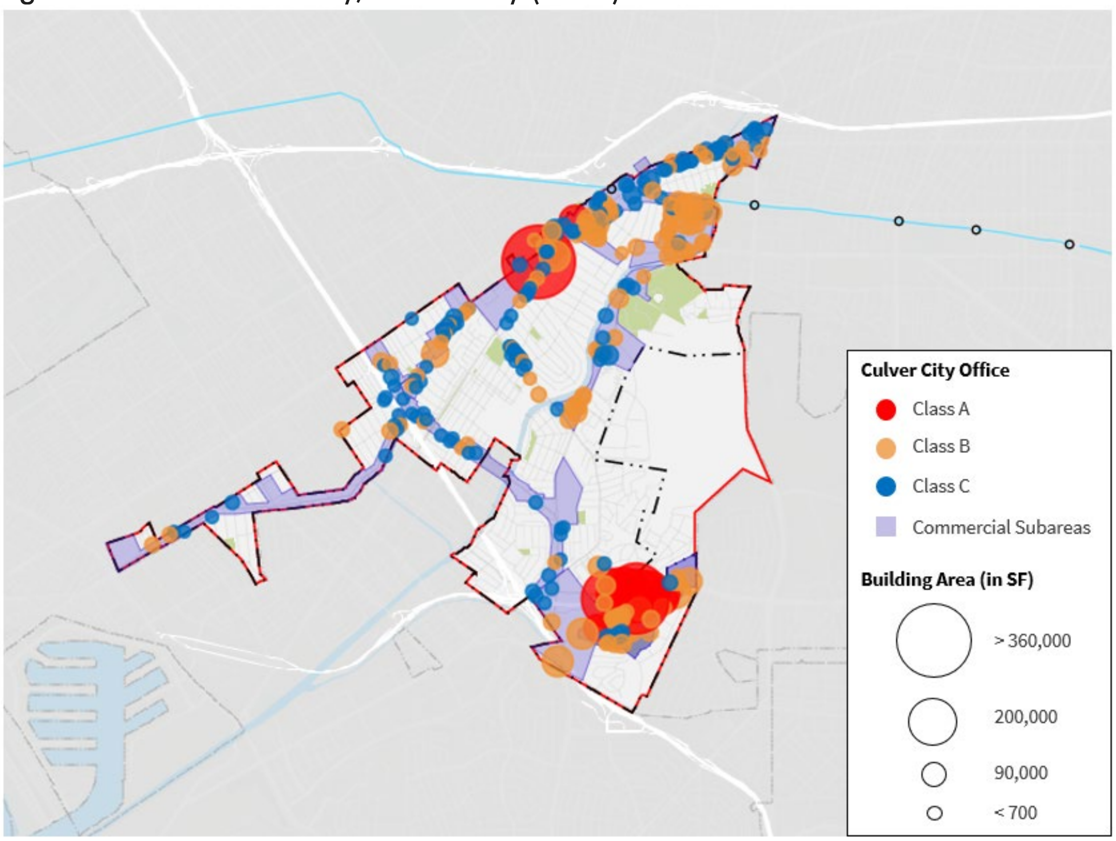
[19] Note that CoStar's proprietary, third-party database does not include Sony's owner-occupied office space at its campus in Culver City, which is estimated to total about 1 million SF of office across 46 acres, and that some of the creative office spaces in the Hayden Tract or along Jefferson Blvd are classified as "flex" or "industrial" spaces.
[20] All office class definitions are sourced from Costar: https://www.costar.com/about/costar-glossary.
[21] Data from City of Culver City Comprehensive Annual Financial Report, 2017. The CAFR does not make clear if these estimates include seasonal or part time workers.

even retail storefronts being used as offices. For example, as of 2018, Culver City has an additional 1.2M SF of space classified for use as movie/radio/TV studios, per CoStar.

OFFICE INVENTORY

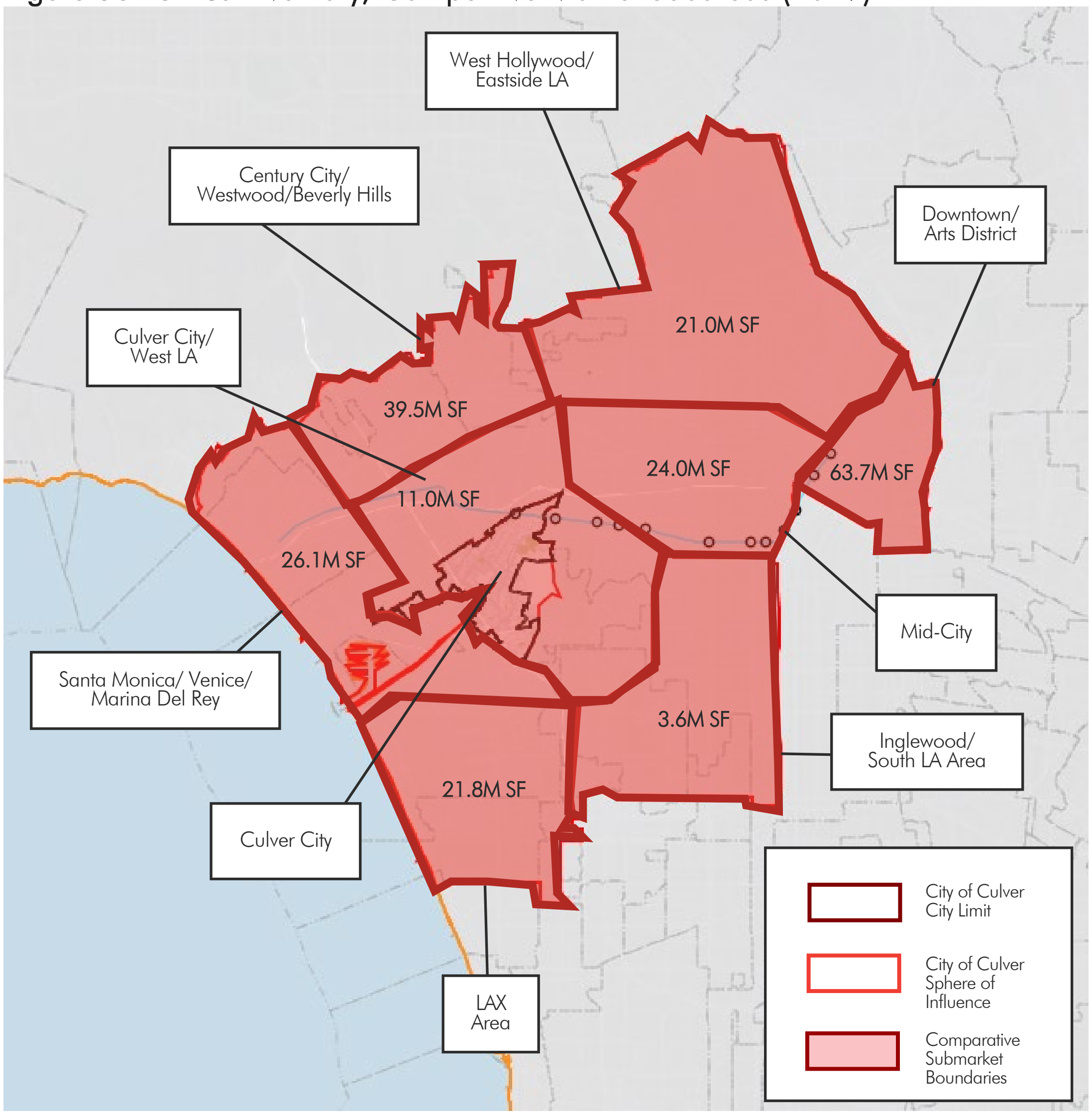
Figure 52. Office Inventory, Culver City (2019)



Source: CoStar

The CMA contains about 210.8M SF of office space, with major clusters in the Downtown/Arts District submarket, Santa Monica, and Century City/Westwood/Beverly Hills. Culver City makes up 3.1% of total office space across the CMA and about 1.8% of Class A office space across the CMA.

Figure 53. Office Inventory, Competitive Market Subareas (2019)



Source: CoStar

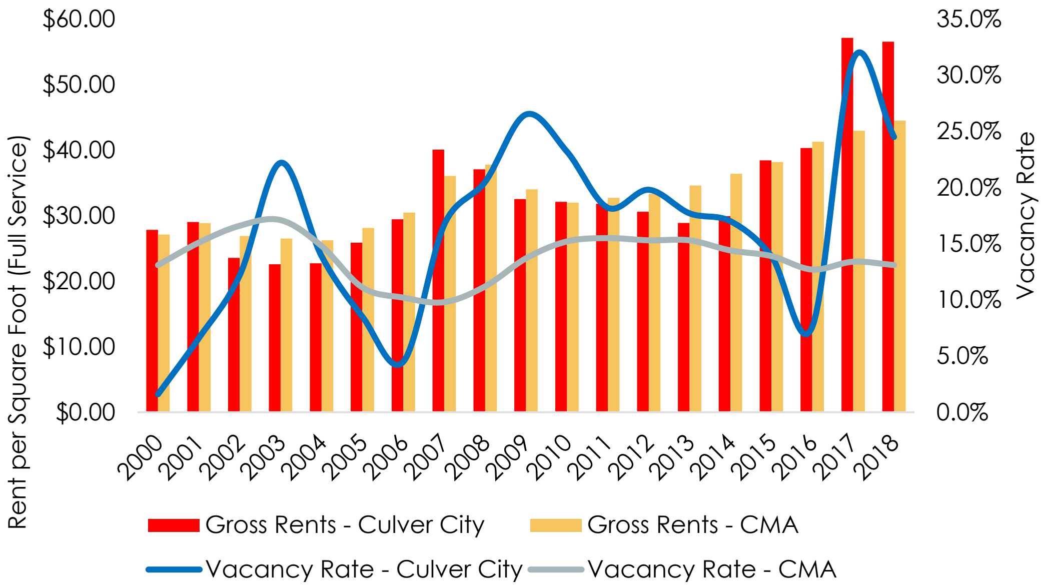
OFFICE RENTAL MARKET TRENDS

Culver City's annual gross rents for all office classes have increased from $29.80 to $51.30 since 2010, representing an increase of more than 70%. The pace of rent growth in Culver City is substantially higher than the CMA and LA County, which saw 43% and 31% rent growth in the same period. Overall, Culver City rents now approach the rents of Brentwood and Beverly Hills, suggesting that the city is becoming more appealing as an office location.

Key office submarkets within Culver City include Fox Hills, Downtown, and the Hayden Tract. Due to both the LA Metro E (Expo) Line station and the expanding presence of major tech and entertainment employers, Culver City's Downtown subarea is growing in commercial development activity and desirability. This burgeoning commercial appeal is evident in the rent differential between Downtown and Fox Hills. Annual asking Class A office gross rents in Downtown is over $72 per SF and 50% more expensive than Fox Hills, which is about $48 per SF. Fox Hills, Culver City's southernmost neighborhood, does not have the same level of cachet as other nearby major commercial districts. With fewer transit alternatives, retail amenities, and an older building stock, Fox Hills is less attractive for commuters and daytime workers seeking easy access to dining and services. Hayden Tract, a former industrial area, is now a converted office district home to many "Creative Tech" employers like Beats Electronics and Nike. Overall rents for converted industrial space in the Hayden Tract can reach $50-60 PSF, comparable to higher-end rents across Culver City, and substantially more than what those spaces could command if they remained as industrial space. The La Cienega/Jefferson E (Expo) Line station serves this neighborhood; however, most workers are still driving to the neighborhood, and the availability of parking continues to be frustrating for many.

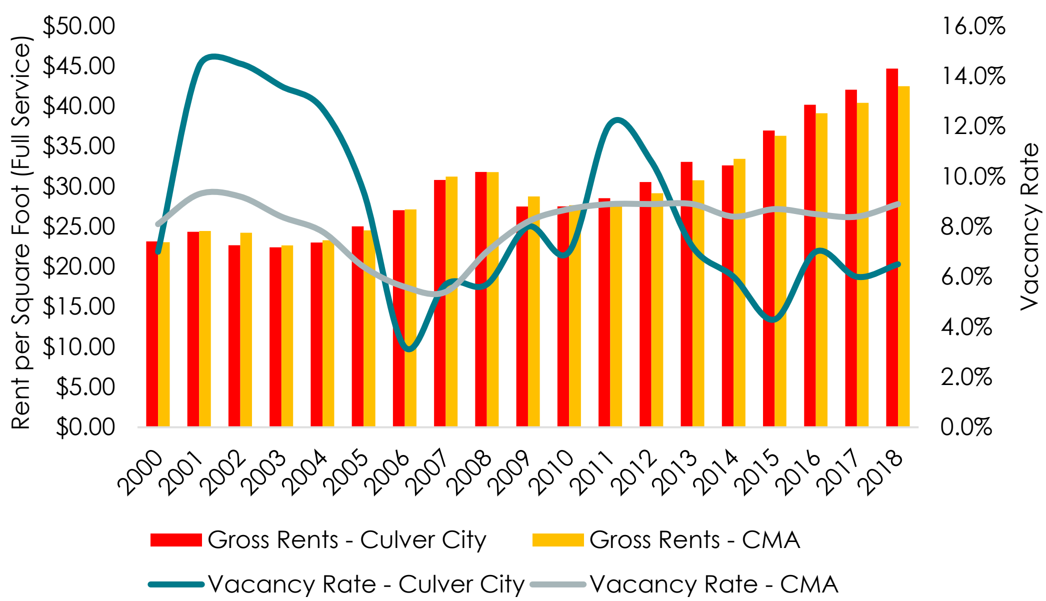
Overall, Class A rents in Culver City now exceed the CMA and have reached $50-60 PSF in 2018. Vacancies were comparatively high (at about 25% in 2018, according to data from CoStar) – however, anecdotal evidence from real estate stakeholders and brokers suggest this data point may be incomplete, as all report a tight market for premium office space in Culver City. Culver City Class B and C rents kept the same pace as CMA and in the $40-45 PSF range, though vacancy in Culver City is lower (6.5% versus 9%).

Figure 54. Class A Office Average Annual Rent and Vacancy, Culver City and CMA (2000-2018)



Source: CoStar

Figure 55. Class B and C Office Average Annual Rent and Vacancy, Culver City and CMA (2000 – 2018)

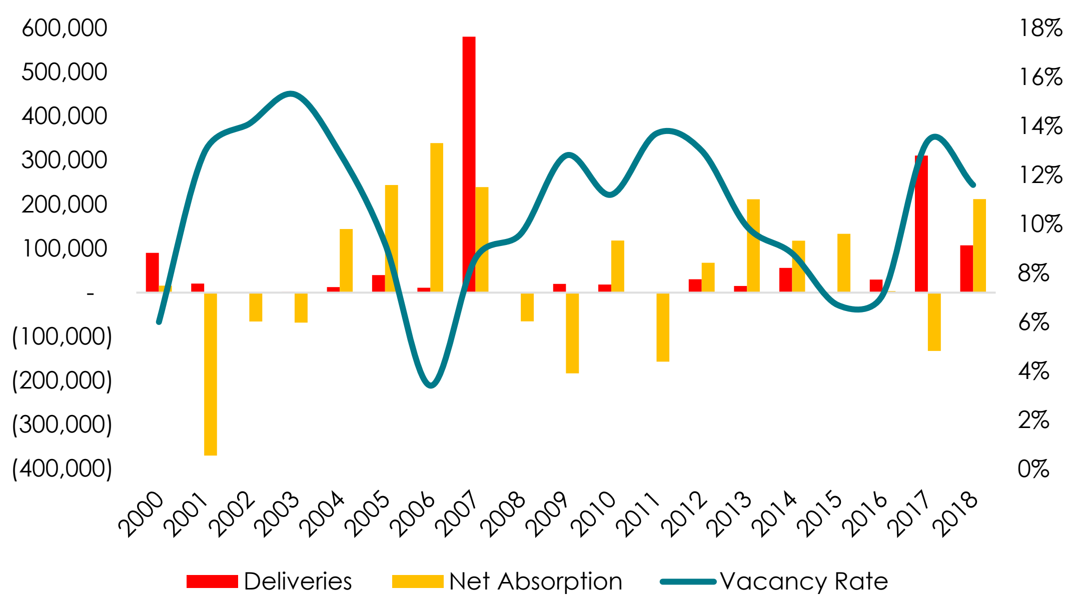


Source: CoStar

As shown in Figure 56, Culver City has seen 1.3M SF of new office space delivered since 2000, which is about 7% of total CMA development during the same period (Figure 61). This 7% capture of new development represents a greater share than Culver City's overall share of existing office space within the CMA. Also, the new development reflects a 24% addition to the existing Culver City inventory since 2000. Before the Recession in 2007, the primary new development was the expansion of Corporate Pointe in Fox Hills (representing almost 600,000 SF). Since the Recession, Culver City had not seen substantial new development until 2017, but such development is now accelerated, with new projects like Ivy Station and Entrada (discussed later in this section).

Creative office space is becoming more prevalent in Culver City with the insurgence of tech and new media companies. This type of space is defined by its open layouts, modular flexibility, and a commitment to employee wellness. In 2017, Culver City Creative (C3) opened in Fox Hills, offering more than 280,000 SF of creative office space. Another key recent development was the repositioning of the former Sony headquarters at 10000 Washington Blvd, now rebranded as One Culver as of 2018. One Culver's commercial space was rapidly absorbed, including by WeWork, Apple and Equinox.

