

**CITY OF LOS ANGELES**  
**INTER-DEPARTMENTAL CORRESPONDENCE**

C.F. No. 08-3050

Date: April 2, 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: **STATUS REPORT RELATIVE TO A NEW ECONOMIC DEVELOPMENT  
DEPARTMENT AND REQUEST TO CONTRACT WITH A CITYWIDE NONPROFIT  
ORGANIZATION****SUMMARY**

On January 29, 2013, your Committee considered a report from the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) recommending that the Council approve the establishment of the new Economic Development Department (EDD) and express its intent to enter into a contract with a Citywide Economic Development Nonprofit (CEDN). On February 5, 2013, the Council further instructed that the CLA and CAO initiate the following steps relative to the development of the City's Economic Delivery Initiative (EDI): 1) identify potential CEDN candidates to provide development services on behalf of the City; 2) along with the City Attorney, prepare and submit within 60 days the objectives 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) local job creation, d) scope of services, and, e) deliverables and performance evaluation criteria; 3) include in the CEDN term sheet a component focused on immigrant business and strategy for workforce development, 4) report on an option to consolidate the Los Angeles Housing Department (LAHD) and the Community Development Department (CDD) into a new Housing and Neighborhood Development Department and include a list of powers and authorities needed to facilitate neighborhood-based urban renewal; and, 5) report within 30 days with specific recommendations regarding staffing, budget and departmental impacts relative to the EDD (C.F. 08-3050).

This report primarily addresses Instructions 4 and 5 above and focuses on the establishment of the EDD and related actions. Our Offices recommend that the EDD be established through the functional transfer of 185 positions, primarily from the Community Development Department (CDD), and with positions transferring from the Department of Public Works Bureau of Sanitation, CAO and the Office of the Mayor. It is further recommended that functions remaining within CDD be transferred to the LAHD. This recommendation is based on details provided in the Options Matrix that appears as Attachment 1 to this report.

In the same Council action (C.F. 08-3050), the Mayor was requested to include the implementation of the EDD and use of a CEDN in his FY 2013-14 Budget and the City Attorney was requested to prepare and present within 30 days the necessary ordinance to establish the EDD. Further, several questions were asked of the CLA and CAO by both the Council and Neighborhood Councils for discussion in future reports regarding the EDI. A Q&A document addressing many of these concerns appears as Attachment 3 to this report. Several of the concerns raised by the Council, such as the EDI strategic plan process and what elements it will include, the goals and performance metrics for the EDD, potential partnerships with proprietary departments and the achievement of equitable distribution of resources can be addressed during the General Manager's confirmation hearing before Council and its Committees. A follow-up report will be provided in 30 days that will focus on recommendations from Council action of February 5, 2013 outlining the objectives of a contract to be entered into with a CEDN.

### RECOMMENDATIONS

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

1. Establish the new Economic Development Department (EDD) by approving the draft Ordinance in substantial conformance and consistent with Mayor and Council intent as to the functions and powers assigned to and performed by the EDD that appears as Attachment 2 to this report;
2. Adopt the proposed transfer of functions to the new EDD as shown in Option 1 of the Options Matrix that appears as Attachment 1 to this report; and,
3. Instruct the CLA and CAO to issue a Request for Proposals for a Citywide Economic Development Nonprofit (CEDN) to provide economic development services on behalf of the City.

### FISCAL IMPACT STATEMENT

The recommendations have no impact on the General Fund. Funds proposed to create the Economic Development Department of approximately \$16.3 million include funds previously identified for existing departments and no new funds are proposed at this time. Approximately \$300,000 in direct costs associated with Community Development Department Neighborhood Development positions is unassigned as their departmental placement is undetermined at this time. The option recommended to transfer non EDD-related programs to the Los Angeles Housing Department is estimated to achieve up to \$1.7 million in cost avoidance over other proposed options.

GFM/MAS:GRS/JLK/KDU:02130074c

### Attachments

1. Consolidation Options Matrix
2. Draft EDD Ordinance
3. Q&A provided to Neighborhood Councils/Q&A in response to Council Questions of February 5, 2013

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## **FINDINGS**

### **1. Background**

In February 2012, the former Community Redevelopment Agency (CRA) and redevelopment agencies across the State were dissolved under Assembly Bill 1x26. 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 priority, and in June 2012, the Mayor and Council approved the concept of establishing a new economic development model (C.F. 08-3050). At the direction of the Mayor and Council, the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) hired a consultant who, in December 2012, provided a report recommending the consolidation of several existing functions in the City to be transferred and transitioned into a new Economic Development Department (EDD, C.F. 08-3050).

On January 29, 2013, your Committee considered a report from the CLA and CAO recommending 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 Mayor and Council further instructed that the CLA and CAO initiate the following steps: 1) identify potential CEDN candidates to provide development services on behalf of the City; 2) along with the City Attorney, prepare and submit within 60 days the objectives 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) local job creation, d) scope of services, and, e) deliverables and performance evaluation criteria; 3) include in the CEDN term sheet a component focused on immigrant business and strategy for workforce development; 4) report on an option to consolidate the Los Angeles Housing Department (LAHD) and the Community Development Department (CDD) into a new Housing and Neighborhood Development Department and list powers and authorities needed to provide neighborhood-based urban renewal; and, 5) report within 30 days with specific recommendations regarding staffing, budget and departmental impacts relative to the EDD (C.F. 08-3050).

Additionally, the Mayor was requested to include the implementation of the EDD and use of a CEDN in his FY 2013-14 Budget, and the City Attorney was requested to prepare and present within 30 days the necessary ordinance to establish the EDD. Finally, questions were asked of the CLA and CAO by the Council and Neighborhood Councils for discussion in future reports regarding the EDI. A Q&A document addressing many of these concerns appears as Attachment 3 to this report.

