# ATTACHMENT 3

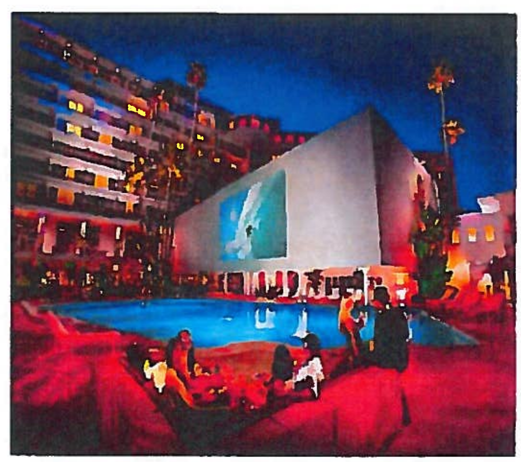
## ECONOMIC IMPACT ANALYSIS REPORT

## PROVIDED BY THE INITIATIVE PETITIONER

ECONOMIC IMPACT REPORT

# BEVERLY HILTON REVITALIZATION PLAN


## AN ECONOMIC IMPACT ANALYSIS



LAEDC

LAEDC INSTITUTE FOR APPLIED ECONOMICS

MARCH 2016

Los Angeles County Economic Development Corporation
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March 2016

This report was commissioned by Oasis West Realty LLC.

The LAEDC Institute for Applied Economics provides objective economic and policy research for public agencies and private firms. The group focuses on economic impact studies, regional industry analyses, economic forecasts and issue studies, particularly in workforce development, transportation, infrastructure and environmental policy.

# 1 INTRODUCTION

The Beverly Hilton is the iconic hotel located on approximately nine acres in the heart of Beverly Hills, California.

The Beverly Hilton was opened in 1953 by Conrad Hilton and has been the home of the annual Golden Globe Awards and the Daytime Emmy Awards as well as other gala events. In 2003, the Beverly Hilton was sold to Oasis West Realty, which then commenced major renovations to coincide with the 50th anniversary of the hotel.

In 2008, the City of Beverly Hills approved the Beverly Hilton Revitalization Plan. The project encompasses the construction of a 12 story, 170-room five-star Waldorf Astoria Hotel; demolition of certain existing structures on the Beverly Hilton property and reconstituting the Beverly Hilton Hotel as a 352-room hotel; and the construction of two new luxury, residential condominium buildings, one 8 stories tall and one 18 stories tall accommodating up to 110 units and totaling approximately 350,000 net saleable square feet.[1]

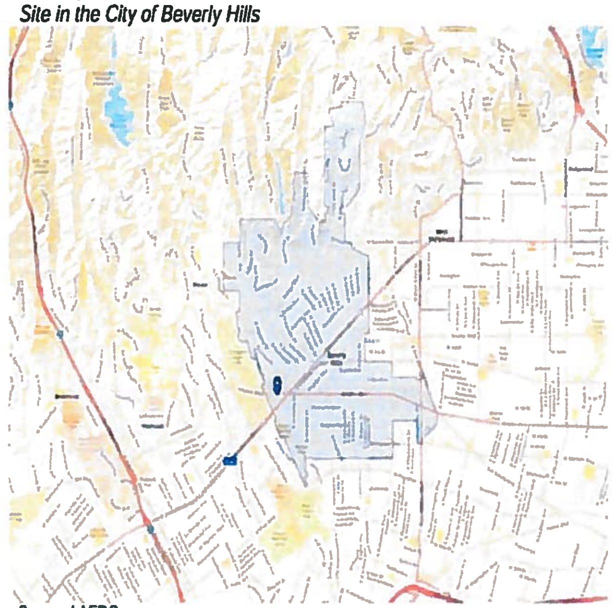
The 2016 Beverly Hills Garden and Open Space Initiative modifies the Beverly Hilton Revitalization Plan so that instead of two luxury residential buildings, a single 26-story building with 110 residential units will be constructed. A summary of the plan is described in the exhibit below.

