

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

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Report from the
CAO/CLA

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Date: April 17, 2012

To: The Council
The Mayor

From: Miguel A. Santana, City Administrative Officer *Miguel A. Santana*

Gerry F. Miller, Chief Legislative Analyst *Gerry F. Miller*

Subject: **POLICY OPTIONS FOR CITYWIDE ECONOMIC DEVELOPMENT
FUNCTIONS**

SUMMARY

As a result of the elimination of the former Community Redevelopment Agency of Los Angeles (CRA), the City of Los Angeles (City) no longer has access to the economic development and financing tools that have traditionally been used by the former CRA to revitalize communities and generate new revenue to the City. This presents a unique opportunity for the City to create a new economic development model that will help the City meet its larger economic goals of creating new jobs, attracting new business and industries, maximizing the City's assets, and increasing the General Fund revenue.

Pursuant to Council Motion (Smith-Cardenas-Zine), the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) were directed to report relative to establishing an Economic Development Department (EDD) (C.F. 08-3050). On January 11 and 12, 2012 respectively, Council Motion (Wesson-Zine) also instructed, with the concurrence of the Mayor, the CAO/CLA to report on the current economic development functions conducted in the City and provide alternatives/models on how the City can conduct economic development in the future (consolidation of city departments, creation of a non-profit, other) (C.F. 12-0049). In the same action, an amending Council Motion (Perry-Rosendahl) instructed the CAO/CLA to report on models that are utilized in other major US cities, especially the New York City model of an economic development corporation (EDC) funded by a dedicated revenue stream and the City of Chicago's mega department that combines the functions of housing, planning, workforce development and economic development. On January 25 and 26, 2012 respectively, the Council also instructed, with the concurrence of the Mayor, the CAO/CLA to report on the development of an EDD and the inclusion of the former CRA's housing assets (C.F. 12-0049).

After evaluating current City economic development activities, consulting with the Mayor's Office and surveying how other cities have organized their economic development activities, we recommend proceeding with a combination City/Non-Profit economic development structure, with a non-profit economic development corporation similar to the cities of Austin and New York. This recommendation is based on the following:

1. A contract with clear and measurable deliverables that can be terminated if it is not working;
2. Expertise in identifying business trends and new technologies that should be incorporated into an economic development strategy; and,
3. Flexibility in adopting outreach and incentive programs to most efficiently leverage resources.

Additionally, a survey of how other cities have organized their economic development activities and services are provided in Attachment One for context.

Potential Funding Sources

There are a number of (new and existing) funding sources available to fund both the administration and the programs for the economic development model. A new non-profit entity could leverage private resources in addition to using public resources and actively pursue grants, private philanthropic funding, equity capital, endowments and non-profit foundation investments to help fund its programs. It could also establish Fund programs with investment banks and venture capital partners. The new EDD would be able to access the traditional City, State and Federal funding sources (see Findings Section No. Eight for additional information).

Economic Development Model

The City's strengths related to economic development include the existence of large industry clusters, a Higher Education infrastructure, high population density, access to large markets and the largest municipally-owned utility in the country. However, these strengths are countered by weaknesses which include complexity of processes and policies and the lack of resources to provide access to capital for small business and growth industries. By creating a new City department that can partner with a new nonprofit organization, the City will be in the best position to capitalize on its strengths in an effort to achieve its economic development goals. Therefore, a new model should achieve three crucial objectives for the City: 1) to coordinate the economic development functions and service delivery; 2) leverage resources; and 3) create a business friendly environment.

It should be noted that the City has been very successful at implementing large and small economic development initiatives on a project by project basis, at times in concert with the CRA and, at times without CRA involvement. Some good examples include the Staples and the LA Live development, Hollywood Highland, Wilshire Grand, and

Pacoima Plaza. Most recently, an example of a successful public-private partnership with City involvement is the Proposed Farmers Field Project, which is unique as it does not use any public funds to complete the Event Center and actually leverages significant private resources to construct a public improvement, the improved Los Angeles Convention Center (LACC) New Hall (C.F. 11-0023). The City has also taken important steps to create business tax incentives for new businesses and to encourage investment in green manufacturing and other emerging technologies. However, while the City has been able to take advantage of opportunities as they arise, what the City lacks is a proactive and strategic approach to creating economic development opportunities, identifying business trends for which the City should position itself to be competitive, and a centralized structure to connect all of the areas necessary for new and expanding businesses, including site selection, compiling all of the potential public and private funding opportunities, and training and connecting the local workforce with jobs that currently exist and jobs which are expected to exist in the future.

The creation of a new model will provide greater flexibility and allow for an enhancement of citywide economic benefit and meet the city goals of job creation, economic equality, and revenue generation. The City's unemployment rate is compounded by a poverty rate of 19.1 percent (figure provided by the California Employment Development Department). This is higher than the national and state poverty rates of 14.3 percent and 13.2 percent respectively (figures provided by the Department of Labor). City residents who are living in poverty are disproportionately concentrated in communities in South Los Angeles, East Los Angeles, and the East Valley. As a result, a new economic development entity should be tasked with helping to increase opportunities in disadvantaged communities and equity with the rest of the City. The City's ability to create jobs and uplift communities throughout Los Angeles will enable it to raise needed revenues to address its current fiscal shortfalls. For example, Los Angeles has historically underperformed in generating sales tax revenue. Los Angeles generates \$103 per capita in sales tax revenue, ranking 51 out of 88 cities in the County of Los Angeles. Los Angeles is losing an estimated eight percent of sales tax revenue to surrounding cities as our residents spend outside of our City limits. This eight percent sales tax leakage represents approximately \$104 million that could be contributed back to the City's General Fund.

