

UCLA TOD STUDY

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TOD IMPACTS

on Businesses in Four Asian American Neighborhoods

LITTLE TOKYO

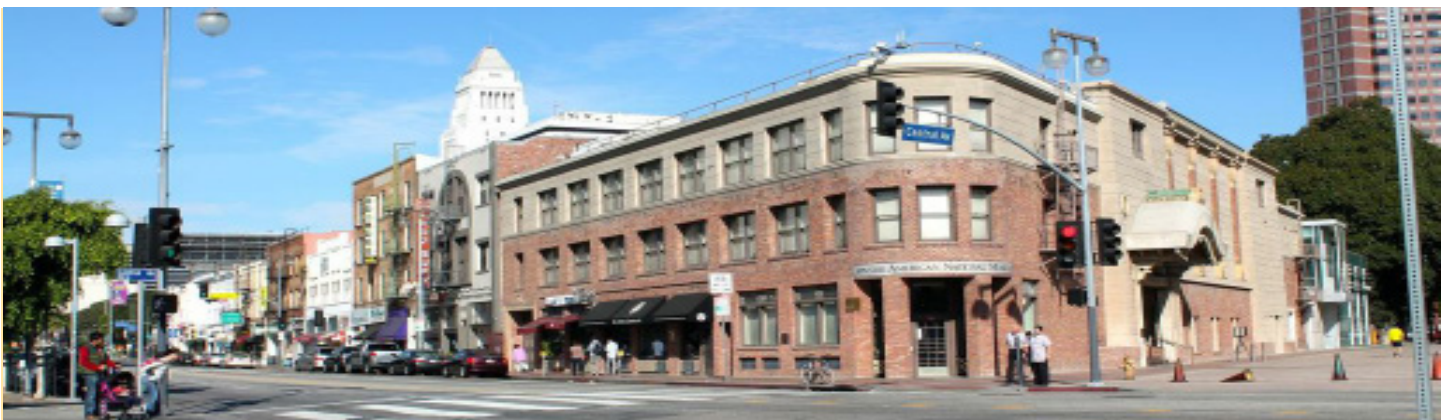


Photo Credit (cover page):

First Street, Little Tokyo by Edber Macedo, 2014

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INTRODUCTION

This project addresses the following questions by comparing business growth in the Little Tokyo study area to LA County over two decades:

1. Is overall growth in the Little Tokyo study area similar to, less than or more than LA County?
2. Is small-business growth in the Little Tokyo study area similar to, less than or more than LA County?
3. Is Asian-business growth in the Little Tokyo study area similar to, less than or more than LA County?
4. Is the level of real-estate activities (construction and transactions) in the Little Tokyo study area similar to, less than or more than LA County?

Major Findings

- Comparatively lower overall business growth in Little Tokyo TOD study area
- Comparatively lower growth of small businesses in Little Tokyo TOD study area
- Decline in number of Asian and small Asian businesses in Little Tokyo TOD study area
- Higher rates of construction and property transactions in Little Tokyo TOD study area

NEIGHBORHOOD BACKGROUND

Little Tokyo has been the center of Japanese American cultural and civic life in LA County since the 19th century. The neighborhood is located east of Downtown Los Angeles and is bordered by 1st street on the north, Alameda street on the east, 3rd street on the south, and Los Angeles Street on the west. Little Tokyo's first small Asian businesses developed around the needs of Japanese farmers who sold their produce at neighborhood markets. By 1905, the neighborhood had become known by County residents as Little Tokyo (Jenks 2008:37). The character of the neighborhood and many of its businesses have endured the relocation of Japanese communities during WW II and threats of redevelopment. Little Tokyo was designated as a national historic landmark district in 1995, which protects historic buildings in the neighborhood from development pressures. However, the small Asian businesses that lease spaces in these historic buildings are still vulnerable to business sector fluctuations. It is important to preserve such businesses, because they provide goods that link LA County's Japanese American communities to the neighborhood. They also play an important role in perpetuating Japanese

culture for future generations of Japanese Americans. Together, these businesses are an essential element of Little Tokyo but are at risk during phases of redevelopment in the neighborhood. A current concern for Little Tokyo's local organizations are the impacts LA Metro's regional connector line may have on small Asian businesses. The question remains of how TOD development can occur in a manner that supports local businesses rather than harming them.

TOD Study Area

The area of analysis is referred to as the "Little Tokyo TOD study area" and encompasses neighborhoods falling within a half-mile radius around the Little Tokyo Arts District station. The Little Tokyo Arts District Station is located on the eastern side of Alameda Street. The station began operation in 2009, linking commuters across the County to downtown Los Angeles (Metro Gold Line 2007:7). The study area contains portions of downtown Los Angeles districts including Little Tokyo, the Arts District, and portions of the Warehouse District.