**Exhibit 1-2**
**Beverly Hills Garden and Open Space Initiative**

| | |
|---|---|
| | Rooms/Units |
| Beverly Hilton (rooms) | 352 |
| Waldorf Astoria (rooms) | 170 |
| Condominiums (units) | 110 |
| | (000 sq. ft.) |
| Meeting room space | 68.9 |
| Restaurants | 20.5 |
| Retail | 12.8 |
| | Acres |
| Garden, landscaped and open space | Over 4 |

Source: Oasis West Realty

**Exhibit 1-1**
**Beverly Hilton**
*Site in the City of Beverly Hills*



Source: LAEDC

The Los Angeles County Economic Development Corporation (LAEDC) has been retained to estimate the economic activity that will be associated with the redevelopment in the City of Beverly Hills and Los Angeles County. ❖

## Economic Impact Analysis

Economic impact analysis is used to estimate the overall economic activity, including spill-over and multiplier impacts, which occurs as a result of a particular business, event or geography.

The economic activity related to the expected ongoing operations of the overall property is the hundreds of millions of dollars of goods and services purchased from local vendors and the wages and benefits paid to local workers.

[1] Including building circulation, total square footage is approximately 370,000 square feet.

Millions of dollars will be spent for the wages and benefits of the staff servicing the property during ongoing operations. These workers, as well as employees of all suppliers, will spend a portion of their wages on household consumer goods such as groceries, rent, vehicle expenses, healthcare, entertainment, and so on. Once the development is completed and occupied, new residential households will spend millions of dollars annually in the course of their day-to-day activities. This recirculation of the original expenditures multiplies their impact through these indirect and induced effects.

The extent to which the initial expenditures multiply is estimated using economic models that depict the relationships between industries (such as the construction industry and its suppliers) and among economic agents (such as firms and their employees).

These models are built upon expenditure patterns that are reported to the U.S. Bureau of Labor Statistics, the U.S. Census Bureau and the Bureau of Economic Analysis of the U.S. Department of Commerce. Data is regionalized so that it reflects and incorporates local conditions such as prevailing wage rates, expenditure patterns, and resource availability and costs.

The magnitude of the multiplying effect differs from one region to another depending on the extent to which the local region can fill the demand for all rounds of supplying materials, goods and services. For example, the automobile manufacturing industry has high multipliers in Detroit and Indiana since these regions have deep and wide supplier networks, while the same industry multiplier in Phoenix is quite small. In another example, the jobs multiplier for the construction industry is higher in, say, Arkansas, than in California because the same amount of spending will purchase fewer workers in Los Angeles than in Little Rock.

Multipliers can also differ from year to year as relative material and labor costs change and as the production "recipe" of industries change. For example, the IT revolution significantly reduced the job multiplier of many industries (such as manufacturing, accounting, architecture and publishing) as computers replaced administrative and production workers. ❖

## Approach and Methodology

The analysis here uses the development budget of the overall project, combined with the estimated revenues of operations once the property is occupied. Data was provided by the client and supplemented with regional and local data and analysis to provide revenue estimates (where these were not provided by the client).

The total estimated economic impact includes direct, indirect and induced effects. *Direct* activity includes the materials purchased and the employees hired by the developer and its construction contractors. Included are operations staff such as management, human resources and maintenance, and construction workers such as laborers, electricians and other trades. *Indirect* effects include those expenditures which stem from purchases made by the contractors and their suppliers. *Induced* effects are those generated by the household spending of employees whose wages are sustained by both direct and indirect spending, such as those on groceries, rent, vehicle expenses, healthcare, entertainment, and so on.
Indirect and induced impacts are estimated using models developed with software and data from the IMPLAN Group, LLC. The economic region of interest is Los Angeles County, under the assumption that most of the suppliers and workers are located within the county.

