

# UCLA TOD STUDY

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## TOD IMPACTS

on Businesses in Four Asian American Neighborhoods



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## INTRODUCTION

This series of reports provides an assessment of the impacts of transit-oriented developments (TOD) in four sites located within and in close proximity of Asian American neighborhoods in Los Angeles: Chinatown, Koreatown, Little Tokyo, and Thai Town. As Los Angeles develops its rail transit system, in part to promote a more environmentally sustainable lifestyle, there has been a growing concern about the possibility of gentrification and displacement. While there has been many previous studies on this topic, the existing literature focuses on affordable housing and on non-Asian populations. In this context, this TOD project is the first systematic effort to analyze the impacts on small and ethnic businesses in Asian American communities. The project addresses the following questions by comparing business growth in these neighborhoods over two decades:

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

The project culminated with four reports, each examining the impacts for the individual sites, as well as this report, which examines the overall outcomes across the four study areas.

### *Major Findings*

1. Overall growth in the TOD sites lagged behind the County.
2. Small-business growth in the TOD sites lagged behind the County.
3. Asian-business growth in the TOD sites lagged behind the County.
4. The level of real-estate activities in the TOD sites was higher than that for the County.

## BACKGROUND

This study examines the intersection of transit-oriented development (TOD) and business development in Asian American neighborhoods in Los Angeles. Although there are disagreements on an exact definition of TOD, a workable definition is:

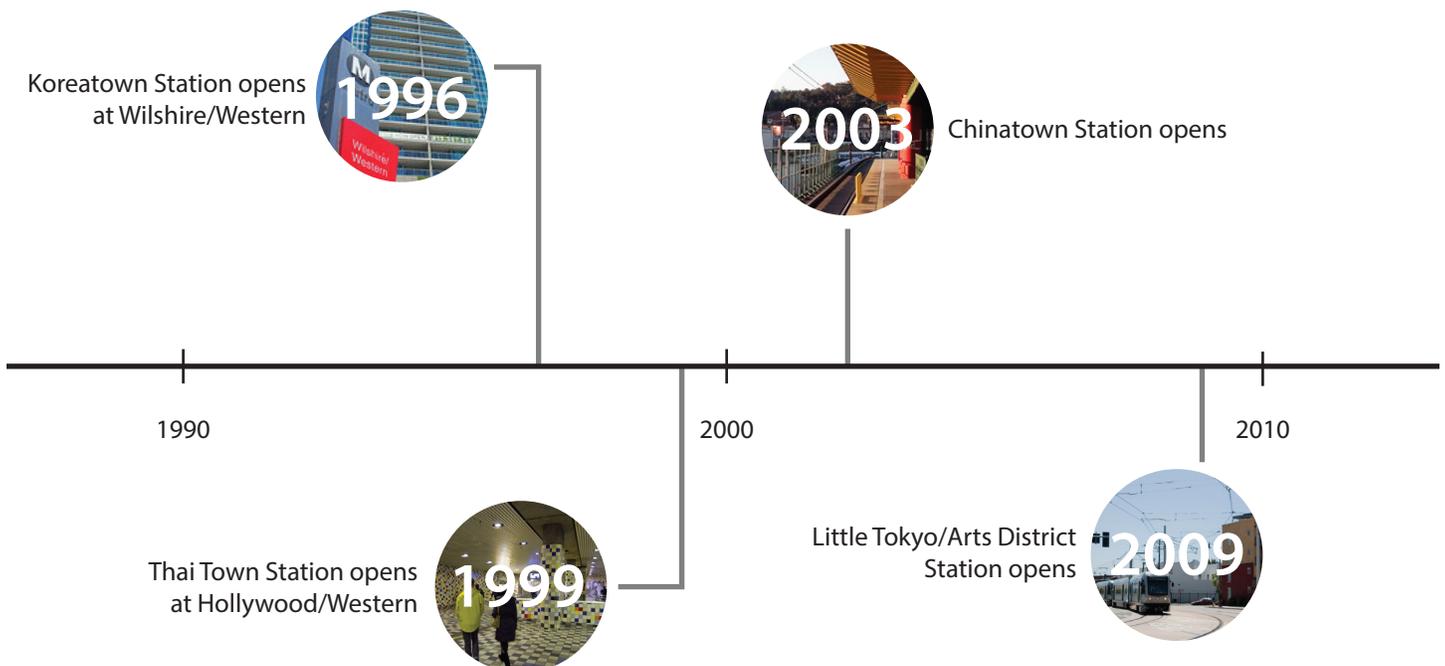
“moderate to higher density development, located within an easy walk of a major transit stop, generally with a mix of residential, employment, and shopping opportunities designed for pedestrians without excluding the auto. TOD can be new construction or redevelopment of one or more buildings whose design and orientation facilitate transit use” (California Department of Transportation, 2002, p. 3).