Figure 56. Recent Office Development and Absorption, All Classes, Culver City (2000-2018)



Source: CoStar

OVERVIEW OF FLEX OFFICE / INDUSTRIAL

Flex space is not typically categorized as traditional office, but it plays an important role in housing tenants of the "Creative Tech" economy in Culver City. As such, this report provides brief highlights of this land use as a complement to the office market study. Flex space is designed to be versatile, may be used in combination with office, research and development, or retail, and includes (but isn't limited to) industrial, warehouse, and distribution uses. At least half of the rentable area of the building must be used as office space.

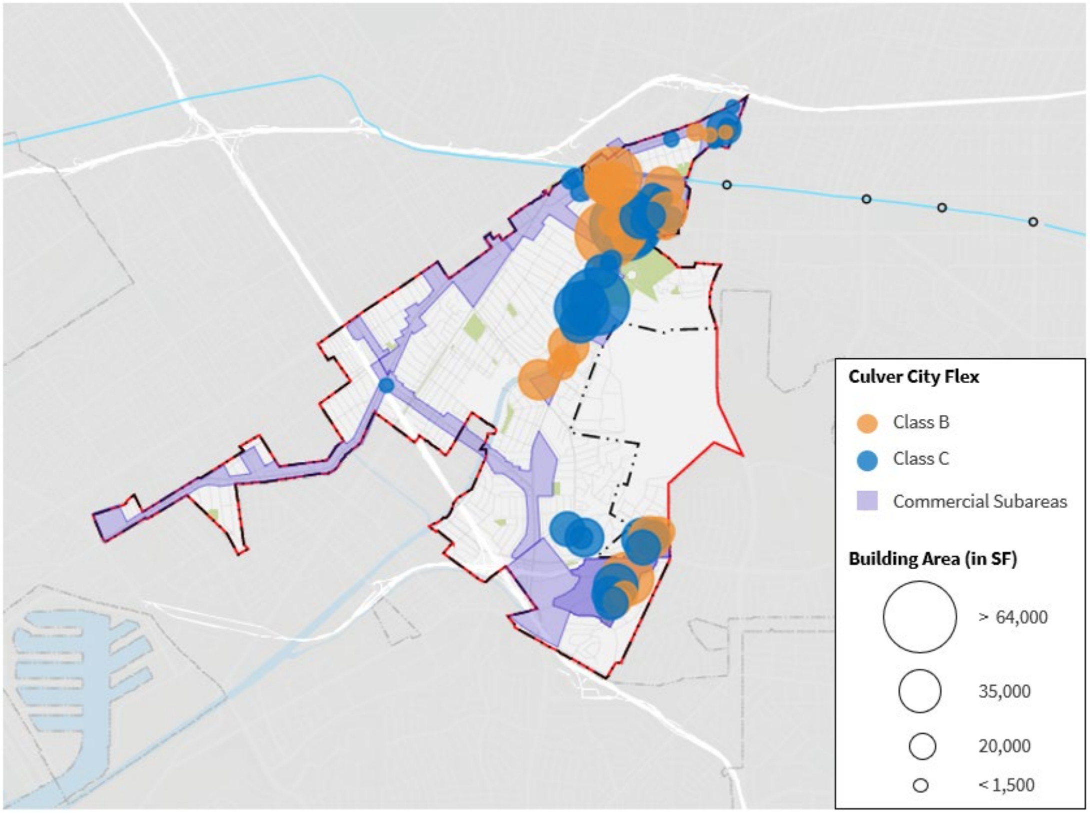
Flex Inventory

As of 2018, Culver City was home to about 1.5M SF of flex space. These spaces are primarily located in the Hayden Tract, Culver City Station (the area around the intersection of Robertson and Venice Boulevards), Fox Hills, and all along the east-west corridor of Jefferson Boulevard. Flex space is also typically classified as Class B or C and can represent a wide range of finishes and amenities to accommodate its varied tenants. Culver City has more Class C (58%) flex space than Class B (42%).

An example of flex-industrial space is 3975 Landmark Street in the Lucerne-Higuera area near the Hayden Tract which was repositioned in 2016. It is redeveloped from industrial use and now includes almost 37,000 SF of flex space with a variety of tenants, including Function Drinks, Inc., a beverage company, and WannaSofa, a home goods store. In 2019, it had asking rents of $27.00 (for a Triple Net lease, aka "NNN"[22]).

[22] Triple Net (NNN) leases are those where "the tenant is responsible for all expenses associated with their proportional share of occupancy in the building." Source: https://www.costar.com/about/costar-glossary

Figure 57. Flex Inventory, Culver City (2019)



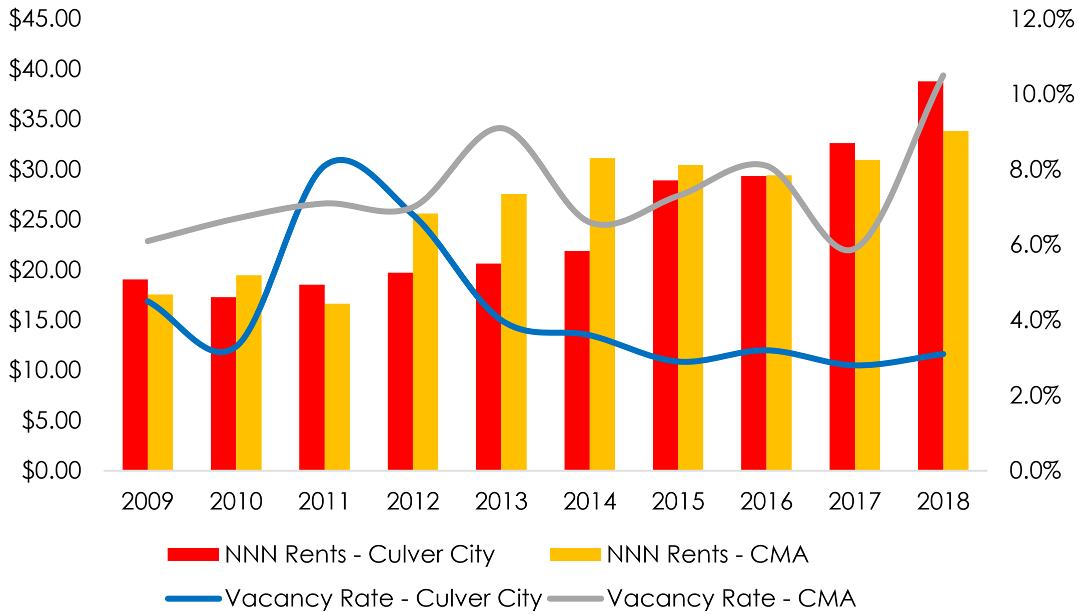
Source: CoStar

Flex Rental Market Trends

As shown in Figure 58, Culver City flex rents were $38.80 in 2018, 15% higher than flex rents in the CMA (NNN). Culver City's flex vacancy rate spiked after a large development (66,000 SF) of new flex space was added to the market but since 2015 has settled down to around 3%. On the other hand, since 2013, vacancy rates in the CMA have typically been slightly higher than Culver City's and ranges from 6-10%.

Culver City, particularly the Hayden Tract, has seen a substantial amount of flex space conversions into more lucrative creative office space. These conversions allow landlords to raise rents substantially to $40-60 PSF, rather than lease to industrial/warehousing clients, for whom rents are about $25 PSF. Culver City's flex rents have grown faster and now exceed the CMA, reflecting the desirability of Culver City for commercial users, as well for office conversions, which can also bolster average rents.

Figure 58. Flex Average Annual Rents and Vacancies, Culver City and CMA (2009-2018)



Source: CoStar

Culver City has 37.8 SF of flex space per capita in 2018 (Figure 59), more than six times the amount of square footage per capita in the CMA and LA County. Overall, Culver City was home to 13% of total CMA flex space in 2018. This large concentration of flex space has helped make Culver City a desirable destination for tech, media production, and the other industries of the creative economy that prefer flexible use of large open spaces.

Figure 59. Flex Space Per Capita, Comparative Areas (2019)

	SF per Resident
Culver City	37.8
CMA	5.8
LA County	5.6

Source: CoStar

HISTORIC OFFICE MARKET TRENDS IN THE CMA

Rents in Culver City are now some of the highest in the CMA, only exceeded by prime office markets of Santa Monica/Venice and Century City/Westwood/Beverly Hills. Vacancy is comparable across most submarkets, although the highest vacancy rates can be found in the Mid City and Downtown LA markets.

Table 60. Office Summary by Submarkets (2018)

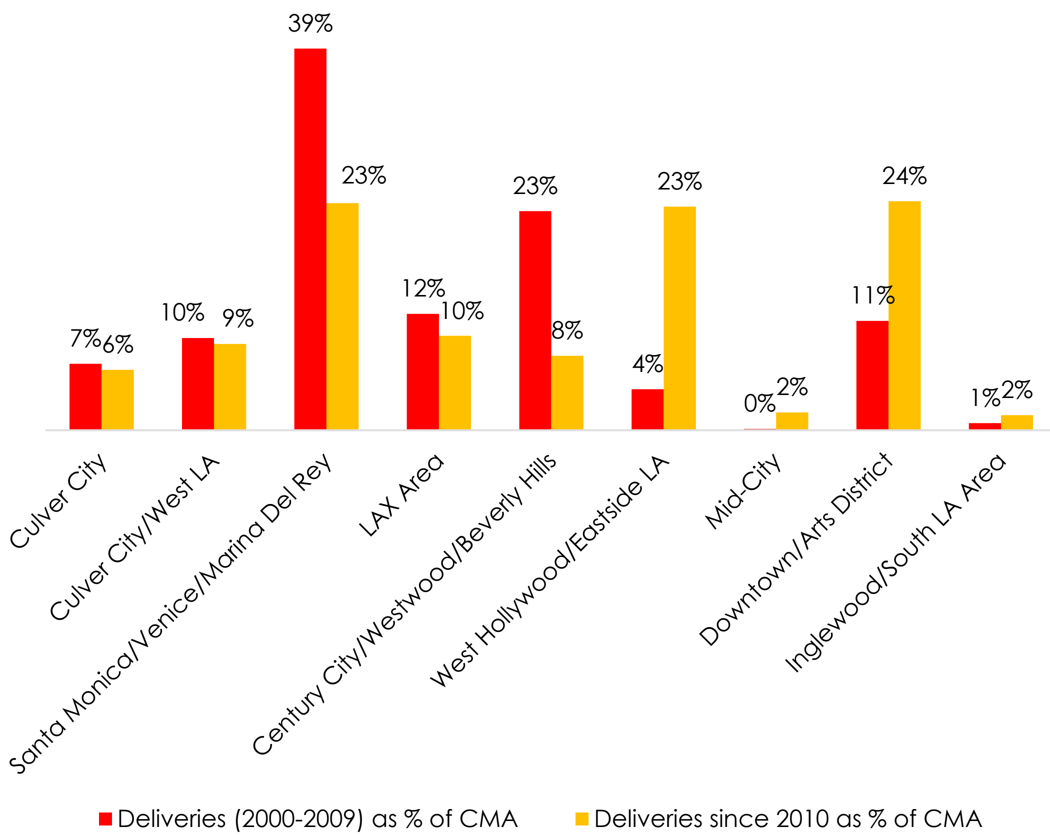
	Inventory (2018)	Gross Rent PSF/Year (2018)	Vacancy Rate (2018)
City of Culver City	**6,616,600**	**$51.30**	**11.6%**
Culver City/West LA	10,969,700	$48.50	10.8%
Santa Monica/Venice/ Marina Del Rey	26,118,700	$58.30	11.0%
LAX Area	21,825,000	$39.80	13.1%
Century City/Westwood/ Beverly Hills	39,469,500	$55.30	8.0%
West Hollywood/Eastside	21,039,900	$49.50	5.8%
Mid-City	24,034,200	$34.80	13.8%
Downtown/Arts District	63,696,600	$38.60	13.9%
Inglewood/South LA	3,612,400	$27.10	7.5%
CMA	**210,766,000**	**$43.80**	**11.3%**
Los Angeles County	416,108,600	$37.10	9.5%

Source: CoStar

Overall, momentum in the CMA office market is moving eastwards, as evidenced by the substantial amount of new development and rent growth in more inland markets within the CMA. Submarkets closer to the coast like Santa Monica/Venice and Century City/Westwood/Brentwood are slowing down while eastside commercial areas like West Hollywood/Eastside LA and Downtown LA are making up a greater portion of new office development after the Recession. Culver City has captured a consistent share of office space before and after the Recession, though that share is expected to climb as under-construction office buildings are completed.

Anecdotally, stakeholders from the professional real estate community interviewed suggested that both high office rents and the gridlock traffic in Santa Monica has made it a less attractive place to locate new office, and that the growth of the office market in Culver City can be seen as part of a broader pattern of office development locating east, rather than west, of the I-405 freeway.

Figure 61. Capture of Total CMA Office Development, All Classes



Source: CoStar

OFFICE PIPELINE

Substantial new office development is underway to house incoming employers. Culver City is expecting to add 735,000 SF of new office space within the next two years, per the City, and another 794,000 SF proposed (for a total pipeline of about 1.5 million SF). Office buildings that will house future key tech and media employers include:

- Ivy Station, which is scheduled to complete in early 2020. HBO will occupy all 196,300 SF of office space at this transit-oriented, mixed-use development.
- 8777 Washington Blvd, which is scheduled to complete by 2020. Apple will occupy all 128,000 SF of office space.

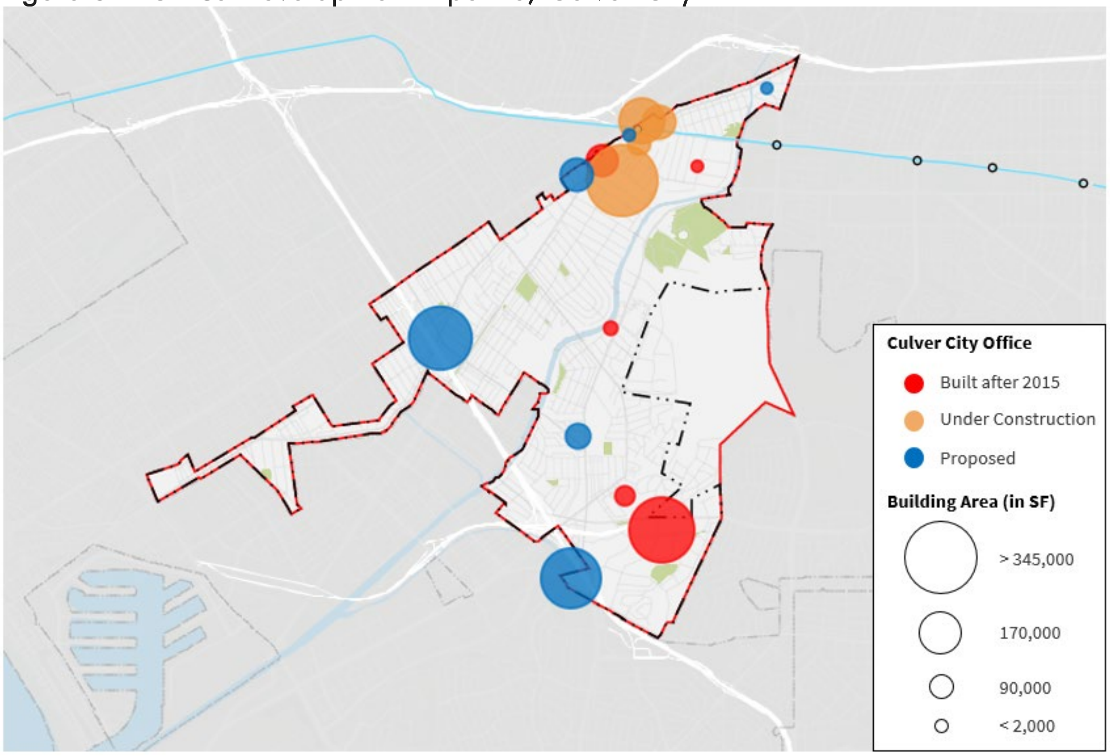
- Culver Studios, which is scheduled to complete its 345,000 SF office expansion in 2021. Over the next three years, Amazon is expected to occupy 530,000 of the total 720,000 square-foot campus in Downtown Culver, which includes soundstages and studio space. Amazon has also leased all 75,000 SF of creative office space in the nearby Culver Steps.

These media giants will join Sony, which employs nearly 3,500 workers in Culver City, mostly at their Overland Avenue campus.

Proposed office space in Culver City includes 250,000 SF at Washington and Sepulveda for the Culver Crossroads redevelopment and 280,000 SF at 6161 Centinela Blvd for the Entrada Office Tower. Much of the known pipeline is Class A office space, with some Class B coming online as creative office as part of the redevelopment of the Culver Studios in 2021. Although it is not in Culver City proper, the Wrapper, a 17-story office tower at Jefferson and National Blvd is also planned adjacent to the Hayden Tract.

Real estate professionals interviewed also described an overall booming office market in Culver City, noting significant pent-up demand for more prime office space, particularly for creative office jobs. Currently, the market pressure for redevelopment has focused on the Downtown, Transit Oriented Development District and Hayden Tract, but real estate professionals interviewed mentioned that they expect to see further office redevelopment alongside underutilized or light industrial sites on Jefferson Blvd, Fox Hills, and the Sepulveda Corridor that may have lower land costs but still carry the Culver City "cachet".

