

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

C.F. No. 08-3050

Date: January 25, 2013

To: Honorable Members of the Ad Hoc Committee on Economic Development
Implementation

From: Gerry F. Miller, Chief Legislative Analyst

Miguel A. Santana, City Administrative Officer

Subject: **PROPOSED ESTABLISHMENT OF A NEW ECONOMIC DEVELOPMENT
DEPARTMENT AND INTENT TO CONTRACT WITH A CITYWIDE NONPROFIT
ORGANIZATION****SUMMARY**

On December 12, 2012, your Committee considered an Executive Summary prepared by HR&A Advisors, Inc. (HR&A Team) with recommendations regarding the City's establishment of a new economic development model (Model) consisting of a new Economic Development Department (EDD) and an associated nonprofit entity. HR&A presented an Executive Summary of a draft report and provided a Power Point presentation on the proposed, focused economic development approach for the City of Los Angeles (C.F. 08-3050). Upon conclusion of the presentation and discussion your Committee: (1) requested HR&A to circulate its final report (HR&A Report) upon its completion, conduct outreach to stakeholders for input on the proposed new Model and report with results of the outreach; and (2) instructed the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) to report on the following: (a) costs related to implementation of the new Model; (b) next steps to achieve implementation; and (c) options for the creation of an associated nonprofit entity. This report discusses information provided in the HR&A Report regarding a new Model for the City, the next steps needed to achieve implementation of the EDD and nonprofit entity and recommendations should the Mayor and Council opt to proceed with the Model implementation. In order to proceed with implementation, we recommend that the Council approve the establishment of the new EDD and express its intent to enter into a contract with a Citywide Economic Development Nonprofit (CEDN). The CLA and CAO should then be instructed to take the following next steps: 1) identify a CEDN to provide development services on behalf of the City; 2) along with the City Attorney, prepare and submit a term sheet specifying the major terms of a contract to be entered into with a CEDN; and, 3) instruct the CLA and CAO to report within 30 days with specific recommendations regarding staffing, budget and departmental impacts relative to the EDD. Finally, the Mayor is requested to include the implementation of the EDD and use of a CEDN in his FY 2013-14 Budget, and the City Attorney is requested to prepare and present within 30 days the necessary ordinance to establish the EDD.

Pursuant to your Committee's instruction, HR&A initiated outreach efforts through meetings and presentations to business groups throughout the City. Participants in HR&A's online survey conducted primarily from October through December 2012 were provided with the consultant's final report and were asked to provide comment on the Model. As of January 23rd, the HR&A Team conducted three stakeholder presentations. The results of the outreach will be summarized by HR&A and are anticipated to be provided to the Committee in January 2013.

Proposed Economic Development Model

The HR&A Team confirmed the initial findings of the Mayor, City Council, CAO and CLA that the formation of a new Model is ideal to maximize economic development growth and prosperity for the City. Specifically, HR&A recommends that the Model include a new EDD and an independent, transaction-oriented CEDN organization. Both the EDD and a CEDN will have strategic planning and policy responsibilities as discussed in the Findings below. The EDD would be responsible for the following functions: Strategic Planning and Policy Development, Business and Industry Services, Small Business Services, Workforce Development, and Business Improvement Districts. The CEDN would achieve five objectives: Manage the City's real estate assets strategically, manage the City's off-budget financing entities such as the Los Angeles Development Fund (LADF), advance major economic development and public-private real estate projects, provide expert analysis and negotiate transactions with the private sector and conduct City-specific economic research and analysis. A CEDN would be responsible for the following units: Strategic Asset Management, Real Estate and Infrastructure Development, Business and Industry Development, Transaction Services and Financing, and Strategic Planning and Policy Development. The new Model also envisions an enhanced role for the Deputy Mayor for Economic Development who would serve as the coordinator of the City's economic development efforts.

In order to maximize economic development opportunities, a CEDN should be flexible and responsive to changes in the City's economic climate. A CEDN should be a non-public body comprised of business and economic development community stakeholders. A CEDN will have functions and operations that do not involve City resources, but that will be essential for jobs development. Any public resources including property, block grants or other federal and State resources, such as site specific tax revenues, will be subject to City approval through the normal process.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Approve the establishment of a new Economic Development Department (EDD) and request the City Attorney to prepare and present within 30 days the necessary ordinance to effectuate the implementation of the EDD, as appropriate; and,
2. Express its intent to enter into a contract with a Citywide Economic Development Nonprofit (CEDN);

3. Instruct the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) to identify a CEDN to provide economic development services on behalf of the City;
4. Instruct the CLA, CAO and City Attorney within 30 days to prepare and submit a term sheet specifying the major terms of a contract to be entered into with a CEDN, including, but not limited to:
 - a. Strategic plan development;
 - b. Focused investment in low-income and blighted communities;
 - c. Scope of services; and,
 - d. Deliverables and performance evaluation criteria.
5. Instruct the CAO and CLA to report to the Ad Hoc Committee on Economic Development Implementation within 30 days with specific recommendations regarding staffing, budget and departmental impacts relative to the EDD; and,
6. Request that the Mayor include the implementation of the EDD and use of a CEDN in his Fiscal Year 2013-14 Proposed Budget.

FISCAL IMPACT STATEMENT

The recommendations in this report are estimated to ultimately redirect approximately \$32.5 million in General Fund, Special Fund and other external costs in Fiscal Year 2013-14. Ongoing costs will be more specifically identified in a subsequent CLA and CAO report to the Ad Hoc Committee on Economic Development Implementation. The City is anticipated to benefit from improved investment of existing City resources and better positioning for future business growth, job creation and expansion of the local tax base. The recommendations in this report are in compliance with the City's Financial Policies in that General Fund expenditures and appropriations for priority programs are to be made against current revenue.