In 2011, condominium and apartment units in the Little Tokyo TOD study area occupied 69 percent of study area parcels. While condominiums and apartments occupied

Timeline of noteworthy developments in Little Tokyo.

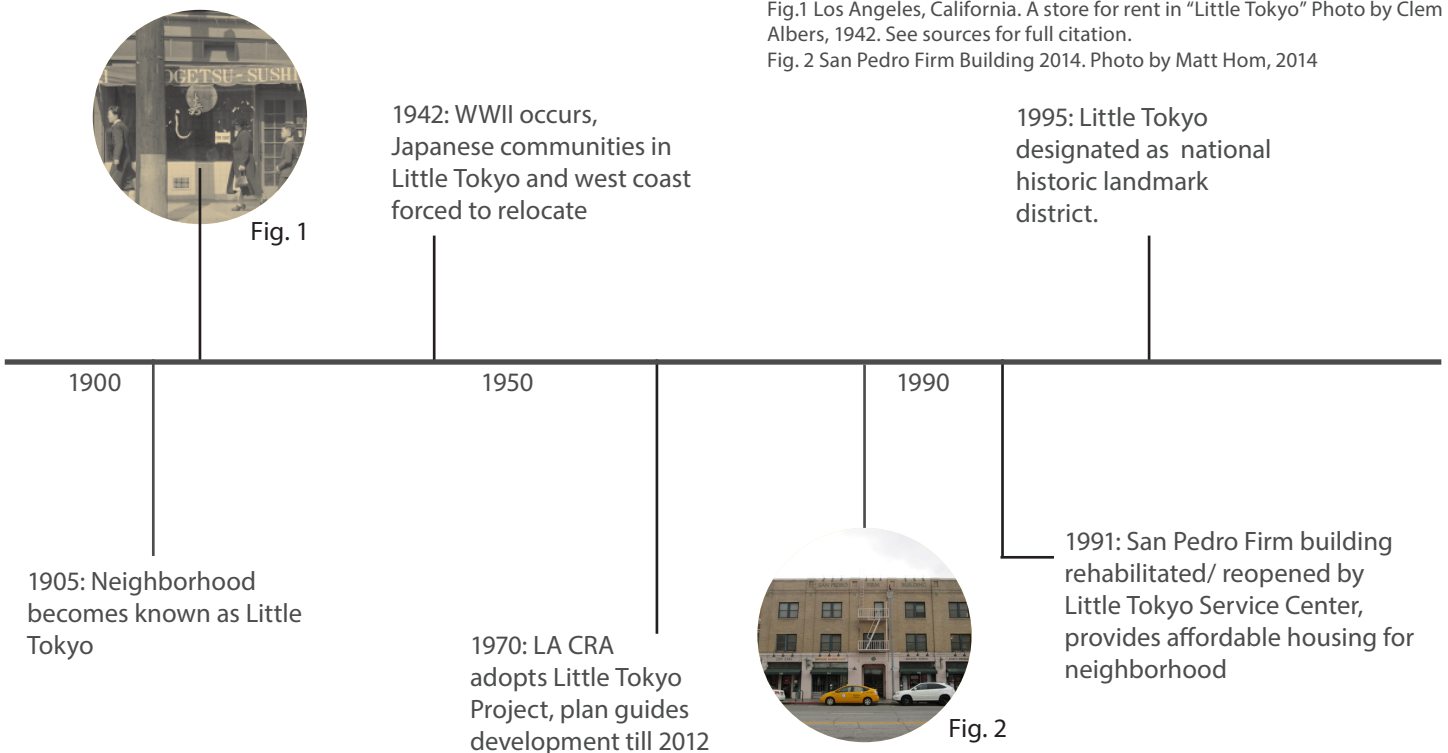


Fig.1 Los Angeles, California. A store for rent in "Little Tokyo" Photo by Clem Albers, 1942. See sources for full citation.

Fig. 2 San Pedro Firm Building 2014. Photo by Matt Hom, 2014



The Little Tokyo Arts District Station At Noon. Photo by Matt Hom, 2014

over half of study area parcels, these residential structures comprised fewer than 20 percent of parcels in LA County. In contrast, single-family homes occupied over 60 percent of LA county parcels. The study area also has a greater proportion of parcels occupied by commercial developments than LA County. Overall, the Little Tokyo TOD study area has a comparatively higher proportion of apartments, condominiums, and commercial developments than LA County.