Pursuant to an analysis of successful economic development models in major cities, including Chicago, Illinois; Austin, Texas; San Diego, California; and New York City, New York, we recommend the establishment of a new economic development entity that consists of a new City department and a new non-profit entity that would be linked through a contract. The new City department will be governed by a Board of Directors with the appropriate oversight by the Council and Mayor.

It must be stressed that this proposed new approach to economic development is not intended as a cost cutting measure, but rather an initiative to create jobs and economic activity, thereby increasing City tax revenue. The non-profit entity should have a narrow and clearly defined mission of attracting, expanding and retaining the types of businesses that create quality jobs and position the City for long-term economic stability. It is expected that City staff will continue to perform important functions that

will work in concert with the non-profit entity, including management of contracts using Block-Grant or Workforce Investment Act funds, financial analysis and underwriting for purposes of reporting to the Council and Mayor relative to the use of various federal, State and City funding programs to incentivize business creation and expansion, and direct involvement in the analysis of the use of any General Fund tax incentives for business development.

The non-profit entity should have the ability to: 1) manage and invest in catalytic job creation and economic development projects; 2) develop focused plans for job growth in emerging industries; 3) manage, maintain, acquire, dispose, and lease City-owned real estate; and 4) stimulate investment in disadvantaged communities. The new non-profit entity should be provided with the ability to leverage City-owned assets, such as underutilized and surplus properties that have economic development value, for economic development activities.

The Department of General Services, Asset Management Division is the primary City entity responsible for managing the City's diverse real estate portfolio and ensuring optimum use and maximum value from these assets. The City owns and leases real property worth billions of dollars that is used for diverse public purposes that includes office buildings, police and fire stations, libraries, public parks, open space, and maintenance facilities. The CAO is finalizing the preparation of the Request for Proposals (RFP) to select a consultant to advise the City on Best Management Practices (BMP's) for management of the City's real estate portfolio for Council controlled departments which was authorized as part of the 2011-12 Budget (C.F. 11-0600). It is imperative that the City's proprietary departments (Harbor Department, Los Angeles World Airports [LAWA] and Department of Water and Power [DWP]) and the Department of Recreation and Parks support the citywide goals of economic development and be participants in our economic development future. Therefore, we recommend that the Asset Management RFP be amended to include the City's proprietary departments (Harbor, LAWA and DWP) and the Department of Recreation and Parks and that their respective Boards of these department be requested to report to the Mayor and Council relative to their approval and participation in the new Citywide economic development plan.

Chicago, Austin, San Diego and New York City have different approaches to economic development, each with its own pros and cons. However, what is consistent is that a non-profit entity working with the City is an effective model for economic development. As evidenced through cities like Austin, New York and San Diego, non-profit entities can develop partnerships within business communities, implement innovate programs, and be able to target industries that cities might not have the resources to execute. Below is a chart that provides a comparison of economic development services and structures between the City of Los Angeles and other cities profiled in this report.

Services	Chicago	Austin	San Diego	New York City	Los Angeles
Centralized Economic Development Entity	X	X	X	X	
Contracts with one EDC. for Economic Development Services ¹		X		X	
Contracts with multiple EDCs. for Economic Development Services			X		
One-Stop Business Resource Center ²	X	X	X	X	
Business Improvement District management provided by Economic Development Entity	X		X		
Small Business Counseling/Mentoring		X		X	
Asset Management through Economic Development Entity				X	

¹ The Greater Austin EDC primarily provides marketing services for Austin while the New York EDC is the main economic development engine for the City.

² This is defined as a one-stop destination for businesses for **all** City functions. The City of Los Angeles provides one-stop services in different departments but there is no consolidated resource center for all departments.

If this new model is approved, several City departments and agencies could be affected in the formation of a new EDD and non-profit entity. Therefore, we recommend that the CAO/CLA secure a consultant to report in 90 days to the Mayor and Council including, but not limited to, the following:

- Study best practices in the economic development field, evaluate the City's current economic development structure and make recommendations for implementation of a new Citywide economic development model which would include the creation of an EDD and non-profit entity.
- Provide an analysis on how the City can integrate asset management activities into a new economic development model.
- Prepare and present an action plan with information of the new entities (EDD and non-profit entity) including, but not limited to, the following: Staffing and Program Budgets and personnel implications for the new entities; Mission and Roles of the new entities; Identification of the City functions to be consolidated into the new EDD.
- Ensure that the action plan includes the consideration of findings and recommendations from stakeholders, experts and consultants that are available to the City over the next few months.
- Include the steps necessary for the consolidation including an analysis of the following: organizational structure, identification of powers, duties, and responsibilities, staff and resources, reporting and oversight relationships with Council and its standing committees: budget; and a recommended implementation timeline.