Figure 62. Office Development Pipeline, Culver City



Source: CoStar, City of Culver City

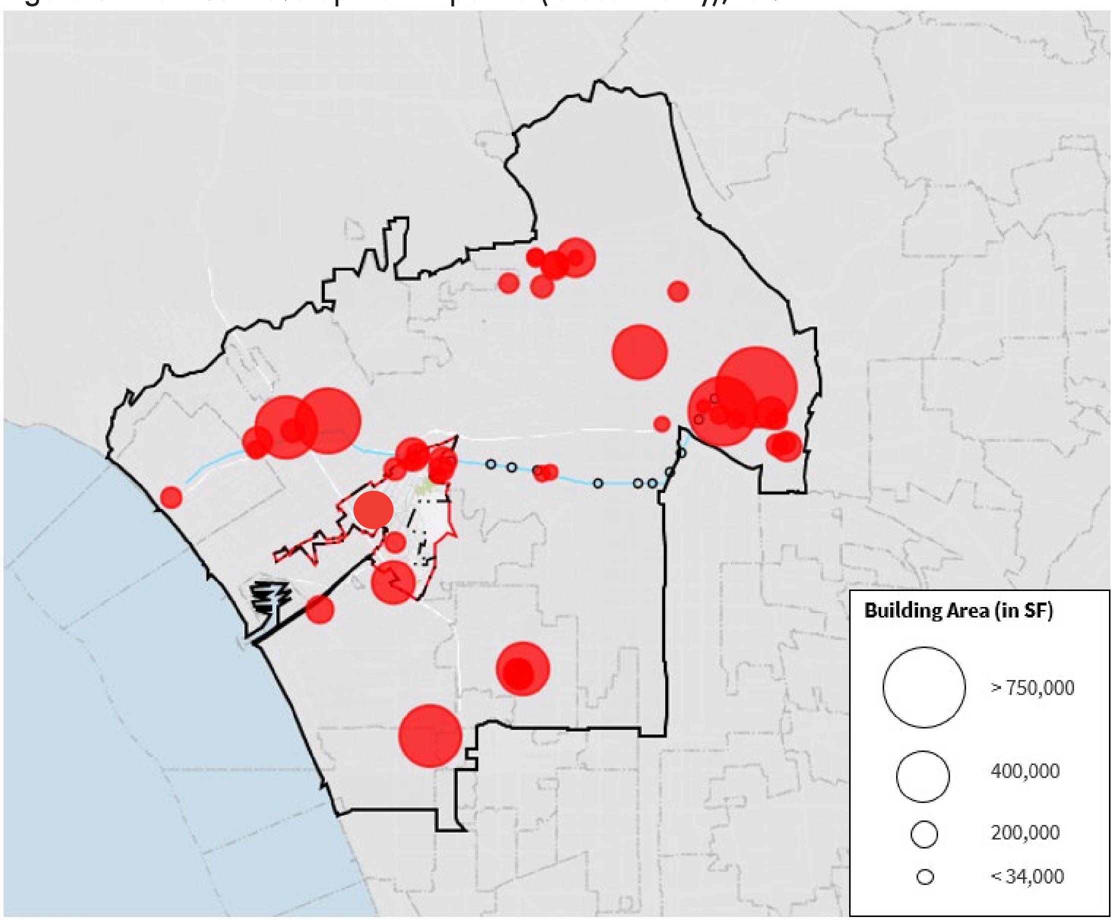
Figure 63: Office Pipeline Examples in Culver City

Ivy Station	Culver Studios
	
Class: A	Class: B
Completion Year: 2020	Completion Year: 2021
Office SF: 196,000	Office SF: 457,000 (net new)
Asking Rent: $47-57/SF	Asking Rent: $60/SF

Source: CoStar, City of Culver City

Of the CMA Class A pipeline, 10% or 877,000 SF, is in Culver City.[23] This figure is higher than its historical share of the office market growth (7%) and five times its current share of total Class A Office (about 1.8%). Other key submarkets with substantial office development on the way include Hollywood (about 1M SF), Downtown LA (over 2M SF), as well as a burgeoning office cluster straddling the West LA and Santa Monica East office markets (1.6M SF, anchored by Google's new headquarters at the former West Side Pavilion, One Westside).

Figure 64. Office Development Pipeline (Class A only), CMA



Source: CoStar, City of Culver City

[23] Based on City of Culver City data. HR&A did not have building class information for all pipeline data.

MARKET SUPPORTABLE DEMAND

Office demand was estimated based on previously described employment growth scenarios for Culver City. These scenarios are based on Culver City's past capture of jobs in LA County. As mentioned in the previous sections, the low job growth scenario is based on Culver City's 5-year past share (2.68%) of LA County employment from 2012-2017 and the high job growth scenario is based on Culver City's past share (3.90%) of LA County employment from 2007-2017.

The analysis used an industry assumption of 180 net SF per employee (or about 212 gross SF) to estimate future market supportable office square footage. Office demand for industry sectors that are comprised of entertainment- and media-related uses was evaluated using a higher assumed ratio of office square footage per employee, given their larger required building footprint per worker (due to soundstages and other production facilities). This analysis also used industry standards for the proportion of jobs that are office-using by job sector to estimate each sector's office space demand versus demand for other uses (e.g., industrial, etc.) This analysis estimated future industry sector distribution using Culver City's existing industry distribution, adjusted for relative changes given employment projections across LA County by 2040.[24]

As shown in Figure 65, this analysis estimates Culver City's gross office demand to be 3,250,000 to 4,675,000 SF by 2045, with about 85% of the demand from "Creative Tech" industry sectors such as Information and Professional Services. Assuming all proposed office projects will be developed, Culver City will still see additional net office demand in both the low and high growth scenarios. After considering the 1,529,000 SF of pipeline development either under construction or proposed by various developers, net office demand is estimated to be between 1,720,000 to 3,146,000 SF, depending on projected employment growth.

Given the overrepresentation of more land-intensive job sectors like digital entertainment and media production (which require soundstages), new commercial development may be more land-intensive and / or require more space per employee than traditional office. Therefore, our estimate of demand for new commercial space may be relatively conservative. Also, some of the projected office demand may be met with further industrial space conversions or with new unconventional spaces like soundstages or studios, which do not fit the typical space or land demands of conventional office users.

[24] Most current industry-level projections available. SCAG has not yet released this detailed data for its preliminary 2045 projections.

Figure 65. Cumulative Office Demand, Culver City (2017-2045)

	Low	High
2045 Net-New Job Estimate	22,230	32,350
SF per Employee	212-300 GSF	212-300 GSF
Average Office-Using %	64%	63%
Total Office Demand	3,250,000 SF	4,675,000 SF
Less Pipeline (Proposed and Under Construction)	(1,529,000) SF	(1,529,000) SF
Net Additional Office Demand	**1,720,000 SF**	**3,146,000 SF**

Source: HR&A Advisors

KEY TAKEAWAYS

- Culver City has become one of the most prime locations for new Class A office within the CMA. Its central location, proximity to the airport, freeway access, transit connectivity, and a critical mass of other well-known employers have bolstered its credentials.
- Culver City's increasing prominence as an office submarket can be seen by the significant office rent growth in the last decade, fueled by the growth of tech and media. These industries also bring in demand for non-conventional employment spaces like soundstages and production studios (like at Culver Studios), which are not typically categorized as traditional office space.
- Office market momentum, long dominated by Westside markets like Santa Monica, Venice, Brentwood, and Beverly Hills, is moving eastwards.
- Culver City increased its existing office inventory by 24% and captured more than twice its fair share of office growth in new development since 2000. Other more central submarkets, like West Hollywood/Eastside LA and Downtown LA, have significantly increased their market capture of new development post-Recession and will continue to apply competitive pressure on Culver City's office market soon. Other competitive locations outside of the CMA include Glendale and Burbank, which are also home to existing and growing media and entertainment clusters.
- Culver City has seen a spate of substantial recent office development, with more under construction, as new employers like HBO, Amazon, and Apple move into the City.

- Industrial and flex-industrial uses are seeing market pressure to convert to more profitable office uses. This trend is most pronounced in the Hayden Tract.
- By 2045, Culver City is projected to see 1.7 million – 3.1 million SF of net new office demand in addition to the current pipeline.

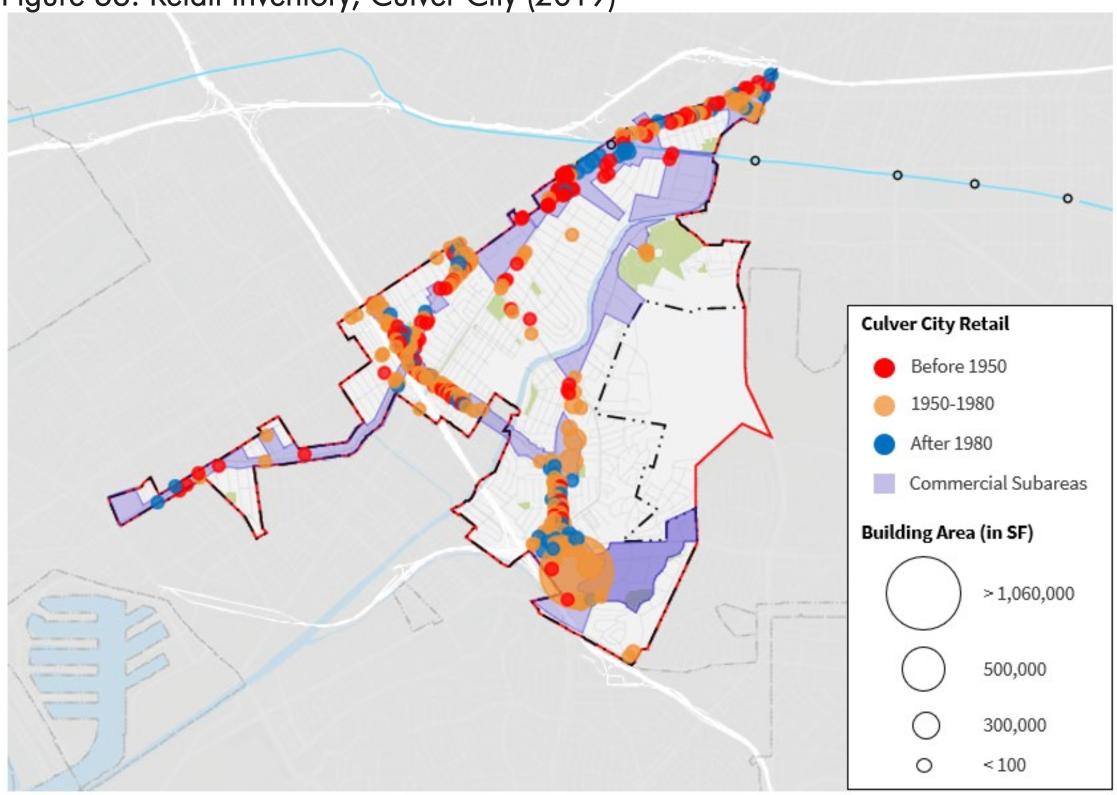
RETAIL MARKET

RETAIL OVERVIEW

As of 2018, Culver City had a total of 4.6M SF of retail, per CoStar estimates. Retail uses are primarily located along east-west Venice Boulevard and north-south Sepulveda Boulevard, with a large concentration of square feet in Fox Hills due to the Westfield shopping mall. In general, big-box retail square feet are primarily located along the Venice, Washington, and especially Sepulveda Boulevard corridors, while Downtown is attracting higher-end, experiential retail stores to smaller complexes like Platform and Culver Steps. Culver City has increasingly become a food and beverage (F&B)/dining destination, from Hayden Tract's high-concept restaurants like Vespertine and Destroyer to a diverse array of contemporary casual restaurants in the pedestrian-oriented Downtown. Westfield Culver City, Fox Hill's shopping mall, is anchored by larger retailers like Best Buy, J.C. Penney, Macy's, Nordstrom Rack, and Target.

RETAIL INVENTORY

Figure 66. Retail Inventory, Culver City (2019)



Source: CoStar

Culver City has a diverse range of retail types, from the large Westfield Culver City shopping mall to neighborhood strip centers to pedestrian-oriented small retailers. In this section of the report, the following retail typologies are mentioned and defined below.

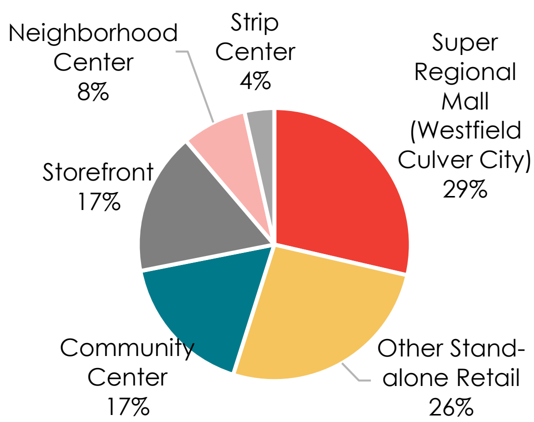
Retail Type Definitions

Super Regional Mall	A regional mall with many anchors and a deep selection of merchandise that draws from a larger population base.
Neighborhood Center	Provides for the sales of convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for the day-to-day living needs of the immediate neighborhood with a supermarket being the principal tenant.
Community Center	Typically offers a wider range of apparel and other soft goods than neighborhood centers. Community center tenants sometimes contain value-oriented big-box category dominant retailers selling such items as apparel, home improvement/furnishings, toys, electronics, or sporting goods.
Storefront	A multi-story, multi-tenant building with a mix of retail, office, or residential uses, usually retail on the ground floor with offices or apartments above.
Strip Center	A strip center is an attached row of stores or service outlets managed as a coherent retail entity, with on-site parking usually located in front of the stores.
Other Standalone Retail	Other retail not accounted for in the above categories.

Source: CoStar

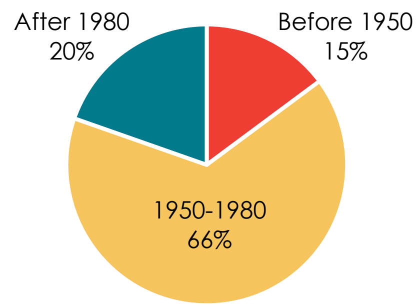
As shown in Figure 67, Westfield Culver City alone makes up one of the largest portions (29%) of Culver City's overall retail footprint. Half of Culver City's retail was built between 1950-1980, with relatively less retail built after 1980.

Figure 67. Retail Distribution by Retail Type, Culver City (2019)



Source: CoStar, EDIP, 2019

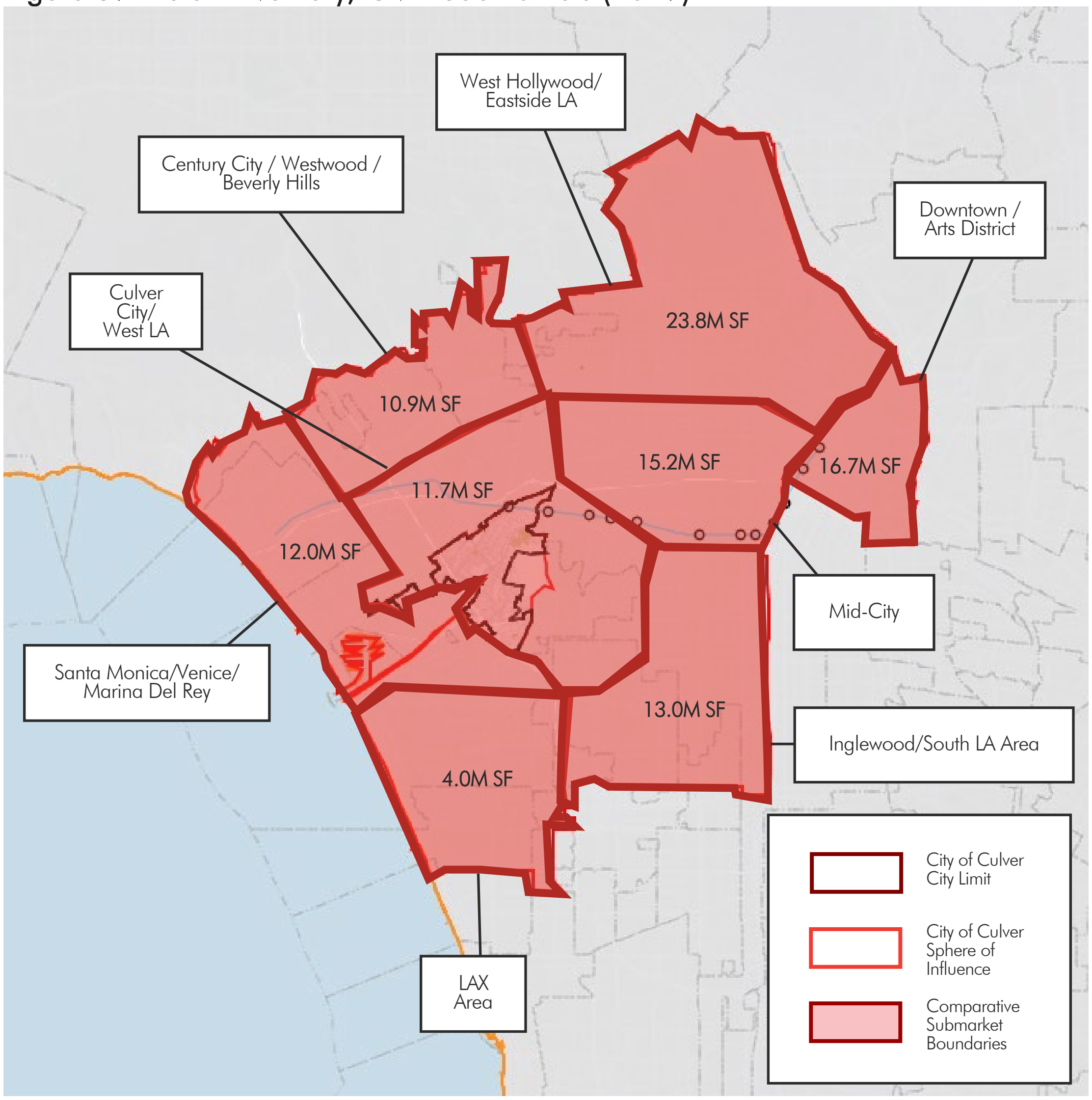
Figure 68. Retail Inventory by Period, Culver City



Source: CoStar

Culver City has high retail per capita compared to both the CMA and LA County (Figure 70). Culver City has over twice the amount of retail space per capita than the CMA, and more than three times the amount of shopping center square footage, largely due to Westfield's presence in Fox Hills. As seen in the below Figures, this large retail footprint makes Culver City a net importer of retail sales from surrounding areas, thus driving significant sales tax proceeds to the City.