EMPLOYMENT BASE

Employment demographics were drawn from the 2011 Longitudinal Employer Household Dynamic survey. In 2011, the total number of jobs in the Little Tokyo TOD study area was 11,602. Individuals earning \$1,251 to \$3,333 made up the largest single proportion (36%) of workers when wages were considered. Businesses in the study area primarily employed White (61%) and Asian (25%) workers. Of individuals employed in the study area, 11,482 lived outside the area while 120 lived and worked in the study area.

In 2011, Dun and Bradstreet survey data indicated there were 1,741 businesses in Little Tokyo. Of these businesses, 90% were small businesses and 27% of small businesses were small Asian businesses. Within the study area's overall business sector, the five most common business

sub-sectors in 2011 were:

1. Retail Trade
2. Wholesale Trade
3. Professional, Scientific and Technical Services
4. Administrative and Support, and Waste Management and Remediation Services
5. Other Services (except Public Administration)



The Little Tokyo TOD Study Area. Little Tokyo Neighborhood bounded by 1st, Alameda, 3rd, and Los Angeles streets.

DEFINITIONS

Business sector: Grouping of business by similar industry. Determined by NAICS (North American Industry Classification) code designation.

Year built: Year listed in parcel data records that building is constructed.

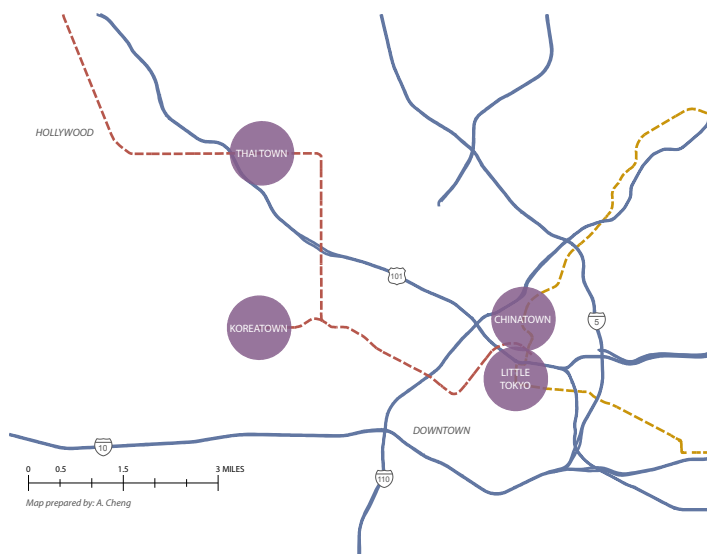
Record year: Year listed in parcel data records when the legal ownership of a parcel changed. May indicate sale, purchase, or inheritance of parcel.

Asian business: Business whose officer name was found in Asian surname database.

DATA & METHODOLOGY

Three data sets were utilized for this study. Job holder characteristics were derived from the 2011 Longitudinal Employer Household Dynamic Program (LEHD). Dun and Bradstreet records (1991-2001 & 2001-2011) were analyzed to determine business dynamics. LA County parcel data (2001-2006 & 2007-2011) provided an understanding of parcel usage, construction, and property transaction.

The D&B data are used to determine changes in the number of total establishments, small establishments and Asian establishments in the TOD study area. We compare these changes (measured as growth rates) with those for LA County. Using LA County as a benchmark is critical because of structural changes in the economy and changes in data collection. The two important transformations in the economy have been 1) a shift to smaller businesses and establishments, and 2) the growth of self-employment. Small businesses were defined as businesses employing fewer than 19 employees. Small businesses are further subdivided into two categories, “self-employed” (0-1) and small businesses (2-19).



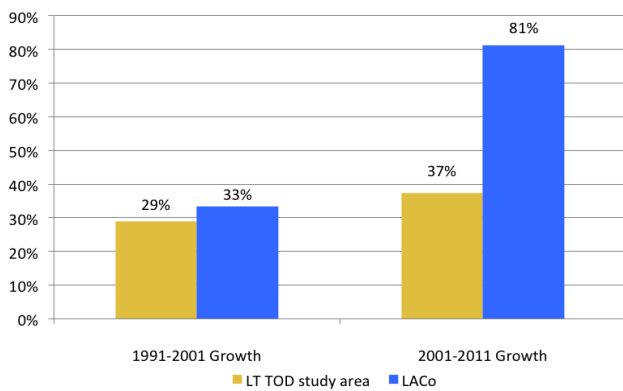
Study areas, clockwise from upper left: Hollywood/Western Station, Chinatown Station, Little Tokyo Arts District Station, Wilshire/ Western Station .