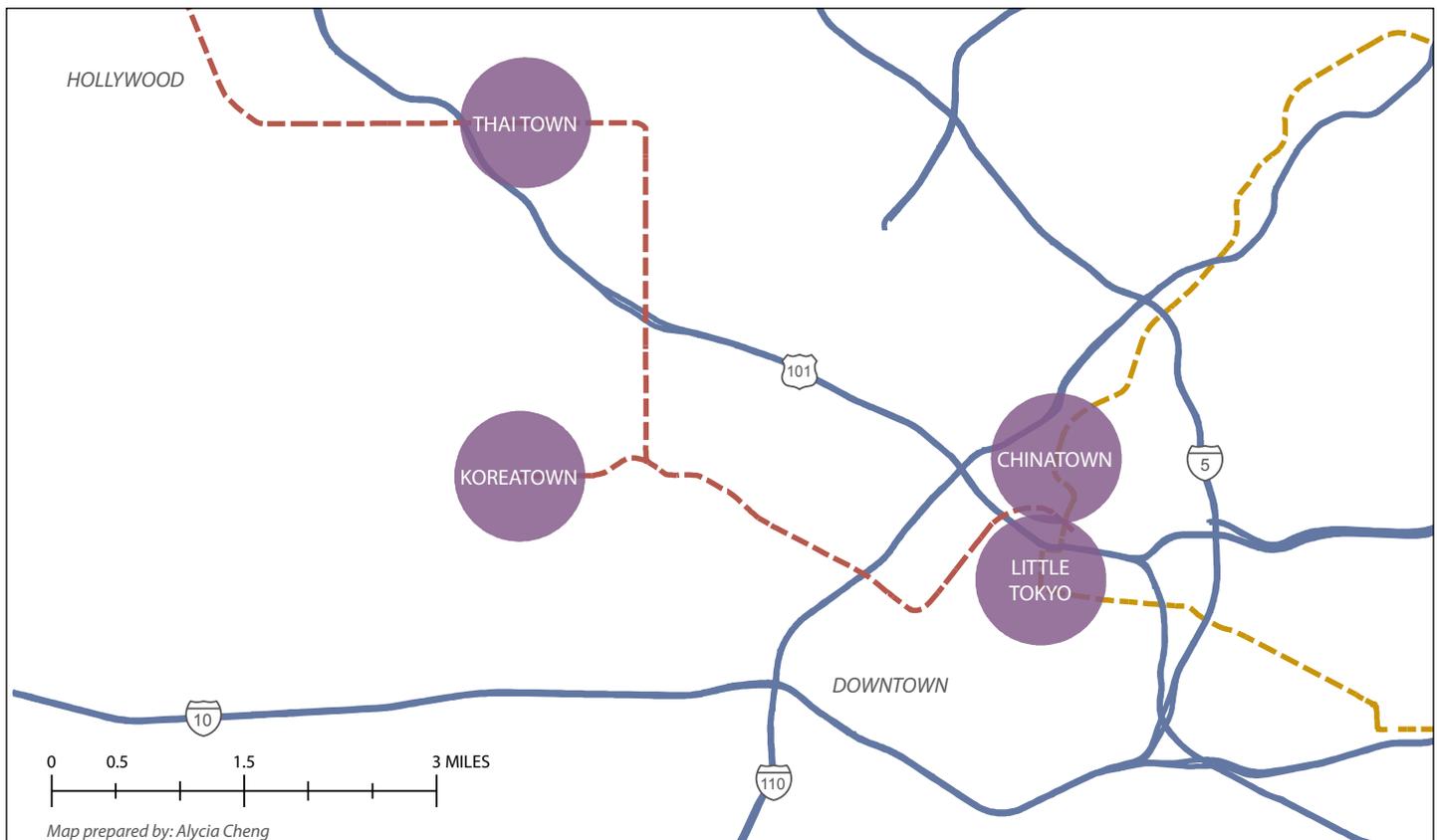
Other definitions do not include the automobile, simply referring to “development near or oriented to mass transit facilities” (Transit Cooperative Research Program, 2002, p. 5). In recent years, TOD has been considered a key element of “Smart Growth” and environmentally sustainable development (e.g., Smart Growth America, 2014).