Figure 69. Retail Inventory, CMA Submarkets (2019)



Source: CoStar

Figure 70. Retail Space Per Capita, Comparative Areas (2019)

	All Retail	Shopping Centers	General Retail
Culver City	115.1 SF	64.5 SF	50.8 SF
CMA	54.1 SF	16.7 SF	37.4 SF
LA County	43.1 SF	20.1 SF	23.0 SF

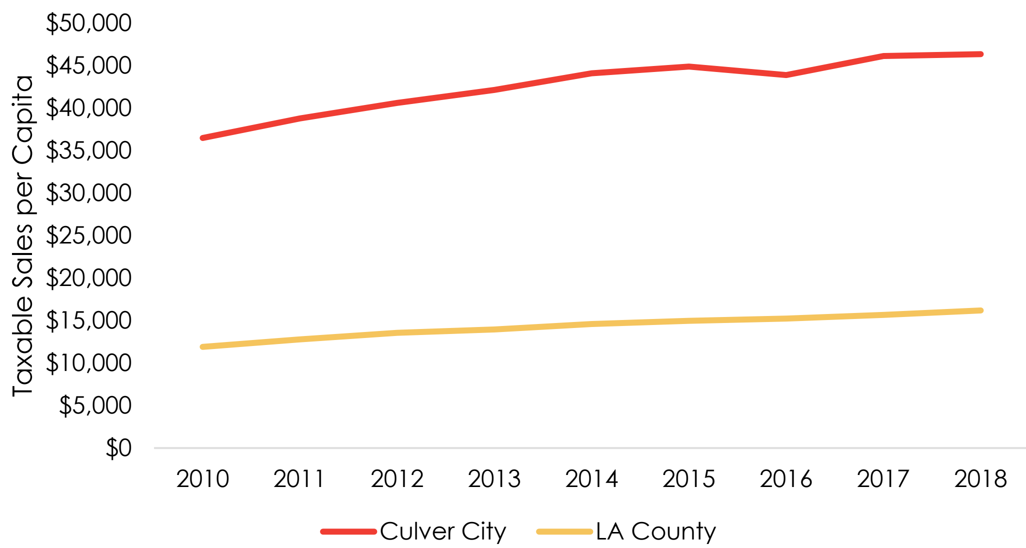
Source: CoStar

TAXABLE RETAIL SALES

Taxable retail sales per capita for Culver City have risen steadily by 27%, or an annualized growth of 3.0%, from $36,490 in 2010 to $46,350 in 2018 (Figure 71), reflecting a much higher growth rate than its population growth. Due to regional offerings like Westfield Culver City, Costco, and an overall high concentration of retail, Culver City generates more taxable sales per capita compared to LA County, suggesting that Culver City can capture a significant share of sales from shoppers living outside the city boundaries (Figure 72).

In interviews with stakeholders, real estate professionals mentioned that part of Culver City's strong current retail performance can be attributed to its comparative retail offerings in contrast to nearby areas like Mid City, Inglewood, or South LA, which do not have as attractive retail offerings as Culver City.

Figure 71. Taxable Retail Sales per Capita, Culver City and LA County (2010-2018)



Source: California Department of Tax and Fee Administration

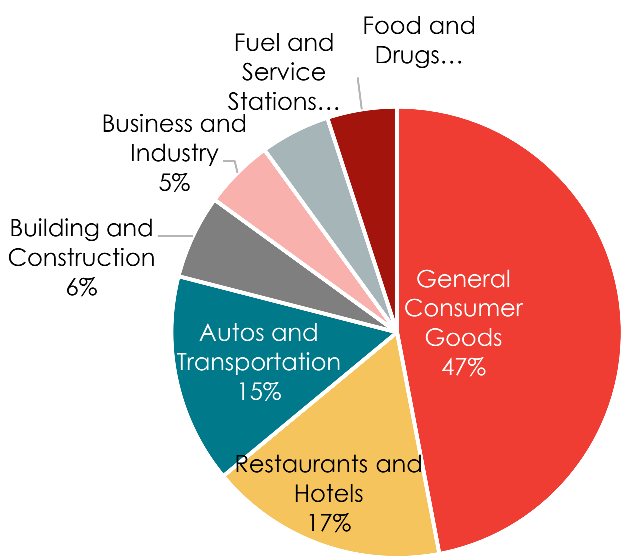
As shown in Figure 72, about 80% of Culver City's sales tax revenue are generated by three major categories:

- General Consumer Goods (47%)
- Restaurants and Hotels (17%)
- Autos and Transportation (15%)

Growing industries include Autos and Transportation, which is predominantly sales tax from new motor vehicle dealerships, and the accommodations industry such as Restaurants and Hotels, whose sales tax revenues have more than doubled in the past ten years. Culver City, especially Downtown, is becoming a destination for dining and experiential retail. The city is heavily reliant on several large-scale, big box stores like Costco and Target, which provide an important source of retail sales and tax revenue but present a potential source of instability if negative national trends for these types of stores were to affect Culver City.

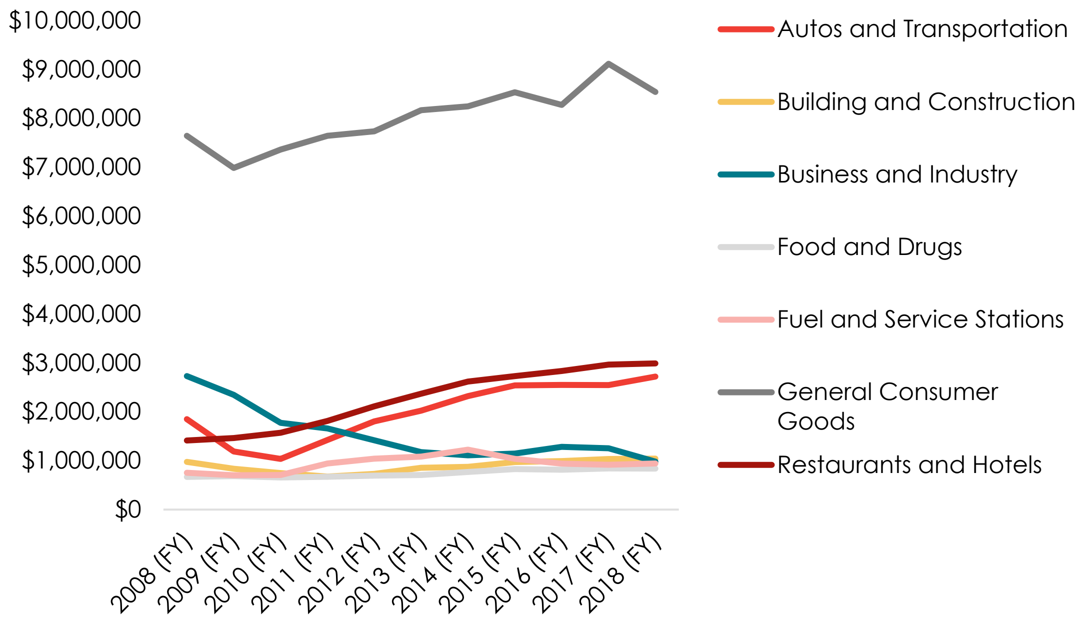
The decline of Business and Industry sales tax revenues (-64% since 2008) has been attributed to the overall decline of industry and manufacturing in Culver City, as many industrial spaces have been slowly converted to non-industry uses (i.e., warehousing) or creative office space.

Figure 72. Sales Tax Contributions by Industry Group, Fiscal Year 2017-18



Source: Economic Development Implementation Plan, 2019. Original data from HdL and City of Culver City.

Figure 73. Sales Tax Revenue Trends by Industry Group, Culver City (FY 2008 to FY 2018)



Source: Economic Development Implementation Plan, 2019. Original data from HdL and City of Culver City.

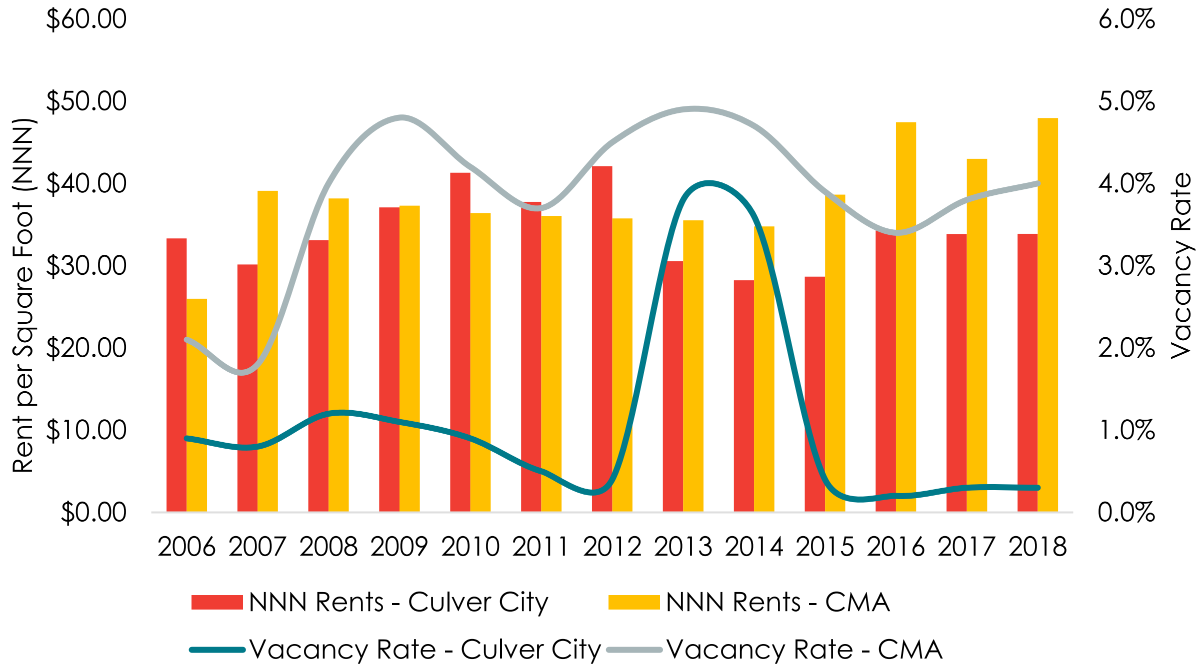
RETAIL MARKET TRENDS

As shown in Figure 74, Culver City shopping center rents have dipped 18% since 2010, from $41.30 to $33.90 in 2018 (NNN). Shopping center rents have not recovered to pre-Recession levels, which is a common trend across mall-type developments and community shopping centers in Southern California. The trends in Culver City reflects the market weakness of Fox Hills and strip shopping centers and the need to strategically reposition its existing retail to continue the city's strong retail performance.

Culver City general retail rents, however, have increased by 50% since 2010, from $27.40 to $41.00 in 2018 (NNN). This trend underscores the growing desirability of standalone, non-shopping center retail space in Culver City, as the City attracts more high-end and upscale tenants to serve its growing employee base and becomes a walkable destination.

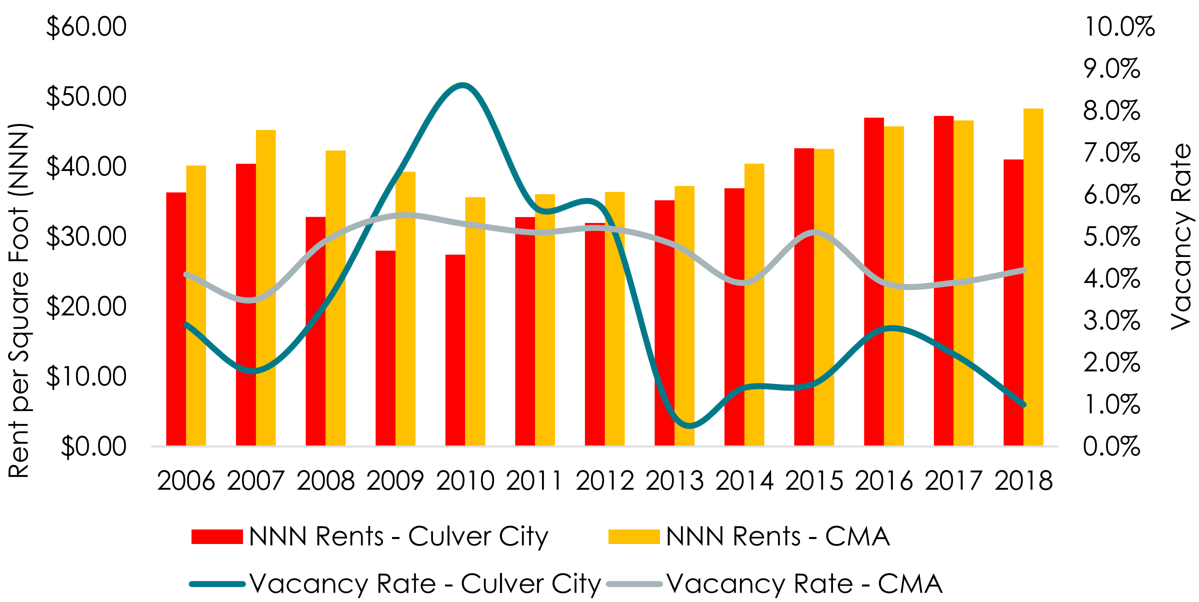
There is very little vacant retail square footage in the city, due to the low amount of new retail development and fast lease up of current space. Anecdotally, real estate professionals have also attributed Culver City's low vacancy rates to retail-office conversions – where formerly retail space is being used for business operations or office.

Figure 74. Shopping Center Average Annual Rents and Vacancy, Culver City and CMA (2006-2018)



Source: CoStar

Figure 75. Standalone Retail Average Annual Rents and Vacancy, Culver City and CMA (2006-2018)



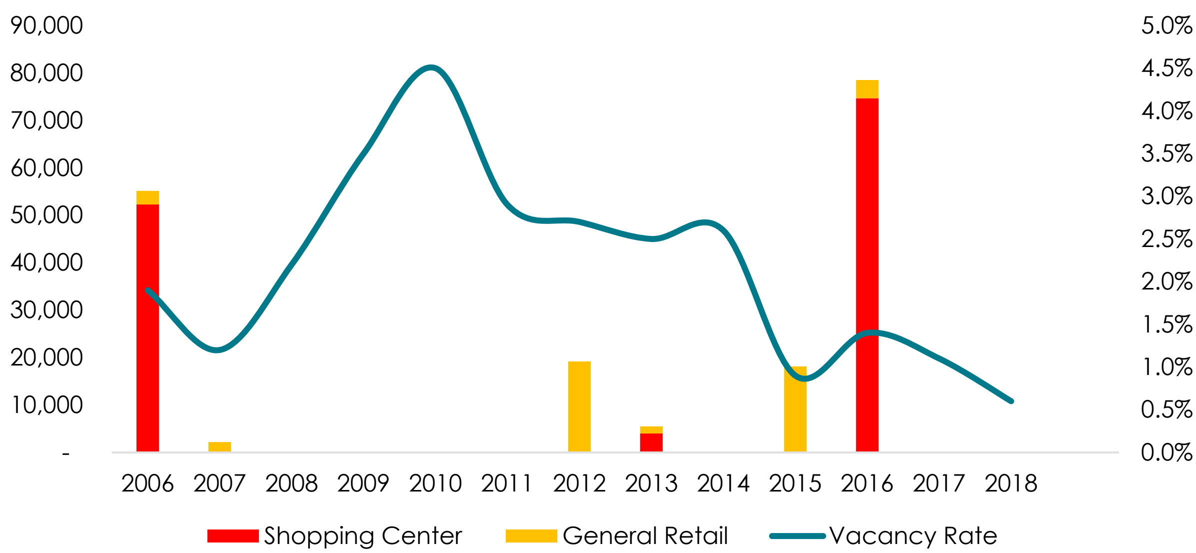
Source: CoStar

Culver City has seen relatively little new retail, with a total of 179,000 SF delivered since 2006 (Figure 76). Recent retail developments include:

- Platform, a four-acre retail and creative office complex redeveloped from an old car lot, opened in 2016. It currently has 50,000 SF of retail and restaurant space (and 80,000 SF of creative and office space).
- Before Platform, LA Fitness opened in 2006 with 52,000 SF of gym space.