Map 1. Source- Dun & Bradstreet 2011
Map 2. Source- Census 2011

Whether service area businesses were Asian or non-Asian was determined by comparing Dun and Bradstreet officer surname records with the Census Bureau’s database of Asian surnames. Database surnames are assigned a probability that surname holders were Asian. For example, there

is a 96% chance that a person with the surname “Yu” is Asian. Surnames with a probability of 75 percent or higher of being Asian were included in this analysis. This threshold was utilized to omit business officers with ethnically ambiguous surnames. Because Los Angeles has a higher proportion of Asians than the nation, we modified the selection rule by including those with the surnames “Lee” and “Park” in as being Asian, even though both surnames do not meet the threshold. Although these Asian assignments are not perfect, any biases are consistent over time. For more information on data methodology and limitations see “UCLA TOD Study Impacts on Businesses in Four Asian American Neighborhoods” (Ong, Pech, Ray, 2014).

Table A. Comparative net growth of businesses 1991-2001 & 2001-2011



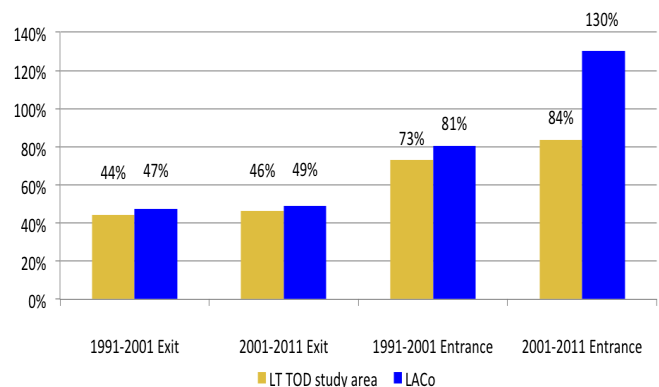
Tabulations by PM Ong. Dun and Bradstreet 1991, 2001, 2011. Analysis by Charles Toscano.

OVERALL BUSINESSES

During the first decade examined (1991 – 2001), LA County experienced greater growth than the Little Tokyo TOD study area in the number of firms in its overall business sector. While the number of businesses in the study area grew by 29 percent in this decade, LA County’s business growth was greater with a growth rate of 33 percent (See Table A). While LA County’s business sector grew during the decade, 47 percent of its existing businesses went out of business or relocated out of the County during this time. The study area’s rate of businesses that exited the area was slightly lower, at 44 percent (See Table B). A similar pattern was seen in firm entrance rate metrics during this decade. Eighty one percent of LA County’s businesses relocated into or were formed during this decade. In contrast, study area data indicated a lower entrance rate, with only 73 percent of study area businesses entering or developing during the decade.

From 2001 to 2011 similar patterns in the growth, entrance, and exit rates were seen in the overall business sectors of the study area and LA County. It is interesting to note that the growth rates for each metric in this decade were proportionally greater than growth rates in 1991-2001. While LA County’s overall business sector grew by 81 percent, the study area’s business sector grew by only 37 percent, a comparatively lower growth rate. Although the same exit rate pattern was seen in both areas in this decade, each area had exit rates that were two percentage points higher than the previous decades. Entrance rates for LA County were much higher than the study area’s from

Table B. Business exit and entry rates 1991-2001 & 2001-2011



Tabulations by PM Ong. Dun and Bradstreet 1991, 2001, 2011. Analysis by Charles Toscano.

2001-2011. LA County’s firm entrance rate of 130 percent was 49 percentage points greater than the entrance rate for the prior decade. Entrance rate metrics for LA County from 2001-2011 indicate a significant increase in firms relocating into or developing in the County. Although the analysis indicates slightly higher firm entrance rates for the Little Tokyo TOD study area in this decade, entrance rates were far lower than corresponding rates for LA County.

Analysis indicates that the study area had lower business exit rates in both decades. However, the study area also had a lower rate of businesses entering or developing in the area in comparison to LA County. While there were similar growth trends for each metric across both decades (1991-2001 & 2001-2011), the growth, entrance, and exit rates in both areas were proportionally greater in the later decade.

Small Businesses

Small businesses comprised a dominant proportion of the Little Tokyo TOD study area’s business sector. However, the study area’s small business sector grew less than LA Counties in the decades analyzed. From 1991-2001, the study area’s small business sector grew by 31 percent, which was five percentage points lower than the small business sector growth rate for the County. From 2001-2011, LA County experienced a substantial growth in small businesses, growing by 91 percent while the study area grew by only 40 percent in this decade.