GFM/MAS:GRS/KDU:02130066c

Attachments

1. Proposed Delivery Model
2. EDD Year 1 Structure and Budget
3. CEDN Year 1 Conceptual Structure
4. EDD Implementation Timeline
5. CEDN Implementation Timeline
6. Conceptual Economic Development Initiative Evaluation and Approval Process
7. HR&A Public Outreach Summary Letter

FINDINGS

1. Background

In February 2012, the former Community Redevelopment Agency (CRA) and redevelopment agencies across the State were dissolved under Assembly Bill 26x1. As a result, the City lost a significant economic development tool that contributed to the revitalization of many areas in the City. The loss of the CRA served as an incentive for the City to make the development of a new economic development plan a high priority.

In June 2012, the Mayor and Council approved, in concept, the establishment of a new economic development model (Model) with the mission of implementing the City's economic development goals and projects. The Model was to be comprised of a new Economic Development Department (EDD) and a nonprofit entity that would contract with the City to implement the City's economic development goals and projects (C.F. 08-3050). One Model that the CAO and CLA examined was that of a nonprofit economic corporation working alongside an EDD with a mission of encouraging economic growth through private investment. The Model was envisioned to provide greater flexibility and opportunities for revenue growth and allow for an enhancement of citywide economic benefits. The EDD and the Nonprofit would carry out the City's economic goals and projects while allowing input from Councilmembers relative to district-specific projects.

HR&A Team Analysis and Report

Under the same Council action (C.F. 08-3050), the CAO and the CLA were instructed to secure a consultant to assist in the development of the framework and roles of the EDD and Nonprofit entity. The consultant was requested to provide a report to the CAO and CLA that would be submitted to the Mayor and Council for further consideration of Model options. In September 2012, the CLA and CAO selected HR&A Advisors, Inc., with support from ICF International and Renata Simril (HR&A Team). The HR&A Team was asked to report on the following issues:

- Analysis of best practices in the economic development field;
- Evaluation of the City's existing economic development structure including strengths and weaknesses;
- Recommended economic development entity framework;
- Analysis on how the City can integrate asset management activities into its new economic development model;
- Presentation of a Model that includes input from stakeholders, experts and leaders in the field of economic development programs and public-private partnerships; and,
- Discussion of next steps required for implementation of the new Model.

A working group consisting of representatives from the Office of the Mayor, CAO, CLA and the HR&A Team was formed. Several options presented by HR&A were discussed by the working group and factored into the HR&A Team's analysis. Ultimately, HR&A determined that an Model consisting of an EDD and an associated nonprofit entity is feasible and will:

- Build on national best practices while fitting into the unique characteristics of economic development in the City;
- Invest existing City resources into the initial new entity;
- Establish Citywide, not site-specific, goals for the City's economic development; and,
- Position the City for future business growth, job creation and expansion of the local tax base.

On December 12, 2012, the HR&A Team provided a presentation to the Ad Hoc Committee on Economic Development Implementation with respect to their Executive Summary and preliminary findings. Shortly after, the HR&A Team released its final report and appendices. The report and appendices can be found on the Office of Economic Analysis website at <http://cao.lacity.org/OEA/index.htm>. A chart showing a basic concept of the Model recommended and discussed in the HR&A Team Report appears as Attachment 1.

Findings Relative to Existing Structure

Economic development plays a critical role in the City. HR&A's analysis indicates that organizational change is recommended to improve economic development outcomes. The dissolution of the CRA has left a gap in service to the community and a decentralized structure within the City that makes it harder to coordinate projects and assign responsibility for oversight from concept to completion. In summary, the HR&A Team report finds that:

- A *critical gap* exists in economic development delivery given the CRA dissolution;
- The City's existing economic development structure is *decentralized*, leading to fragmented points of responsibility, inflexibility, inhibited responsiveness, conflicting priorities and uneven resource access among the multiple departments and divisions responsible for project delivery;
- A need exists *now to focus* on organizational change relative to the delivery of economic development services and that view is shared by our economic development partners outside the City;
- A streamlined economic development model is likely to result in better *Citywide strategic planning*, more business activity, better quality jobs and ultimately, an increase in revenues to the City; and,
- The City possesses *strong fundamentals* such as regional and international competitiveness that can be enhanced with a coordinated economic development delivery approach.

2. Previous Efforts to Reform Economic Development

There have been several previous attempts to streamline economic development in the City. The City has reviewed and studied issues and objectives related to reorganizing its economic development efforts for over 20 years. These efforts have consisted of task force and working group formations that delivered recommendations to restructure economic development functions and reorganize the City's former CRA. The HR&A Team examined the City's previous efforts to reshape the City's economic development structure and identified a number of reasons they were unsuccessful, including lack of sustained focus by the City's leadership and private sector, reactive tendencies to problems in the City's economy and a narrow definition of economic

development. What sets the current reform effort apart is the need to fill the role of the former CRA and a desire to maximize recovery from the most significant economic recession in decades. Based on discussions during budget and policy deliberations associated with recent restructuring attempts, the following priorities were identified by Council relative to a new economic development delivery model (C.F. 09-0600):

- Enhance quality, efficiency and effectiveness of economic development services delivery while leveraging financial resources;
- Centralize leadership and fix accountability to improve response to the community, elected officials and staff;
- Eliminate duplication of effort;
- Link the City's economic development strategies with related opportunities such as transportation and infrastructure investments;
- Ensure that City policies and programs create a business-friendly environment;
- Foster a nimble response to economic conditions and the needs of business partners; and,
- Target programs to assist key business sectors.

HR&A's analysis of previous efforts is useful to help identify the impediments in the City's previous economic development reformulation efforts. To further build on that understanding, the HR&A Team conducted in-person interviews and provided online surveys to engage stakeholders as described in the Methodology Section below.

3. Methodology

The HR&A Team conducted a detailed evaluation of the City's current economic development structure by interviewing over 80 stakeholders, providing an online survey to over 160 recipients and conducting organizational and budget reviews of approximately 20 City Departments. The HR&A Team studied best practices and developed case studies for eight cities (New York City, Chicago, San Diego, Philadelphia, San Francisco, Austin, Boston and Cincinnati). The following key observations were made:

- Sufficient financial resources allow EDDs to be self-sustaining due to revenues from activities such as asset management, real estate development, program administration or transactions, investment income, private donations or a dedicated revenue stream such as economic development in Austin, Texas which is funded by a publicly-owned utility;
- In case study cities with economic development regional or local nonprofit organizations, experienced board leadership includes private and nonprofit sector leaders that represent a wide range of related specialties such as real estate law, labor, finance or urban design;
- Consolidating all economic development-related powers, functions and staff under a single authority (Deputy Mayor, General Manager or combined role) results in streamlined processes and more efficient initiative implementation in accordance with a Citywide economic development strategy.