The metrics used to define the value of the economic impact include employment, labor income and the value of output. *Employment* includes full-time, part-time, permanent and seasonal employees and the self-employed, and is measured on a job-count basis regardless of the number of hours worked. *Labor income* includes all income received by both payroll employees and the self-employed, including wages and benefits, such as health insurance and pension plan contributions. *Output* is the value of the goods and services produced. For most industries, this is simply the revenues generated through sales; for others, in particular retail industries, output is the value of the services supplied. Unless noted otherwise, estimates for labor income and output are expressed in 2016 dollars.

It should be noted that a development of this size will have significant impacts. The added residential property will be occupied by new residents, and commercial properties will house businesses and retail activities. The extent to which these activities are new rather than a relocation of existing activities from other areas of the study area is not known. Given expected population growth over the development period, it is reasonable to assume that the addition of households represents new activity, but this may not be an appropriate assumption for the incremental commercial and retail activities. The economic and fiscal impact results should therefore be interpreted as those that are attributable to the new development rather than assuming the new development will generate such net new activities. ❖

# 2 ECONOMIC ANALYSIS

Beverly Hilton Revitalization Plan will have a recurring impact on the regional economy once construction is completed and the residential and hotel space is occupied. Moreover, the new resident households will make purchases at off-site local businesses, adding even more economic activity to the area.


## Operational Revenues

Operational revenues of the newly introduced annual activity occurring at the site include hotel revenues from both the Beverly Hilton and the Waldorf Astoria.

### *Hotel Room Revenues*

Hotel revenues are estimated using expected revenue per available room (RevPAR) and average daily room rates. The developer estimates that at stabilization (in 2022), the average daily room rate at the Beverly Hilton will be $544.80, and at the Waldorf Astoria, $1,041.02.

The developer anticipates that the occupancy rate at the Beverly Hilton will be 79.4 percent and, at the Waldorf Astoria, 77.2 percent. In the event that the occupancy rate of either hotel is higher or its RevPAR exceeds these estimates, hotel room revenues will be higher.

Other revenues associated with the hotels food and beverages, telephone, garage, spa revenue and rent and other income.

Note that visitor spending of those who stay in the hotel is not considered. A visitor impact study commissioned by the Beverly Hills Conference and Visitors Bureau (BHCVB) noted that the average daily retail spend by visitors to Beverly Hills in 2014 was $138.28. It is likely that visitors staying at the Beverly Hilton and the Waldorf Astoria would spend significant monies at the prestigious shopping venues in the city, including those on Rodeo Drive, which would generate additional economic impact for the city and the county. Hence it is reasonable to expect that there will be an incremental increase from visitor spending, but lack of data limits the inclusion of this activity.

A summary of the anticipated hotel revenues is presented in Exhibit 2-1.

**Exhibit 2-1**
**Estimated Hotel Revenues**

| | Beverly Hilton | Waldorf Astoria | Total |
|---|---|---|---|
| Number of Rooms | 352 | 170 | 522 |
| Occupancy Rate | 79.4% | 77.2% | |
| ADR[1] | $ 544.80 | $ 1,041.02 | |
| RevPar | $ 432.31 | $ 803.77 | |
| **Estimated Revenues ($ millions)[1]** | | | |
| Rooms | $ 55.7 | $ 49.9 | $ 105.5 |
| Food and Beverages | 32.5 | 28.7 | 61.2 |
| Telephone | 0.7 | 0.3 | 1.0 |
| Garage | 4.5 | 1.6 | 6.1 |
| Spa | 0.4 | 3.7 | 4.1 |
| Rent and Other Income | 1.0 | 0.3 | 1.3 |
| Total | $ 94.7 | $ 84.5 | $ 179.2 |

[1] Average daily room rates and estimated revenues are expressed in 2022 values
Source: Oasis West Realty

At stabilization, combined annual hotel revenues will reach almost $180 million. Stabilization is expected to occur in 2022.

### *Property Management Revenue*

Property management fees are paid by owners of condominiums for maintenance and upkeep of the premises. These fees will generate economic activity as they will generally be used to pay local vendors for services on the property, including landscaping, maintenance, security, and so on.