We further recommend that the Council direct the CAO/CLA to convene a task force with representatives of appropriate City, County, and State agencies and other stakeholder entities to report with an analysis of the economic development model and recommendations to revise those policies as appropriate.

The consultant, the staffing and program for the new Citywide economic development model would be funded from the proceeds of the City's share of additional property tax payments as a result of the elimination of CRA (See Findings Section No. Five for information on the City's share of the additional property tax payments). The allocation of this funding is dependent on the Mayor and Council priorities. Therefore, we recommend that the City set aside funds in the Fiscal Year 2012-13 Proposed Budget to pay for the consultant, staffing and program for the new Citywide economic development model.

Once the consultant's report has been completed, the transition steps for the implementation of the new economic development model would include the preparation of ordinances, development of a budget, identification and transfer of staff, establishment of new job classifications, titles and descriptions, if applicable, and other steps required to support the day-to-day operations of a new department. Preparation of these materials is required prior to establishment of the EDD and should be completed for consideration by the Mayor and Council within six months. This subsequent report (Phase II) will address the structure and funding of the new EDD in detail. It is anticipated that full implementation of the new EDD may coincide with Fiscal Year 2013-14.

RECOMMENDATIONS:

That the Council:

1. Approve in concept the establishment of a economic development entity, comprised of a new Economic Development Department and a new economic development nonprofit organization that will contract with the City to implement the City's economic development goals and projects;
2. Direct the City Administrative Officer/Chief Legislative Analyst (CAO/CLA), or designees, within 90 days to: a) secure a consultant to assist in the development of the components of this new Department and the creation the non-profit entity including the development of the necessary roles, responsibility and tools that are required to implement the City's economic development goals; and b) the consultant to provide a report to the CAO/CLA for submittal to the Mayor and Council on the new economic development entity including, but not limited to, the outline contained in this report;
3. Instruct the CAO/CLA, with the assistance of the Mayor, Community Development Department, Department of Finance, and other City departments and agencies as appropriate, to report to the Mayor and Council within 90 days of receipt of the consultant's report, an action plan to implement the economic

development structure as contained in this report, to include a City department oversight function, and one or more non-profit economic development corporation(s);

4. Instruct the CAO/CLA, or designees, to convene a task force with representatives of appropriate City, County, and State agencies and other stakeholder entities to report with an analysis of the economic development model and recommendations to revise those policies as appropriate;
5. Instruct the CAO/CLA, or designees, with the assistance of City Departments as necessary the Offices of the Mayor and the City Attorney and other stakeholders, to report back with funding and details of the new economic development entities and identify personnel positions and funds to be transferred, develop a budget, and identify other transition and implementation steps necessary;
6. Amend the Department of General Services, Asset Management Division Request For Proposal relative to the selection of a consultant to advise the City on Best Management Practices for management of the City's real estate portfolio to include the City's proprietary departments (Harbor Department, Los Angeles World Airports and the Department of Water and Power) and the Department of Recreation and Parks and request that their respective Boards to report to the Mayor and Council their approval and participation in the new Citywide economic development plan; and,
7. Request the Mayor to set aside funds in the Fiscal Year 2012-13 Proposed Budget from the proceeds of the City's share of additional property tax payments due to the elimination of former Community Redevelopment Agency in order to fund the consultant, staffing and program for the new Citywide economic development model.

FISCAL IMPACT STATEMENT

The creation of an economic development entity that will include costs for new executive/administrative staff, equipment/facilities, operating costs for a non-profit entity, and other expenses, in addition to the use of existing City facilities, personnel, and funding resources may impact the General Fund. This additional fiscal impact can be better estimated once specific personnel requirements, facility, operational and equipment costs are identified in a subsequent report to the Mayor and Council regarding the establishment of an Economic Development Department.

FINDINGS

1. Request for Report

Pursuant to Council Motion (Smith–Cardenas–Zine), the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) were directed to report relative to establishing an Economic Development Department (EDD) (C.F. 08-3050). On January 11 and 12, 2012 respectively, the Council also instructed, with the concurrence of the Mayor, the CAO/CLA to report on the current economic development functions conducted in the City and provide alternatives/models on how the City can conduct economic development in the future (consolidation of city departments, creation of a non-profit, other) (C.F. 12-0049). In the same action, an amending Council Motion (Perry-Rosendahl) instructed the CAO/CLA to report on models that are utilized in other major US cities, especially the New York City model of an economic development corporation funded by a dedicated revenue stream and the City of Chicago's mega department that combines the functions of housing, planning, workforce development and economic development. On January 25 and 26, 2012 respectively, the Council also instructed, with the concurrence of the Mayor, the CAO/CLA to report on the development of an EDD and the inclusion of the former Community Redevelopment Agency of Los Angeles' (CRA) housing assets (C.F. 12-0049). This matter was referred to the Housing, Community and Economic Development Committee, which requested a joint report from the CAO/CLA.