Given the low amount of new retail in the past decade, the growth of retail sales per capita is largely driven by better performance of the existing retail stock. As discussed further below, maintaining the strength of existing retail is crucial to Culver City's future fiscal health.

Figure 76. Recent Retail Development by Type, Culver City (2006-2018)



Source: CoStar

HISTORIC RETAIL MARKET TRENDS IN THE CMA

Marked by very low vacancies and steadily increasing rents overall,[25] Culver City is a strong retail market within the CMA but lags prime retail markets like Santa Monica, Beverly Hills, or West Hollywood. Culver City's overall retail rents of $40.50 PSF in 2018 is below the CMA rent of $48.20

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25 The stagnation of shopping center rents is discussed in the Issues and Opportunities section; however, when looking at *overall* market rents and vacancies compared to other nearby submarkets, Culver City is doing quite well.

(NNN). Culver City's overall retail vacancy rates are very low, at 0.6%, compared with 4.2% across the CMA, and newer retail development is leasing at rents equal to or above the CMA average.

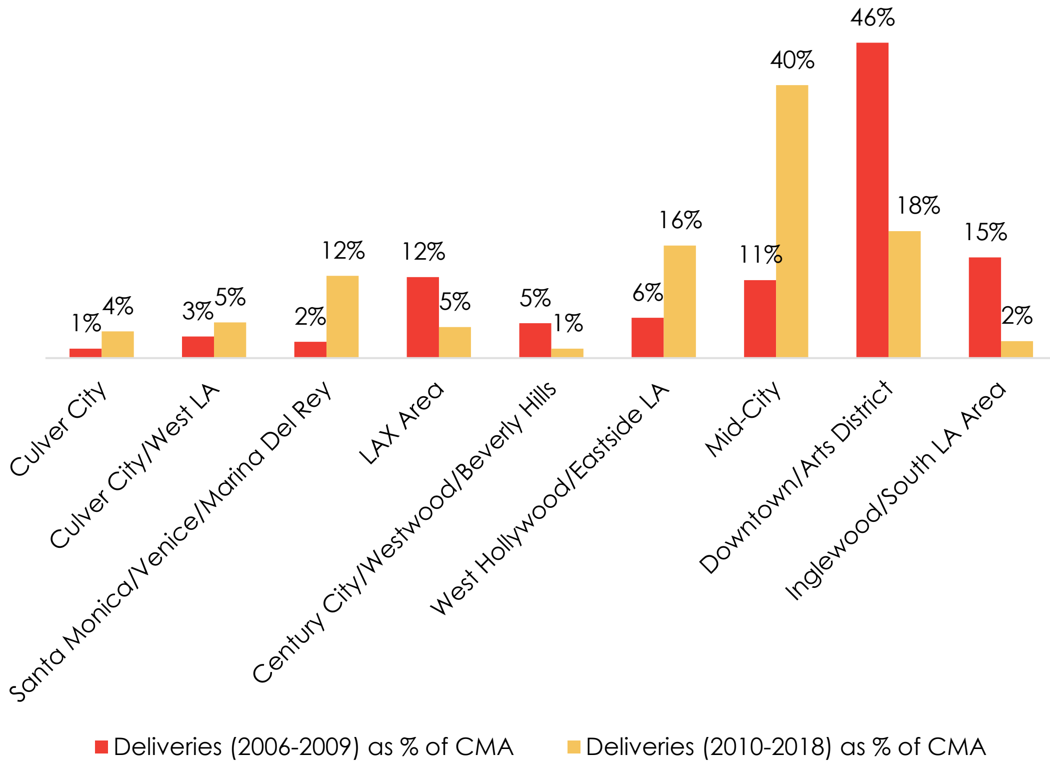
Across the CMA, 3.1M SF of new retail development was delivered between 2010-2018. Development has been concentrated in Mid City, Downtown LA, and West Hollywood/Hollywood/Eastside. Retail development in Culver City made up a relatively small portion of new retail development across the entire CMA. From 2006-2009, Culver City's 57,000 SF of new retail captured just 1% of total CMA development (Figure 78). From 2010-2018, however, Culver City saw 121,000 SF of new retail and captured 4% of CMA development as a result of new retail development such as Platform (as well as the relatively low amount of development in the CMA).

Figure 77. Retail Summary by CMA Submarkets (2018)

	Inventory (2018)	NNN Rent PSF/Year (2018)	Vacancy Rate (2018)
City of Culver City	**4,603,700**	**$40.50**	**0.6%**
Culver City/West LA	11,727,600	$44.60	0.7%
Santa Monica/Venice/ Marina Del Rey	12,002,700	$70.00	4.5%
LAX Area	4,039,400	$48.60	0.7%
Century City/Westwood/ Beverly Hills	10,863,400	$62.70	3.9%
West Hollywood/Eastside LA	23,753,700	$53.40	4.3%
Mid-City	15,214,900	$32.10	4.3%
Downtown/Arts District	16,743,500	$32.20	5.2%
Inglewood/South LA Area	13,005,800	$19.40	3.4%
CMA	**107,351,000**	**$48.20**	**4.2%**
Los Angeles County	441,635,700	$31.50	4.2%

Source: CoStar

Figure 78. Capture of Total CMA Retail Development (2006-2018)



Source: CoStar

RETAIL DEVELOPMENT PIPELINE

Culver City has 190,000 SF of retail development in the pipeline. This sparse pipeline is concerning because the City is heavily reliant on its sales tax revenue, and it does not have many other future projects to contribute to its largest revenue stream. Existing retail vacancy rates are already low, however, the relatively limited new supply in the pipeline may attract higher-end products and customers (which could mean higher than expected taxable sales per new retail square foot).

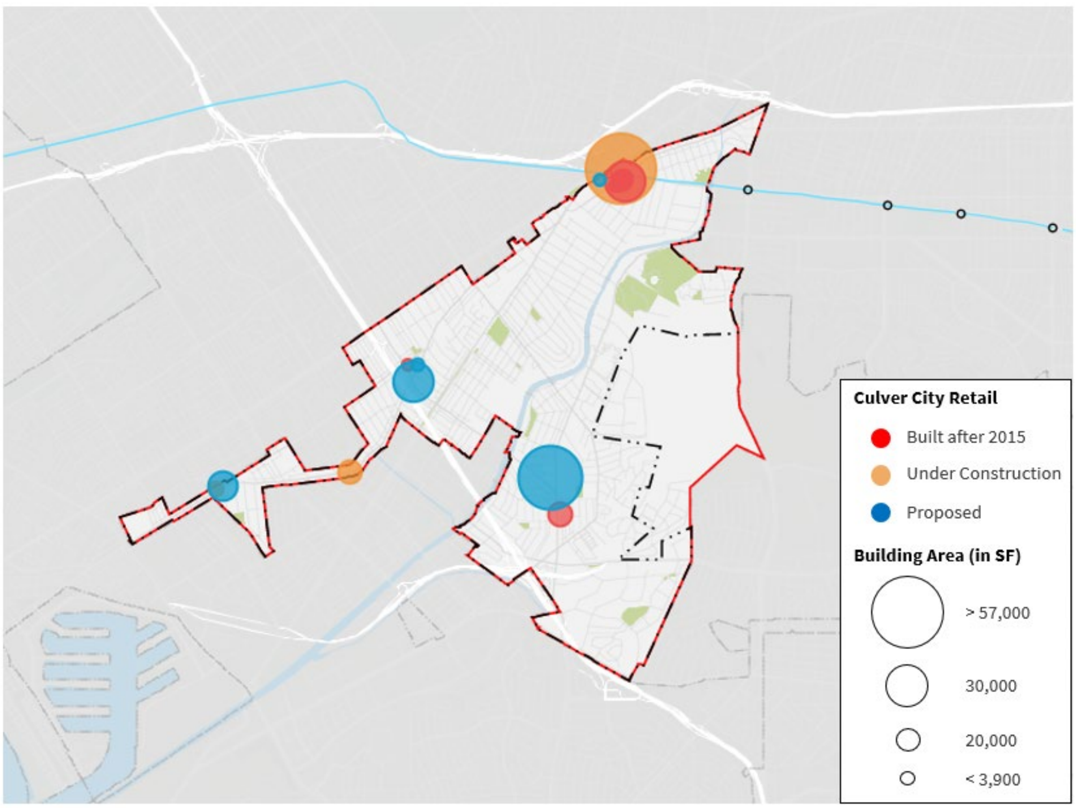
Retail pipeline projects include:

- Ivy Station, which is set to open in 2020. Ivy Station is located adjacent to the LA Metro (E) Expo Line's Culver City Station and will consist of retail, office, residential, and hotel uses. This development will bring online about 57,000 SF of retail and restaurant space.
- 11111 Jefferson Blvd, a proposed mixed-use development at Sepulveda Blvd and Jefferson Blvd, is expected to have 51,000 SF of ground-floor retail space.

Most of the other 81,000 SF of retail consist of ground-floor retail associated with new mixed-use office and residential developments, such as at 12717 Washington Blvd, which is the site for a future condominium development with 20,000 SF of retail.

For recently delivered retail space, the city is beginning to attract higher-end retail to its Downtown neighborhood, and with national-credit tenants like SoulCycle and Aesop at the Platform, and CorePower and Mendocino Farms expected at the Culver Steps.

Figure 79. Retail Development, Culver City (since 2015)



Source: CoStar, City of Culver City

Figure 80: New Retail Development Example Projects, Culver City

Platform	**Ivy Station**
	
Year Opened: 2016 Square Footage: 50,000 Estimated Rent: $42-67/SF	Year Open: 2020 (expected) Square Footage: 57,000 Estimated Rent: $27-33/SF

Source: CoStar, City of Culver City

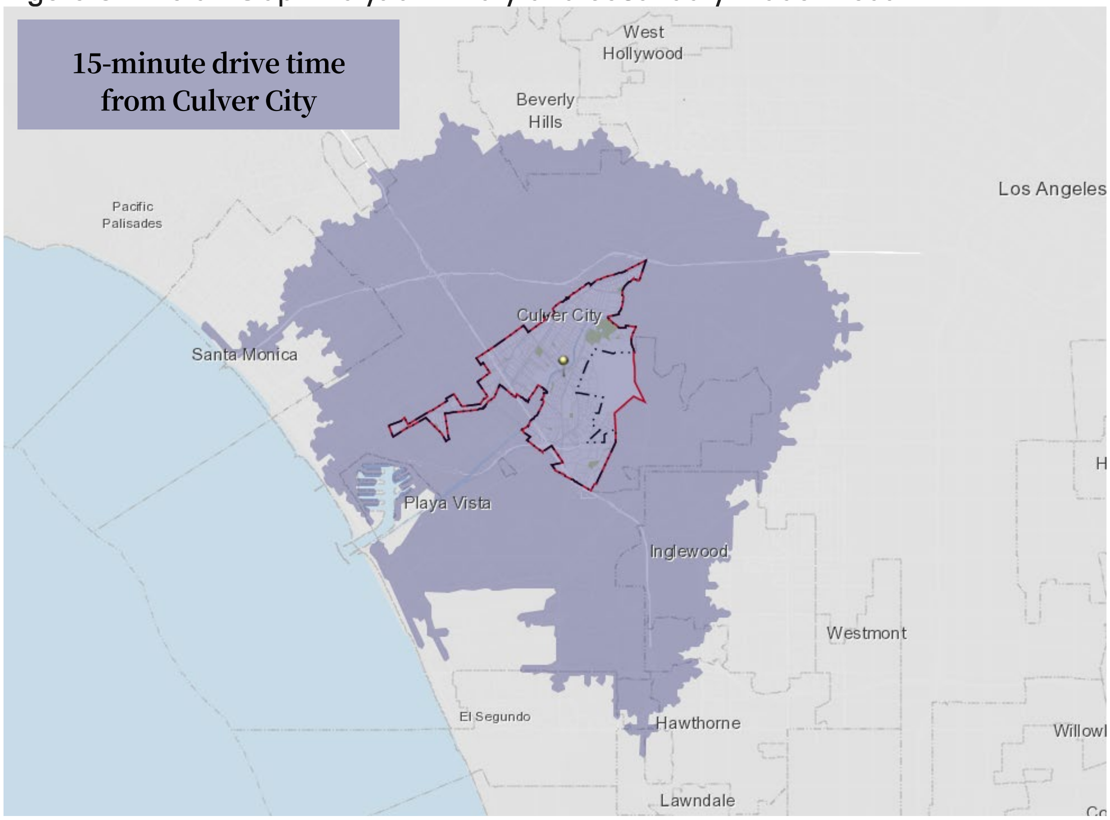
EXISTING RETAIL GAP

A retail gap analysis measures actual consumer spending across various retail categories against expected retail spending potential determined by the area's existing residents, employees, and visitors after adjusting for online sales. This retail gap helps to estimate "capturable spending" that a given area could support new retail development. This analysis examined two study areas: a primary trade area (Culver City), and a secondary trade area, which is a larger area encompassing a 15-minute drive time from the center of Culver City (Figure 81). Retail spending from this secondary trade area is critical to understanding retail dynamics in Culver City, given that retail in the city attracts shoppers from nearby areas.

If expected spending potential is higher than current sales, it means there is retail leakage to other markets, suggesting an opportunity to capture more of that spending in the primary trade area. If current sales are higher than expected spending potential, it means the primary trade area has surplus spending, suggesting the primary trade area draws consumer spending from outside its trade area.

For retail categories that show retail leakage, that dollar value is translated into additional retail square footage demand. This estimate in new retail space is based on retail sales PSF data, which is compiled from Retail Maxim, a third-party real estate data clearinghouse.

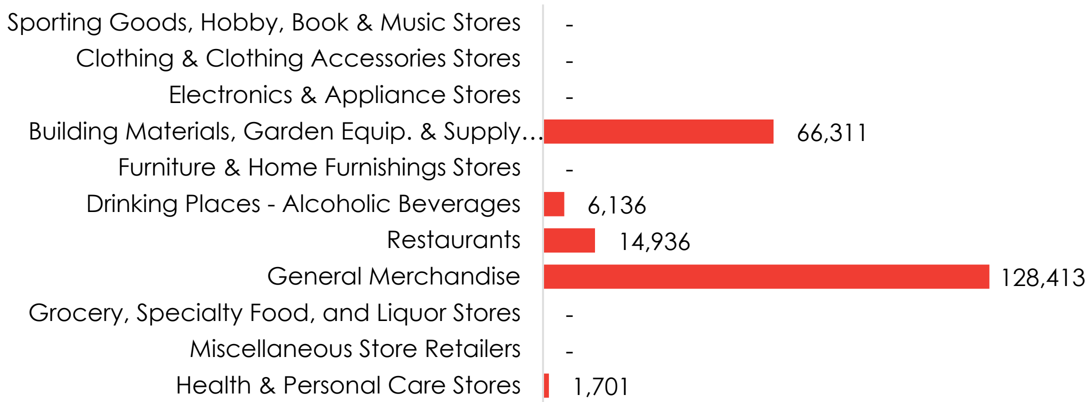
Figure 81. Retail Gap Analysis Primary and Secondary Trade Areas



Source: ESRI Business Analyst

Several retail categories in Culver City serve the broader region, and thus are considered "oversupplied." These categories include Clothing & Clothing Accessories Stores, Furniture & Home Furnishing Stores, and Electronics and Appliance Stores. Other retail categories do not meet the spending potential of Culver City's residents and workers, causing retail leakage that could potentially be captured from within the trade area. These categories include General Merchandise, Building Materials, Garden Equipment & Supply Stores, Restaurants, and Drinking Places. Across both Culver City and the secondary trade area, the retail gap analysis suggests that a total of 217,500 SF of retail space could potentially be supported today, though not all the current leakage can be practically captured (Figure 82). Most of the retail leakage is in General Merchandise, which is entirely unmet demand from the secondary trade area. Though developers in Culver City may choose to open more retail of this type, the City already has several big box retailers, and doing so may not prove viable. Also, home improvement stores are difficult to build ground-up in high land value markets such as Culver City because of their intensive land needs and relatively low PSF rents. There is also a small amount of unmet demand for new restaurants and drinking places.

Figure 82. Current Unmet Demand (SF) by Retail Category, Primary and Secondary Trade Area (2019)



Source: ESRI Business Analyst, HR&A Advisors

MARKET SUPPORTABLE DEMAND

In addition to the existing retail gap, this analysis estimates future retail demand potential from the projected new residents and workers in Culver City in 2045 and their additional potential spending that can catalyze new retail development in the City. This analysis used the existing retail gap as a baseline for future retail needs, as well as the spending potential from the new residential and employment growth through 2045. These projections are based on the following factors:

- The projected net increase in households in Culver City *and* in the secondary trade area
- New non-resident employees in the Culver City
- Culver City's capture of disposable household and employee retail spending for each retail category

Retail demand was estimated based on the low and high projections for net new households (14,900 and 21,600, respectively) and employment in Culver City in 2045, plus the existing retail gap. Household and jobs projections were based on the low and high projections for Culver City in 2045, as described previously in this report. For the secondary trade area, household projections were based on the SCAG's 2016 census-tract level household growth projections. New households are assumed to have the same spending profile as existing households, and employee spending is based on industry research from the International Council of Shopping Centers.