### **2. Proposed EDD Functions**

Each of the options presented in Attachment 1 allows for the core economic development functions, and therefore their associated positions (185, with 180 identified within CDD), to be transferred into the EDD as part of the Proposed FY 2013-14 Budget. Each of the CDD responsibilities below is identified as EDD-related based on its structural function within the CDD budget. This represents a functional transfer of responsibilities, in this case economic development, from one entity to another entity as provided for in Charter Section 514 (a). The EDD-related functions identified for transfer to the EDD are as follows:

*Community Development Department (180 positions; approximately \$15.8 million)*

- Economic Development Division, including program delivery and oversight of CDBG Economic Development Delivery;
- Enterprise Zones Management;
- BusinessSource System (includes Business Assistance Program and Business and Industry Services);
- Section 108 Program;
- Commissions (Workforce Investment Board, Industrial Development Authority and related staff);
- Workforce Development Programs (includes OneSource Centers, WorkSource Centers, Day Laborer, Cash for College, Construction Training and Placement Initiative and Hire LA);
- YouthSource Centers (includes Youth Opportunities Movement/Youth Employment);
- Executive Staff (General Manager and two Assistant General Managers); and,
- Support staff drawn from the CDD Administrative Services Division, Financial Management Division, Human Resources and Information Technology Divisions.

It should be noted that one function, Neighborhood Development, and its related staff who facilitate Neighborhood Facility Improvements and Neighborhood Improvements projects, has not been assigned to either the EDD or the remaining functions within CDD. The management of Neighborhood Improvement projects, a significant category of funding that is part of the CDBG Budget, has been defined in the past as both an economic development and a community services function. On one hand, management of these projects structurally appears within the CDD Budget as part of the Economic Development Program. These activities can leverage transit-oriented development initiatives with those of the Business Improvement Districts (BIDs) and the BusinessSource System. Further, these projects were identified as an economic development function in the consultant report. On the other hand, Neighborhood Improvement projects can be considered primarily a neighborhood strategy component and therefore could be viewed as a non-core function of economic development. It is also reasonable to place the responsibility of these projects with the Consolidated Plan Administrator function as described in Section 3 below. Therefore, the departmental placement of the Neighborhood Improvement projects and the positions that facilitate the function is undetermined at this time.

*Mayor's Office (3 positions, approximately \$299,000 in General Fund dollars)*

- Mayor's Office of Economic and Business Policy, Office of Small Business - Staff provide assistance to startup ventures and current small business owners by identifying effective tools to help these businesses succeed. These resources include small business financing guides, employment resources, procurement, client assessment and strategic business consulting. The three positions proposed for transfer will focus on small business, policy planning and industry support-desk services.

*CAO (1 position, approximately \$112,000 in General Fund dollars)*

- FilmLA. The City coordinates services to the entertainment industry primarily through a contract with FilmLA, a permit coordination service provider. FilmLA processes permit

requests, coordinates permit requirements with relevant City departments, confirms that a permit has been approved by the LAPD and releases the permit on behalf of the City once the permit has been issued by the LAPD (the designated as the permitting authority in the City). The FilmLA contract is currently administered by the CAO.

*Public Works, Bureau of Sanitation (1 position, approximately \$82,000 in special funds)*

- Brownfields Program - The goal of the City's Brownfields Program is to redevelop sites in need of remediation throughout Los Angeles with an emphasis on disadvantaged communities. One of the program's objectives is redeveloping these sites for commercial and industrial uses to stimulate private investment, creating jobs, and increasing public revenues. Created in 1997 (C.F. 95-0657), the Brownfields Program is currently managed by an inter-agency team including the Department of Public Works, CDD, City Attorney, CLA, City Council offices and the Mayor. A senior-level position within the Brownfields Resource Team provides financial and technical assistance of investigation, remediation and redevelopment of Brownfields sites for economic development purposes and is therefore recommended for transfer. Due to the elimination of the Environmental Affairs Department and CRA, the program is now managed and housed by the Department of Public Works, Bureau of Sanitation.

*Additional Functions to be Transferred to the EDD*

*(phased transfer)* City Clerk, Business Improvement District (BID) Administration. While the City's consultant recommended the transfer of the BID function from the Office of the City Clerk to the EDD, and we agree that the economic development function would be appropriate for future transfer, we do not recommend moving the function at this time due to the timing of election and billing issues associated with BID administration. It is envisioned that the functional transfer can occur in January 2014 when these matters have been concluded and the transfer can be conducted more efficiently.

*(phased transfer)* Asset Management Planning Unit, CAO. The Asset Management Strategic Planning Unit (AMSP) recently added to the Office of the CAO, as proposed, identifies opportunities, provides the framework for and performs preliminary analysis on various asset management planning needs in the City. There is a need to provide resources for strategic planning for both City needs and for the economic development function. The four positions provided to implement the AMSP will be used to meet both these needs, but further evaluation is required in order to establish how the City's asset management and economic development program will be divided among the CAO, Department of General Services and EDD.

### **3. Remaining Functions within CDD (100 positions, \$8.6 million)**

The following functions are part of CDD and are not recommended for transfer to the EDD because they are not identified as a core function of economic development. They include the following:

- Commissions (such as Commission for Community and Family Services, Commission on the Status of Women, Community Action Board and the Human Relations Commission);
- FamilySource System (includes Domestic Violence Shelter Programs);

- Consolidated Plan Administration, including Con Plan and CDBG Budget preparation and related contract management;
- Executive Staff (one Assistant General Manager); and,
- The CDD support staff assigned to these functions from Administrative Services, Financial Management, Human Resources and Information Technology Divisions.

There are a number of options for maintaining these important aspects of City services and these are detailed in Attachment 1 to this report. The options reviewed by our Offices are as follows:

- Option 1: Functional transfer of non-economic development programs to the LAHD;
- Option 2: Functional transfer of non-economic development programs to the Department of Aging (Aging), Department of Disability (DOD) or the Department of Neighborhood Empowerment (DONE);
- Option 3: Allowing the non-economic development programs to remain as a stand-alone option; and,
- Option 4: Creating a Human Services Department that fuses the social services functions of CDD, Aging and DOD.