TODs, however, are controversial because they can produce undesirable neighborhood change in the form of gentrification and displacement. Gentrification can be defined as a transformation associated with an influx of non-minority middle-class or affluent people into disadvantaged

communities. Displacement refers to private, institutional and governmental action that forces existing residents to leave the area (Ellen & O’Regan, 2012). A number of factors can stimulate gentrification and displacement, including public investments in rail transit systems (Pollack, Blue-stone, and Billingham, 2010). Most of the existing studies on TOD impacts have focused on the effects on residents and housing costs, and have produced mixed finding (Kahn, 2007). Nonetheless, TODs have the potential to harm more disadvantaged neighborhood stakeholders. While initial concerns focused on housing, there is increasing awareness of the possible impacts on local businesses, neighborhood institutions and notions of cultural identity.

The Metro rail service began operation in 1990 and over the last 20 years has expanded to include six lines: Red, Purple, Green, Blue, Gold, and Expo. The Red and Purple Lines are heavy rail lines, while the other four are light rail lines that use overhead power lines. The Red and Purple Lines are completely underground, while the light rail lines are elevated, at grade, and above ground. There are a total of 80 stations with 87 miles of service (Metro, 2013). Given the significant number of Asian Americans in the city\*, it is not surprising that TODs have the potential to affect Asian American enclaves. In fact, four of the stations are located within or in close proximity to Asian American neighborhoods: the Chinatown station on the Gold Line, the Purple Line’s Wilshire/Western station in Koreatown, the Little-Tokyo/Arts-District station on the Gold Line, and the Hollywood/Western station adjacent to





Thai Town. While community stakeholders are concerned about the impacts on housing, they are also concerned about cultural preservation. Because a key element of the neighborhoods' cultural identity is the business sector, this project focuses on the impacts of TOD on small and ethnic businesses.

## EMPLOYMENT BASE

This section examines the economic base in the four TOD study areas utilizing the Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) for 2011. LEHD provides information on job holders' age, earnings, industry distribution, race, ethnicity, and educational attainment. LEHD data is derived from the Bureau of Labor Statistics' (BLS) Quarterly Census of Employment and Wages (QCEW), Unemployment Insurance (UI) files, and combined with federal administrative records. The QCEW records only include workers who are covered by unemployment insurance. This excludes self-employed and federal government workers. We report below data on workers in all private sector jobs.

As of 2011, there were approximately 42,700 private jobs in the TOD study areas. The five largest groups of employment include: Accommodation and Food Services (19%), Health Care and Social Assistance (11%), Professional, Scientific, and Technical Services (9%), Retail Trade (9%), and Administration & Support, Waste Management and Remediation (8%).

