

**TO THE COUNCIL OF THE  
CITY OF LOS ANGELES**

Your **HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT** Committee

**reports as follows:**

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to establishing an Economic Development Department.

Recommendations for Council action, as initiated by Motion (Smith – Huizar for Cardenas – Zine):

1. 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 the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) in order to fund a consultant, staffing, and program for the new Citywide economic development model.
2. INSTRUCT the City Administrative Officer and the Chief Legislative Analyst (CAO/CLA), or designees, within 90 days to: secure a consultant to assist in the development of the components and interactions of this new Department or entity and the non-profit entity, including the development of the necessary roles, responsibilities and tools that are required to implement the City's economic development goals; and the consultant to provide a report to the CAO/CLA for submittal to the Mayor and the City Council Housing, Community and Economic Development Committee on the new economic development entity including, but not limited to, the outline contained in the joint CAO/CLA report (dated April 17, 2012 contained in the Council File 08-3050).
3. INSTRUCT the CLA/CAO to report back in 45 days with a proposed structure for a not-for-profit entity so that if possible, the City can start moving forward with an economic development non-profit entity if the Council chooses to do so, that the City may start to form that in the interim while hiring and awaiting the report of the consultant.

Fiscal Impact Statement: The CAO/CLA report that 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.

Community Impact Statement: None submitted.

**SUMMARY**

At its regular meeting held on May 2, 2012, the Housing, Community and Economic Development (HCED) Committee considered a joint report from the CAO/CLA dated April 17, 2012 relative to establishing an Economic Development Department, as initiated by Motion (Smith – Huizar for Cardenas - Zine).

The Motion was initially referred to the Jobs, Business Growth and Tax Reform (Jobs), Personnel, and HCED Committees and the Motion recommended that the City consider consolidation of all economic development activities under a new Economic Development Department, and instructed the CAO to report back with recommendations and a framework for establishing the new Department. On April 17, 2009, the Personnel Committee waived consideration of the Motion and the Jobs Committee approved the Motion as amended to also include the consolidation of City economic activities under the management of a new Department of Economic Development, an instruction to the CLA/CAO to prepare and present the steps necessary to accomplish the consolidation, and a request to the City Attorney to draft the necessary ordinances establishing the new Department. The Jobs Committee then forwarded the matter to the HCED Committee for its consideration.

Pursuant to the recommendations of the amended Motion, the CAO/CLA prepared a joint report dated April 17, 2012 entitled Policy Options for Citywide Economic Development Functions and appeared before the HCED Committee on May 2, 2012 to present that report and to respond to related questions.

The CAO/CLA reported on the tax increment funds available to the City as a result of the dissolution of the former Community Redevelopment Agency of Los Angeles (CRA/LA) and noted that an estimated \$48 million was included in the Mayor's Fiscal Year (FY) 2012-13 budget, and that the City's estimated annual share of the tax increment going forward would be approximately \$18 – \$20 million. However, the final amount the City will receive is still being decided by the Oversight Board and the State Department of Finance and it is unlikely the City will receive any actual funds until after January 2013. As it stands now, \$2.5 million of seed money was included in the FY 2012-12 budget to fund economic development structure for the non-profit component of the City's proposed economic development entity.

During the discussion on this matter, the Committee questioned the creation of a new economic development department in light of the City's current financial difficulties and inquired about the possibility of housing the oversight of economic development functions and the proposed non-profit entity in an existing department such as the CAO or the CLA as a more cost effective alternative. The CLA/CAO responded that a centralized structure consolidating the City's economic development functions would still be necessary and is currently being determined. The CAO/CLA are proposing a both an economic development department to carry out City economic development activities and a proposed non-profit entity which would have the sole purpose of creating jobs and working to attract and incentivize businesses. There is no final determination on where the non-profit entity will be housed, and it could be housed wherever the Council deems. However, on a long term basis the CLA/CAO noted that it should be housed under one economic development structure.

The Committee requested that in future reports on this matter, the CAO/CLA also provide information on the cost of implementing the proposed economic development non-profit entity and the ongoing funding for it. Additionally, the CAO/CLA were requested to add Los Angeles Convention Center booking functions to the list of responsibilities that a new economic development entity would coordinate in order to ensure that Stadium/Convention Center campus stakeholders are included. Regarding ongoing funding for the economic development entity, the CAO reported that a portion of tax increment funding could be dedicated for this purpose, but that it would be part of the annual budget approval process and in response to the issue of coordinating Stadium/Convention Center bookings and tourism economic development activities, the CAO reported that it is in the process of preparing a report on this matter to the Council.

In further discussion relative to the proposed economic development non-profit entity, the Committee inquired about the purpose and functions of such an entity, its benefits, how it differs from other past economic development non-profits, and how the City can drive economic development without the tools and resources available to it under the former CRA/LA. Additionally, concern was expressed by the Committee that the report did not appear to include a strategy for micro-businesses (businesses with 10-20 employees) which have the largest number of jobs and where the greatest opportunities for economic development exist, and that the report did not adequately address internal coordination issues and lack of consistency between City agencies, such as Building and Safety, Transportation, Housing, Planning, etc., which can negatively impact the bottom-line of businesses.

In response to the inquiry regarding the role of the proposed economic development non-profit, the CAO/CLA reported that the non-profit would contract with the City to provide specific deliverables, potentially handle asset management and use City assets to generate economic development opportunities, and locate sources of funding such as venture capital and connect that funding with those who want to build businesses in the City. Ultimately, the Council and Mayor would develop overall economic development strategy and then contract with the non-profit entity to deliver on that strategy. Regarding driving economic development in the absence of the former CRA/LA, the City will have to determine how to do this however, the City now has greater leeway in terms of Citywide economic development since it is no longer tied to specific geographic lines. As far as micro-businesses, the CAO/CLA stated that the joint report is not intended to be a strategy document and that future reports can address this issue in greater detail. Lastly, in terms of internal coordination issues, the CAO/CLA acknowledged this is something the City needs to work on separately from the proposed non-profit role which is why the two economic development components were proposed.

The Committee then moved to approve two of the seven recommendations in the joint CAO/CLA report: Recommendation No. 7, relative to setting aside funds in the FY 2012-13 proposed budget from the proceeds of the City share of tax increment payments to fund a consultant; and Recommendation No. 2, an instruction to the CAO/CLA to hire the consultant within 90 days to prepare a report relative to proposed economic development entity as outlined in the joint CAO/CLA report and for the consultant's report to be submitted to the Mayor and the HCED Committee. The Committee also approved an additional instruction to the CAO/CLA to report back in 45 days with the proposed structure of a non-profit economic development entity so that the City can move forward with forming the non-profit entity while hiring and awaiting the report of the consultant, if the Council should so determine.

After providing an opportunity for public comment, the Committee recommended approval of the recommendations in the joint CAO/CLA report as amended. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
CARDENAS:	YES
REYES:	ABSENT
ALARCON:	YES
PERRY:	YES
WESSON:	ABSENT

REW  
5/7/12  
[08-3050\\_rpt\\_hced\\_5-2-12](#)

**Not Official Until Council Acts**