Our Offices recommend Option 1 which moves the non-economic development functions from CDD to LAHD. While any of the above options is reasonable and the ultimate placement of the City's functions is a policy decision, we recommend Option 1 because:

- It is anticipated that operational efficiencies will be achieved in the administrative support functions within LAHD. As of February 2013, there were 74 vacancies within the department's 605 authorities;
- LAHD has the existing capacity to coordinate among City departments in planning and monitoring use and impact of multiple federal and State grant funds;
- LAHD and the social services delivery aspects of non EDD-related functions focus on the needs of both individuals and their neighborhoods, creating significant overlap in constituent demographics; and,
- This is the most cost effective option due to potential cost avoidance associated with augmenting an administrative structure needed to support other options.

While the Consolidated Plan administration is recommended to be transferred to LAHD, it is anticipated that the current process of establishing the annual Con Plan and its budgets will remain the same except that the CDBG administration will be handled by LAHD.

It is important to emphasize that all City positions are proposed to be transferred either to the EDD or to the LAHD. No employees will be laid off as a result of the formation of the EDD. It should also be noted that position and funding adjustments may be made in the Mayor's Proposed FY 2013-14 Budget in an effort to reduce costs to the City's General Fund and those adjustments may have an effect on the positions and funding available for both departments. Separately, future reporting by CDD and LAHD relative to grant reduction impacts, if any, resulting from sequestration could affect City departments that receive federal funding.

#### **4. EDD Ordinance**

In response to Mayor and City Council request, the City Attorney prepared a draft ordinance (Attachment 2) that establishes the new EDD, describes its purpose, discusses the appointment of the General Manager and Assistant General Managers and identifies the powers and duties assigned to the EDD under the direction of the General Manager. The Ordinance also establishes a four-year Citywide economic development strategy with input from the Mayor, Council, private economic development entities and other economic development partners. This economic development strategy is to be updated annually. The functions that the EDD is proposed to perform are consistent with the recommendations in this report; however, it is a policy decision regarding which and how many functions are transferred to the new department. Should the Council make decisions that impact the language in the proposed Ordinance, the City Attorney will issue a subsequent Ordinance adjusted to reflect Mayor and Council intent.

Among the responsibilities of the EDD is the control of real property that currently is or is intended to be used for economic development purposes. While these responsibilities are new to the EDD, it is important to note that these powers are not new to the City; they existed previously under the former CRA and continue, to a limited degree, under the City's Department of General Services.

#### **5. Outreach to Neighborhood Councils and the Public**

On March 6, 2013, the CLA and CAO, with assistance from DONE, provided a presentation regarding the EDI. A press release describing the EDI was e-mailed to approximately 1,700 Neighborhood Council Board Members and approximately 450 media outlets. An announcement regarding the meeting was included in the EmpowerLA Newsletter and e-mailed to 16,000 recipients. The CLA and CAO fielded questions and provided responses to approximately 40 Neighborhood Council representatives in attendance. An expanded version of the Q&A document provided to the Neighborhood Council representatives appears in Attachment 3 to this report. Continued outreach efforts will be made available through the EmpowerLA website, the City's main webpage and the CAO's home page. In addition, a new website dedicated specifically to the EDI <http://edi.lacity.org> is in construction and will be made available to the public at the end of March. The website will be continuously updated to contain the latest reports and developments relative to the EDI.

#### **6. Citywide Economic Development Nonprofit (CEDN)**

At the Council Meeting of February 5, 2013, (C.F. 08-3050), the CLA and CAO were instructed to identify potential CEDN candidates to provide economic development services on behalf of the City. The CLA, CAO, and City Attorney are currently developing a Request for Proposals (RFP) to solicit non-profit organizations to provide a wide range of economic development services on behalf of the City. Our offices will complete and issue an economic development services RFP that includes, but is not limited to, strategies relative to business attraction and retention, asset management, and business development and expansion.

Upon Council approval, the CLA and CAO will issue the RFP. In addition, as instructed by the Council, the CLA, CAO, Mayor and City Attorney will continue to prepare and develop the objectives of a CEDN contract and will submit a follow-up status report to your Committee within the next 30 days.

## 7. Next Steps

Several City departments will be required to assist in the establishment of the EDD. Transition issues include, but are not limited to, the following technical steps:

- The CAO will work with the EDD and Mayor to establish budgetary information such as the department number, programs, organization charts and performance metrics, and update grant information for both the EDD and LAHD;
- The Controller will be requested to establish a new department number for the EDD and outline other fiscal steps for financial transactions;
- The City Clerk will establish the authority for the EDD to transmit reports, contracts and other communications to the City Clerk and Council;
- The Council will assign the EDD to the appropriate Council Committee;
- The Ethics Commission will update ethics requirements for employees of the EDD and the ethics paperwork for Commissioners and Board members to include the EDD and updated functions assigned to LAHD;
- The Department of General Services will transfer and/or establish parking and printing account numbers, evaluate and consolidate office space and utilities under the EDD and update fleet authorization;
- The Information Technology Agency will convert existing systems accounts within the CDD to the EDD, work with the CDD to update the 311 content for the EDD and assist in space planning for any relocations, including server rooms, office connectivity and security;
- The Office of Finance will determine how to structure and transfer the current CDD trust funds into the EDD and LAHD as appropriate; and,
- The City Attorney will be requested to review the LAHD's operational ordinance to make functional updates as appropriate.

As previously discussed, if the establishment of the EDD by ordinance is approved by the Council, the following next steps should be taken relative to the CEDN:

- The CLA and CAO will issue a Request for Proposals;
- The CLA, CAO and City Attorney will continue work on the term sheet, contract, and other necessary documents and report to Council; and,
- The CLA and CAO will make a recommendation to Council to contract with a potential CEDN candidate(s) for selection.