Most of job holders in the study areas earn between \$1,251 to \$3,333 per month, or what would amount to between \$15,012 and \$39,996 annually. There are more low-wage jobs that pay less than \$1,250 per month or an annual wage of \$15,000 or less within the study areas than in LA County. This pay scale represents 32 percent of all private jobs in the TOD areas and 28 percent in the county.

Asians account for almost a third of the job holders in the study area, which is two times higher than in the county. One in three job holders are Hispanic or Latino, which is slightly lower than the county. However, the age distribution of the job holders in the study areas is relatively similar to distribution for the county, although there are slightly more older workers (age 55 or older) in the TOD areas. Female workers represent a greater proportion of the job holders in the TOD areas than in the overall county, at 48 percent and 52 percent respectively. The job holders in the study areas are also slightly better educated, with a quarter of the job holders having a bachelor's degree or higher compared to about 24 percent in the county.

## DATA & METHODOLOGY

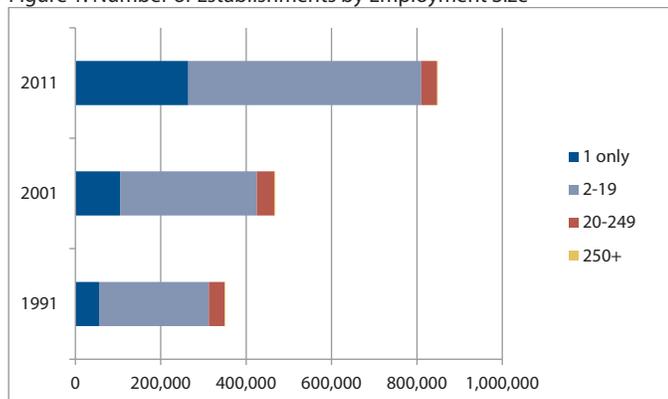
To answer the four core questions presented earlier, this study drew from two data sets. Dun and Bradstreet (D&B) records are analyzed to determine business growth between two periods, 1991-2001 and 2001-2011. The level of real-estate activities is determined by analyzing Los Angeles County 2011 parcel data.

The 2011 parcel data comes from the LA County Assessor, which maintains administrative records as a part of the property-tax system. Each parcel record contains information on the type of use (e.g., single-owner residential, multi-unit housing, commercial), date of last transaction, property size, and date when the building was constructed. This information is used to determine the percent of parcels in the 2011 file that changed ownership (through sales or a transfer) during the two time periods in question, 2001-2006 and 2007-2011, as well as the percent of parcels that were built during those two time periods. However, the distribution is based only on the most recent activity. For example, if a property changed ownership in both periods, only the 2007-20011 transaction will be reported.

The levels of parcel activities (transactions and construction) in the four TOD sites are compared to the levels for the county to determine if real-estate activities are relatively the same as, less than, or more than that of the region. However, a direct comparison could be misleading because the TOD sites have relatively fewer residential parcels, particularly single-family homes. To compensate for this discrepancy, we weighted the distribution of activities for the county by parcel type to better reflect the characteristics of the TOD sites.