2. Recent Efforts to Reform Economic Development

For over 20 years, the City has reviewed and studied issues and objectives related to the creation of an EDD. Attachment Two provides a selected bibliography of reports, letters, and analyses prepared on this subject matter since 1989. Several of the later reports included recommendations that outline how to accomplish the creation of such a department as well as an ordinance that would have implemented those recommendations.

A 1995 report by the CLA identified a prolonged recession, high unemployment, and financial uncertainty resulting from the loss of defense and construction jobs as key problems in the region. These issues have emerged again in 2008 and 2009, with the loss of entertainment industry jobs taking the place of defense job reductions. The 1995 report indicates that the City is effectively competing for "limited business investments and resources regionally, nationally, and worldwide." This has become more pronounced over the last fifteen years as manufacturing jobs, and now service jobs, continue to be transferred around the globe as a result of the digital revolution.

With regard to the City's economic development services, the 1995 report identified the following problems:

- Economic development programs provide neither effective policy guidance nor productive program implementation;
- Responsibility and accountability are not fixed;

- Economic development concerns are addressed in a piecemeal manner, often reactive, and administered ineffectually through committees, task forces, programs of various agencies, etc.; and,
- The manner in which these programs have been structured makes it difficult to coordinate efforts, much less produce a multi-year action plan.

In 1999, the Council created the Public Participation Task Force on Economic Development to address issues related to the consolidation of departments into an Economic Development Department and the formation of an economic development strategy. The Task Force held six hearings and received testimony from City departments and private organizations involved in economic development activities. Their February 2000 report recommended the formation of an Economic Development Department.

In 2007, the Mayor formed the Los Angeles Economy and Jobs Committee to study issues related to economic development and to recommend actions that would develop attract and retain jobs in the City. The Committee's January 2008 report included 100 recommendations on subjects such as renovation of Los Angeles World Airports (LAWA), expansion of the Harbor Department, new approaches to job and housing development, and promotion of key business sectors. Recommendation 94 advises that the City should create an EDD. The Mayor's Committee determined that consolidation of all economic development activities into a single department was essential as "only a systematic change in the way the City performs economic development activities will have long lasting effects."

3. Housing Assets and Economic Development

The Los Angeles Housing Department has been in on-going discussions with staff of the former CRA in order to develop a short-term and long-term transition plan relative to the transfer of CRA housing assets and functions. Our offices will be addressing these issues in a separate report.

4. Legislation and the Former CRA

On June 29, 2011, the State Legislature enacted Assembly Bill (AB) 1x-26 which eliminated Redevelopment Agencies (RDAs). On December 29, 2011, the California Supreme Court issued a decision in the case entitled Community Redevelopment Association et al., v. Ana Matosantos (S194861), which upheld AB1x-26. In January 2012, the Mayor and City Council elected not to become the Successor Agency to the former CRA but did elect to retain its housing assets and functions. Pursuant to AB1x-26, the former CRA ceased to exist on February 1, 2012 and became a "Designated Local Authority" (DLA) under the jurisdiction of the state. The DLA functions will be limited to close-out activities under the direction of its Governing Board, an independent Oversight Board and the Department of Finance (DOF). It is important to note that the City has a minority vote on the Oversight Board. No new economic development functions will be conducted by the DLA.

5. Additional City Property Tax Payments

The dissolution of the former CRA under AB1x26 will result in a distribution of net tax increment (TI) resources to the various taxing entities, after accounting for certain fees, pass-throughs and enforceable obligations. Starting June 1, 2012, our Offices anticipate that the City will receive additional property tax payments (former TI funds). In a joint CAO/CLA report dated January 10, 2012, the City's share of the additional property tax payments were estimated by the former CRA to be, \$57.4 million for 2011-12, \$17.9 million for 2012-13 and \$20.2 million for 2013-14 (C.F. 12-0049). For 2011-12, the \$57.4 million payment includes a one-time distribution of funds (\$37.4 million) as well as ongoing funds (\$20 million). The one-time distribution of funds includes portions of the former CRA's following funding sources: a) \$85.7 million in unencumbered carryover resources for 2010-11; and b) \$97.3 million which was originally set aside for the anticipated AB1x-27 payment to the state which would have allowed redevelopment agencies to remain in operation. These figures are preliminary estimates and are subject to change based on many factors such as interpretation of the adopted legislation relative to enforceable obligations and decisions made by the Oversight Board and the DOF. We would note that the DLA's Governing Board has taken an action to set aside \$89 million for liabilities that would decrease the one-time distribution of funds in 2011-12. However, this action is still subject to review and approval by the Oversight Board and the DOF which should occur in May 2012.

6. New Economic Development Model

City economic development functions are currently dispersed among various City departments and agencies, including the departments of Building and Safety, Planning, Water and Power (DWP), Harbor, LAWA, Mayor, Community Development Department and Public Works, Bureau of Sanitation. Attachment Three provides an overview of the City departments that currently play a role in economic development.