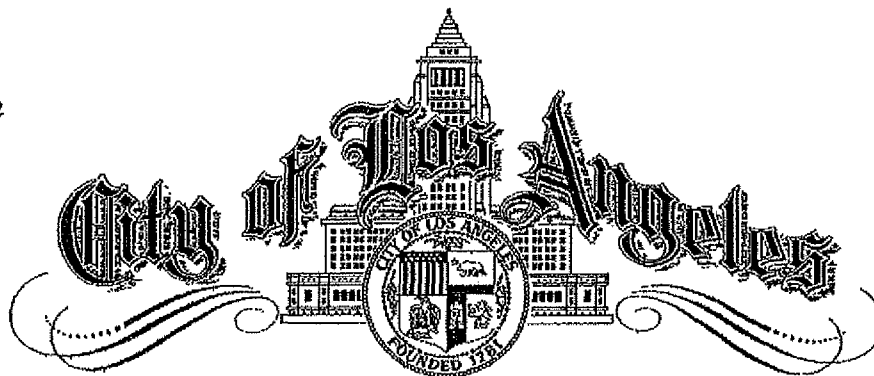
## Options for Non EDD-Related Programs Matrix

Options/Descriptions	Existing Position Authorities	Financial Impact	Pros	Cons
<p><b>1) Functional Transfer of 100 non-economic development program positions to the Housing Department (LAHD):</b></p> <p>Functionally transfer 100 positions to the Los Angeles Housing Department.</p>	<ul style="list-style-type: none"> <li>• 605 Authorized Positions (LAHD)</li> <li>  *531 Filled</li> <li>  *74 Vacant</li> </ul>	<ul style="list-style-type: none"> <li>• This option generates between \$700k and \$1.3 million in cost avoidance over Option 2, \$1.4 million in cost avoidance over Option 4 and \$1.8 million in cost avoidance over Option 3. Cost avoidance reflects only direct salary costs.</li> <li>• Costs would be avoided by using existing LAHD filled positions and authorized vacancies to support non-EDD CDD programs.</li> </ul>	<ul style="list-style-type: none"> <li>• Operational efficiencies are achieved through the absorption of administrative support functions utilizing existing staff and authorized vacancies.</li> <li>• Existing capacity to coordinate among various departments in planning and monitoring use and impact of multiple grant funds.</li> <li>• Housing and social services focus on needs of individuals in resident neighborhoods.</li> <li>• Significant overlap in constituent demographics.</li> <li>• Most cost effective option due to cost avoidance.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential concerns within the target service community regarding the type, quantity and quality of services to be provided by Housing.</li> <li>• Department size will increase 16.5% and management will need to reorganize to avoid diffusion of services.</li> <li>• Community Development services may become unfocused and diluted.</li> </ul>
<p><b>2) Functional Transfer of 100 non-economic development program positions to the Department of Aging (Aging) or the Department on Disability (Disability) or the Department of Neighborhood Empowerment (DONE):</b></p> <p>Functionally transfer 100 positions to one of the following: Aging, Disability, or DONE. Functional transfer to Aging or Disability results in social services focus; functional transfer to DONE results in neighborhood services focus.</p>	<ul style="list-style-type: none"> <li>• 51 Authorized Positions (Aging)</li> <li>  *38 Filled</li> <li>  *13 Vacant</li> <li>• 19 Authorized Positions (Disability)</li> <li>  *13 Filled</li> <li>  *6 Vacant</li> <li>• 23 Authorized Positions (DONE)</li> <li>  *21 Filled</li> <li>  *2 Vacant</li> </ul>	<ul style="list-style-type: none"> <li>• This option is less costly than Option 3 and Option 4, but is between \$700k and \$1.3 million more costly than Option 1.</li> <li>• This option would require 8-9 positions more than Option 1 depending on which recipient department is identified. Required positions would vary by Department, but the mix of positions include accounting, clerical, information technology, and managerial positions.</li> </ul>	<ul style="list-style-type: none"> <li>• Groups of activities have a broad social service nexus.</li> <li>• CDD's existing non-economic development programs become the main focus for recipient Department.</li> </ul>	<ul style="list-style-type: none"> <li>• Recipient Department's current focus and core mission would significantly change to accommodate non-economic development programs.</li> <li>• DONE is not a program delivery department.</li> <li>• Recipient Department's size would increase two-fold to five-fold.</li> <li>• On-going Costs for additional support positions.</li> <li>• Potential concerns within the target service community regarding the type, quantity and quality of services to be provided by resulting Department.</li> <li>• Historically, there have been concerns within the Aging and DOD advocate communities regarding services becoming unfocused and diffuse if those departments were consolidated with another department.</li> <li>• Less flexibility in modifying service delivery models to maximize limited resources due to limited staffing options.</li> </ul>
<p><b>3) Leave the 100 non-economic development program positions in the Community Development Department (CDD):</b></p> <p>Leave 100 positions as a stand-alone option in CDD and add position authority and funding for 18 new positions to create a functioning department.</p>	<ul style="list-style-type: none"> <li>• 100 Authorized Positions (CDD)</li> <li>• 18 New Positions</li> </ul>	<ul style="list-style-type: none"> <li>• This option is more costly than any other option because this option requires an executive team in addition to providing positions for support functions. Direct salaries associated with this option are approximately \$1.8 million.</li> <li>• This option would require 18 positions more than Option 1. Required positions would vary by Department, but the mix of positions include accounting, clerical, information technology and managerial positions including executive management.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-economic development and human services programs would continue to be provided by the CDD resulting in greater ease of service provider identification.</li> <li>• Easiest option to implement.</li> </ul>	<ul style="list-style-type: none"> <li>• On-going costs: This option requires more funding and personnel than any other option.</li> <li>• Less flexibility in modifying service delivery models to maximize limited resources due to limited staffing options.</li> </ul>
<p><b>4) Create a Community Development and Human Services Department:</b></p> <p>Leave 100 positions in CDD, functionally transfer human services programs from Aging and Disability to CDD, add position authority and funding for 16 new positions, delete position authority and funding for redundant management positions, and rename CDD "Community Development and Human Services Department".</p>	<ul style="list-style-type: none"> <li>• 100 Authorized Positions (CDD)</li> <li>• 51 Authorized Positions (Aging)</li> <li>  *38 Filled</li> <li>  *13 Vacant</li> <li>• 19 Authorized Positions (Disability)</li> <li>  *13 Filled</li> <li>  *6 Vacant</li> <li>• 16 New Positions</li> </ul>	<ul style="list-style-type: none"> <li>• This option is less costly than Option 3, but more costly than Option 1 or Option 2 option. Direct salaries associated with this option are approximately \$1.4 million.</li> <li>• This option would require 16 positions more than Option 1. Required positions would vary by Department, but the mix of positions include accounting, clerical, information technology, and managerial positions.</li> <li>• The costs in this option could be reduced to fall within the range of Option 2 if redundant management and management support functions were eliminated; to achieve this cost reduction, existing filled positions would need to be eliminated.</li> </ul>	<ul style="list-style-type: none"> <li>• Human services programs are consolidated into a single department.</li> <li>• "One-Stop" approach may reduce constituent confusion and reduces the number of departments providing social services.</li> <li>• Structural reduction in the City's management structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Layoffs/elimination of filled positions due to high-level duplication.</li> <li>• Departments identified for transfer may have concerns regarding potential loss of control over the type, quantity and quality of services.</li> <li>• Potential concerns within the target service community regarding the type, quantity and quality of services to be provided by resulting Department.</li> <li>• Historically, there have been concerns within the Aging and DOD advocate communities regarding services becoming unfocused and diffuse if absorbed into another department.</li> </ul>