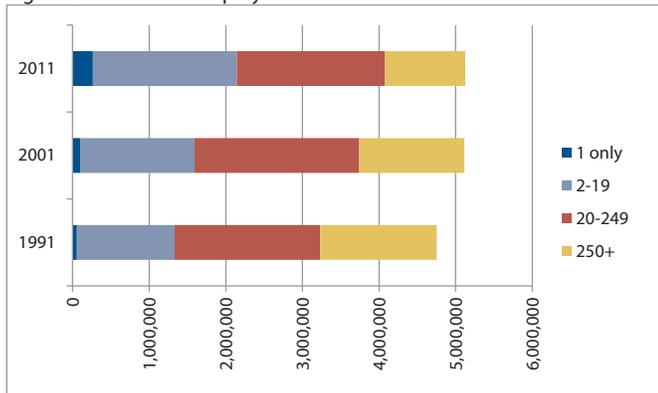
D&B is one of the largest commercial databases containing records of business establishments in the United States. An "establishment" is a specific business location, whereas a "firm" is a legal entity and can have one or more establishments. Each record includes information on geographic location, type by industrial sector, size by revenue and employment, and establishment officer. Records are geocoded to identify those within the four study TOD areas. By using a common identification code (DUNS Number) it is possible to follow establishments over time. Specifically, it is possible to determine if an establishment is new, is in operation, or has exited from the study sites (either because it went out of business or relocated).

Figure 1. Number of Establishments by Employment Size



Source: Dun & Bradstreet Data, Tabulations by P. M. Ong

Figure 2. Number of Employees



Source: Dun & Bradstreet Data, Tabulations by P. M. Ong

For this study, a small establishment is defined as one employing no more than 19 employees. Small establishments are further subdivided into three categories, “self-employed” (0-1), and small businesses (2-19). All other establishments are considered non-small (having 20 or more workers). Whether an establishment is an Asian establishment is determined by comparing the officer’s surname records with the U.S. Bureau of Census database, which assigns a probability of a surname being Asian based on the 2000 enumeration for the nation. For example, there is a 96% chance that a person with the surname “Yu” is Asian.

For the purpose of this study, surnames with a probability of 75 percent or higher are considered as being Asian, and therefore the associated business is defined as being an Asian business. This criterion produces a conservative count. While it includes some that are not Asian (false positive), it also excludes many that are (false negatives). 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. In other words, the Asian counts are comparable for all three years (1991, 2001 and 2011).

The D&B data are used to determine changes in the number of total establishments, small establishments and Asian establishments in the four TOD sites. 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:

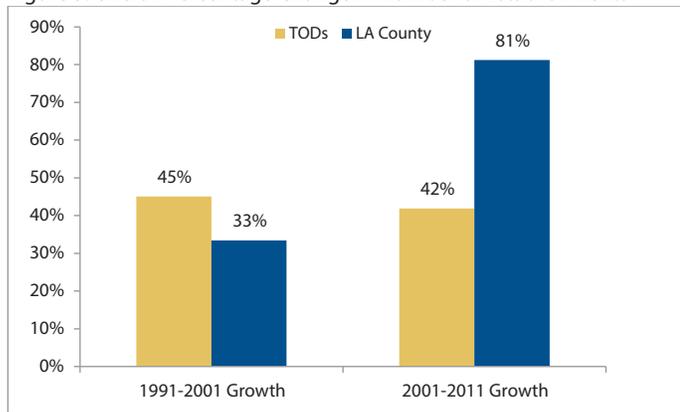
- 1) a shift to smaller businesses and establishments, and
- 2) the growth of self-employment. These changes mean that the number of establishments increases for a given level of employment.

In other words, a growth in the number of establishments does not necessarily mean economic growth. This phenomenon can be seen in the two graphs using D&B data for Los Angeles County. As shown in Figure 1, the number of establishments grew much more between the two periods than did the number of jobs. This is particularly true for the changes between 2001 and 2011, when the number of establishments nearly doubled and the number of jobs remained the same. We account for this shift by comparing the growth rates in small, Asian, and total overall establishments in the four TOD sites with the same rates for the County. The important assessment to be made is whether the TOD growth rates are the same as, more than, or less than the comparable rates for the region. If it is less than, this indicates that the establishment formation is lagging behind.