4. Transaction Flow Under the New Model

A significant advantage to having a consolidated Model is the ability to provide an entry-point for stakeholders that is easier to identify and more consistently and quickly meets their needs.

Attachment 6 corresponds with Page 88 of HR&A's Report and demonstrates the flow of response from the EDD and CEDN depending on what request for assistance is made. The new Model is envisioned to streamline the process for the following transactions:

- Businesses considering relocation to or expansion within the City;
- Public-private partnerships involving major development projects, particularly those requiring financial assistance and land use approvals;
- Public investments that require analysis of the return on the City's investment;
- Re-use or disposal of surplus City-owned properties; and,
- Inquiries relative to forming a new Business Improvement District (BID), or BIDs requiring financial assistance.

5. Economic Development Department (EDD)

Overview

According to the HR&A Report, consolidating economic development-related functions within the EDD will increase the City's effectiveness in delivering economic development services. This would require several existing functions in the City to be transferred and transitioned into the new EDD as follows:

- Strategic Planning & Policy Development. This function within the EDD would be responsible for producing a Citywide economic development strategy with input from the Deputy Mayor for Economic Development, Council, a CEDN and the City's economic development partners. This group would direct a CEDN to provide analysis to better inform decisions regarding economic development projects, such as determining what business sectors are the best fit for the City. A strategic plan is fundamental to the creation of an economic development vision for the City and the recommendation of steps to achieve those goals. Policy recommendations made by the EDD would require approval by the Mayor and City Council.
- Business and Industry Services. This group would provide guidance for new or existing companies and industry groups relative to navigating the City processes or assistance with accessing State or federal business programs. The EDD would facilitate a more customer-oriented environment while achieving the City goals of increasing jobs and stimulating business activity and thereby growing the tax base.
- Small Business Services. The new EDD would also serve as a liaison to the Los Angeles Business Source Program that provides business owners cost-effective tools to make their businesses a success. This program would be evaluated by the new EDD General Manager to ensure the City fulfills its objective to assist small businesses.
- Workforce Development. The EDD would introduce a Workforce Development team to manage federal development initiatives and establish partnerships with industry groups and educational institutions to further develop job skills for City residents. Under the HR&A model, the new EDD would manage existing WorkSource and YouthSource Centers and ensure that priorities are consistent with the Citywide economic development strategy.

- Business Improvement Districts (BIDs). HR&A also recommends that the new EDD assist with BID formation and establishment, ongoing administrative activities and collaborating with City departments when necessary.

The HR&A Team provides an structural chart showing proposed functions within the EDD on page 12 of HR&A's PowerPoint Presentation (Attachment 2). A chart showing the timeline involved in EDD implementation is included as Attachment 4.

Resources and Staffing

HR&A recommends that the department be led by a General Manager appointed by the Mayor and confirmed by the City Council. The General Manager would be empowered to implement Citywide economic development policy and have a vested interest in the success of the department. The HR&A Team report gives a preliminary estimate of between 135 and 140 staff and a budget of \$27.5 million for the EDD. This estimate is based on a desk review of the City's 2010-11 Budget and discussions with representatives of the departments with economic development functions. In order to refine these estimates, HR&A recommends that the Mayor and City Council direct the CAO and CLA to determine what existing City resources (General Fund, Special Fund, other revenues or some combination of these) should be transferred to the EDD. The HR&A Team Report makes no specific recommendations as to which staff and what funds should be transferred to the EDD other than to identify what functions might be optimal to include in the EDD. Our Offices recommend that the CLA and CAO be instructed to present options regarding the EDD's composition and funding to your Committee for further consideration within 30 days.

6. Citywide Economic Development Nonprofit (CEDN)

Overview

A CEDN is envisioned to operate under contract with the City and provide the Mayor and Council with a new resource for City leadership, development partners and communities in need of revitalization. Specifically, this transaction-oriented entity would convey economic development policies strategically and provide for flexibility and responsiveness to changes in the City's economic climate. A CEDN's efforts should include assessing the City's current resources and responsibilities for business and industry attraction initiatives across all City and proprietary agencies, as well as among private sector City and regional economic development partners, including those at the regional level such as Los Angeles County Economic Development Corporation (LAEDC), those at the area level such as Valley Industry and Commerce Association (VICA) and those at the neighborhood level such as the BIDs. A CEDN should be the coordinator of recruitment, retention and growth efforts among all of these agencies and organizations and work in partnership with them to maximize the City's efforts in this area and assure a reasonable degree of coherence. A CEDN should not duplicate or divert resources from existing infrastructure of community-based economic development organizations in Los Angeles. HR&A recommends that the following responsibilities be assigned to a CEDN:

- Strategic Asset Management. Strategic asset management within a CEDN would maximize City assets unrelated to the City's service obligations and balance return on investment with overall economic development priorities. A CEDN would negotiate the detailed terms of any asset disposition and related City financial assistance transactions, including economic terms, development program, construction milestones and risk management to achieve the best outcome for the City at the least risk. The City is in the process of selecting a consultant to analyze the broad concepts of asset management function within the City (C.F. 12-1549) and it is anticipated that a CEDN's asset management responsibilities could be further defined within the context of the City's overall asset management strategy.
- Real Estate & Infrastructure Development. This function would foster economic development real estate and infrastructure projects to ensure the City maximizes its return on investment and achieves its economic development objectives. HR&A reports that successful examples of this real estate function are clear from all the case studies and it should be a core function of a CEDN. A CEDN would assume primary responsibility for managing major public-private projects on both publicly and privately owned land to ensure these developments meet the City's economic development and revenue goals, monitor master planning and entitlements processes while creating predictability within and streamlining the permit approval process for non-City development partners.
- Business and Industry Development. A CEDN would identify industries for growth from the strategic plan and be primarily responsible for their recruitment and initial development. This function would analyze the City's resources for business and industry attraction programs and would serve as the coordinator of recruitment, retention and growth efforts among organizations Citywide. A CEDN will coordinate with the EDD on business "service desks."
- Transaction Services & Financing. A CEDN would incubate, negotiate and execute economic development transactions on the City's behalf within a business-friendly environment. This function will be responsible for structuring and negotiating economic development transactions with the partners outside the City. This function would collaborate with other units within a CEDN to ensure maximum financial return for the City and that transactions minimize economic and political risk while achieving City objectives.
- Strategic Planning & Policy Development. HR&A states that a consistent theme among their interviewees was the observation that the City lacks a Citywide economic development strategy and the resources necessary to conduct the research and analysis needed to establish a well-informed economic development strategy. A CEDN would address this issue by conducting research and economic analysis relative to economic trends, assets, strengths and weaknesses. This information would be reported to the Mayor and Council to assist with investment decisions in concert with a Citywide economic development strategy.