This analysis estimated Culver City's total future retail demand, not including the existing retail gap, to be 737,600 to 923,600 SF (Figure 83). In the low demand scenario, 52% of the additional demand comes from new households and employment within Culver City, while 48% comes from household growth in the secondary trade area. In the high Culver City growth scenario, 64% of the retail demand comes from within Culver City, while 36% comes from the secondary trade area.

After considering *both* the existing retail gap and subtracting the 190,000 SF of future retail pipeline development, Culver City is estimated to have a net retail demand of 765,100 to 950,900 SF (Figure 84), or 370,500 to 472,600 SF excluding General Merchandise (of which Culver City may or may not be saturated, as explained above).

Though the analysis shows potential for future retail demand, Culver City should be aware of the potential erosion of its retail sales over the 20-year projection period. In particular, the demand analysis assumes that all future demand from new residents and employees will be "net-new," meaning that current retail sales will stay stable. However, this assumption may be incorrect if adjacent submarkets like South Los Angeles, Inglewood, or Mid-City see new retail development or online shopping trends accelerate. Assuming even just a 5% erosion of current sales and a reduced capture of new future secondary trade area sales could result in a 30-40% loss of future net retail demand.

Figure 83. Future Gross Retail Demand by Sector, Culver City (2017-2045)

	Low (SF)	High (SF)
Health & Personal Care Stores	43,000	59,300
Miscellaneous Store Retailers	44,300	60,400
Grocery, Specialty Food, and Liquor Stores	80,100	113,400
General Merchandise	294,700	378,400
Restaurants	79,400	98,100
Drinking Places – Alcoholic Beverages	10,400	7,200
Furniture & Home Furnishings Stores	31,200	35,900
Building Materials, Garden Equip. & Supply Stores	35,900	43,800
Electronics & Appliance Stores	8,000	8,800
Clothing & Clothing Accessories Stores	85,600	97,600
Sporting Goods, Hobby, Book & Music Stores	25,100	20,600
Total	**737,600**	**923,600**

Source: HR&A Advisors

Figure 84. Cumulative Net Retail Demand, Culver City (2017-2045)

	Low (SF)	High (SF)
Existing Retail Gap	217,500	217,500
Total from New Demand from Primary and Secondary Trade Areas	737,600	923,600
Cumulative Demand	955,100	1,141,100
Less Pipeline (Proposed and Under Construction)	(190,000)	(190,000)
Net Additional Demand	**765,100**	**951,100**
Net Additional Demand (excluding General Merchandise)	**380,000**	**482,100**

Source: HR&A, CoStar

KEY TAKEAWAYS

- Given its small size, Culver City has a significant concentration of retail assets.
- Overall retail rents have climbed but still lag the CMA and competitive shopping nodes, such as the luxury, high-end retail clusters in Beverly Hills and Santa Monica. Retail vacancies have been under 1.5% since 2015, suggesting a tight retail market that has the potential for additional inventory. Anecdotally, commercial uses moving into retail spaces were perceived to be a part of this trend, however this could not be corroborated through the data available.
- Downtown is a local restaurant destination, and successful retail at Platform suggests continued strength in experiential retail, mirroring national trends towards services like fitness and F&B, rather than consumer goods. This trend should be considered through the General Plan update, as experiential retail necessitates different retail dimensions and amenities than traditional brick and mortar retail stores.
- Culver City is a net importer of retail sales, generating more retail sales per capita than Santa Monica, West Hollywood, and three times more than LA County. Culver City's retail competitiveness across some retail categories may erode as more retail gets delivered in other traditionally underserved adjacent submarkets such as Mid City or Inglewood.
- Much of the retail inventory is in traditional strip retail (such as along Venice and Sepulveda, see Figure 66) and big box and shopping centers (like Fox Hills). It is critical for the health of the overall retail market for shopping centers like Westfield Culver City (which comprises almost one-third of total existing retail in the City) to reinvent themselves to weather current retail trends, as well as a potential downturn in the economy.
- This report estimates Culver City can capture 765,100 to 951,100 SF of net retail demand by 2045, but much of this demand consists of General Merchandise which the City may not be well-positioned to provide more of, given this form of retail is usually concentrated in big box stores that have a negative national outlook and its performance can turn dramatically on the opening or closing of individual stores. This analysis assumes no erosion in current retail sales from online or regional competition.

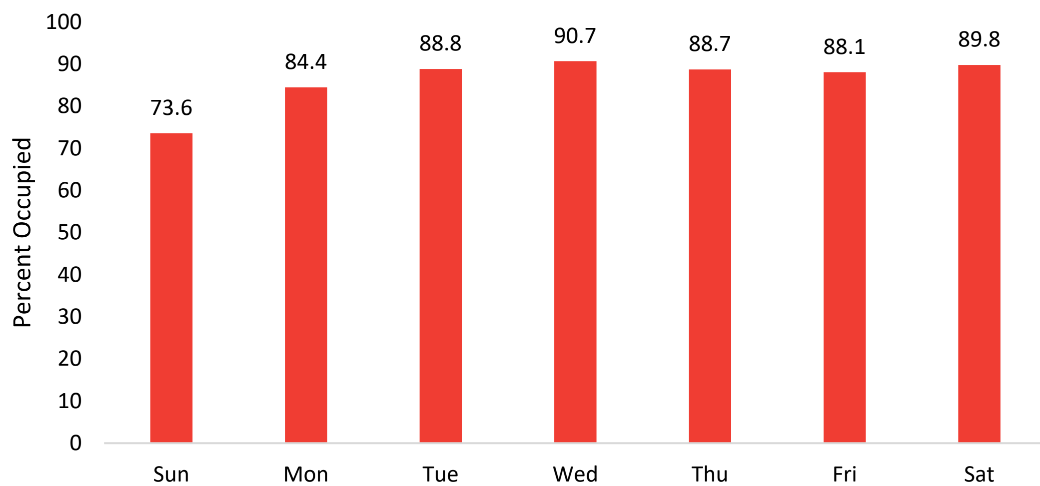
HOSPITALITY MARKET

HOSPITALITY MARKET OVERVIEW

Business and leisure tourism to Los Angeles county has been steadily growing since 2010, with the most recent data reporting 21.9 million annual overnight visitors and 22.7 billion dollars in expenditures in 2017.[26] Since 2013, visitor numbers have increased by 12%, with direct spending increasing by nearly 30%. These county-wide trends are mirrored by concurrent increases in Culver City's hotel occupancy and Average Daily Rates ("ADR").

Hotel demand in Culver City is primarily driven by business travel, rather than leisure, indicated (respectively) via weekday or weekend stays (Figure 85). About 71% of hotel stays in Culver City are for Sunday-Thursday nights, with a peak on Wednesdays,[27] and hotel providers interviewed confirmed that business travelers make up the bulk of hotel nights.

Figure 85: Average Annual Occupancy, Culver City (2017 – 2019)



Source: STR, 2019.

Overall, hotel stays in Culver City have risen by over 9% since 2013 as the city's population stayed stagnant, while the number of jobs increased by nearly 30% since 2010. Leisure travel and visiting friends and relatives (VFR) also constitute a share of demand, and overall, Culver City hotels show

[26] Source: CBRE, *2019 Southern California Lodging Forecast*.

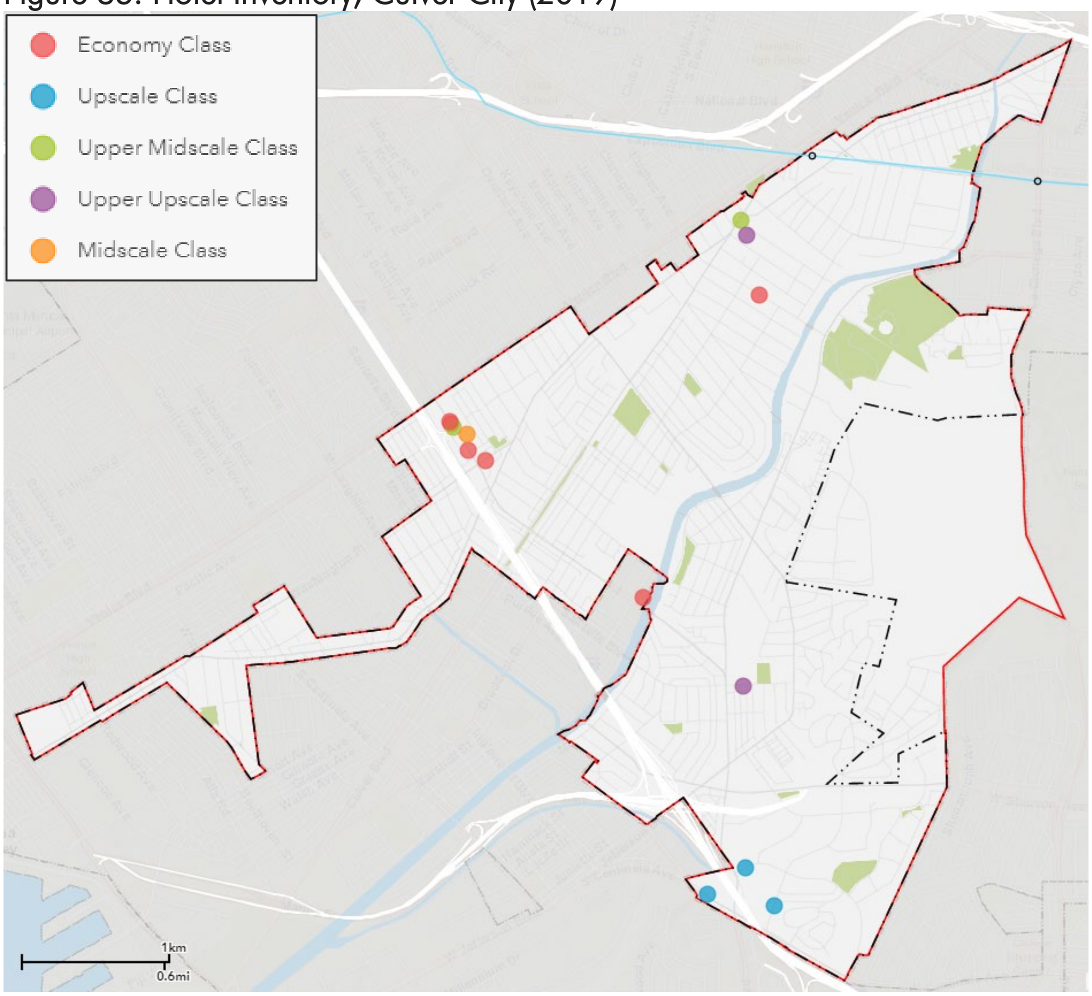
[27] Occupancy and rates data from STR, the industry standard data source for hotel data, is limited to the City's four upscale and midscale hotels that report performance data.

strong weekend occupancy, although this is in part due to hotel operators reducing rates for the weekend.

HOTEL INVENTORY

As of 2019, there are 19 hotels in Culver City. The bulk of the City's 1,313 hotel rooms[28] are clustered in the Fox Hills subarea and are freeway-oriented and airport-serving (Figure 86). Although 13 of Culver's 19 hotels are economy or midscale, they have fewer rooms than the upscale inventory, which covers 73% of all hotel rooms. By contrast, 44% of LA County's hotel rooms serve upscale or higher markets (Figure 87).

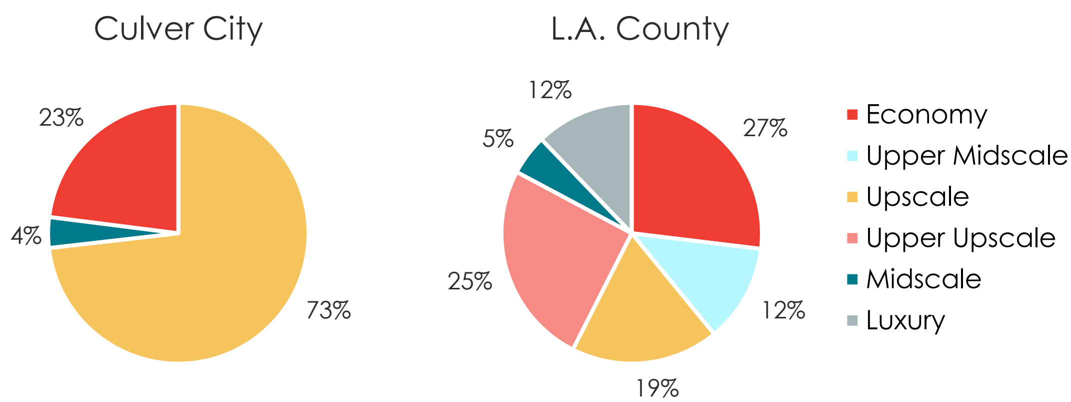
Figure 86: Hotel Inventory, Culver City (2019)



[28] Source: Culver City Department of Finance.

Source: STR 2019, Esri.[29]

Figure 87: Hotel Room Breakdown by Class, Culver City and LA County (2019)



Source: STR, 2019; Strategic Economics, 2019.

Culver City also has a significant share of short-term rental listings on platforms like Airbnb, contributing to the city's lodging inventory. According to data from AirDNA, there are approximately 236 active Culver City listings posted on short-term rental platforms – 92% of which are listed on Airbnb.[30] This represents an increase of approximately 18% of the existing room capacity.[31]

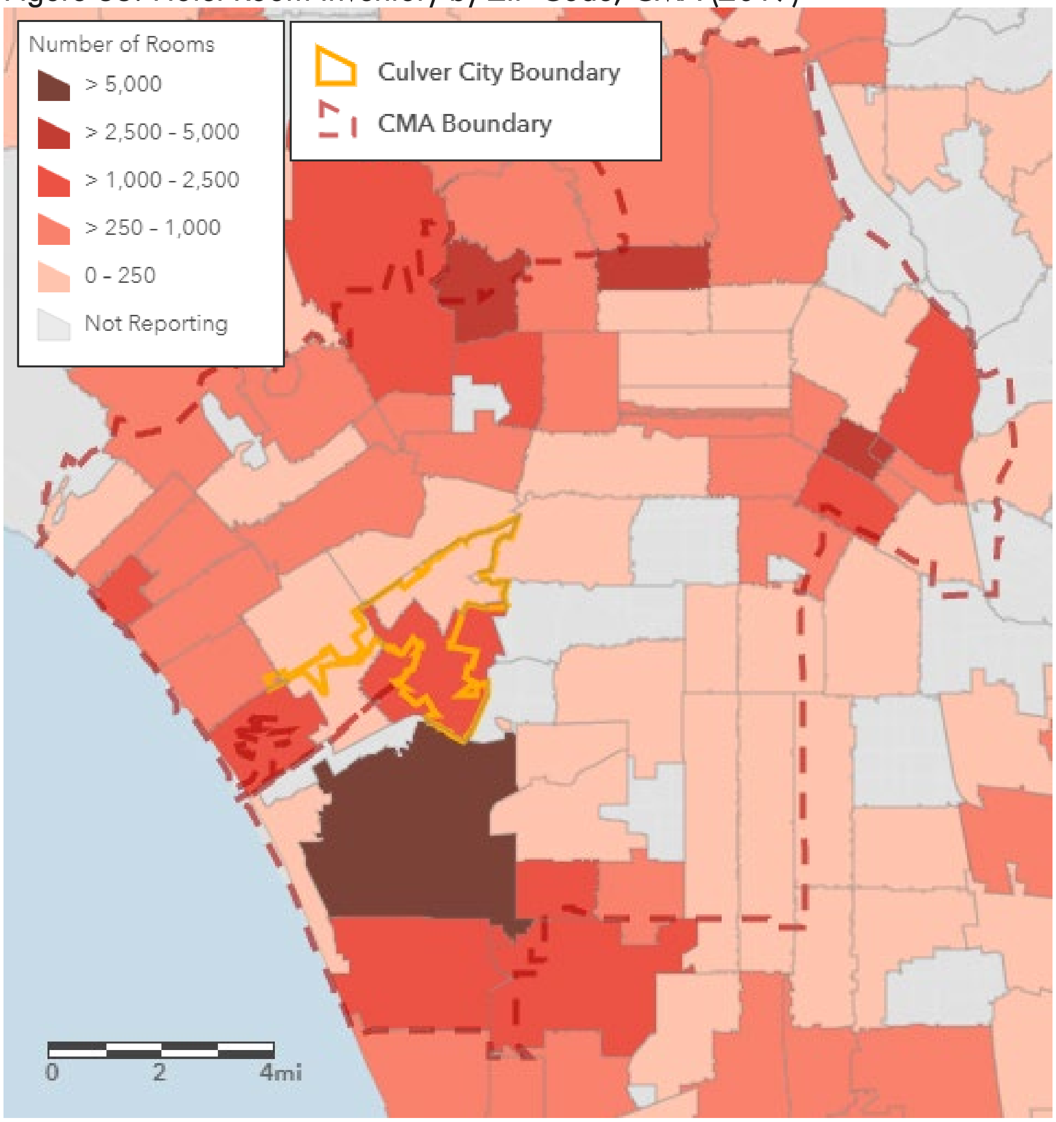
The ADR for Airbnb rentals ($159, based on the average of all days booked[32]) in 2018 was comparable to hotels in the city ($167), suggesting that they are a competitive hotel alternative. The City currently prohibits such rentals but does not proactively enforce taking the listings down. However, the City is currently drafting an ordinance to more intensely regulate short-term rentals, which would permit limited listings to those within a homeowner's or renter's primary residence.