## OVERALL BUSINESSES

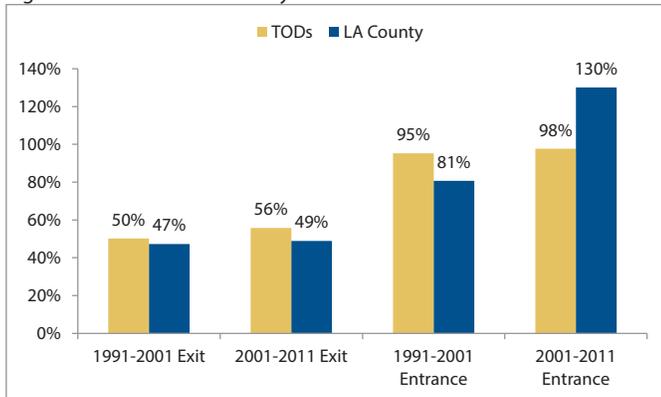
The number of businesses in the TOD study areas grew more in the decade between 1991 and 2001 than did the number of businesses in LA County. However, the growth in the number of businesses in LA County was much higher than in the TOD study areas during the following decade, from 2001-2011 (See Figure X). The higher growth in LA County compared to the TOD study areas appears to be driven by higher firm entry rates in LA County over the last decade. Exit rates were also higher for TOD areas in both decades.

Figure 3. Overall Percentage Change in Number of Establishments



Source: Dun & Bradstreet Data, Tabulations by P. M. Ong

Figure 4. Rate of Business Entry and Exit



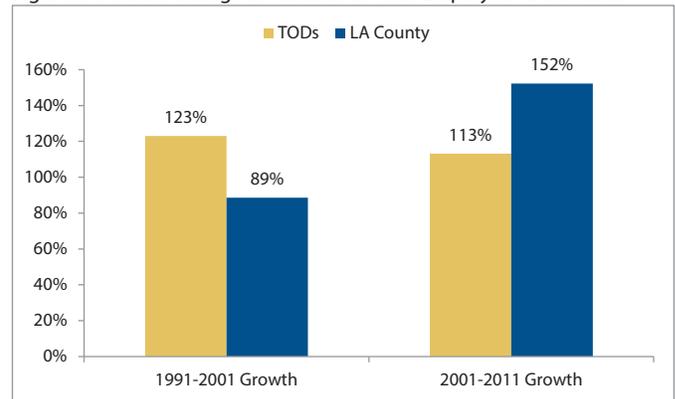
Source: Dun & Bradstreet Data, Tabulations by P. M. Ong

## Small Businesses

As with total businesses, growth in the number of small businesses was higher in the TOD areas between 1991 and 2001 and higher in the county between 2001 and 2011. This finding is to be expected, as small businesses comprise a large majority of the businesses both in the study areas and in the county. The share of small businesses grew over the two decades in both areas, from 87% to 95% in the study areas, and from 89% to 95% in the county.

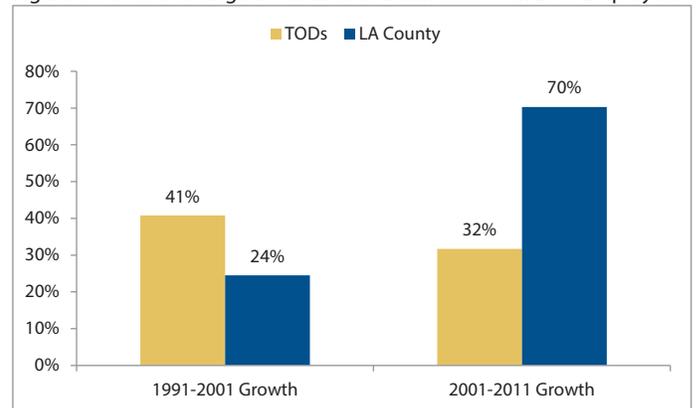
Growth was particularly high for “self-employed” firms and businesses with only one employee (See Figure X). Single-employee businesses more than doubled for both the TOD study areas and LA County between 2001 and 2011. They also doubled between 1991 and 2001 in the TOD study areas. Businesses with 2-19 employees saw lower growth, but followed the same trend.

