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Submitted in HCED Committee

Council File No: 08-3050

Item No.: 1

~~Item~~ Communication from the
CLA/CAO

Economic Development in Los Angeles: A New Approach for a World Class City

Presentation to the Los Angeles City Council
Ad Hoc Committee on Economic Development Structure



December 12, 2012

Team Profiles



Analyze. Advise. Act.
New York | Los Angeles | Washington DC

Founded 1976

Extensive experience working in City of Los Angeles on economic and policy issues and public and private real estate projects

NEW ECONOMIC DEVELOPMENT MODELS

- City of Los Angeles (1993)
- NYCEDC (Founding President)
- Cincinnati 3CDC
- Anacostia Waterfront Corporation
- Transport for London
- London Olympic Legacy Corporation
- Others (Chicago, Austin, etc.)



40 years
50 Offices
4,500 employees

Organizational Inventory/Analysis

Renata Simril

Former Deputy Mayor for Economic Development (Hahn Administration)

Former Managing Director, Public Institutions, Jones Lang LaSalle

Senior Advisor

Project Context

Council Actions

- Explore establishing an Economic Development Department (EDD)
- Evaluate current City economic development activities
- Assess other cities' economic development delivery structures
- Support the concept of an EDD + Nonprofit Partner (C.F. 08-3050)
- Create an Ad Hoc Committee on Economic Development Structure

Previous Reform Efforts

- 1992: Direction to CAO and CLA to study creation of an Economic Development Department
- 1993: Economic Development: A Strategy for Leadership
- 1996: Adoption of General Plan Framework Element, including policy for reorganization of economic development
- 1999: Public Participation Task Force on Economic Development
- 2007: Los Angeles Economy and Jobs Committee