The new City department would be established by ordinance and be responsible for overseeing the non-profit entity which will perform the case work. It would be led by a General Manager appointed by the Mayor and confirmed by the City Council. Since the action to create a new department largely envisions the consolidation of existing programs and services from other departments and agencies, much of the new Department's staff will be comprised of personnel who are already employed by the City. Creation of the department will require identification of staff who may be transferred to the EDD. As the new Department matures, additional programs and services will likely be developed and other existing City services may be transferred to the Department.

The new model envisions the City contracting with a newly established nonprofit organization to implement the City's economic development goals and implement economic development projects. The goals of the EDD should include the following:

- Create jobs to reduce the City's unemployment rate from the current level of 13 percent;

- Revitalize economically depressed areas of the City to create economic opportunity;
- Compete for new and developing industries;
- Create regional flexibility;
- Maximize the City's assets;
- Generate tax revenue to increase revenue to the General Fund; and,
- Leverage the resources in the proprietary departments to increase economic development.

7. Farmers Field Project

It should be noted that the development of the Event Center, parking garages, and Los Angeles Convention Center (LACC) New Hall to replace the West Hall (collectively, the Farmers Field Project) is an example of the City engaging in economic development without the assistance of the former CRA (C.F. 11-0023). In August 2011, Council approved the execution of a Memorandum of Understanding (MOU) between the City and Anschutz Entertainment Group, Inc. (AEG) for the proposed Farmers Field Project. This Project is entirely unique in that it does not use any public funds to complete the Event Center and actually leverages significant private resources to construct a public improvement, the improved LACC New Hall. As a result of discussions with AEG and the studies and analyses provided by the City's consultants, it was determined that the proposed Project is financially viable and would improve the LACC facilities, expand the City's economic base, and draw a National Football League team to Los Angeles.

8. Potential Funding Sources

The budget and staffing for the proposed Department could vary depending on the employees and functions that are identified to be transferred to the new Economic Development Department. In addition, available resources would depend on the City's portion of TI revenue. The possible (new and existing) funding sources for the economic development staffing and program budgets include the following:

- New TI and/or new funding from the former CRA for low moderate income housing;
- Community Development Block Grant, Section 108 Loan Guarantee Program;
- Economic Development Reserve Fund (newly established);
- Fees from real estate/property management;
- City's Site Specific Tax Revenues;
- New Market Tax Credits and fees;
- Other Transaction/Processing Fees; and,
- Private and non-profit foundation investments.

The cities of New York and Austin serve as models for alternative funding sources that can be established in a new City model. For example, the New York City Economic Development Corporation (NYCEDC) collects a fee for managing leases and developing City owned properties. By providing these asset management services, the NYCEDC fees can be used to fund work program and other costs. The City of Austin is

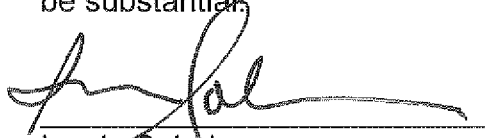
also unique in that the City receives funding from Austin Energy (electricity utility) for economic development activities. See Attachment One for more information.

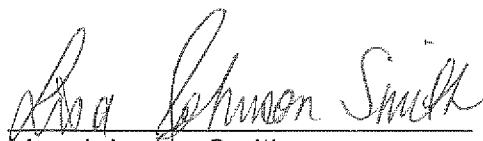
9. Management Fees relative to Real Estate Portfolio Management

The CAO is finalizing the preparation of the Request for Proposals to select a consultant to advise the City on Best Management Practices (BMP's) for management of the City's real estate portfolio, which was authorized as part of the 2011-12 Budget (C.F. 11-0600). This consultant will not be engaged to manage the portfolio itself but will advise the City on how to best manage its assets. Once those BMP's are identified, effective management of the real estate portfolio and incorporation of the portfolio management within the responsibilities of the non-profit(s) could provide significant tools for economic development. A key component of New York's EDC operations is their management of the City's real estate portfolio.

First, assisting new and expanding businesses with identifying and securing sites can be a key component for encouraging economic growth. Pairing underutilized City-owned sites with businesses seeking sites could expedite the site identification process and provide leverage for the City, etc.

Second, fees the non-profit would receive from real estate portfolio management can be reinvested in attracting and retaining businesses and helping existing businesses grow. Whether through property sales or long term leases, while the proceeds of any sale or lease would be paid to the City, the non-profit would receive fees (generally a percentage of the revenue derived from the sale or lease), which could then be used for business development. It should be noted that this would also apply to the Proprietary Departments. Surface parking lots, vacant parcels and other underutilized real property assets at LAWA, the Harbor and the DWP could provide significant economic development opportunities. In many cases those properties are in industrial areas that could be used to generate quality manufacturing jobs. While, as discussed above, proceeds from the sale or lease of those properties would be paid to the Proprietary Departments, and particularly with the LAWA and Harbor, would be subject to Federal Aviation Administration and Tidelands Trust restrictions, the fees associated with managing those properties should be free of any restrictions and available for use for economic development. At this time it is not possible to estimate the potential magnitude of fees associated with property management, but potential revenues could be substantial.


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Attachments

Attachment One: Economic Development in Other Cities

Overview

In order to make a recommendation to Council we reviewed various Cities that have been successful in their economic development activities or are similar in size to Los Angeles. Below is a brief overview of some of the Cities that were reviewed.