The HR&A Team provides a structural chart showing proposed functions of a CEDN on page 13 of their PowerPoint Presentation (Attachment 3). A chart showing the steps involved in CEDN implementation is included as Attachment 5.

Resources and Staffing

HR&A recommends that a CEDN possess sufficient resources to operate for the first three years to:

- Demonstrate the City's commitment and prioritization of the new economic development model;
- Illustrate a transaction-oriented organization, with able operating resources and project resources to establish itself as an invaluable resource to the City;
- Develop managerial control of revenue-generating assets enabling a CEDN to become financially self-sustaining following initial start-up years, producing sufficient revenues to create additional value for the City; and,
- Attract and retain highly-skilled, entrepreneurial, and professional staff.

The HR&A Team developed an estimated first-year budget to be used as seed funding for a CEDN of approximately \$5 million. As in the case of the EDD, the HR&A Team Report makes no specific recommendations as to transfers to a CEDN other than to identify what functions might be optimal to include in a CEDN. Our Offices recommend that the CLA and CAO, with assistance from the City Attorney, be instructed to prepare and submit a term sheet specifying the major terms of a contract to be entered into with a CEDN including, but not limited to: a) strategic plan development, b) focused investment in low-income and blighted communities, c) scope of services, and d) deliverables and performance evaluation criteria.

7. Deputy Mayor for Economic Development (DMED)

The HR&A Team envisions the Deputy Mayor for Economic Development (DMED) to be the City's economic development officer. The DMED would coordinate Citywide economic development efforts on behalf of the Mayor and provide policy direction to the EDD and CEDN. The DMED would coordinate with Council Offices to ensure that area-specific priorities and objectives are met. The DMED would collaborate with other economic development-related departments, proprietary agencies and economic development partners. This Deputy Mayor would: (a) provide policy direction to the EDD, (b) coordinate economic development efforts of related departments, and (c) be the liaison to the City's economic development partners.

The DMED would provide the leadership and direction needed to establish and maintain the new economic model and sustain oversight, influence and communication with other economic development entities and Economic Development Partners. The enhanced role of the Deputy Mayor for Economic Development would be instrumental in implementing the new model and coordinating efforts among City departments outside of the EDD and illustrates the cohesion across in this economic development restructuring effort. HR&A recommends that the number of staff and personnel dedicated to this function remain

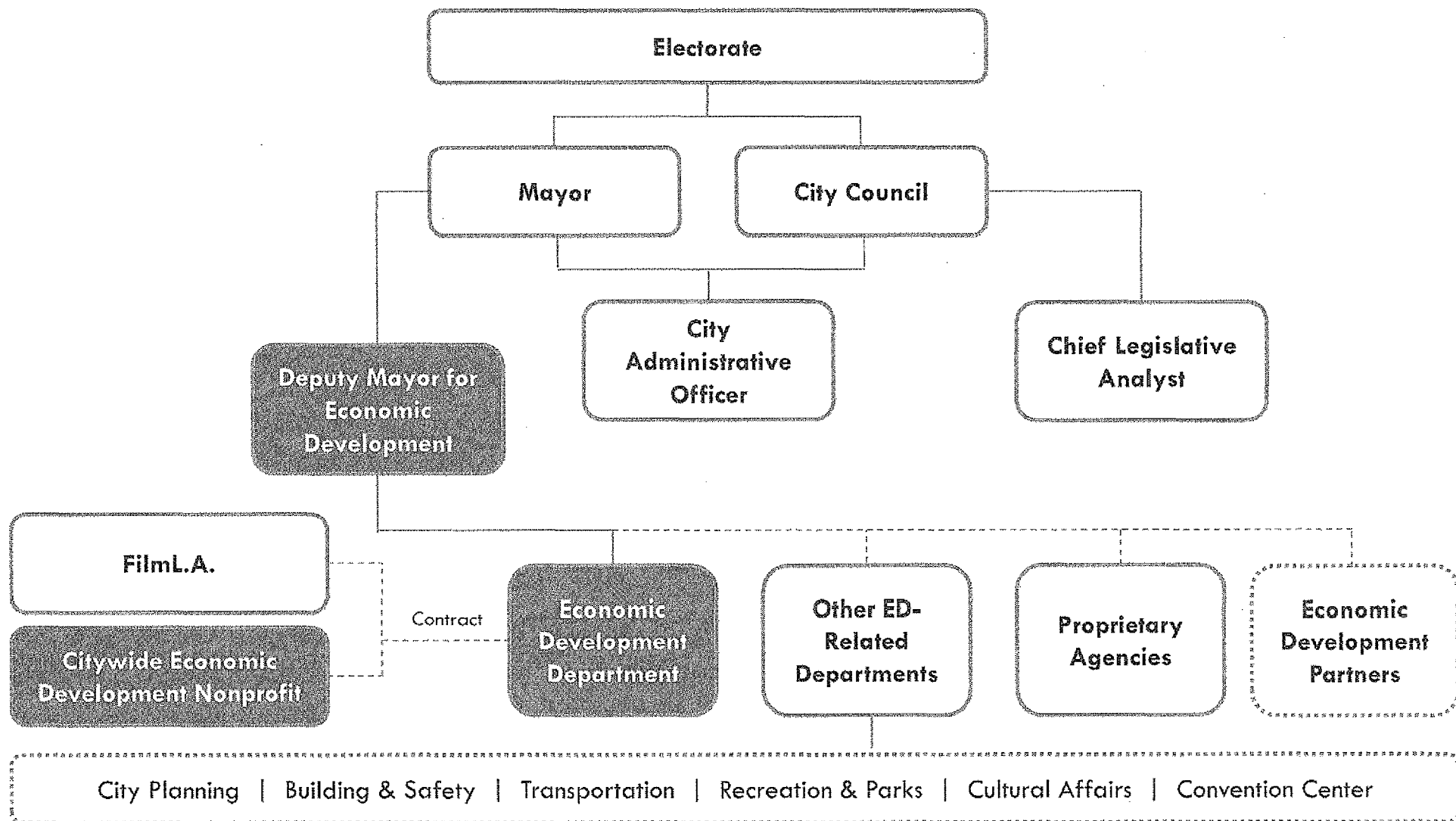
consistent with what is currently provided within the Mayor's Office of Economic and Business Policy and that changes, if any, be discussed as part of the FY 2013-14 Budget process. As proposed, all actions of an EDD and CEDN that contemplate the use of any City resources including General Fund, State and Federal funds will continue to require approval by the Council.