Figure 5. Percent Change in Number of “Self-Employed” Businesses



Source: Dun & Bradstreet Data, Tabulations by P. M. Ong

Figure 6. Percent Change in Number of Businesses with 2-19 Employees



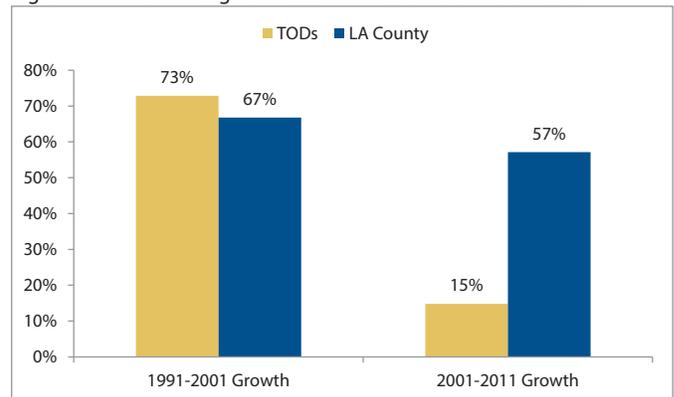
Source: Dun & Bradstreet Data, Tabulations by P. M. Ong

*Asian Businesses*

Asian businesses in the TOD study areas also experienced higher growth during the 1991-2001 period, and lower growth compared to LA County in 2001-2011. Unsurprisingly, Asian businesses comprise a much higher percentage of stores in the TOD areas than in the county as a whole. The share of Asian businesses in the TOD areas went from 37% in 1991 to 43% in 2001, but fell to 34% in 2011. In LA County, Asian businesses made up only 10% in 1991, a figure that rose to 12% in 2001 and fell to 9% in 2011.

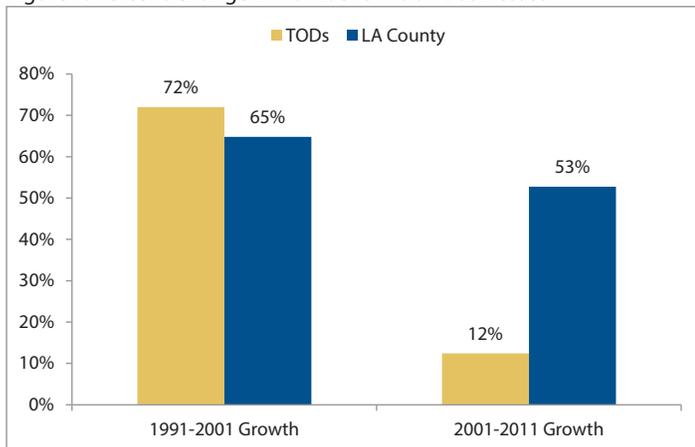
While this was not uniform across all four study areas, the four areas combined saw relatively little growth in Asian-American businesses in the last decade. This trend also held for Asian small businesses, which is again unsurprising given that small businesses comprise 94% of all Asian businesses in the TOD study areas in 1991 and 2001, and 96% in 2011. For the county, Asian businesses comprised 92% of all businesses in 1991, 93% in 2001, and 96% in 2011.