Chicago, Illinois

In addition to a Department of Housing and Economic Development (DHED), the City of Chicago also created the Department of Business Affairs and Consumer Affairs (BCAP) in order to encourage economic development. With a staff of approximately 109, the purpose of the Department of Housing and Economic Development is to "promote development in Chicago through its housing, planning and zoning activities. The department implements the City's land use plans and policies and employs a variety of tools that encourage business and job creation, a highly skilled workforce and the building and preservation of affordable housing." Although the economic functions of the department are serviced by 19 full time equivalents (FTEs), other positions in the department have overlapping functions that might include some portion of support for economic development. The department is overseen by one Commissioner and the work program is subject to approval by the City Council and Mayor.

The DHED offers a number of financial assistance programs to Chicago businesses including grants, job-training, property cost write-downs (acquisition of City owned Properties) and tax-credits through the Chicago Development Fund, a non-profit organization similar to Los Angeles Development Fund. Funding for these programs include tax increment financing, new-market tax credits, enterprise zones, revenue bonds, and property tax incentives. The DHED also contracts with non-profits to manage Special Service Districts, which function similarly to Business Improvement Districts.

In 2006, the City of Chicago created the BACP in an effort to become more business friendly. One of the functions of the BACP is to serve as a one-stop shop for businesses and to serve as a primary point of contact for all city services. The BACP employs "Business Consultants," who act as primary points of contact for businesses and assist in resolving business license and permit issues.

The Mayor of Chicago also serves as the Chairman of World Business Chicago, a non-profit corporation which acts as an economic development office that coordinates business retention, attraction, and expansion. World Business Chicago performs research on economic and industry topics, provides site location assistance, brings together key parties, and provides information about business incentives. World Business Chicago is primarily funded from private sources but receives approximately 30 percent of its funding from the City of Chicago.

Austin, Texas

Austin has earned the reputation of being small business friendly (ranked #1 by Forbes in small business vitality) and is making great strides in attracting technology businesses, as evidenced by the recent announcement of a \$304 million new Apple campus to be built in Austin.

The Economic Growth and Redevelopment Services Office (EGRSO) serves as the main economic development arm for the City of Austin. The EGRSO consolidates the functions of Economic Development, Redevelopment, Small Business Development, International Economic Development, Cultural Arts Division, and Music Office into one department in order to "create a cultural and economic environment that enhances the vitality of the Community in a manner that preserves Austin's character and environment."

The City of Austin focuses on attracting new businesses, while also helping existing businesses. The EGRSO offers an Emerging Technologies Program, Business Expansion and Relocation program, Small Business Development Program, and International Economic Development Program. While some of these programs provide financial assistance to businesses, other like the Emerging Technologies Program provide mentoring services through consulting and connecting businesses with contacts/resources. The EGRSO also contracts with a number of non-profits, universities, and various Chambers of Commerce to develop programs and encourage business growth. The EGRSO works closely with the Greater Austin Economic Development Corp, which was established through the Austin Chamber of Commerce to develop a national marketing campaign to create awareness of Austin and develop and implement a strategy to attract Clean Energy technology businesses.

Austin also utilizes traditional economic development tools such as tax increment financing, bonds, and various tax incentives, but the City of Austin also has an agreement with Austin Energy (electricity utility), to provide consistent funding to the EGRSO for economic development activities to enhance electricity revenues. The EGRSO employs 46 FTEs, 27 of which work directly on economic development related activities.

San Diego, California

The City of San Diego Economic Development Division (EDD) and the Mayor's Office of Economic Growth Services are responsible for the bulk of the City's economic development activities. The purpose of the EDD is "to retain, attract, and maintain the type of businesses that contribute positively to the local economy." The division manages a number of economic development programs including, but not limited to: Business Improvement Districts, Community Parking Districts, Small Business Enhancement, Economic Development and Tourism Support Grant, and the Community Development Block Grant (CDBG) Program.

Mayor's Office Economic Growth Services serves as the main point of contact to assist businesses looking to start-up in San Diego, expand facilities, gain assistance with

permitting and take advantage of incentives. Funding for economic development programs is derived from a combination of General Funds, EDA loans, transit occupancy tax, and administrative fees derived from certain programs. San Diego is unique in that the City contracts with multiple non-profit development corporations that execute economic development activities on behalf of the City.

The success of these efforts is evidenced by high number of biotechnology, telecommunications, technology, and greentech companies that reside in San Diego. These industries were identified as part of a strategic effort to attract high-paying jobs to San Diego.

New York City, New York

The New York City Department of Small Business Services (SBS) contracts with the New York City Economic Development Corporation (NYCEDC), a non-profit corporation, to provide economic development services. The Department of SBS provides services to assist businesses with operations and job training, and oversees/supports its Business Improvement Districts. The SBS also contracts with the NYCEDC annually to provide the following services:

- Facilitating industrial, commercial, water front, maritime, market, aviation, rail freight and intermodal transportation development projects throughout the City;
- Stabilizing and improving existing industrial areas within the City;
- Providing other economic development services;
- Encouraging development of intrastate, interstate and international commerce and trade in the City;
- Promoting development, construction and reconstruction of markets, marginal streets, wharf property, water front property and airports; and,
- The making of loans, grants and subsidies and providing information regarding the availability of financial assistance for Applicants in the City from public and private sources, thereby enabling those Applicants to remain, expand or locate in the City and retain or increase the number of employment opportunities in the City.