8. Next Steps

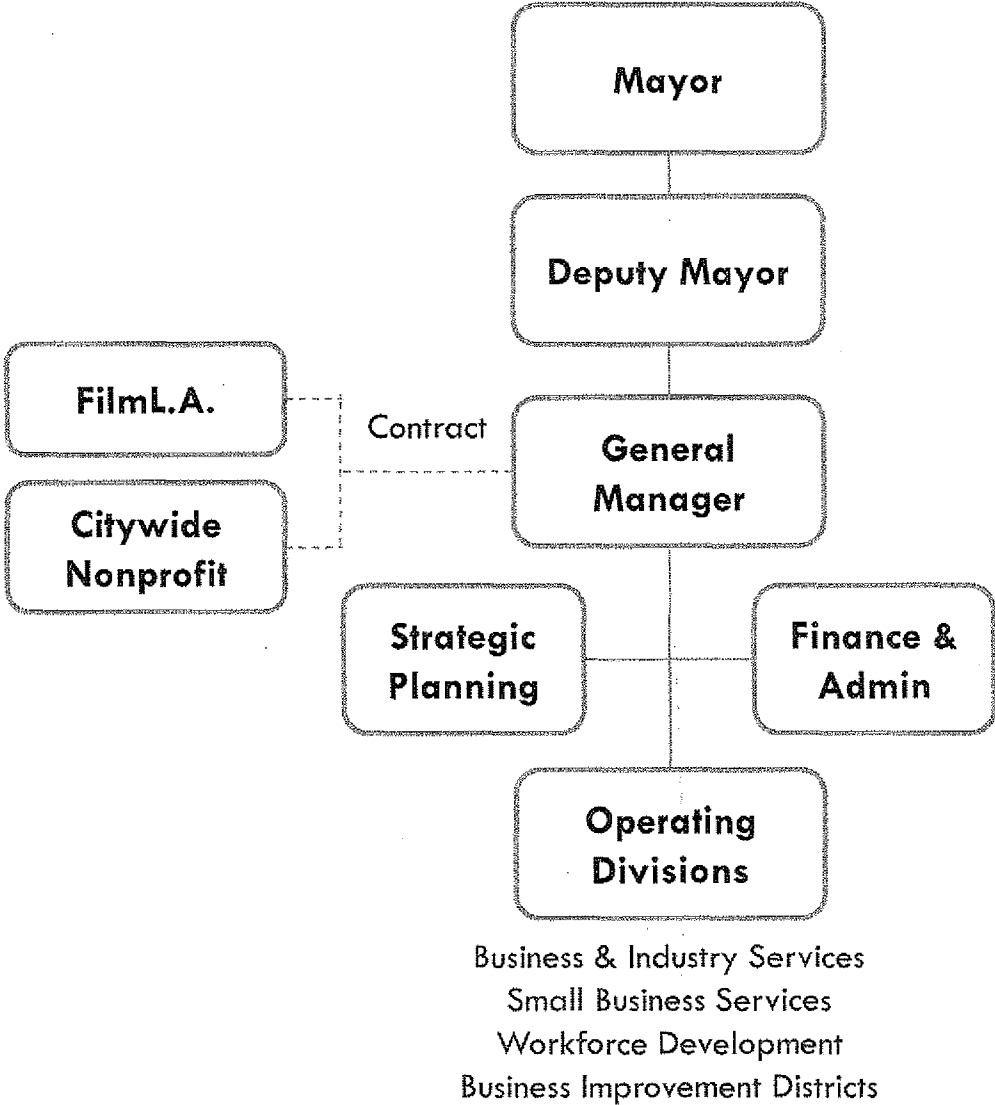
If the establishment of a new EDD is approved and the Mayor and Council express intent to enter into a contract with a CEDN, the following next steps should be taken:

- The CLA and CAO will identify a CEDN to provide development services on behalf of the City;
- The CLA, CAO and City Attorney will prepare and submit a term sheet within 30 days specifying the major terms of a contract to be entered into with a CEDN, including, but not limited to strategic plan development, focused investment on low-income and blighted communities, scope of services and deliverables and performance evaluation criteria;
- The Mayor's Office, with the assistance of the CAO, will be requested to include the implementation of an EDD and the use of CEDN in the FY 2013-14 Budget;
- The City Attorney will be requested to prepare and present within 30 days an ordinance necessary to effectuate the EDD; and,
- The CLA and CAO will work to refine costs associated with the proposed EDD. HR&A estimates that the initial budget would be approximately \$27.5 million and would require between 135 and 140 staff. Since this budget and staffing level would involve the transfer of existing City resources, options and resulting impacts relative to departments will be summarized in the next CLA/CAO report to be provided for Mayor and Council consideration within 30 days after approval of the establishment of the EDD. This timeframe should provide sufficient opportunity to identify budget and staffing resources required by the EDD for inclusion in the Mayor's 2013-14 Budget to be released in mid-April.