Methodology

83 STAKEHOLDER INTERVIEWS

City Officials / Economic Development Partners / Private Sector Leaders

161 ONLINE SURVEY RECIPIENTS

7 Department Responses, 38 Stakeholder Responses

DETAILED ORGANIZATIONAL REVIEWS

19 City Departments & Proprietary Agencies

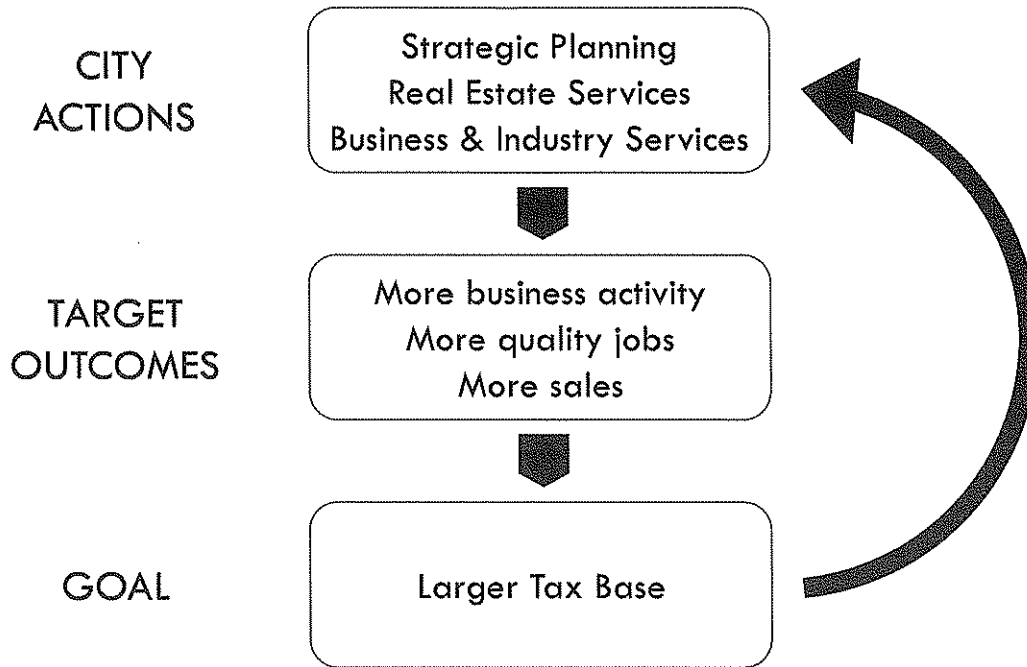
Budget Reviews

Economic Development Spending Work Sessions

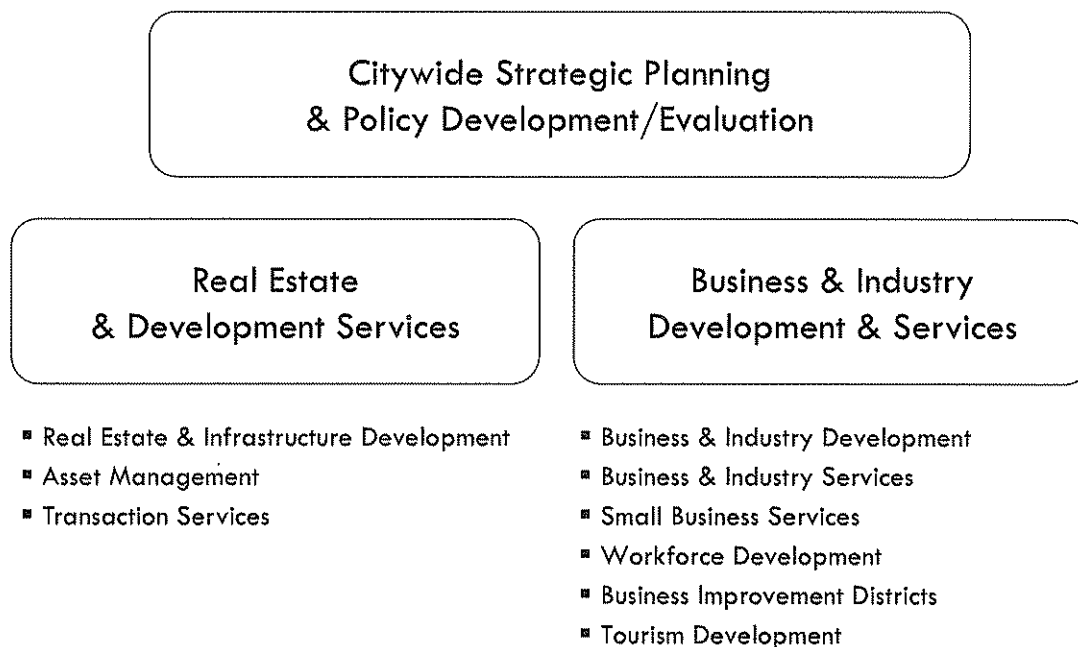
NATIONAL CASE STUDIES

Eight Cities: Austin, Boston, Chicago, Cincinnati,
New York, Philadelphia, San Diego, San Francisco

City Government & Economic Development: A Virtuous Cycle



City Government & Economic Development: A Functional Definition



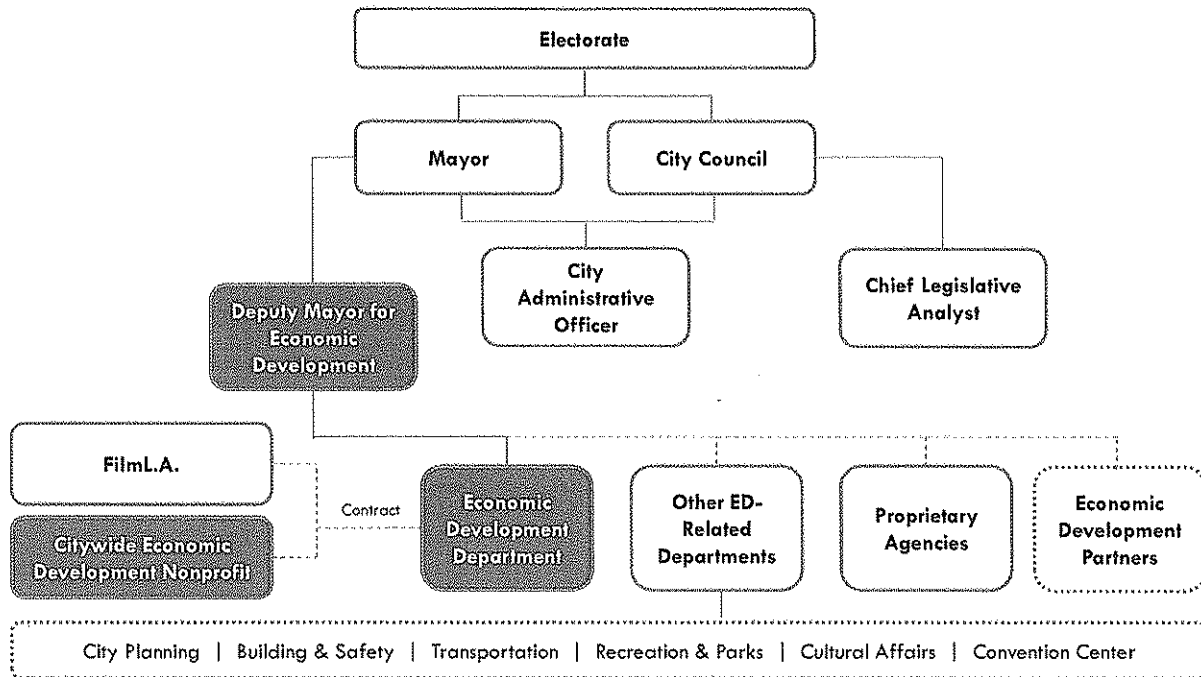
Key Findings: Lessons from Major American Cities