Figure 8. Percent Change in Number of Small Asian Businesses



Source: Dun & Bradstreet Data, Tabulations by P. M. Ong

Figure 7. Percent Change in Number of Asian Businesses



Source: Los Angeles County Parcel Data, Tabulations by P. M. Ong

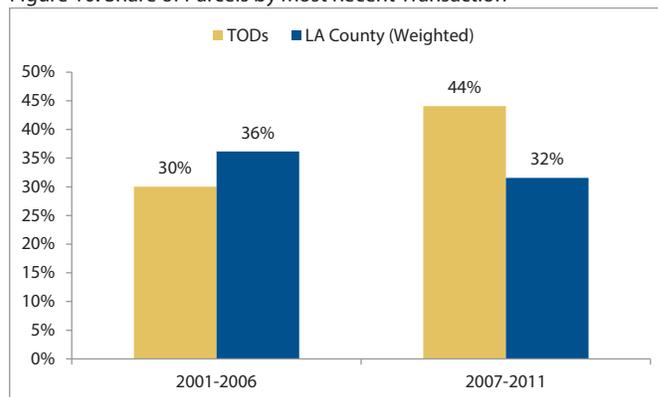
## Property Dynamics

While business growth was lower in the TODs than in LA County between 2001 and 2011, construction and real estate transactions were relatively higher. This difference holds even when LA County is weighted to better reflect the more commercial composition of the TOD areas.

Building activity, measured by year built for buildings on each parcel, declined from 2001 to 2011 in both, though rates remained higher in TOD areas. It is likely that building activity experienced a dip and slow recovery following the recession in 2008 and 2009, though we were not able to conclude this based on the data.

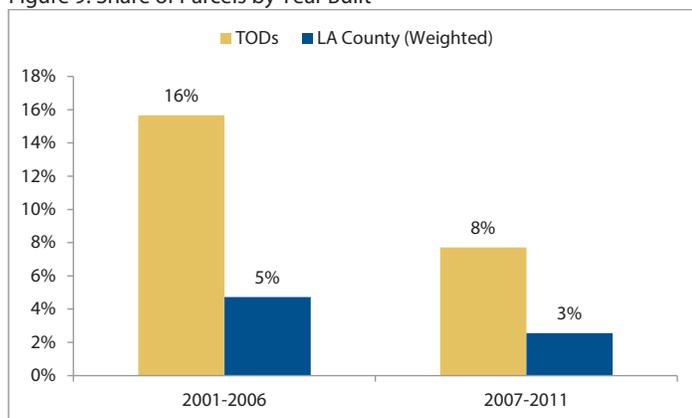
Transaction activity appears to be greater in LA County than in the TOD areas between 2001 and 2006. However, it is important to note that this data reflects the most recent transaction. If a parcel switched hands in 2002 and 2008, for example, it will only appear in the 2007 and later column, obscuring information on the earlier transaction. Thus, we can say with the most confidence that transaction activity was higher in TOD areas than in LA County in the later part of this decade, and only 25 percent of the building activity was for those built in the earlier part of the decade.

Figure 10. Share of Parcels by Most Recent Transaction



Source: Los Angeles County Parcel Data, Tabulations by P. M. Ong

Figure 9. Share of Parcels by Year Built



Source: Los Angeles County Parcel Data, Tabulations by P. M. Ong

## CONCLUSIONS

This study is the first to examine the impact of TODs on small and ethnic businesses, thus expanding the way we should examine the impacts of government infrastructure investments on neighborhood change. Despite data limitations, the available information indicates that many local and Asian businesses did not proportionately benefit from development. There is also considerable heterogeneity among the four communities in terms of impacts. The results are consistent with community concerns about a relative slowing of growth in small and Asian businesses. The findings suggest that greater attention by government is needed to maintain the cultural characteristics of neighborhood and to support small local and ethnic businesses. Finally, there is a need for future analyses using better data and analytical techniques to examine business impacts, as well as the effects on residents, community institutions, and non-profit organizations.

	Relative Overall Growth	Relative Small Business Growth	Relative Asian Growth
<b>Chinatown</b>			
1991-2001	-	+	-
2001-2011	-	-	-
<b>Koreatown</b>			
1991-2001	+	+	+
2001-2011	-	-	-
<b>Little Tokyo</b>			
1991-2001	-	-	-
2001-2011	-	-	-
<b>Thai Town</b>			
1991-2001	+	+	-
2001-2011	+	+	-

\* Plus sign (+) indicates greater growth relative to LA County and the minus sign (-) indicates slower growth

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