Property management fees are estimated using the median HOA fees paid by median condominium owners as determined by the U.S. Census Bureau in its 2013 *American Housing Survey* (the latest available data). These fees are estimated to be 11 percent of monthly mortgage payments.

Monthly mortgage payments were estimated using an online mortgage calculator based on size and projected sales price per square foot as provided by the developer. For the purposes of payment estimation, it was assumed that the interest rate on a 30-year loan was 3.45 percent (as currently prevails) with a down payment of 20 percent of the purchase price. Total mortgage payments are adjusted for vacancy rates from the *American Community Survey* Comparative Housing Characteristics for 2014 for Los Angeles County. According to this report, the vacancy rate for homeowners in Los Angeles County is 1.1 percent.

While these new homes may not be mortgaged, this provides a useful methodology for estimating future property management fees.

The derivation of property management revenues is shown in Exhibit 2-2. It is estimated annual property management revenue from condo residences will be $5.3 million.

**Exhibit 2-2**
**Estimated Condominium Mortgages and HOA Fees**

| | Number of Units | Estimated Monthly Mortgage Payment Per Unit | Total Aggregated Annual Mortgage Payments |
|---|---|---|---|
| Condominiums | 110 | $ 36,631 | $ 48,352,900 |
| HOA Fees (=Mortgage * 0.11) | | | $ 5,318,820 |
| *Less Loss from Vacant Units* | | | *58,510* |
| Net Estimated HOA Fees Collected | | | $ 5,260,310 |

Sources: Oasis West Realty; Zillow.com; Census Bureau; Estimates by LAEDC

### *Summary of Annual Ongoing Operational Revenues*

Taken together, annual revenues of the ongoing activities at the overall property, once completed, are estimated and summarized in Exhibit 2-3.

**Exhibit 2-3**
**Estimated Annual Revenues**

| | ($ millions) |
|---|---|
| Hotel room revenue | $ 105.5 |
| Other hotel revenues | 73.7 |
| Property management | 5.3 |
| Total | $ 184.5 |

Source: Estimates by LAEDC

It is estimated that annual revenues earned from activities generated at the site of the Beverly Hilton and Waldorf Astoria will be $ 184.5 million annually. ❖

## New Resident Spending

Along with the new ongoing commercial activity occurring on the premises, an additional impact on the local economy will derive from the addition of the new resident households (and their spending) to the neighborhood.

To quantify this impact, the annual income and local spending patterns for each new household is estimated.

Using estimated mortgage payments, income levels of future tenants and homeowners are derived by applying the percentage of income typically dedicated to housing costs. According to the U.S. Census Bureau's *American Community Survey* report on housing characteristics, the median household in Los Angeles County that rents its primary residence pays at least 35 percent of its before-tax income on housing costs. These are presented in Exhibit 2-4 and are adjusted for occupancy using vacancy rates from the *American Community Survey* Comparative Housing Characteristics for 2014 for Los Angeles County. The vacancy rate in this report for owned homes is 1.1 percent.

**Exhibit 2-4**
**Estimated Household Income of Residents**

| | Number of Units | Estimated Household Income Per Unit | Total Aggregated Household Income ($ millions) |
|---|---|---|---|
| Total Households | 110 | $ 1,241,729 | $ 135.1 |

Sources: Oasis West Realty; Estimates by LAEDC

The overall estimated annual income of households anticipated to be residing in the 110 condominium residences will exceed $135 million.

To estimate the local expenditures of typical Los Angeles County households, household spending patterns described in the *Consumer Expenditure Survey* 2014 of the Bureau of Labor Statistics of the U.S. Department of Commerce are applied to the household incomes implied by the mortgage payments.

The survey disaggregates spending for various categories, including housing, transportation, food, health care, and so on. Not all categories of spending are likely to occur in the local area. Expenditures on, for example, insurance payments and education costs, vehicle purchases or leases and appliance purchases are not always purchased in the local area.

The percentages of spending by category typically purchased locally are applied to the estimated annual household incomes for each of the households (adjusted for estimated occupancy rates). These percentages do differ for households of different income levels.