Proposed Delivery Model



EDD Year 1 (FY 2013-14) Structure & Budget

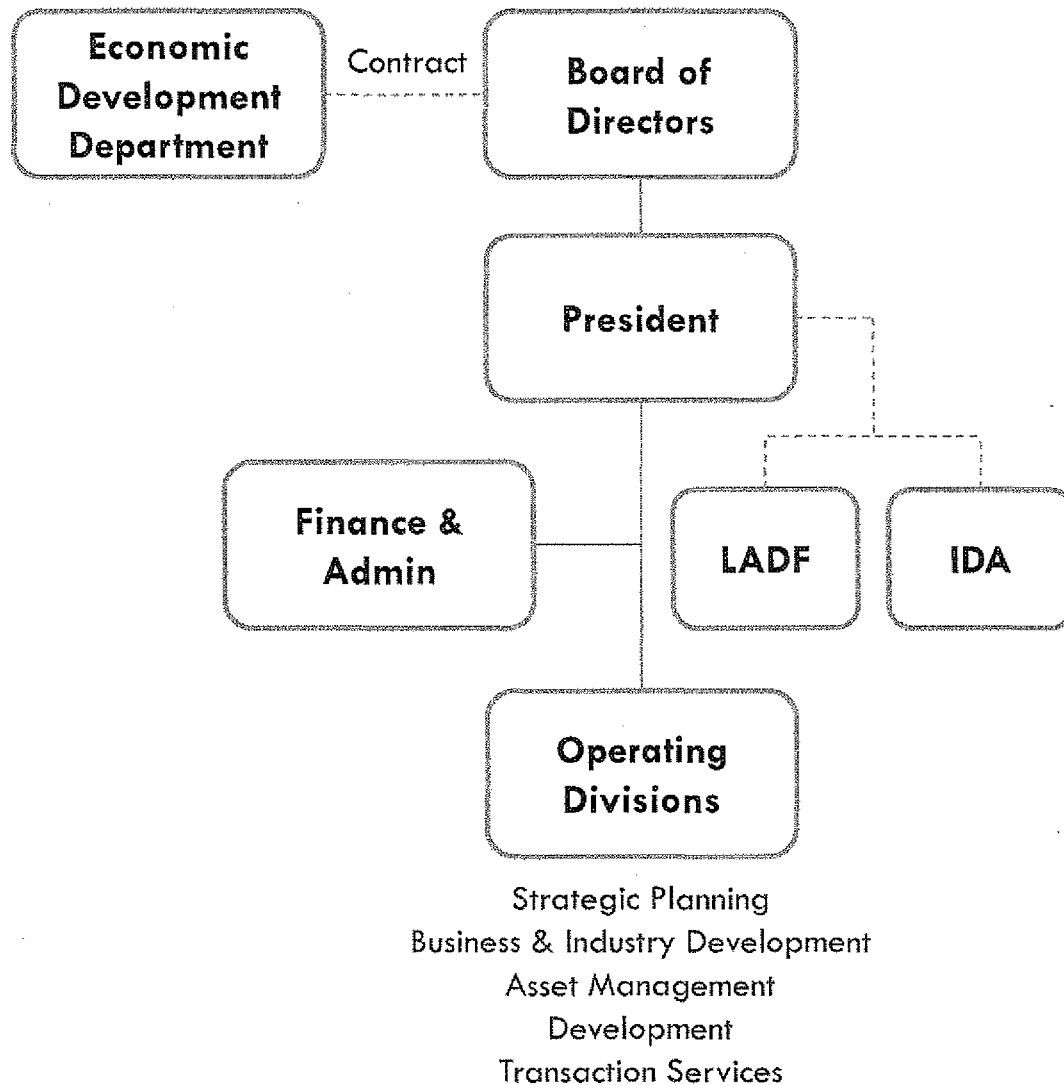


Estimated Budget:
\$27.5 million
135-140 FTEs

POTENTIAL FUNDING SOURCES

Transfer of existing City resources:
CDD for workforce, business services,
grants management; and
Office of City Clerk for BIDs

CEDN Year 1 (FY 2013-14) Structure & Budget



Estimated Budget:
\$5 million*

POTENTIAL FUNDING SOURCES

Funding identified by
 Mayor/City Council

GSD Asset Management

CRA/LA surplus property tax

DWP Economic Development
 Group grant

Fees from real estate services

* Does not include private contributions to
 supplement City contract

EDD Implementation (FY 2012-13)

Task	Jan	Feb	Mar	Apr	May	Jun	Jul
Finalize Recommendations							
Draft Ordinance to Establish EDD							
Refine & Propose FY 2013-14 EDD Budget							
Conduct Executive Search & Appoint EDD General Manager							
Approve FY 2013-14 EDD Budget							
Form an Economic Development Cabinet							
Negotiate and Approve CEDN Service Contract							
EDD Commences Operation							



Milestones

CEDN Implementation (FY 2012-13)