1. **FUNDAMENTALS** of the local economy must be very strong and regionally and internationally competitive
2. **LEADERSHIP** from Chief Executives must be focused citywide
3. **RESOURCES** for economic development must be commensurate to the mission
4. **FLEXIBILITY** of the economic development organization and operation is essential
5. **HUMAN TALENT** working on economic development must be highly skilled, entrepreneurial, and incentivized to succeed

Key Findings: Existing Conditions & Stakeholder Aspirations

1. **STRONG FUNDAMENTALS** are consistent with scale of nation's 2nd largest city
2. **WIDESPREAD CONSENSUS** that organizational change is needed to support improved economic development outcomes
3. **NEED FOR CITYWIDE FOCUS** and economic development prioritization
4. **A CRITICAL GAP** in economic development in the wake of CRA/LA dissolution
5. **A FRAGMENTED APPARATUS** that is reactive in nature, with mismatched responsibilities and resources

Proposed Delivery Model



New Economic Development Department (EDD): Services & Oversight

Provide service and support to the City's business, key industries and communities

Implement small business services, workforce development, BIDs, and industry-specific service desks

Oversee the new Citywide Economic Development Nonprofit (CEDN)

Manage contracts with CEDN and FilmL.A.; oversee CEDN's transactional, asset management, real estate, and strategic planning services

Prepare a citywide economic development strategy

Frame key issues and priorities; coordinate between key constituencies; utilize CEDN resources; obtain Mayoral/Council approval

Serve as clearinghouse for the City's distribution of federal and state resources for economic development

Manage resources (e.g., workforce development) and act as City signatory to deploy resources on specific CEDN projects

**New Citywide Economic Development Nonprofit (CEDN):
Recommended Organizational Characteristics Based on Best Practices**

INDEPENDENT 501(c)(3) NONPROFIT

that partners with the City on citywide economic development

MAJORITY PRIVATE SECTOR BOARD OF DIRECTORS

with leaders from business, finance, law, community partners, labor, higher education

TRANSACTIONAL, RESULTS-ORIENTED, FLEXIBLE

agent for implementing City policy

SELF-GOVERNED, BUT ACCOUNTABLE

to the electorate via CEDN's contract with EDD

**HIGHLY SKILLED, ENTREPRENEURIAL, PROFESSIONAL
STAFF**

incentivized to succeed

**New Citywide Economic Development Nonprofit (CEDN):
Transactions & Asset Management**

Manage the City's strategic real estate assets

Dispose of surplus properties from CRA/LA, reposition income-producing assets, and redevelop underutilized City assets

Manage the City's off-budget finance entities

Assume management of Los Angeles Development Fund (LADF) and Industrial Development Authority (IDA)

Advance major economic development and public-private real estate projects

Package fair deals and best returns to the City while minimizing risk; oversee/expedite master planning and entitlements

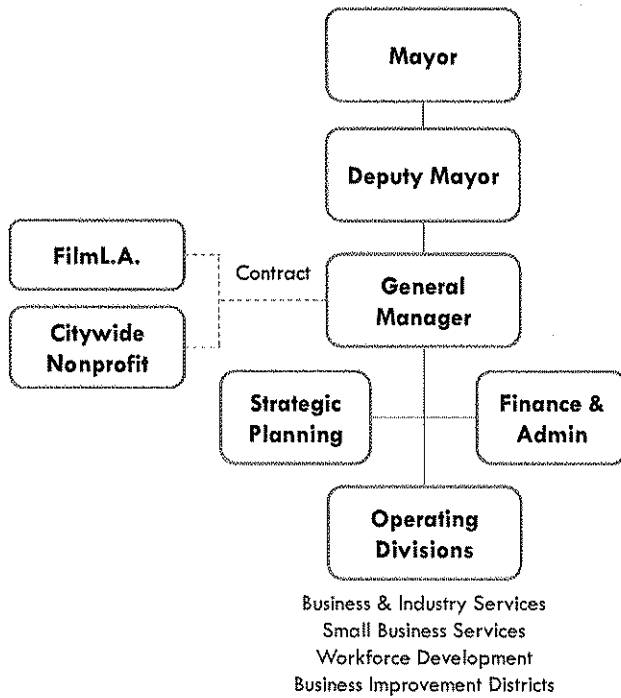
Provide expert analysis and negotiate transactions