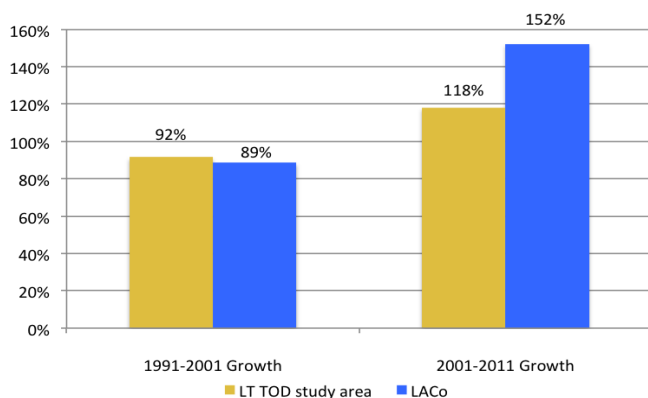
Self-Employed Small Business Growth 1991-2001 & 2001-2011

Self-employed businesses are legally recognized as businesses with only one employee. The number of self-employed businesses grew from 1991-2001; however, self-employed businesses experienced even greater growth from 2001-2011. In the first decade examined, the Little Tokyo TOD study area’s number of self-employed businesses grew by 92 percent (See Table C). This growth was slightly higher than the growth rate for LA County during this decade. From 2001-2011, this small business category grew tremendously, increasing by 26 percentage points in the study area from the later decade. The growth of this sector from 2001-2011 was much higher in LA County, at 152 percent. Such growth of self-employed businesses in both the study area and the county is noteworthy.

Two to Nineteen-Employee Small Business Growth 1991-2001 & 2001-2011

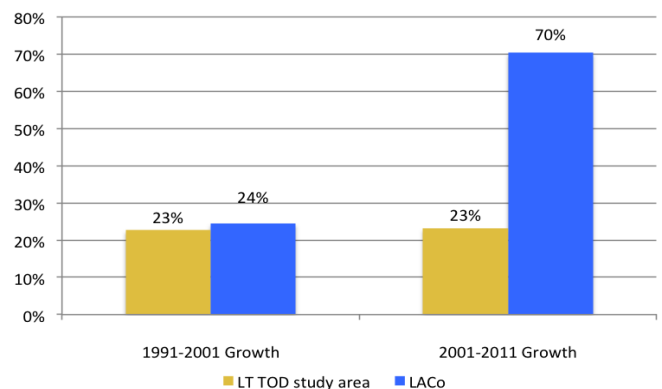
With regards to small businesses employing 2-19 employees, the Little Tokyo TOD study area’s growth rate was lower than the County’s. In LA County, the growth rate was 24 percent from 1991-2001, increasing by 46 percentage points in the later decade to a 70 percent growth rate (See Table D). In contrast, the growth rate for the study area remained constant at 23 percent in both decades. Growth in the number of 2-19 employee small businesses was comparatively lower in the study area with the greatest disparity in growth between areas occurring from 2001- 2011.

Table C. Self Employed Small Business Growth 1991-2001 & 2001-2011



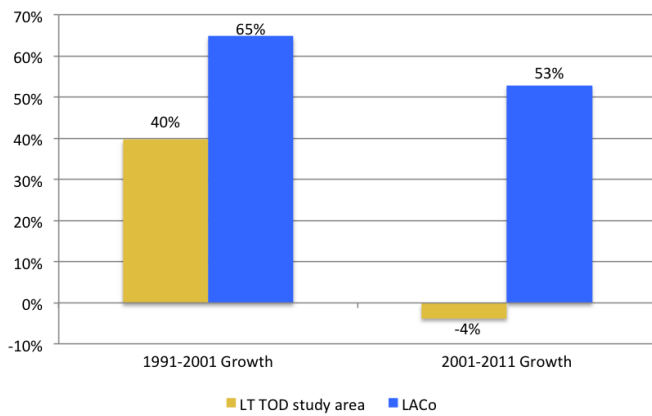
Tabulations by PM Ong. Dun and Bradstreet 1991, 2001, 2011. Analysis by Charles Toscano.

Table D. 2-19 Employee Small Business Growth 1991-2001 & 2001-2011



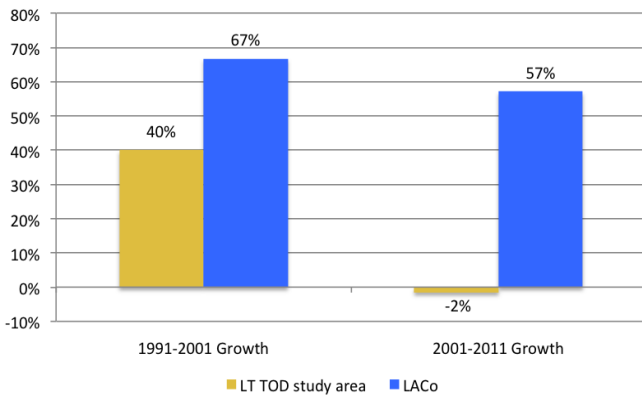
Tabulations by PM Ong. Dun and Bradstreet 1991, 2001, 2011. Analysis by Charles Toscano.