Note that the number of positions included in the Mayor's Proposed FY 2013-14 Budget may vary.

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CARMEN A. TRUTANICH  
City Attorney

REPORT NO. R 13 - 0087  
MAR 26 2013

REPORT RE:

**DRAFT ORDINANCE CREATING AN ECONOMIC DEVELOPMENT DEPARTMENT AND CONSOLIDATING IN THE DEPARTMENT CITY ECONOMIC DEVELOPMENT ACTIVITIES, AND CREATING A MECHANISM FOR THE CONVEYANCE OF REAL PROPERTY TO FOSTER ECONOMIC DEVELOPMENT IN THE CITY**

The Honorable City Council  
of the City of Los Angeles  
Room 395 City Hall  
200 North Spring Street  
Los Angeles, California 90012

Honorable Members:

Pursuant to your request, this Office has prepared and now transmits for your consideration, approved as to form and legality, the enclosed draft ordinance creating an Economic Development Department that would be responsible for coordinating and enhancing economic development activities and creating job opportunities within the City.

Background and Summary of Ordinance Provisions

Your Honorable Body requested that this Office draft an ordinance as described above, and the enclosed draft ordinance incorporates the requested provisions. The draft ordinance consolidates economic development activities within the new department by transferring certain functions from the Community Development Department, as well as from other departments. Examples of programs to be transferred include the Workforce Development program and Community Development Block Grant Section 108 loans. The draft ordinance also transfers responsibility for the management, leasing and sales of real property for economic development purposes

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of the City of Los Angeles  
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from the Department of General Services to the new department. In addition, the draft ordinance creates a mechanism for the conveyance of real property at the fair reuse value, provided that the conveyance serves a public purpose and fosters economic development in the City.

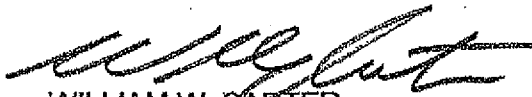
Council Rule 38 Referral

This draft ordinance has been reviewed by the Office of the Chief Legislative Analyst, the Office of the City Administrative Officer and the Mayor's Office and the ordinance incorporates their comments and suggestions. The draft ordinance is being transmitted to the Community Development Department and the Department of General Services with a request that any comments be transmitted directly to the City Council or its committees when this matter is considered.

If you have any questions regarding this matter, please contact Assistant City Attorney Curtis S. Kidder at (213)978-7736 or Deputy City Attorney Miguel Dager at (213)978-7740. They or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

CARMEN A. TRUTANICH, City Attorney

By   
WILLIAM W. CARTER  
Chief Deputy City Attorney

WWC:NV:ww  
Transmittal

**ORDINANCE NO. \_\_\_\_\_**

An ordinance adding Chapter 30 to Division 22 of the Los Angeles Administrative Code to create an Economic Development Department and to transfer and consolidate the economic development powers and duties of the Community Development Department and other City departments to the new Economic Development Department, adding Section 7.27.2 to Article 4 of Chapter 1 of Division 7 of the Los Angeles Administrative Code to establish a procedure for the conveyance of real property interests owned or controlled by the City for economic development, and repealing Articles 1, 2, 3, and 5 of Chapter 13 of Division 8 of the Los Angeles Administrative Code.

**WHEREAS**, the City of Los Angeles is a Charter City and the City Council is vested with all powers under the City Charter to enact ordinances regarding municipal affairs; and

**WHEREAS**, the City Council finds that with the elimination of The Community Redevelopment Agency of the City of Los Angeles, California certain economic development and financing tools that are necessary to revitalize communities and generate economic growth and development, expand the job base within the City and increase City revenues are no longer available; and

**WHEREAS**, the City Council finds that despite the existence of large industry clusters, institutions of higher education, a large and diverse population, access to international markets and vast municipal resources, expansion of economic activity in the City has lagged due in part to the complexity of the economic development processes and policies within the City; and

**WHEREAS**, the City Council finds that the creation of a new economic development model that will help the City meet its goals of creating new jobs, attracting new businesses and industries to the City, retaining existing businesses and industries and increasing general fund revenues are municipal concerns which will promote the health, safety and welfare of its residents by improving employment, retail, housing and commercial opportunities and aiding the City in providing necessary municipal services; and

**WHEREAS**, the City Council finds that the creation of an Economic Development Department tasked with, among other things, simplifying and consolidating the City's economic development processes and policies and partnering with private entities in development activities will create a more business friendly environment and allow the City to best leverage its use of City funds and resources with other public and private funding sources and resources; and

**WHEREAS**, the City Council finds that the transfer of City-owned real property, whether by sale or lease, conditioned on the development and future use of the property so as to promote economic development is a valid exercise of the City Charter powers

and that such real property is not surplus property or land within the meaning of the Los Angeles Administrative Code or California Government Code Section 54220, et seq.