Subject to appropriate City oversight and City approval

Conduct City-specific economic research and analysis

Produce the citywide economic development strategy at the EDD's direction; track performance and refine City strategy

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



Estimated Budget:

\$27.5 million

135-140 FTEs

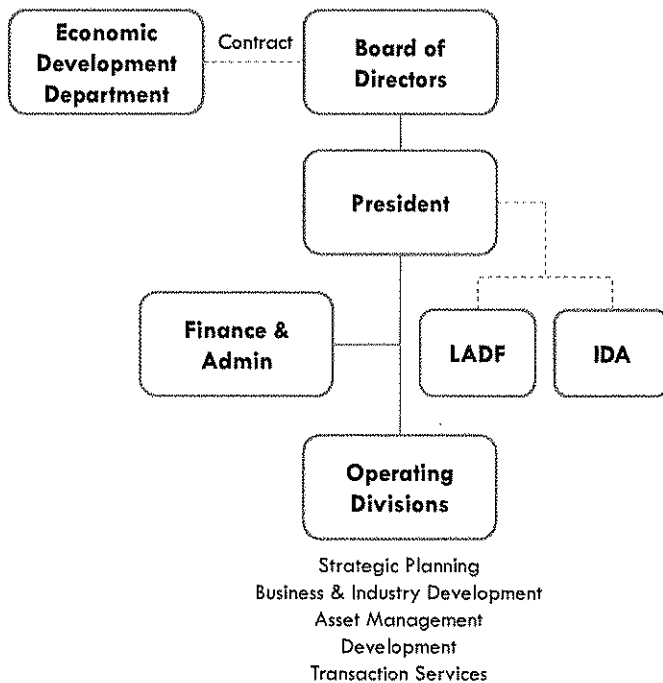
POTENTIAL FUNDING SOURCES

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

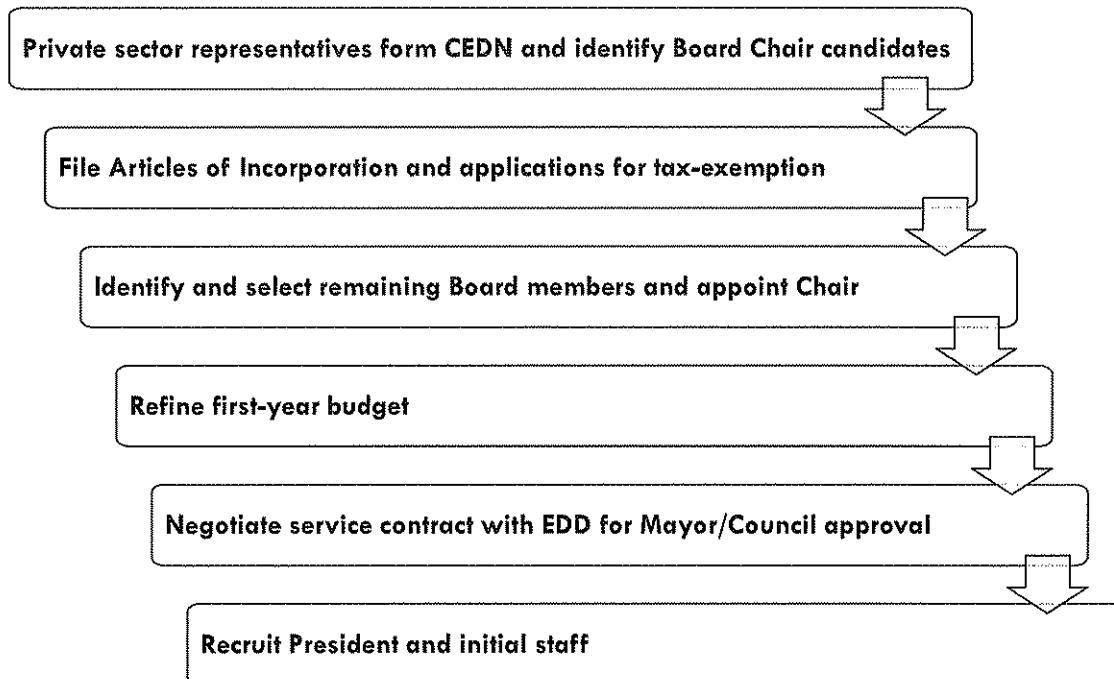
* Does not include private contributions to supplement City contract

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)



Conclusion

Recommended Structure

- New Economic Development Department
- New Citywide Economic Development Nonprofit
- Deputy Mayor for Economic Development

Basis for Recommendations

- Builds on national best practices, but tailored to the City of Los Angeles
- Invests existing City resources for initial operations
- Positions City for future business growth, job creation and expansion of the local tax base

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