The final estimates, by spending category, are shown in Exhibit 2-5.

**Exhibit 2-5**
**Overall Projected Local Spending by New Resident Households**

| | Overall % of Annual Income | Estimated Local Expenditures ($ millions) |
|---|---|---|
| Food at home | 2.7% | $ 3.6 |
| Food away from home | 2.9% | 4.0 |
| Maintenance and repairs | 1.3% | 1.8 |
| Water and other public services | 0.4% | 0.5 |
| Electricity | 0.9% | 1.2 |
| Residential phone | 0.2% | 0.3 |
| Household operations | 1.6% | 2.1 |
| Housekeeping supplies | 0.5% | 0.6 |
| Household furnishings and equipment | 1.6% | 2.2 |
| Apparel and services | 1.9% | 2.6 |
| Gasoline and motor oil | 1.6% | 2.2 |
| Car maintenance and repairs | 0.8% | 1.1 |
| Taxi services | 0.9% | 1.2 |
| Medical services and supplies | 1.1% | 1.5 |
| Entertainment | 2.3% | 3.1 |
| Pets, toys and hobbies | 0.6% | 0.8 |
| Personal care products and services | 0.6% | 0.8 |
| Reading | 0.1% | 0.2 |
| Tobacco | 0.1% | 0.1 |
| Local miscellaneous purchases | 0.8% | 1.0 |
| Total New Household Expenditures | 23.0% | $ 31.0 |

Sources: Bureau of Labor Statistics; Estimates by LAEDC

It is estimated that approximately $31 million will be spent annually at local businesses by new households living in the condominiums—accounting for approximately 23 percent of all annual household income added by the addition of the condominiums. ❖

## Economic and Fiscal Impact

The operational revenues and residential spending estimates are used as inputs to determine the total economic impact in Los Angeles County of all ongoing activity anticipated to occur on the premises. This is presented in Exhibit 2-6.

**Exhibit 2-6**
**Total Annual Economic and Fiscal Impact of Ongoing Operations**

| | | |
|---|---|---|
| **Direct Annual Revenues ($ millions)** | | $ 184.5 |
| **New Resident Household Spending ($ millions)** | | 31.0 |
| | | |
| **Total Economic Impact:** | | |
| Output ($ millions) | | $ 306.9 |
| Employment | | 3,200 |
| *Direct* | *2,400* | |
| *Indirect and induced* | *800* | |
| Labor income ($ millions) | | $ 125.3 |
| | | |
| **Total Fiscal Impact:** | | |
| State / local taxes ($ millions) | | $ 50.7 |
| Federal taxes ($ millions) | | 30.2 |

Source: Estimates by LAEDC

It is estimated that ongoing activity for the Beverly Hilton Revitalization project will generate economic output in Los Angeles County of almost $307 million each year and support 3,200 jobs with labor income of $125.3 million.

Additionally, this economic activity is projected to generate $50.7 million in state and local taxes and $30.2 million in federal taxes. The disaggregation of taxes by type is shown in Exhibit 2-7.

**Exhibit 2-7**
**Detailed Fiscal Impact of Ongoing Operations**

| | | |
|---|---|---|
| **By Type of Tax ($ millions):** | | |
| Personal income taxes | | $ 14.2 |
| Social insurance | | 14.1 |
| Sales and excise taxes | | 20.8 |
| Property taxes | | 7.4 |
| Incremental property taxes | | 10.4 |
| Corporate income taxes | | 4.3 |
| Other taxes and fees | | 9.7 |
| **Total** | | **$ 80.9** |
| | | |
| **By Type of Government ($ millions):** | | |
| Federal | | $ 30.2 |
| State | | 8.6 |
| County | | 15.7 |
| *Property taxes* | *4 6* | |
| *Incremental property taxes* | *10 3* | |
| *Sales taxes* | *0 8* | |
| Cities | | 26.4 |
| *Property taxes* | *2 7* | |
| *TOT taxes* | *14 6* | |
| *Sales taxes* | *0 6* | |
| *Other fees and fines* | *8 5* | |
| **Total** | | **$ 80.9** |

Source: Estimates by LAEDC; May not sum due to rounding

Personal income taxes are estimated to be $14.2 million annually paid to federal and state governments. Similarly, social insurance payments are made to both state and federal governments and will reach $14.1 million. Transit occupancy taxes that will be earned from the new Waldorf Astoria and refurbished Beverly Hilton are estimated to be $14.6 million. Other sources of tax revenues include taxes on corporate income, motor vehicle license fees and other taxes and fees paid by businesses and households.