Table E. Growth of Asian Businesses 1991-2001 & 2001-2011



Tabulations by PM Ong. Dun and Bradstreet 1991, 2001, 2011. Analysis by Charles Toscano.

Table F. Growth of Small Asian Businesses 1991-2001 & 2001-2011



Tabulations by PM Ong. Dun and Bradstreet 1991, 2001, 2011. Analysis by Charles Toscano.

Asian Businesses

Growth of Asian Businesses 1991-2001 & 2001-2011

The Little Tokyo TOD study area experienced extreme fluctuations in the growth dynamics of Asian businesses in the decades analyzed. These fluctuations in the study area’s Asian business sub-sectors are notable because these businesses comprise a greater proportion of the study area’s business sector in comparison to LA County. Between 1991 and 2001, the study area’s number of Asian businesses grew at a comparatively lower rate than LA County (See Table E). However, while both areas experienced growth in the number of Asian businesses in the first decade, the study areas Asian businesses decreased by four percent in the latter decade. Though LA County’s growth rate of Asian businesses also declined in this decade (to 53 percent), it did not decrease to the extent that the study area’s growth rate did.

Growth of Small Asian Businesses 1991-2001 & 2001-2011

The Little Tokyo TOD study area’s number of small Asian business also declined from 2001-2011. In the first decade, the study area’s number of small Asian businesses grew by 40 percent, compared to 67 percent in LA County (See Table F). From 2001-2011, the study area’s number of small Asian businesses declined by two percent. In contrast, LA County’s small Asian business sub-sector grew by 57 percent, which was less growth than this sub-sector experienced from 1991-2001.

Ultimately, the Little Tokyo TOD study area’s Asian business sub-sectors experienced comparatively less growth than LA County’s Asian business sub-sectors.

Property Dynamics



Asian Businesses 1st Street. Photo credit: Edber Macedo, 2014

LA County parcel data for 2011 indicates the year buildings were built and the recorded year parcels were bought or sold. This data was aggregated into half decade and decade groupings (2007+ later, 2001-2006, and 1991-2000), allowing construction rates and the rate of parcel transactions of 2011 buildings and parcels to be measured. Emphasis was placed on data from 2001-2011 (2007+ later, 2001-2006) because of limitations posed by the cross sectional nature of this data set. Differences in parcel usage between the study area and LA County necessitated that LA County parcel data be re-weighted to enable accurate comparison. Although the study area experienced comparatively less growth in all business sub-sectors, the analysis indicates that the study area experienced higher rates of construction and property transactions in the last decade.

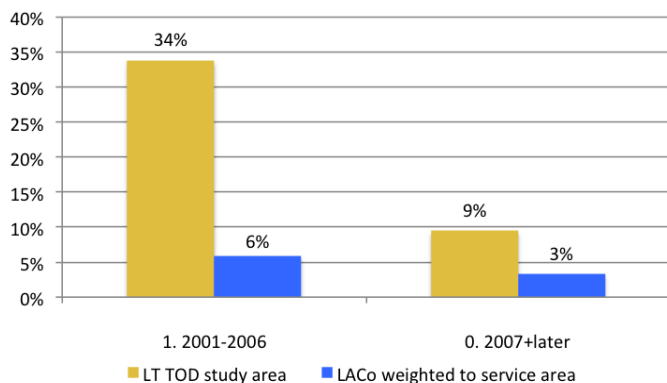
Parcel Construction Rates 2011

The Little Tokyo TOD study area experienced more construction in the last decade compared to LA County. Parcel data tabulations for 2007 and later indicated that nine percent of the study area’s existing buildings in 2011 were built during this period, which was three times greater than recorded rates of construction for LA County (See Table G). A similar pattern appeared between 2001 and 2006 with 34 percent of study area buildings in 2011 built during this period, compared to only six percent in LA County. Analysis of recorded building construction dates show that more construction occurred in the study area in the decade than LA County.

Parcel Transaction Rates 2011

Transaction records indicate that from 2007 to 2011, 50

Table G. Parcel Construction Rates 2011



Tabulations by PM Ong. Los Angeles County: Office of the Assessor 2011. Analysis by Matt Hom.

percent of study area parcels in 2011 were transacted (See Table H). This was greater than the proportion of transactions occurring in LA County. From 2001-2006, the study area had a comparatively lower rate of parcel transactions. While 36 percent of LA County’s parcels in 2011 were bought and sold from 2001-2006, only 29 percent of the study area parcels changed owners. However, the study area had comparatively more parcel transactions in the most recent half of the decade, with lower rates of transactions occurring in the earlier portion of the decade.