In order to achieve these goals, the NYCEDC has developed a number of programs to address the needs of the business community including, but not limited to:

- Strategic Investments Group - develops customized plans to assist companies that are expanding or moving to New York City;
- Artist as Entrepreneur Program - executed by a non-profit with funding from the NYCEDC to provide business training to artists;
- Immigrant Entrepreneur Initiatives - providing funding for non-profits that support the development of growth opportunities for the immigrant entrepreneurial community;
- Graffiti Free NYC - Graffiti removal services; and,
- Development of "incubator" spaces with a focus on growing businesses in fields of Biomedical, Technology, and the Arts.

The NYCEDC offer a variety of tax incentives (sales tax exemption for construction materials, real estate tax exemptions, property tax abatements, etc.), financing mechanisms (bonds, new market tax-credits and grants), and discounted utility rates to spur economic development and job creation.

In addition, the NYCEDC performs a number of functions on behalf of the City of New York including, but not limited to: management of lease opportunities for City properties; real estate development; real estate procurement; and, completion of public improvement projects.

The NYCEDC is primarily funded by the City through funding agreements for specific projects and revenue generated by fees for various services. For FY2010-11, the NYCEDC had 389 employees with an operating budget of \$49.7 million and total budget of \$772.9 million. In comparison, the former CRA's FY2011-12 proposed operating budget was \$47.2 million based on a head count of 215 employees.

Attachment Two: Recent Efforts to Reform Economic Development

Selected Bibliography of Reports, Letters, Analyses Concerning an Economic Development Department		
August 15, 1989	Councilwoman Joan Milke Flores	Report seeking to improve the City's efforts in promotion of economic development
November 3, 1992	CLA	"City Economic Development"
January 15, 1993	CLA	"City Economic Development" (second report)
July 1, 1993	Depts	"Economic Development: A Strategy for City Leadership"
January 13, 1994	CAO and CLA	"Consolidation of Economic Development Functions"
May 2, 1994	CAO and CLA	"Follow Up Report on Consolidation Issues"
September 30, 1994	Mayor Riordan	Letter to Council re:consolidation plus program recommendations and department descriptions
October 4, 1994	CAO and CLA	"Reorganization of City Economic Development, Housing and Community Service Functions"
October 18, 1994	CAO	"Reorganization of City Economic Development, Housing and Community Service Functions"
October 25, 1994	CLA	"Reorganization of City Economic Development, Housing and Community Services Functions"
June 12, 1995	Capital Partnerships	"Organization and Governance Scenarios for Restructuring the Community Redevelopment Agency"
August 5, 1998	Councilman Svorinich	Letter to Councilman Hernandez outlining consolidation proposal
November 6, 1998	CLA	"Consolidation of City Economic Development Functions"
November 9, 1994	CLA	"Consolidation Working Group"
December 15, 1998	CLA and CAO	"Response to Questions Submitted by Mayor's Office"
February 14, 2000	CAO	"Report from the Public Participation Task Force on Economic Development"
August 10, 2000	CAO, Personnel	"Transfer of Community Redevelopment Agency Employees into City Service"

Attachment Three: Economic Development in the City of Los Angeles

Below is an overview of the City departments that currently play a role in economic development. There are also other City Departments not mentioned below (i.e. Departments of Finance and Transportation), which provide supportive and secondary economic development roles.

Community Development Department (CDD)

The Community Development Department provides a wide range of economic development programs and services aimed at improving economic growth in the City of Los Angeles. Through the state **Enterprise Zone** program, CDD provides businesses located in disadvantaged areas a variety of tax credits and other incentives designed to stimulate business growth and provide for new economic opportunities. The **Industrial Development Authority (IDA)** serves as a conduit-issuer of tax-exempt bonds to incentivize local manufacturing and processing companies to remain and expand, or relocate to the City of Los Angeles. The agencies' key goals include: job creation, job retention, and economic revitalization. The **Los Angeles BusinessSource Centers** are a group of non-profit organizations that provide startup companies and small businesses no-cost services in consulting, financing, workforce development, business planning, tax incentives, and business education.

The **Section 108 Loan Program** provides a minimum of \$2 million in gap financing for large commercial and industrial projects. Funds can be used for a variety of purposes, including acquisition, construction, equipment, legal and loan fees, relocation of a business to the City, and development of an incubator or industrial park. The program is available for projects anywhere within the City, with an emphasis on low-moderate income communities. The Section 108 Loan availability depends in large part on borrowing capacity accessible when funds are required

Workforce Investment Board (WIB) manages the expenditure of over \$50 million in federal workforce development funds. The WorkSource, OneSource, and Hire LA Youth programs provide services that benefit job seekers, laid off workers, youth, incumbent workers, new entrants to the workforce, veterans, people with disabilities, and employers. These programs focus on increasing employment and earnings, retaining jobs, and advancing occupational skills.