The federal government will collect about 37 percent of all tax receipts annually, consisting mainly of social insurance taxes, personal income taxes and corporate income taxes. The State of California will collect $8.6 million annually, consisting of sales tax revenues, personal and corporate income taxes and motor vehicle license fees. The County of Los Angeles will collect about $15.7 million in taxes, mainly from property taxes and its share of sales tax revenues. Cities will receive $26.4 million from their share of property taxes, transient occupancy taxes and licenses and fees. Most of these tax revenues will be earned by the City of Beverly Hills.

The total annual economic impact will spill across industries through indirect and induced effects. The complete list of estimated impacts by industry sector is shown in Exhibit 2-9.

Virtually all industry sectors in Los Angeles County will experience a positive economic impact from the new activity occurring at the overall site including accommodation and food services, retail trade, health services, real estate and rental activities and administrative and waste.

The values in the exhibit should be interpreted as illustrative of industry effects rather than precise given model and data limitations. A description of these industries is provided in the Appendix. ❖

**Exhibit 2-9**
**Annual Economic Impacts by Industry Sector**

| | Jobs | Labor Income ($ millions) | Output ($ millions) |
|---|---|---|---|
| Agriculture | - | $ 0.0 | $ 0.0 |
| Mining | - | 0.1 | 0.7 |
| Utilities | - | 0.4 | 2.5 |
| Construction | 20 | 0.9 | 2.9 |
| Manufacturing | 10 | 0.7 | 6.6 |
| Wholesale trade | 20 | 1.7 | 5.3 |
| Retail trade | 170 | 6.5 | 14.7 |
| Transportation and warehousing | 40 | 2.1 | 5.7 |
| Information | 20 | 3.7 | 13.5 |
| Finance and insurance | 50 | 4.1 | 11.4 |
| Real estate and rental | 60 | 2.2 | 23.8 |
| Professional, scientific technical | 60 | 5.5 | 10.3 |
| Management of companies | 20 | 2.5 | 4.9 |
| Administrative and waste services | 330 | 10.1 | 17.7 |
| Educational services | 20 | 1.0 | 1.7 |
| Health and social services | 130 | 7.5 | 13.0 |
| Arts, entertainment and recreation | 40 | 1.7 | 3.9 |
| Accommodation and food services | 1,970 | 65.8 | 151.8 |
| Other services | 210 | 6.5 | 11.2 |
| Government | 20 | 2.1 | 5.2 |
| **Total** | **3,200** | **$ 125.3** | **$ 306.9** |

Source: Estimates by LAEDC

# Fiscal Impact to the City of Beverly Hills

The initial redevelopment of the Beverly Hilton and construction of the Waldorf Astoria has and will generate significant income to the City of Beverly Hills.

A summary of the development fees is shown in Exhibit 2-10.