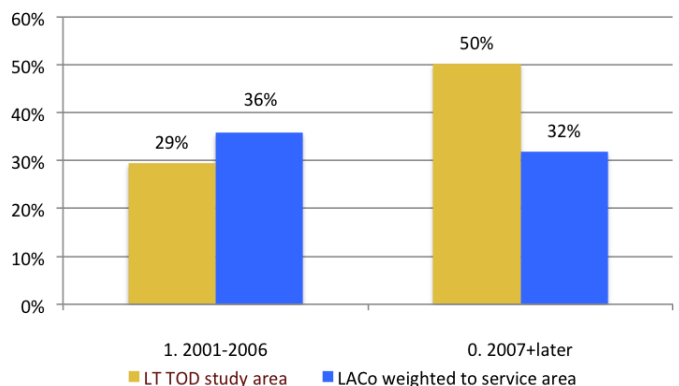
While we cannot establish a causal relationship between the property dynamics discussed and TOD development, the data indicates that for the study area, greater rates of construction occurred in the first half of the decade and a greater number of parcel were transacted in the later half of the decade.

Future Development

Little Tokyo’s community stakeholders are currently contending with external development pressures that may alter the character of their neighborhood. For example, pre-construction initiatives for LA Metro’s regional connector station have resulted in the demolition and relocation of three local restaurants. Construction of the regional connector is estimated to last until 2020. A related challenge that local organizations like the Little Tokyo Service Center are facing is how to encourage patrons to visit the neighborhood during the period of construction (Remy De La Peza, Personal interview).

Construction of residential developments is also occur-

Table H. Parcel Transaction Rates 2011



Tabulations by PM Ong. Los Angeles County: Office of the Assessor 2011. Analysis by Matt Hom.