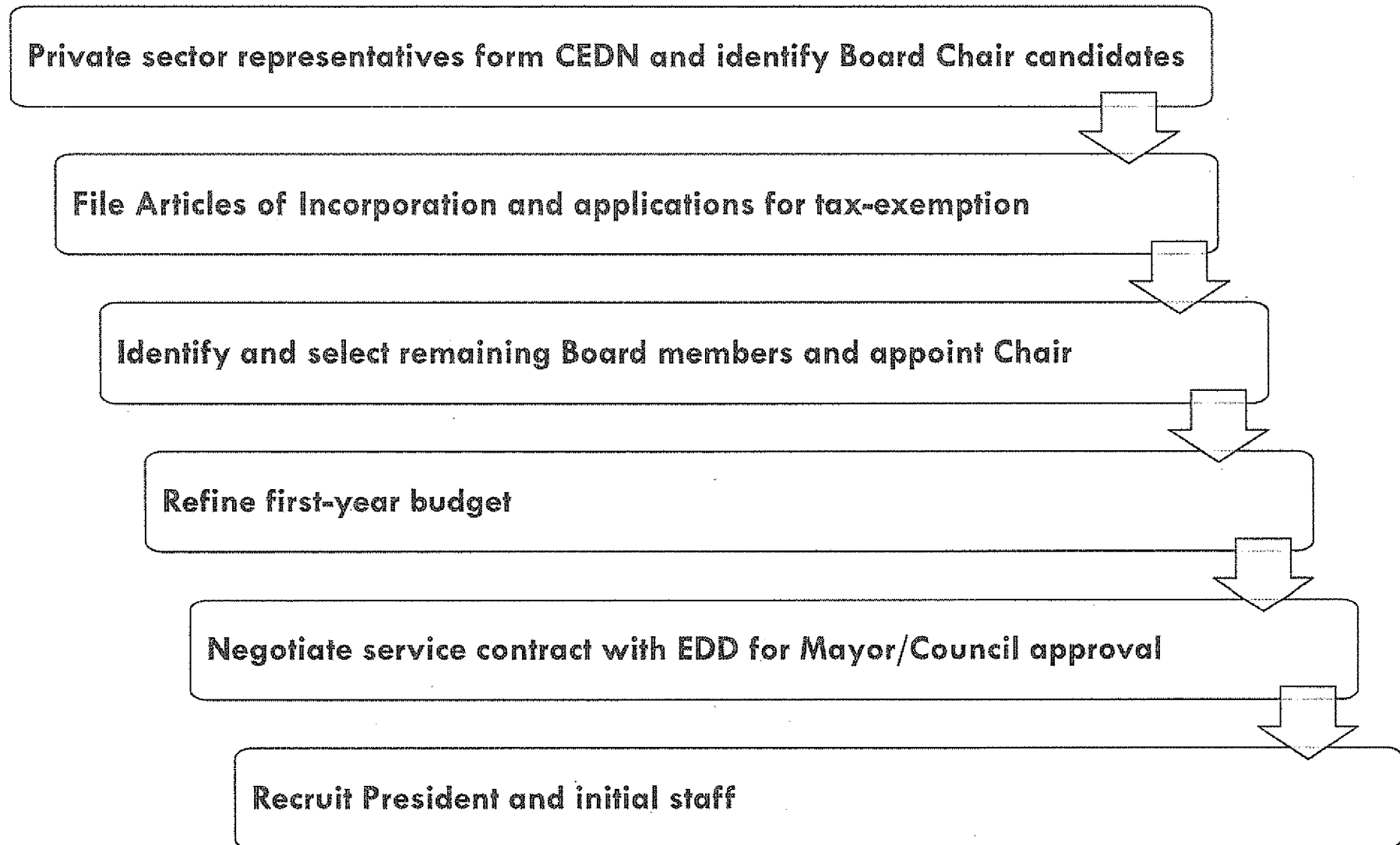


Figure V-7: Conceptual Economic Development Initiative Evaluation and Approval Process

Assistance Request		1 st Stop	Filter	2 nd Stop	Filter	Final Approval	
Business looking to expand/relocate	Initial Inquiry to Mayor, Council Offices, Other Departments		Small business	EDD	Assistance / incentive package	EDD or Council/Mayor	
		CEDN	Key industry/Strategic Priority	CEDN	Assistance / incentive package	EDD or Council/Mayor	
			Use of City Land	CEDN	Citywide plan alignment	Council/Mayor	
P3/ Major Development Project			Citywide plan alignment → incentive needs → potential package	CLA/EDD	Transaction structuring	Council/Mayor	
		CEDN	Citywide plan alignment → city land/use needs → potential package	NP / Planning / Planning Commission / Council	Disposition/land use action	CEDN/EDD	
Catalytic public investment		CEDN	Affected Departments + resource needs	Depts. + CEDN	ROI assessment	Council/Mayor	
City-owned / controlled Asset disposition		CEDN	Citywide plan alignment → ROI assessment	Mayor / Council	Disposition/land use action	CEDN/EDD	
		Prop Agencies	Disposition/development goals	CEDN	Citywide plan alignment → ROI assessment	Prop Agency Board (Council/Mayor for some)	
BID seeking financial assistance			EDD	Contract evaluation	Council Office or Mayor	Deal structuring	EDD
BID seeking to form			EDD	Proposal evaluation	City Clerk	Election	EDD



Analyze. Advise. Act.

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MEMORANDUM

To: Gerry Miller, Chief Legislative Analyst
Miguel Santana, City Administrative Officer

From: Eric Rothman and Paul J. Silvern

Date: January 25, 2013

Re: Public Outreach re: HR&A Report on New Economic Development Structure
for the City of Los Angeles

In response to direction from the City Council's Ad Hoc Committee on Economic Development Implementation at its initial meeting on December 12, 2012, the HR&A Advisors, Inc. (HR&A) project team undertook a series of activities to publicize the availability of its recent report proposing a new economic development structure for the City of Los Angeles, and to assemble public and stakeholder comment about the report. This memorandum briefly summarizes those outreach activities and comments received.

Distribution of the HR&A Report

On January 7, 2013, links to an electronic file of the HR&A report were posted on the opening page of the City's Web site and on the City Administrative Officer's Web page.

On January 9, 2013, HR&A sent an email announcement about the availability of the report to approximately 250 stakeholders, including economic development and related organizations (e.g., all Business Improvement Districts and Neighborhood Councils) throughout the City that had been invited to participate in the project's on-line survey, as well as all 83 individuals who were interviewed by the HR&A project team during the research phase of the project. The email announcement requested that any comments about the report be provided via reply email to HR&A by January 18, 2013. A copy of the email announcement is included as Attachment A. No comments in response to this email have been received to date.