**Exhibit 2-10**
**One-Time Development Fees ($ millions)**

| | Hotel | Condo-miniums | Total |
|---|---|---|---|
| Public Benefit Contribution | | | |
| Paid With Hotel Permit | $ 5.0 | $ 5.2 | $ 10.2 |
| Public Art Requirement | 0.5 | 0.0 | 0.5 |
| School Benefit Fees | 1.7 | 0.0 | 1.7 |
| Total Public Benefit Contribution | $ 7.2 | $ 5.2 | $ 12.4 |
| Building Permit and Plan Check Fees | $ 3.1 | $ 5.9 | $ 9.0 |
| Mech, Electr, Plumb. Permit / Plan Fees | 0.9 | 1.6 | 2.5 |
| Parks & Recs Fee | 1.5 | 2.9 | 4.3 |
| Dwelling Unit Fee | 0.2 | 0.2 | 0.4 |
| Technology, Energy, General Plan, Training Fees | 0.9 | 1.7 | 2.6 |
| EMS Fees [1] | 0.8 | 4.0 | 4.7 |
| Other Fees & Permits | 0.3 | 0.3 | 0.6 |
| Total Permits and Fees | $ 7.6 | $ 16.6 | $ 24.2 |
| Subtotal - City of Beverly Hills | $ 14.7 | $ 21.8 | $ 36.6 |
| School Fees | | | |
| Residential ($2.97 per Sq. Ft.) | 0.0 | 1.2 | 1.2 |
| Commercial ($0.51 per Sq. Ft.) | 0.1 | 0.0 | 0.1 |
| Total - City of Beverly Hills & Schools | $ 14.8 | $ 23.0 | $ 37.9 |

Source: Oasis West Realty
[1] Assumes EMS fees paid on initial sales transaction only. The EMS fee; however, is due for each sale transaction, including both initial sale and any subsequent resale.

It is estimated that the fees associated with the Waldorf Astoria Hotel and condominiums will generate almost $37.9 million in one-time revenues for the City of Beverly Hills.

Annually, it is estimated that the City of Beverly Hills will earn almost $23 million due to ongoing operations of the Beverly Hilton, Waldorf Astoria and the luxury condominiums. This is comprised of the City's share of property taxes, transient occupancy taxes and other taxes and fees generated by the two hotels, as shown in Exhibit 2-11.

**Exhibit 2-11**
**City of Beverly Hills Annual Tax Revenues**

| | $ millions | % of Total |
|---|---|---|
| Property Tax Revenues | $ 2.7 | 11.9% |
| EMS Fees | 0.8 | 3.7% |
| Transit Occupancy Taxes | 14.6 | 64.0% |
| Municipal Surcharges | 2.5 | 11.0% |
| Business Taxes | 1.4 | 6.1% |
| Sales Taxes | 0.6 | 2.7% |
| Document Transfer Fees | 0.1 | 0.4% |
| Annual Tax Revenues for City of Beverly Hills | $ 22.7 | 100.0% |

Sources: Oasis West Realty; Estimates by LAEDC

The incremental increase in City of Beverly Hills tax revenues due to the construction of the Waldorf Astoria and the luxury condominiums is shown in Exhibit 2-12 below.

**Exhibit 2-12**
**City of Beverly Hills Incremental Increase in Tax Revenues**

| | $ millions | % of Total |
|---|---|---|
| Property Tax Revenues | $ 2.4 | 17.4% |
| EMS Fees | 0.8 | 6.1% |
| Transit Occupancy Taxes | 7.0 | 50.6% |
| Municipal Surcharges | 2.5 | 18.1% |
| Business Taxes | 0.7 | 4.8% |
| Sales Taxes | 0.3 | 2.1% |
| Document Transfer Fees | 0.1 | 0.7% |
| Annual Tax Revenues for City of Beverly Hills | $ 13.8 | 100.0% |

Sources: Oasis West Realty; Estimates by LAEDC

The incremental increase in tax revenues due to the construction of the Waldorf Astoria and the luxury condominiums is as of 2022, the year of stabilization. Average incremental annual tax revenues over a 30-year period will be substantially greater. ❖

# Appendix

## Description of Industry Sectors

The industry sectors used in this report are established by the North American Industry Classification System (NAICS). NAICS divides the economy into twenty sectors, and groups industries within these sectors according to production criteria. Listed below is a short description of each sector as taken from the sourcebook, *North American Industry Classification System,* published by the U.S. Office of Management and Budget (2012).

*Agriculture, Forestry, Fishing and Hunting:* Activities of this sector are growing crops, raising animals, harvesting timber, and harvesting fish and other animals from farms, ranches, or the animals' natural habitats.