Little Tokyo: Recent and Future Developments

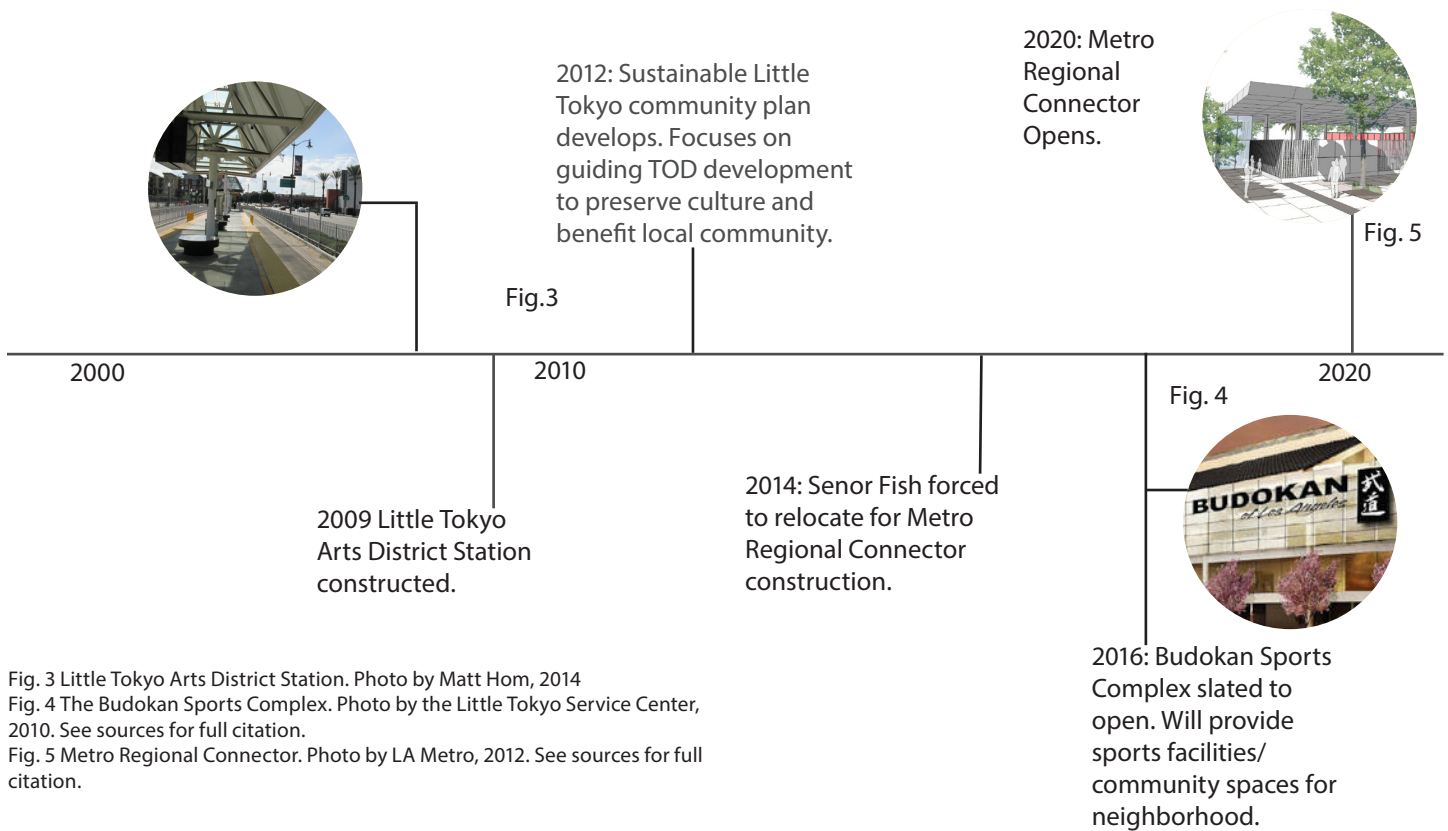


Fig. 3 Little Tokyo Arts District Station. Photo by Matt Hom, 2014
 Fig. 4 The Budokan Sports Complex. Photo by the Little Tokyo Service Center, 2010. See sources for full citation.
 Fig. 5 Metro Regional Connector. Photo by LA Metro, 2012. See sources for full citation.

ring with the AVA Little Tokyo and Sares Regional Group developments currently under construction. These developments are being constructed to the north of Little Tokyo Service Center’s Casa Heiwa affordable housing complex, and are expected to bring a total of 500 new residential units to the neighborhood. (“Half of Ava Little Tokyo Tops Out, Adjacent Mixed-User Digs In.” 2014).

The Sustainable Little Tokyo community plan is being formulated as a means of guiding the direction of neighborhood growth. The plan has been under development since 2012 and aims to direct TOD development in a manner that preserves the cultural character of the neighborhood (“Sustainable Little Tokyo”). Community organizations are also working to promote Little Tokyo to Southern California’s dispersed Japanese communities. For example, construction of the Budokan sports complex aims to center Southern California’s Japanese community in the neighborhood. LTSC and other organizations are working to preserve the character of Little Tokyo and establish the neighborhood as a central location for future generations of Japanese Americans.

CONCLUSIONS

The data implies that the Little Tokyo TOD study area and LA County’s overall business sectors are dynamic, though the study area saw lower rates of business growth and turnover. We must question how much of the study area’s small businesses growth was driven by the self-employed business category, which grew more than businesses employing 2-19 individuals. The overall growth of small businesses may be inflated by the super growth of self-employed businesses. Ideally, businesses employing 2-19 individuals would grow since they would provide more employment opportunities to the study area. Regarding the decline of Asian and small Asian businesses, the data may imply that greater growth of non-Asian businesses in the study area is also occurring. Since small Asian businesses are important to the cultural character of Little Tokyo, this suggests that the cultural character of the neighborhood may be shifting. The high rates of construction from 2001-2006 and the higher rate of parcel transactions from 2007-2011 suggest that speculation over neighborhood growth from the Little Tokyo Arts District station may have occurred. In other words, although the station began operating in 2009, planning and development may have occurred much earlier.

While we cannot establish a causal relationship between TOD development and the dynamics observed, the data raises concerns about the future of small Asian businesses in Little Tokyo. We appreciate the efforts that the Little Tokyo Community Council and the Little Tokyo Service Center have taken to guide future TOD development in a way that preserves and enhances their community. In light of these efforts, we have developed three recommendations.

Recommendations

Strengthen communication between local organizations and small businesses

We recommend that community organizations like the Little Tokyo Community Council and the Little Tokyo Service Center continue to strengthen ties with the neighborhoods small Asian businesses. By understanding their needs and concerns, greater steps can be taken to support them with the impending construction of the regional connector.

Maintain dialogue with LA Metro

Dialogue should continue between local organizations and LA Metro to understand the timeline of the connector’s construction and implementation. Pedestrian and vehicle traffic in and out of Little Tokyo will be limited during this period. By understanding the timeline and locations of construction, the negative impact on small Asian businesses can be mitigated.

Create dialogue with local property owners

The rates of construction and parcel transactions in the last decade may be correlated with the development of the Little Tokyo Arts District station. These property dynamics may raise concerns that further speculation may exist in the years leading to the opening of the regional connector station. Establishing relationships with local property owners is important to predict how property may change in response to the regional connector.

	Overall Growth	Small Business Growth	Asian Business Growth	Summary of business and property dynamics. Plus sign (+) indicates more growth relative to LA County. A minus sign (-) indicates less growth relative to LA County.
2001-2011	-	-	-	
1991-2011	-	-	-	
	Parcel Construction Rates		Parcel Transaction Rates	
2001 - 2006	+		-	
2007 - 2011	+		+	

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