Los Angeles Development Fund (LADF)

The **Los Angeles Development Fund** is a non-profit organization established by the City of Los Angeles to administer the New Markets Tax Credits program (NMTC). The NMTC program is a federal program designed to promote economic development in low-income communities. The LADF sells its allotment of tax credits to investors for cash, which is then used to provide low-cost financing to projects in low-income communities. The LADF will target its financing towards projects that generate maximum economic and community benefits and promote job and wealth creation. While LADF's initial 2007 authority to raise \$75 million is due to be exhausted, in February 2012 LADF announced a new allocation of \$50 million.

Mayor's Office

The Mayor's economic development functions are performed by the **Office of Economic and Business Policy**. The Office features a web-based Incentive Finder and Resource Finder, which allows businesses to search for helpful information by location and keyword. For those wishing to start a new business in the City, the Business Startup Organizer provides the steps required, including information on required City permits, licenses, and registrations. The Office of Small Business and the Business Team are responsible for ensuring the success of the City's small businesses. The office provides information on the BusinessSource Centers, small business financing, hiring and employment resources, selling to the government, small business support organizations, and the Minority Business Development Agency Business Center-Los Angeles (MBC-LA). The International Business office works to increase the City's global business profile, enhance international trade opportunities for Los Angeles based companies, and serves as the point of contact for foreign businesses who wish to expand into the City.

City Administrative Officer (CAO)

The City Administrative Officer's economic development functions are found within the management of the FilmLA and LA Inc. contracts. **FilmLA** processes film permit requests, coordinates permit requirements with relevant City departments, confirms that a permit has been approved by the LAPD, and issues the permit on behalf of the City. The mission of **LA Inc.** is to promote the prosperity of the City's economy by marketing the City as a destination for domestic and international tourism, meetings, and conventions. The CAO additionally manages the **Office of Economic Analysis**, which is composed of a panel of on-call economic consultants that provide economic impact analysis.

Department of Building and Safety

The Department of Building and Safety's **Small Business Assistance Program** is designed to streamline the City's permitting process for small business owners. The department provides a free project feasibility study and helps applicants navigate the permitting process and access additional resources.

Planning Department

The **Housing Implementation Program** at the Department of City Planning offers pre-application consultation to promote the production of housing for residential projects involving the Density Bonus, projects located in the Greater Downtown Housing Incentive Area, state tax credit allocation, or subject to the Mello Act. Applicants receive guidance that ensures their projects are reviewed expeditiously and accurately.

Los Angeles Department of Water & Power (DWP)

The DWP Economic Development Group's (EDG) mission is to attract, retain, and expand businesses in the City of Los Angeles. EDG has boosted the Los Angeles economy through infrastructure loans, community redevelopment and beautification programs, business expansion and retention initiatives, case management, and outreach programs. The DWP **Electricity Rate Subsidy** offers a five-year electric rate discount to businesses newly located in a State Enterprise Zone or existing customers

in a zone who increase energy consumption by 35 percent. Discounts begin at 35 percent in year one and decrease to 10 percent in year five. The **Utility Infrastructure Loan Program** provides loans to businesses for design, equipment purchase, and construction of water conservation, energy-efficiency, utility infrastructure, and solar energy projects.

Los Angeles World Airports (LAWA)

Small contractors and subcontractors who are bidding on a LAWA project in need of their first bond or required to increase their bond capacity can seek out the help of the **Bond Assistance Program** to obtain Bid, Performance, and Payment Bond Guarantees. This program is designed to open up LAWA opportunities to the small business community. The **Business and Job Resources Center** provides airport contracting opportunities to the local business community, ensures greater access and transparency, hosts networking events, promotes international trade, offers job training, and provides monthly informational workshops on how to do business with LAWA. The First Source Hiring Program promotes the hiring of local residents from communities surrounding LAX.

Harbor Department

The **Foreign Trade Zones** at the Harbor Department allow companies to defer, reduce, or eliminate duties making it attractive for companies to perform some work on their products in the United States rather than offshore. The **Technology Advancement Program** is a grant program jointly funded and administered by the Ports of Los Angeles and Long Beach. The program's mission is to evaluate and demonstrate projects that contribute to an emissions free port. Through partnerships with LAWA, US Department of Commerce, Export-Import Bank, and additional agencies, the **Trade Connect** program connects small and medium businesses to exporting opportunities.

Bureau of Sanitation

The Bureau of Sanitation **Recycling Market Development Zone Loan Program** provides low interest loans to businesses and non-profits to promote the diversion of non-hazardous solid waste from landfills and encourage demand for secondary and postconsumer materials. The **Waste Assessment Program** offers free business waste assessments designed to increase recycling and reduce waste. The assessments may help businesses save money on waste disposal costs.

City Clerk

The City Clerk manages the **Business Improvement District** program, composed of assessment districts across the City that provide numerous services to improve the physical environment and marketing of specific business communities. Services include security, sidewalk cleaning, beautification, graffiti abatement, and programs aimed at making the district a more welcoming environment conducive to economic growth.