**NOW, THEREFORE,**

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. Chapter 30 is added to Division 22 of the Los Angeles Administrative Code to read as follows:

**CHAPTER 30, ARTICLE 1**

**ECONOMIC DEVELOPMENT DEPARTMENT**

**Sec. 22.1000. Creation of Economic Development Department.**

There is hereby created a department of City government to be known as the Economic Development Department, hereinafter referred to in this Chapter as the Department.

**Sec. 22.1001. Purpose of the Department.**

It shall be the purpose of the Department to provide for the proper planning, coordination, promotion, stimulation, implementation and management of economic development activities within the City as part of a new economic development model whereby the City can more readily partner with other public entities and private entities to best leverage public and private funds to foster economic development within the City. Responsibility for management and implementation of economic development programs and activities previously assigned to other City departments is hereby transferred to the Department as necessary for the Department to commence transaction of business and to exercise powers under this Chapter.

**Sec. 22.1002. Economic Development Department-Policy and Management.**

The City Council, from time to time, will, upon recommendation from the appropriate Council Committee or the Mayor, or upon its own initiative, establish or amend policies governing the activities of the Economic Development Department.

The Department shall be under the administration, supervision and management of a General Manager of Economic Development, who shall be the General Manager and Chief Administrative Officer of the Department.

**Sec. 22.1003. Appointment of General Manager of Economic Development.**

The General Manager shall be appointed and removed as provided in Charter Section 508.

**Sec. 22.1004. Appointment and Removal of Assistant General Managers.**

The General Manager shall have the power to appoint and remove Assistant General Managers as may be authorized, who shall assist the General Manager in the performance of his or her duties. As provided in Charter Section 1001, Assistant General Managers shall be exempt from the provisions of Article X of the Charter.

The Assistant General Managers shall, in addition to other assigned duties, be authorized to exercise all powers and duties of the General Manager in the General Manager's absence.

**Sec. 22.1005. Powers and Duties of the General Manager.**

Subject to the provisions of this Chapter, as well as applicable Federal, State and local laws, the General Manager shall:

- (a) Have full charge and control of all work of the Department;
- (b) Have centralized authority over the planning, coordinating, promoting, implementing and managing of all economic development activities within the City;
- (c) Be responsible, upon the provision of resources, for the proper administration of Department activities including the administration of any publically funded economic development activity, whether funded by Federal, State, County or other governmental agencies or departments via grants-in-aid, block grants, special revenue sharing, loans, loan guarantees, new market tax credits, industrial development bonds and other economic development programs, and of any privately funded economic development activity, including public-private partnerships with financial institutions, investors, for-profit and non-profit corporations or any other person or entity and other activities assigned by the Council and the Mayor in order to carry out the functions set forth in this Chapter;
- (d) Recommend to the Council and Mayor a four-year City-wide economic development strategy with input from the Mayor, the City Council, interested private economic development entities and the City's other economic development partners that will be updated annually and that will set forth, among other things, the intended use of funds for economic development activities;

(e) Assist businesses with navigating the City's business-related processes and procedures and provide assistance to such entities in accessing State or federal programs;

(f) Establish a more business-friendly environment within the City to achieve the goals of increasing jobs, stimulating business activity and growing the City tax base;

(g) Evaluate the Los Angeles Small Business Source Program and make recommendations and/or implement changes to the program to ensure the City fulfills its objective of assisting small businesses;

(h) Establish a workforce development team to manage federal development initiatives and establish partnerships with industry groups and educational institutions to further develop job training programs for City residents;

(i) Manage WorkSource Center and YouthSource Center programs and other comprehensive employment and training programs to ensure that program priorities are consistent with the City-wide economic development strategy;

(j) Execute contracts and contract amendments in accordance with the Charter and Los Angeles Administrative Code to implement economic development projects, programs and activities;

(k) Prepare, maintain and update; as necessary, a comprehensive analysis of the City's economic environment, including physical, economic and social factors of economic development;

(l) Provide technical assistance and information relative to economic development to City departments, bureaus, agencies, officers and offices;

(m) Expend the funds of the Department in accordance with the provisions of the budget appropriations;

(n) Certify all expenditures to the Chief Accounting Employee of the Department; and

(o) Submit to the Mayor, with a copy to Council, an annual administrative budget prior to the beginning of each fiscal year covering the anticipated revenues and expenditures of the Department.

**Sec. 22.1006. Duties of Other Departments and Offices to Cooperate with Department.**

All departments, employees and officers of the City shall cooperate to the fullest extent with the Department to transfer and consolidate all economic development duties and functions into the Department; provided, however, that no such department, employee or officer shall be required to do anything which would conflict with the lawful, proper and necessary conduct of his, her or its duties.

**CHAPTER 30, ARTICLE 2**

**CONTROL, ACQUISITION AND DISPOSITION OF REAL PROPERTY  
FOR ECONOMIC DEVELOPMENT**

**Sec. 22.1007. Control of Real Property for Economic Development.**

Notwithstanding the authority provided to the Department of General Services in Division 22 of Chapter 21 of this Code, the Department shall have charge, superintendence and control of all City-owned real property, the use of which currently is or is intended to be for economic development purposes, projects or activities.

**Sec. 22.1008. Real Property.**

The Department shall, subject to the provisions of this Chapter, as well as applicable Federal, State and local laws, have the powers provided in this Section for the acquisition, development and disposition of real property for economic development purposes, projects and activities.

(a) **Acquisition of Real Property.** The Department, subject to Council authorization, shall have the power and is authorized to acquire any real property by purchase, lease, gift, devise or any other means authorized by law that may be necessary or convenient to carry out its economic development functions under this Chapter.