- *Los Angeles Business Council (LABC), January 16, 2012.* This was a meeting of LABC's Housing, Transportation and Legislative Affairs Committee and was attended by about 20 business and civic organization representatives. The discussion included a number of questions and comments about the analysis and recommendations, including the specific roles and responsibilities of the proposed new Economic Development Department and Citywide Economic Development Nonprofit, and specific questions about the disposition of surplus City property. Toward the end of the meeting the LABC Committee members voted (with one dissent) to support the report's reorganization recommendations in general, including the formation of the Citywide Economic Development Nonprofit.
- *Mayor's Office of Small Business and Contractor Relations, January 25, 2012.* This was a meeting with about 20 representatives from small, minority- and women-owned businesses across the City. City Administrative Officer Miguel Santana, staff from the CLA's office and staff from the Mayor's Office of Economic and Business Policy also attended. The discussion included questions and comments about the analysis and recommendations, including whether other utility companies could be persuaded to help fund the proposed Citywide Economic Development Nonprofit; the degree to which the recommendations would lead to improvements in customer access and service provided by the City; where in the new system procurement procedures would be developed and administered; and the timing of this initiative relative to the pending City elections.

On January 11, the HR&A project team also met with Maria Elena Durazo, Executive Secretary-Treasurer of The Los Angeles County Federation of Labor, AFL-CIO (LACFoL) and Priscilla Cheng, LACFoL's Economic Development Director, to review and discuss the report. Additional presentations have been scheduled with two discussion groups at The Urban Land Institute-Los Angeles, on February 1 (Housing Council) and February 8 (Land Use Leadership Committee).

Other Outreach

The HR&A project team also received many additional requests for copies of the executive summary or the full report email, as well as unsolicited comments from parties who had either read the executive summary or full report, all of which were positive.

The HR&A report was also the subject of news summaries in several widely read professional Internet postings, including the *California Planning & Development Report* (see Attachment B); *Planetizen* (referencing the *California Planning & Development Report* story); and the monthly newsletter of the International Economic Development Council,

Attachment A

HR&A Email Announcement About the Availability of the Report

Having trouble viewing this email? www.hraadvisors.com



Final Report on Proposed New Economic Development Organizations for City of LA Now Available for Comment

Dear Valued Member of the City of Los Angeles Economic Development Community,

Thank you for your interest and participation in the project requested by the Mayor and City Council to consider a new approach for the way the City conducts and delivers economic development services. As you may recall, HR&A Advisors was engaged by the City to prepare analysis of economic development organizational issues and make specific recommendations. We are pleased to announce that the final report of our work is now available for your comment and can be downloaded at: <http://cao.lacity.org/OEA/>

See separate links titled "Economic Development Department and Related Nonprofit Organization Analysis by HR&A Advisors, Inc" and "Appendices" under the heading "Resultant Studies".

To provide comments on the report, please reply to this email or [click here](#) by Friday, January 18th.

As we recently reported to the City's Ad Hoc Committee on Economic Development Implementation, the report recommends a new public-private structure for delivering economic development services in Los Angeles. This new structure would deliver a comprehensive suite of economic development functions that include strategic planning for growth, real estate-related services, and business and industry-related services. It would advance important projects, including the type once stewarded by CRA/LA, and be provided with the authority, resources and tools to implement a broad citywide economic development strategy.

The new model would include a new Economic Development Department (EDD) to consolidate certain economic development functions from existing City entities, and a new, nimble, independent Citywide Economic Development Nonprofit (CEDN) partner operating under a contract with the new EDD. Both of these new organizations would work in collaboration with other related City departments and

Attachment B

L.A. Considers Using Post-Redevelopment Funds for Economic Development

By Bill Fulton on 7 January 2013 - 8:26pm

A couple of months ago, we reported on four post-redevelopment models emerging in California, based on a presentation by Paul Silvern of HR&A: Alhambra, Oakland, San Diego, and Los Angeles. Now Silvern and his colleagues at HR&A -- along with ICF and Renata [S]imril -- have proposed a whole new post-redevelopment economic development structure for Los Angeles.

Unsurprisingly, the recently released HR&A report -- commissioned by L.A.'s chief administrative officer and chief legislative analyst -- calls for the creation of a consolidated Economic Development Department. But if the proposal is adopted by the city, it would represent revolutionary change for a city that has long been characterized by a large, sluggish bureaucracy that has difficulty being nimble enough to compete on economic development.

Perhaps most interesting is how HR&A proposes to fund the new operation: With the money the city now receives in its general fund because redevelopment was killed. One oft-overlooked point about the end of redevelopment is that it created a "windfall," if one might call it that, for city general funds. Redevelopment agencies typically received somewhere between 60% and 100% of property tax increment from inside redevelopment project areas. Now that the money is distributed to taxing agencies just like all other property tax money, cities are getting about 15% of it into their general funds.

For the City of Los Angeles, that's about \$20 million a year.

Most cities will no doubt vacuum up this new revenue and use it to keep the police department whole or pave more streets. But a few cities -- and apparently Los Angeles is among them - - are viewing these funds as possible seed money for a new, post-redevelopment economic development effort.

HR&A's report also calls on the city to:

- Reposition economic development as a high-priority citywide effort that isn't so bogged down in the politics of city council offices or the regulatory churning of the city bureaucracy.
- Create the position of deputy mayor for economic development.
- Spin off a citywide economic development nonprofit that will have more flexibility to do deals than the city government.
- Manage the city's real estate assets more strategically, either to generate revenue or maximize their value in creating new economic activity.

HR&A looked at lessons learned from eight recognized leaders in economic development, including two in California -- San Diego and San Francisco.

Attachment C



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INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

Organizational, Strategy & Governance Issues

New ideas for structuring city economic development in Los Angeles and elsewhere
CP&DR, Jan. 7

Following the close of redevelopment agencies in California, a new report (pdf) is proposing a post-redevelopment economic development structure for Los Angeles. While many recommendations are specific to California and Los Angeles only, others apply to ED efforts elsewhere – e.g., repositioning economic development as a high priority, city-wide effort that isn't so bogged down in the politics of city council offices or the regulatory churning of the city bureaucracy; spinning off an ED nonprofit with more flexibility to do deals than the city government, and managing city real estate assets more strategically, either to generate revenue or maximize their value in creating new economic activity.

(available at: <http://www.iedconline.org/EDNow/012213/index.html> - membership required).