The overall distribution of hotel rooms in the CMA show a clear concentration in the areas adjacent to LAX (including Santa Monica and Marina del Rey), Beverly Hills and West Hollywood, and Downtown (Figure 88). Culver City is home to a higher concentration of hotel rooms than its

[29] Data from STR may not include all hotels or motels in Culver City.
[30] The remaining rentals were listed on HomeAway, an online short-term rental platform. Source: AirDNA, October 2019.
[31] As each listing could potentially include more than one room (AirDNA data does not specify number of rooms per listing), this is a conservative estimate.
[32] Source: AirDNA.

immediately adjacent areas like Mid-City or Mar Vista but pales in comparison to tourism and job centers like Hollywood and Santa Monica.

Figure 88: Hotel Room Inventory by ZIP Code, CMA (2019)[33]



Source: STR, 2019; Esri.

[33] Hotel room counts are summarized by zip code – the next most geographically precise level of data available. "Not Reporting" zip codes did not provide data to STR.

HOTEL MARKET TRENDS

Culver City hotels have experienced strong performance growth in recent years, with a 35% increase in Average Daily Rates (ADR) and a 9% increase in occupancy since 2013. Room rates in Culver City have grown faster than rates in West Los Angeles and LA County.[34]

Yet, ADRs of hotels in Culver City are less than half than the Beverly Hills/West Los Angeles submarket,[35] and about 20% lower than rates in LA County (Figure 89). This difference is, in part, explained by an agglomeration of luxury products and resorts in the county and Westside market. Extremely high occupancy rates (nearly 90%) and anecdotes from real estate professionals in Culver City nonetheless indicate a tight hospitality market as hotel operators reported turning down group reservations due to a lack of space.[36]

Figure 89: Comparative Average Daily Rate and Occupancy Trends (2013-2018)

	Culver City		Beverly Hills/West L.A.		LA County	
Year	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy
2013	$124	80.4%	$305	81.0%	$162	80.4%
2014	$135	81.3%	$328	81.5%	$174	81.4%
2015	$148	86.2%	$347	80.1%	$188	82.1%
2016	$167	86.6%	$378	83.0%	$204	83.6%
2017	$170	84.7%	$379	82.4%	$207	82.3%
2018E	$167	87.8%	$384	82.0%	$210	82.3%
5-year growth	35.1%	9.3%	26%	1.2%	29.8%	2.4%

Source: STR; CBRE Hotels

More recent hotel construction exhibits rates closer to that of the Beverly Hills/West L.A. CMA, but not quite as high. In the cases of two boutique upscale hotels that opened since 2018 in Culver City, the Palihotel shows asking weekday room rates of $200 - $550 depending on the season, whereas Mayumi's rates consistently hover around $200 (Mayumi also explicitly targets longer-stay occupancies, with special weekly and monthly rates). This may suggest that just as Culver City is

[34] Culver City performance data is from STR. CMA and LA County performance data is from CBRE.
[35] Due to the specificities of Culver City's geography and hotel supply, the CMA for hospitality ("Beverly Hills/West Los Angeles") is derived from CBRE's analysis and is unique from the CMA for this report's residential and office analyses.
[36] Source: Strategic Economics.

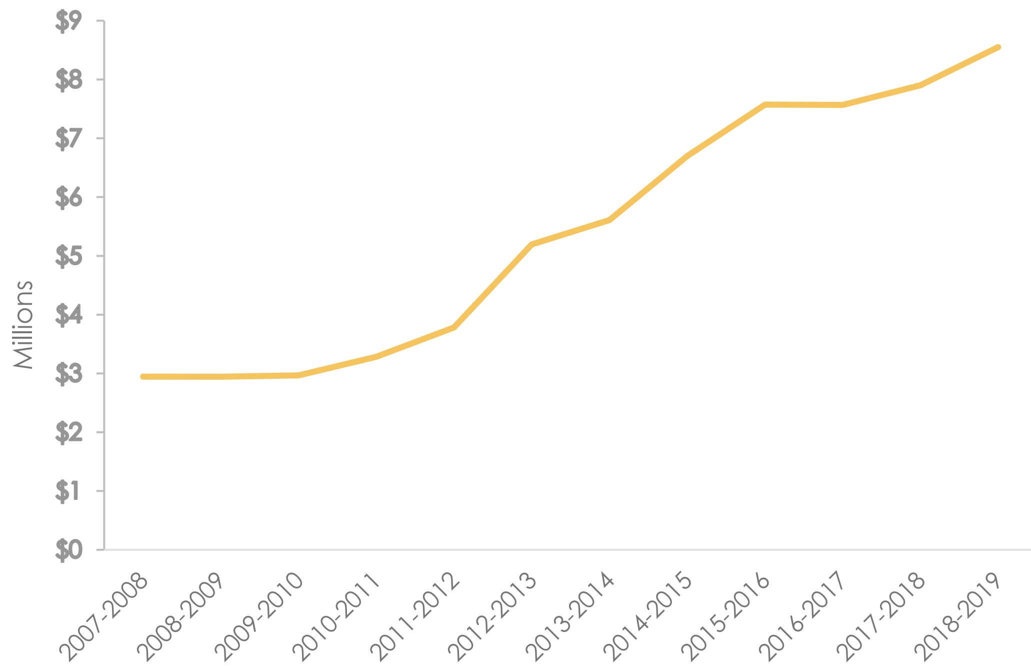
transitioning to a prime office location with commensurate office rental rates, newer hotels will continue to appreciate, growing closer to the Beverly Hills/West LA CMA.

TRANSIENT OCCUPANCY TAX (TOT) REVENUE

TOT revenues in Culver City have increased steadily since 2009, and now contribute over eight million dollars to the City – making up approximately 9% of its overall tax revenues (Figure 90).[37] In addition to hotels, the short-term rental (e.g., Airbnb) stock has contributed to TOT revenues since November of 2018, however complete annual data on these contributions is not yet available.

Hotel stock is currently at near-capacity, with occupancy rates in some hotels hovering around 90%. As current occupancy has nearly topped out, sustaining this increase in TOT revenues will require permitting additional hotel development and / or continued growth in average-daily-rates.

Figure 90: Transient Occupancy Tax Revenues, Culver City (FY 2008 – FY 2019)



Source: Culver City CAFR 2017-2018.

[37] Source: Culver City Comprehensive Annual Financial Report 2017-2018.

HOTEL DEVELOPMENT PIPELINE

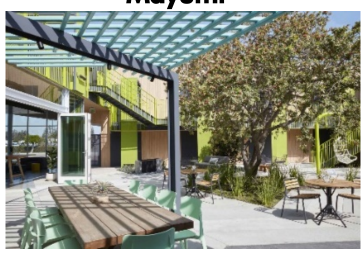
In 2019 and 2018, Culver City added 84 rooms from the opening of two upscale hotels: the Palihotel and Mayumi.[38] Current hotel projects in predevelopment or under construction would add another 148 rooms, increasing the city's hotel stock by nearly 24%.[39] These rooms will be located in The Shay, the upscale Hyatt-affiliated hotel under development at the Ivy Station mixed-use project (Figure 91). The Shay is scheduled to open mid-2020, along with the rest of Ivy Station. There are also two proposed hotel developments in the pipeline (at 3836 Sepulveda Blvd and 11469 Jefferson Blvd), which together would add 331 more rooms, for a total of 479 rooms in the Culver City pipeline.

Figure 91: Culver City Hotel Pipeline Examples

Palihotel

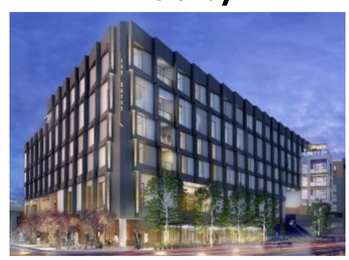
Credit: Palihotel

Mayumi



Credit: Mayumi Hotels

The Shay



Credit: Ivy Station

Palihotel	Mayumi	The Shay
Opened: January 2019	Opened: April 2018	Opening: Mid-2020
Class: Upscale	Class: Upscale	Class: Upscale
Rooms: 49	Rooms: 35	Rooms: 148

MARKET SUPPORTABLE DEMAND

Business travel will likely remain the major driver for hotel room nights in Culver City, in addition to leisure travel. To project future demand, a range of market supportable hotel rooms was created based on Culver City's past capture of LA County's population and employment. New supportable hotel rooms in LA County were estimated through 2045 by projecting LA County's historical growth in demand (of about 1% per year), and then divvying up that demand for the relative share of business and leisure travel based on national estimates. A range of supportable hotel rooms in Culver City (Low and High) was then based on the city's summed capture of these business and leisure demand

[38] While already in operations, these hotels do not report performance data to STR, and as such their occupancy and ADR data is not incorporated into the citywide analysis. Mayumi's site was previously occupied by the Westchester Hotel and resulted in a net reduction of 3 rooms

[39] Source: City of Culver City.

projections by applying Culver City's historic capture rates for employment and population, respectively.

The analysis estimates projected hotel room demand in Culver City to be about 1,190 to 1,855 keys through 2045, using the above methodology. The net additional demand for hotel rooms is projected to be 715 to 1,375 keys, accounting for the approximately 480 rooms in the hotel pipeline (Figure 92). This analysis does not account for the potential further erosion of hotel's hospitality market share by home sharing services like Airbnb.

Figure 92: Cumulative Hotel Demand, Culver City (2019-2045)

	Low	High
Total Demand	1,190 keys	1,855 keys
Less Pipeline (rounded)	480 keys	480 keys
Net Additional Demand	**715 keys**	**1,375 keys**

Source: HR&A, City of Culver City

This forward-looking demand projection anticipates how Culver City could capture the county's overall demand for hotel rooms, given its captured share of employment and households. Given Culver City's existing disproportionate share of employment, there may be additional pent-up demand for business-serving hotel rooms that are currently being met by adjacent markets. For example, if Culver City's ratio of primary jobs to hotel rooms were equal to the county's, it would currently have 3,136 hotel rooms – more than double the city's current stock. While it may not be feasible to recapture these hotel-room nights, this high-level analysis indicates that our analysis of forward-looking hotel demand may be conservative.

KEY TAKEAWAYS

- Culver City has a strong but relatively underdeveloped hospitality market.
- Most of the demand for Culver City's current 1,313 hotel rooms comes from business travel, and hotel operators note the difficulty of attracting robust weekend demand without rate cuts.
- New hospitality capacity has been enabled by the rise of Airbnb, which accounts for approximately 18% of rooms. Although most of the City's existing hotel building stock is of low-quality and older, recent construction is upscale and is attempting to compete with hot Westside hotel markets like Beverly Hills or Santa Monica.
- Occupancy rates have steadily increased and are near all-time highs, indicating significant overall demand. ADRs in the city since 2013 have increased by a greater rate than the county and the Beverly Hills/West L.A. market, but still are lower than those areas.
- Fueled primarily by strong demand for office space and projected job growth, Culver City can support between 715-1,375 new hotel rooms between now and 2045
- Given Culver City's strong employment share in the county and high business-travel occupancy rates, it is also likely that there is additional pent-up demand for more business-serving hotel rooms.

FISCAL HEALTH ASSESSMENT

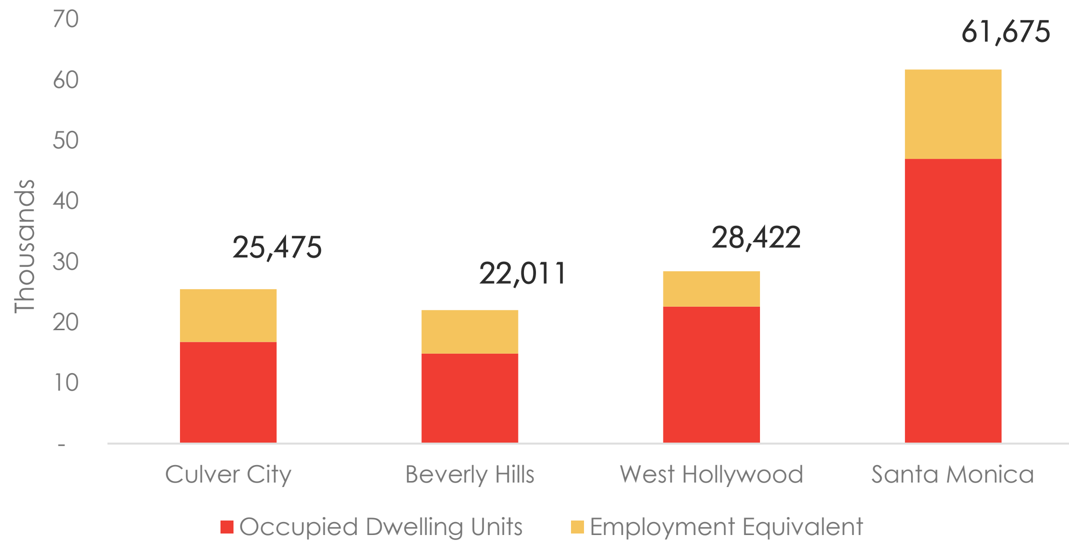
FISCAL HEALTH

METHODOLOGY

Culver City's fiscal health was assessed by analyzing the City's major tax revenues and expenditures compared to peer cities based on resources from the California State Controller's Office and municipal Comprehensive Annual Financial Reports (CAFR). This section's focus is primarily on general fund revenues and expenditures, as they represent the City's discretionary funds. The City's unfunded pension liabilities are also briefly considered, as they have the potential to limit the flexibility of the City's finances in future years.

These high-level revenues and expenditures are presented in comparison to Culver City's peer cities of Santa Monica, Beverly Hills, and West Hollywood. Peers were selected based on their proximity to Culver City and the similarity of land uses. As these cities vary in terms of population, geographic size, and daytime employment, this report uses the common metric of equivalent dwelling units ("EDU") to standardize comparisons of their fiscal information. EDUs account for both occupied homes and employees within a jurisdiction to identify the relative impact of both residents and employees on that jurisdiction's fiscal performance. Here, EDUs assume each employee is equivalent to one-third of a resident, based on the approximate share of time that each spends in the city. Culver City's 17,000 occupied dwelling units and 60,000 primary jobs translate to approximately 25,000 equivalent dwelling units (Figure 93).

Figure 93: Estimated Equivalent Dwelling Units, Peer Cities (2019)



Source: California Department of Finance (2019); LEHD (2017); HR&A.

REVENUES

Compared to its peers, Culver City collects a moderate level of general fund revenues (Figure 94). Beverly Hills collects approximately $12,000 per EDU, nearly three times that of Culver City. Overall, Culver City collects more Sales Tax and Other Taxes per EDU than West Hollywood and Santa Monica but relies less on Property Taxes and TOT than its peers. A brief analysis of Culver City's revenue sources compared to its peer cities is described below:

PROPERTY TAXES

Culver City collects only $541 per EDU in general fund property taxes per year, lower than all its peer cities (which range from $887-$3,198 per EDU). This may be a result of limited residential growth rate over the last thirty years, and little turnover in ownership of existing housing units.

TRANSIENT OCCUPANCY TAXES (TOT)

Like property tax, Culver City's TOT revenues per EDU are the smallest among its peer cities, at $310. This is likely due to Culver City's comparatively low number of hotel rooms and that its hotel submarket is less desirable than tourist hotspots like Beverly Hills or West Hollywood. Culver City's TOT rate of 14% is the same as Santa Monica and Beverly Hills, whereas West Hollywood's is 12.5%.

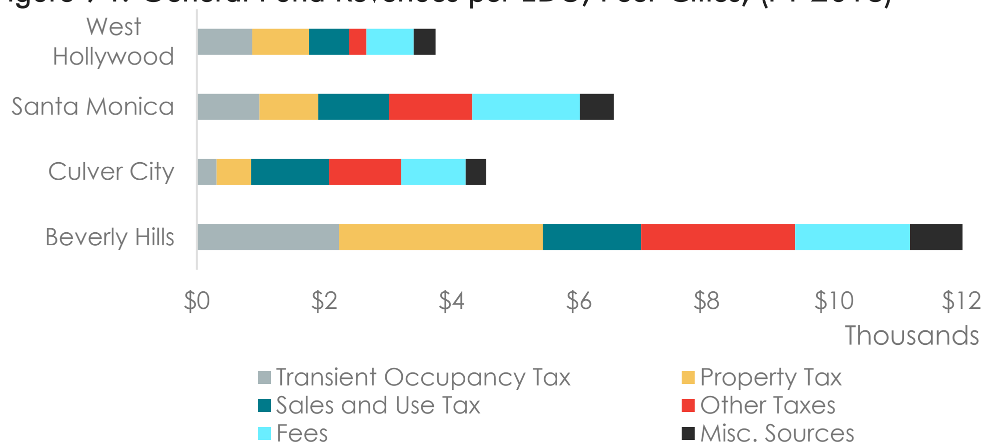
SALES & USE TAXES

Culver City has the second highest sales and use tax revenues per EDU, in comparison to its peers, and nearly twice as much as West Hollywood ($1,223 versus $633). The sales tax rate in Culver City and Santa Monica is 10.25%, the maximum allowed in California, whereas it is 9.5% in Beverly Hills and West Hollywood.