*Mining:* Activities of this sector are extracting naturally-occurring mineral solids, such as coal and ore; liquid minerals, such as crude petroleum; and gases, such as natural gas; and beneficiating (e.g., crushing, screening, washing and flotation) and other preparation at the mine site, or as part of mining activity.

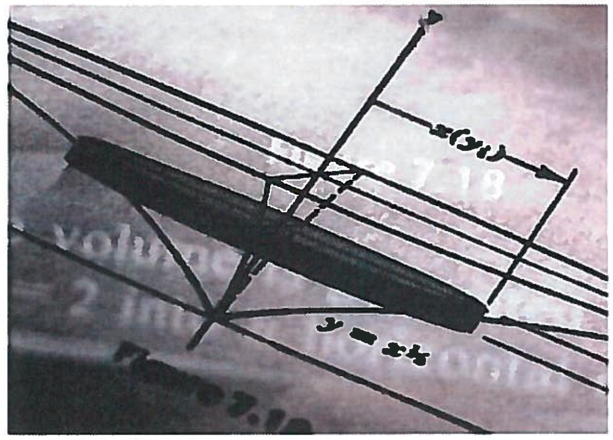
*Utilities:* Activities of this sector are generating, transmitting, and/or distributing electricity, gas, steam, and water and removing sewage through a permanent infrastructure of lines, mains, and pipes.

*Construction:* Activities of this sector are erecting buildings and other structures (including additions); heavy construction other than buildings; and alterations, reconstruction, installation, and maintenance and repairs.

*Manufacturing:* Activities of this sector are the mechanical, physical, or chemical transformation of material, substances, or components into new products.

*Wholesale Trade:* Activities of this sector are selling or arranging for the purchase or sale of goods for resale; capital or durable non-consumer goods; and raw and intermediate materials and supplies used in production, and providing services incidental to the sale of the merchandise.

*Retail Trade:* Activities of this sector are retailing merchandise generally in small quantities to the general public and providing services incidental to the sale of the merchandise.



*Transportation and Warehousing:* Activities of this sector are providing transportation of passengers and cargo, warehousing and storing goods, scenic and sightseeing transportation, and supporting these activities.

*Information:* Activities of this sector are distributing information and cultural products, providing the means to transmit or distribute these products as data or communications, and processing data.

*Finance and Insurance:* Activities of this sector involve the creation, liquidation, or change of ownership of financial assets (financial transactions) and/or facilitating financial transactions.

*Real Estate and Rental and Leasing:* Activities of this sector are renting, leasing, or otherwise allowing the use of tangible or intangible assets (except copyrighted works), and providing related services.

*Professional, Scientific, and Technical Services:* Activities of this sector are performing professional, scientific, and technical services for the operations of other organizations.

*Management of Companies and Enterprises:* Activities of this sector are the holding of securities of companies and enterprises, for the purpose of owning controlling interest or influencing their management decision, or administering, overseeing, and managing other establishments of the same company or enterprise and normally undertaking the strategic or organizational planning and decision-making of the company or enterprise.

*Administrative and Support and Waste Management and Remediation Services:* Activities of this sector are performing routine support activities for the day-to-day operations of other organizations, such as: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

*Educational Services:* Activities of this sector are providing instruction and training in a wide variety of subjects. Educational services are usually delivered by teachers or instructors that explain, tell, demonstrate, supervise, and direct learning. Instruction is imparted in diverse settings, such as educational institutions, the workplace, or the home through correspondence, television, or other means.

*Health Care and Social Assistance:* Activities of this sector are operating or providing health care and social assistance for individuals.

*Arts, Entertainment and Recreation:* Activities of this sector are operating facilities or providing services to meet varied cultural, entertainment, and recreational interests of their patrons, such as: (1) producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) preserving and exhibiting objects and sites of historical, cultural, or educational interest; and (3) operating facilities or providing services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

*Accommodation and Food Services:* Activities of this sector are providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

*Other Services (except Public Administration):* Activities of this sector are providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grant-making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services. ❖