(b) **Demolition and Clearance of Real Property.** Except as otherwise provided in the Charter, the Department is authorized to perform the following powers on City-owned real property:

- (1) Demolish and clear buildings, structures and other improvements as necessary to carry out the purposes and objectives of this Chapter;
- (2) Take such actions as it deems reasonably necessary to prepare real property for development; and
- (3) Take such actions as it deems reasonably necessary to remedy any hazardous material or condition.



(c) **Conveyance of City Interests in Real Property.** The Department is authorized to convey any interest owned or controlled by the City in real property at its fair reuse value to carry out the public purposes and objectives of this Chapter in accordance with the procedures set forth in Section 7.27.2 of this Code. Any such conveyance shall be made pursuant to one or more agreements requiring the development, use and maintenance of such real property for economic development, and such agreement(s) shall additionally require as a condition precedent to the conveyance that one or more deed restrictions be recorded against the conveyed interest restricting the development and use and requiring the maintenance of such real property so as to insure that the economic development purpose for which the conveyance was made is fulfilled for such period of time as is determined to be appropriate. The conveyance of any such interest under the terms and conditions stated herein shall not render the real property as "surplus property" within the meaning of Chapter 1, of Article 4 of the Los Angeles Administrative Code (commencing with Section 7.21), nor shall it render the real property as "surplus land" within the meaning of Section 54221 of the California Government Code.

**Sec. 22.1009. Relocation of Displaced Persons.**

If and to the extent the execution of any agreement or any aspect of development or operation of an economic development project or activity results in the permanent or temporary displacement of any occupants of a site, the Department shall insure full compliance with applicable statutes and regulations with respect to relocation planning, advisory assistance and payment of monetary benefits.

Sec. 2. Section 7.27.2 is hereby added to Article 4, of Chapter 1 of Division 7 of the Los Angeles Administrative Code to read as follows:

**Sec. 7.27.2. Private Sale Procedures for Economic Development Purposes.**

Notwithstanding any other provision of this Code, the Economic Development Department is authorized to convey any interest owned or controlled by the City in any real property below its fair market value, subject to the Council making a finding that the conveyance at the price with the terms and conditions imposed thereon serves a public purpose. Such conveyance may be made by either sale or lease; however, the sale or lease shall be first approved by the City Council after public hearing and shall be subject to approval by the Mayor.

Any disposition of real property, whether by sale or lease, which is made at a price below fair market value shall be supported by findings and an appraisal setting forth the following:

- (a) The estimated fair market value of the interest to be conveyed, determined at the highest and best use;

(b) The purchase price or present value of the lease payments which the lessee will be required to make during the term of the lease;

(c) The conditions and covenants imposed by the City for the conveyance ("City Conditions") and an estimate of the increased development costs to be incurred by the developer of the real property as a result of compliance with the City Conditions;

(d) The estimated value of the interest to be conveyed determined at the use and with the City Conditions ("Fair Reuse Value"); and

(e) An explanation as to why the sale or lease of the real property will assist in the economic development of the City, with reference to all supporting facts and materials relied upon in making this explanation.

City's approval of a conveyance of any interest in real property at a price below the fair market value but at or above the Fair Reuse Value, along with a finding that the price of the conveyance upon the terms and conditions for development imposed thereon constitutes a public benefit.

Nothing contained herein shall be interpreted to authorize the Department to mortgage any real property in contravention of Charter Section 104(a) or to acquire, whether by eminent domain or voluntary sale, or to dispose of any real property in a manner not otherwise authorized by law.

Sec. 3. Articles 1, 2, 3, and 5 of Chapter 13 of Division 8 of the Los Angeles Administrative Code are repealed as of the effective date of this ordinance.

Sec. 4. **Severability.** If a court of competent jurisdiction finds any provision of this ordinance invalid, then the remaining provisions shall remain in full force and effect.

Sec. 5. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles; one copy on the bulletin board located at the Main Street entrance to Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of \_\_\_\_\_.

JUNE LAGMAY, City Clerk


By \_\_\_\_\_  
Deputy

Approved: \_\_\_\_\_

\_\_\_\_\_  
Mayor

Approved as to Form and Legality

Carmen A. Trutanich, City Attorney

By  \_\_\_\_\_  
Curtis S. Kidder, Assistant City Attorney

Date: March 22, 2013

File No. \_\_\_\_\_

# ATTACHMENT 3

## Q & A – Economic Development Initiative City of Los Angeles

Note: Questions 1-12 address Neighborhood Council concerns; Questions 13-18 address Council concerns.

Q1: *What is the Economic Development Initiative, and why is the City implementing this new model?*

A1: The Economic Development Initiative, or EDI, is composed of the new Economic Development Department (EDD) and the City-wide Economic Development Non-Profit (CEDN). Along with a new deputy mayor to help oversee economic development throughout the City, the objective is to establish an economic development framework that will make the City competitive in the global marketplace, grow current and new business sectors and address issues of unemployment, poverty and blight throughout the City. Other goals are to streamline the City's economic development process, package fair economic development deals and provide the best returns to the City while minimizing risk and develop and refine a Citywide economic development strategy.

Q2: *What is the difference between the EDD and the CEDN?*

A2: The EDD will be a City department that consolidates economic development functions that were previously housed in multiple City departments and in the former Community Redevelopment Agency (CRA). The framework approved by the Mayor and Council calls for the EDD to handle the human services aspects of economic development. EDD staff will be the primary contact for the CEDN to ensure compliance with regulations relative to the use of federal and State funding.

The City will contract with a CEDN as a separate, independent nonprofit agency that will be the transactional arm of economic development activities and will focus on bringing job growth and economic activity to the City. The CEDN's role will include identifying and assisting in securing locations for new or expanding businesses, providing guidance and expertise in launching new businesses, acting as a conduit between those with ideas for new businesses and business experts, equity capital and lenders, and advising the City on government processes that hinder business development. The CEDN will not be a public body, nor will the CEDN be established by the City.