FEES, OTHER TAXES, AND MISCELLANEOUS SOURCES[40]

These sources make up approximately 54% of Culver City's and Santa Monica's general fund revenues, the highest share among the peer cities – they contribute 42% and 36% in Beverly Hills and West Hollywood, respectively. Approximately half of Culver City's revenues from "Fees" come from Charges for Services, whereas Beverly Hills and West Hollywood receive the highest amount of funds from Licenses and Permits.

Figure 94: General Fund Revenues per EDU, Peer Cities, (FY 2018)



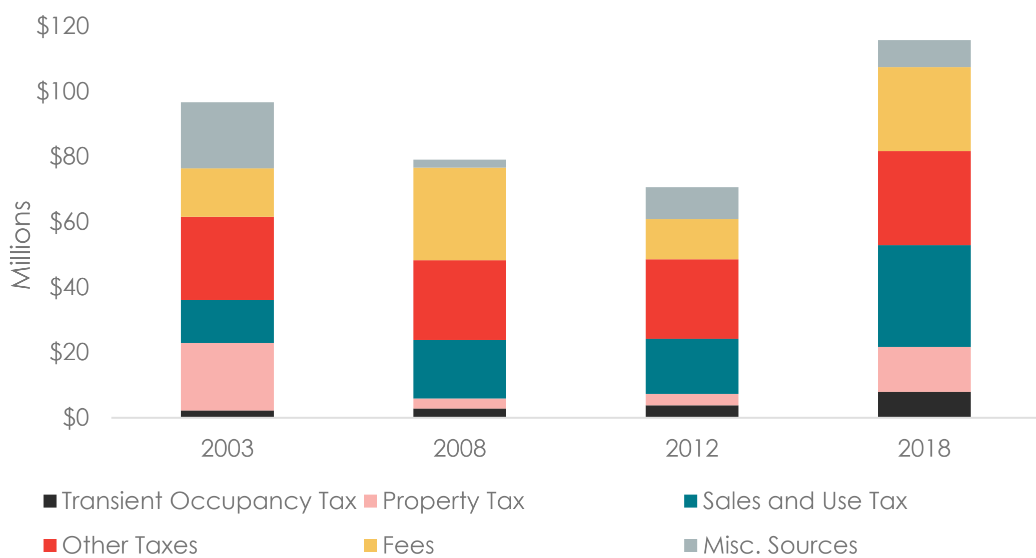
Source: Comprehensive Annual Financial Reports (CAFR), FY 2017-2018; HR&A.

Culver City's General Fund revenues have increased overall from $96.7 million to $115.7 million between fiscal years 2003 and 2018 (or by about 20% overall, not accounting for inflation), as seen in Figure 95. Revenue has stabilized from the effects of the Recession between 2008-2012 and is now

[40] "Fees" refers to: Licenses and Permits, Charges for Services, and Fines, and Forfeitures and Penalties. "Other Taxes" refers to: Utility Users Tax, Business License Taxes, Franchise Tax, and "Other Taxes". "Miscellaneous Sources" refers to Intergovernmental revenue, Use of Money and Property, Miscellaneous, Investment Earnings, Settlement Income, Rental Income, Franchise Income, and Other Revenues.

above 2003 levels. Primary sources of revenue for the City are Sales and Use taxes, Fees, Other Taxes, and Miscellaneous – making up about 81% of the total revenue in 2018. Sales and Use taxes have steadily grown by 7% annually since 2008 or about 74% overall in the last ten years. Similarly, revenues from Fees have increased significantly in recent years – from $12.3 million to $25.7 million between 2012 and 2018. Although a very small share of the overall budget (about 7% of overall revenues in 2018), TOT proceeds have almost doubled from $3.7 million to $7.9 million since 2012. Finally, Property Taxes have also seen strong growth in recent years, though they still only made up 12% of the City's general fund revenues in 2018.

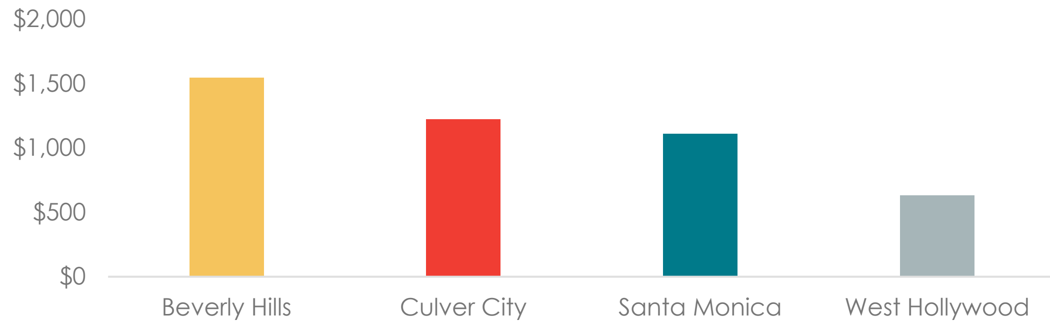
Figure 95: General Fund Revenues, Culver City (FY 2003-2018)



Source: Culver City CAFRs, FYs 2002-2003, 2007-2008, 2011-2012, 2017-2018.

Sales and Use taxes play a vital role in the City's budget and revenues and therefore were more closely analyzed (Figure 96). Culver City's revenues per EDU in 2018 ($1,223) was twice West Hollywood's, on par with Santa Monica and about 21% lower than Beverly Hills (perhaps due to the concentration of high-end and high-priced luxury items in Beverly Hills). Culver City's current local sales tax is 10.25%, the maximum allowable under state law. This indicates little flexibility for the City in raising more sales tax revenue, and that such revenues in the future will fluctuate with retail sales and demand.

Figure 96: Sales and Use Tax Revenue per EDU, Peer Cities (FY 2018)

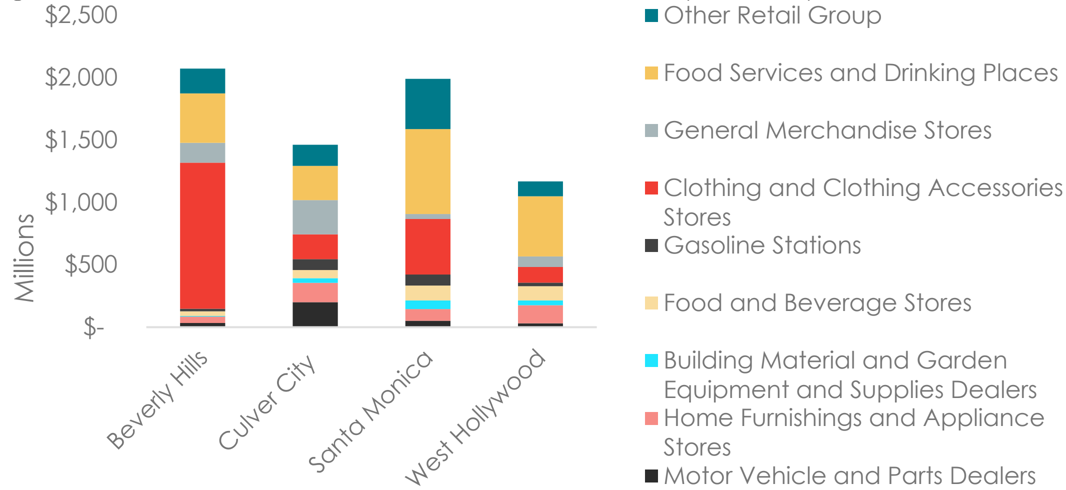


Source: CAFRs, FY 2017-2018.

Further considering the sources of each cities' sales and use tax revenues (Figure 97), Culver City's largest sources of taxable sales are from Food Services and Drinking Places, General Merchandise Stores (each of which contribute 16%), and Home Furnishings and Appliance Stores (which contributes 9%). Clothing and Clothing Accessories Stores yield a smaller portion of taxable sales in Culver City (12%) than in Beverly Hills or Santa Monica (16% and 46%, respectively). While one of the largest contributors in Culver City, the percentage of taxable sales from Food Services and Drinking Places in Santa Monica and West Hollywood is approximately double that of Culver City. This may reflect these latter cities' statuses as regional dining and nightlife destinations. Culver City also appears to have a more balanced distribution of taxable sales than its peers, who have one or two sources contributing far more than the others.

A vulnerability in Culver City's proportions of taxable sales is its reliance on General Merchandise, which is often concentrated in big box stores (i.e., Costco and Target) that have a negative national outlook and can swing drastically on the opening or closing of individual stores. The closure of any single big box store can significantly impact sales within a city, despite overall demand appearing to continue. Motor Vehicle and Parts Dealers make up 12% of taxable sales, which also may be endangered if land use patterns change.

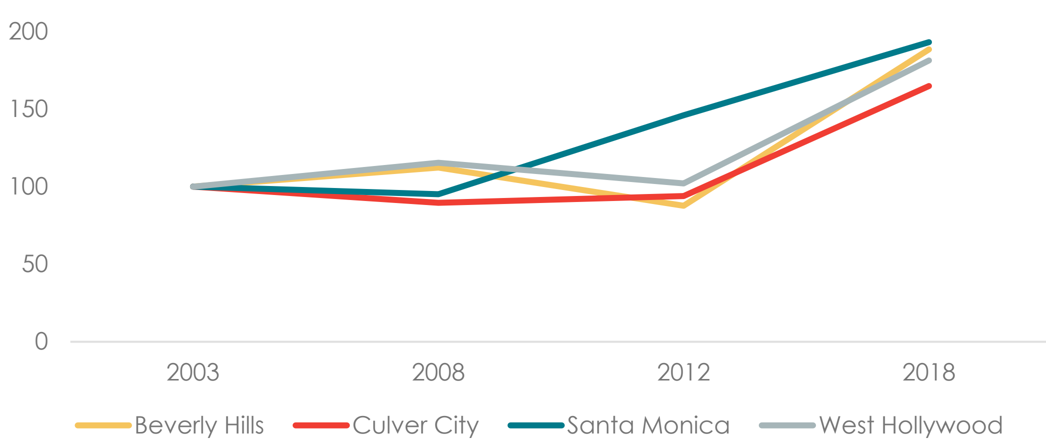
Figure 97: Distribution of Taxable Sales, Peer Cities (FY 2016)



Source: California State Board of Equalization, 2016 – the latest available from the State.

Culver City's revenues have maintained relative consistency, with growth in the past ten years (Figure 98). All cities' sales and use tax revenues have grown since 2003, but Culver City has not grown as much as its peers. Santa Monica has grown the most overall, with pronounced growth between 2008 and 2012, but Culver City's pace of growth since 2012 suggests it will catch up. Slower growth rates between 2008 and 2012 may be due to changes in spending patterns from the Great Recession.

Figure 98: Indexed Changes in Sales and Use Tax Revenue per EDU, Peer Cities (2003-2018)



Source: California State Controller's Office (SCO).

EXPENDITURES

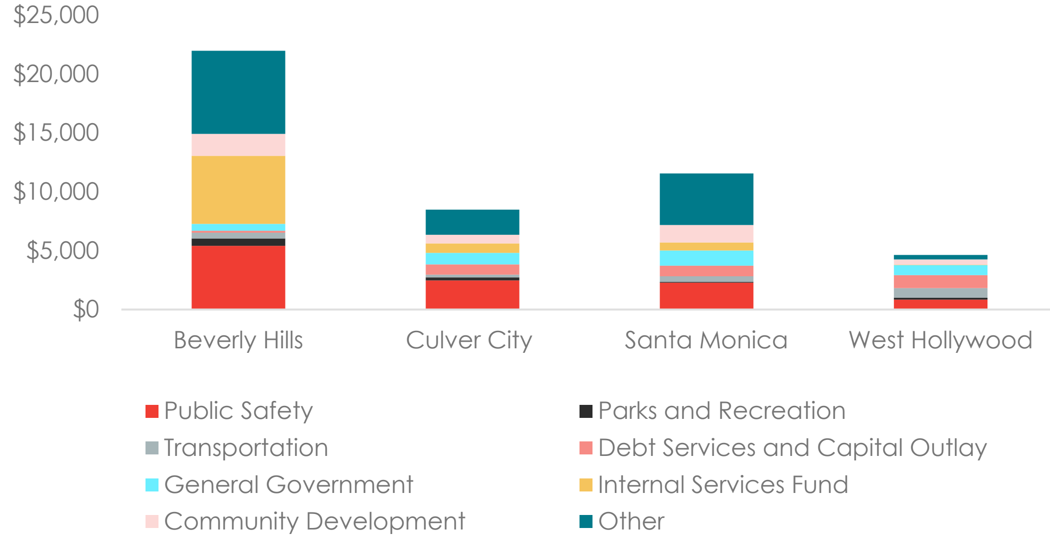
Culver City prides itself on delivering a very high level of public services like police and fire. Nonetheless, compared to its peers, Culver City has similar proportions of major expenditures, detailed in Figure 99, while also having nearly half the total amount of expenditures per EDU as compared to Beverly Hills, the top-spending city (according to data from the State Controller Office).[41] Cities tend to devote the highest share of expenditures to Public Safety (18-29% among our peer cities). Culver City devotes the highest proportion of its expenditures (29%) to Public Safety, with the second highest share going to General Government (12%). Cities tend to spend the least on Parks and Recreation, ranging between 1% and 4% in 2018 – Culver City devoted 3% in 2018, like its general fund contribution for Transportation.[42]

Excluding Beverly Hills as an outlier due to its expenditures being over double that of the second-highest ranking city, Culver City ranks neatly between Santa Monica and West Hollywood in all expenditures per EDU at $8,481. Despite having a higher share of expenditures devoted to Public Safety, Culver City spends less than half per EDU than Beverly Hills. For all cities featured below, Public Safety includes Fire and Police – Beverly Hills' Public Safety department also includes Building and Safety Enforcement. West Hollywood contracts its Public Safety services from Los Angeles County, which may reduce these expenditures. Beverly Hills spends the most of all cities for five of the seven categories shown in Figure 99.

[41] Data from the California State Controller's Office aggregates each City budget according to a semi-standardized list of categories. While California Counties abide by their own standardized accounting guidelines, Cities do not. This can obscure some nuances and allow for some discrepancies in how expenditures are accounted for and described (i.e. Internal Services Funds vary in their functions depending on the City). The categories described here tend to be Cities' major expenditures, with all remaining expenditures accounted for in "Other".

[42] Culver City's relatively lower transportation expenditures may be due to the separation of such expenditures into dedicated funds.

Figure 99: Expenditures per EDU, Peer Cities, 2018



Source: SCO.

PENSION LIABILITIES

Although pension liabilities are not typically component expenditures of the general fund, Culver City's unfunded pension liabilities are of concern as the General Plan is updated. While the City's market pension debt per capita ($17,717, see Figure 100) is in the mid-range of its peer cities (Beverly Hills' is the highest at $24,268, while West Hollywood is the lowest at $4,241), it's also the ninth highest among cities statewide. Ideally, pensions should fund themselves, but in the case of unfunded liabilities, cities may be forced to use general fund revenues or raise special purpose revenues, which limits cities' financial flexibility. California cities, in general, are experiencing historically high amounts of unfunded pension liabilities, and to address these debts, Culver City may need to raise revenues more aggressively and reduce spending.

Figure 100: Unfunded Pension Liabilities

	Unfunded Pension Liabilities	Market Funded Ratio	Market Pension Debt per Capita
Beverly Hills	$836,870,653	41%	$24,268
Culver City	$695,995,130	39%	$17,717
Santa Monica	$1,663,800,313	44%	$18,025
West Hollywood	$157,256,056	42%	$4,241

Source: California Pension Tracker, Stanford Institute for Economic Policy Research.

FISCAL HEALTH ASSESSMENT | ISSUES AND OPPORTUNITIES

The City's fiscal standing historically and in comparison to its peer cities impact how the City should consider policies and objectives of its General Plan. The issues and opportunities below summarize key considerations from this section, which have implications for the future of the City's land uses and budgetary priorities.

Issues:

- Relative to its peers, Culver City collects a relatively small amount of Transient Occupancy Taxes, despite reaching nearly-full occupancy rates.
- Property taxes also make a relatively small contribution to Culver City's general fund, which could be due to a lack of turnover in residential ownership. New development could change this, but Proposition 13 restrictions will prevent substantial property tax revenue growth.
- The City has likely reached the limits of sales tax revenues unless there is a major new retail expansion or the repositioning of older assets into higher grossing uses. Major sources of sales tax revenues like car sales and general merchandise sales may lack long-term economic resiliency.
- Culver City has significant unfunded pension liabilities.

Opportunities:

- Retail sales taxes are growing and maintaining this growth (as national trends favor dining and experiential retail) will be important to the City's overall fiscal health. The City should consider which forms of retail it would like to cultivate that have limited vulnerability in the case of another Recession.
- There is potential for the City to capture more revenue from Transient Occupancy Taxes, given increases in demand for business travel and high current hotel occupancy rates.
- The City could see increased property taxes as it sees new development. Property tax revenue increases are capped but are typically significantly less volatile than sales taxes or TOT.
- Expenditures are relatively like peer cities on a per EDU basis, and the City receives a very high quality of services. The City should seek to maintain this quality of services.