Q3: *Is this a new version of the former CRA?*

A3: The EDI is not a new version of the former CRA; the CRA has been dissolved. The EDI is a new approach toward economic development as described in Q1 above.

Q4: *How will Councilmembers retain control over economic development projects in their district?*

A4: Councilmembers will continue to have approval and review opportunities in situations such as whether a business expands or relocates in a particular area, transaction structuring relative to public/private and major development projects and other public investments. Additional opportunities exist during the Citywide plan alignment, City asset disposition and assistance for Business Improvement Districts seeking funds. Councilmembers will also have an opportunity to comment or provide input on the Economic Development Strategic Plan, discussed in more detail below.

Q5: *At what point in the development process do Neighborhood Councils get involved? How will we have an opportunity to influence the economic development projects in our area?*

A5: There is no change in the current planning review process. Neighborhood Councils will have the same opportunities currently available for input in the development process. Neighborhood Councils will also have the same opportunities currently available to influence economic development projects, such as public hearings, Committee hearings and City Council meetings.

Q6: *How will the new Economic Development Department (EDD) be different from having the functions scattered across multiple departments?*

A6: Having various tasks associated with economic development located in a single model (project management, project development, financing, strategic planning, grant resources) will make it easier to coordinate the complex aspects of project implementation. The EDD will provide coordinated and streamlined economic development program services. Accountability for carrying out economic development projects will be centered primarily within the EDD.

Q7: *How much more will the new department and nonprofit cost? What is the fiscal impact?*

A7: The new EDD and the nonprofit are proposed to be funded with existing City funds, but the nonprofit may require additional funding. The components of the EDD will be made up of resources that currently reside within other City departments.

Q8: *Are there examples of this initiative in other cities?*

A8: The new EDD and the nonprofit are modeled after other successful examples of economic development entities in New York City, Boston, Chicago, Austin, Cincinnati, Philadelphia, San Diego and San Francisco.

Q9: *What happens if the City implements the model and then it doesn't work?*

A9: The City reviews its departments and the contracts they engage in annually through the budget process. If the EDI requires adjustments to deliver the product, recommendations can be made to improve processes within the EDI subject to Mayor and Council approval.

Q10: *How will we be assured that the new economic development department will be open and transparent?*

A10: The EDD is a City Department and like other City Departments would abide by all applicable requirements governing public entities, such as the California Public Records Act. Any use of City resources must be approved by the Mayor and Council.

Q11: *What is the Economic Development Strategic Plan?*

A11: The EDD will transmit to the Mayor and Council an Economic Development Strategic Plan (EDSP) that will guide the implementation of economic development efforts throughout the City. The Plan will be updated periodically to ensure that it reflects the changing economic development landscape over time and ensures that the City continues to make progress in creating quality jobs and economic activity.

Q12: *What does success look like under the new EDI?*

A12: The EDI will:

- Make the City more competitive in the global marketplace;
- Provide guidance and expertise in establishing new businesses;
- Address issues of unemployment, poverty and blight throughout the City;
- Advise the City on an ongoing basis of governmental processes or regulatory requirements that hinder business development;
- Facilitate business financing transactions;
- Streamline fragmented economic development efforts;
- Focus on business attraction and retention; and,
- Create quality jobs.

The Council on February 5, 2013, (C.F. 08-3050) instructed the CLA and CAO to respond to the following questions:

Q13: *What will be the role of the Council within the proposed economic development model, and how will Councilmembers be able to respond to their respective constituencies?*

A13: The Council will review and continue to approve all major actions by the EDD and the CEDN when City resources are utilized. Council approval will be necessary for projects that require public investment, financial assistance, land-

use changes and City-owned properties. In addition, the Council will continue to provide input and leadership on projects in their Council Districts consistent with the current process. The Council will also approve the EDSP that will include both a Citywide and Council District-specific focus. The land use and planning entitlement review processes will remain the same.

Q14: *How can the City's purchasing power (with companies with which it does business) be leveraged to foster good local hiring and training in both construction and permanent jobs?*

A14: The EDI includes the development of the EDSP to guide the implementation of economic development throughout the City. The EDSP will ensure that the EDD and the CEDN partner with City departments, including the Bureau of Contract Administration, to create maximum benefit to local businesses. The CEDN will assist with and carry out major projects and work hand-in-hand with the EDD to ensure local hiring and training programs are utilized. In some cases, project labor agreements and living wage jobs will be considered and may be incorporated into contracts similar to those carried out by the former CRA.

Q15: *Will the Brown Act and other state ethics laws apply to the CEDN?*

A15: The Brown Act will not apply to the CEDN. However, all State and federal laws that govern non-profits will be applicable.

Q16: *How can the City equitably allocate resources to replace/repair/clean sidewalks and roadways in the City center and in transit-oriented districts (around rail stations) to create desirable neighborhoods and in turn foster economic development?*

A16: The Deputy Mayor of Economic Development, the General Manager of the EDD, along with the CEDN, will work together to ensure that the City family will coordinate functions and leverage resources. The EDSP will also focus on the development of Transit Oriented Developments (TOD) and other similar initiatives.

Q17: *How will land use, zoning, and re-entitlement be integrated to foster economic development in the City?*

A17: Under the new Economic Development Initiative, all planning functions and responsibilities will remain consistent with current policies, but will be integrated with the EDSP. Any proposed land use changes will be processed through the City Commission and Council.

Q18: *How can the City address the inequity of bearing the brunt of providing affordable housing for the region's workforce while other cities in the region benefit from the jobs and the tax base?*

A18: The EDD will coordinate with City partners and implement a strategic plan that identifies areas suitable for housing, commercial or industrial development. In addition, under the EDI, City assets not identified for public facility purposes will be managed strategically and more efficiently and may serve as opportunity sites for economic development.

*Note that this is not an exhaustive list and will be continuously updated to answer public and Council concerns.*