

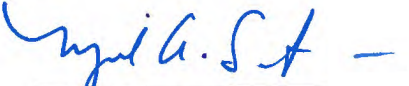
TRANSMITTAL

0220-04736-0007

To: Council	DATE 11-01-16	COUNCIL FILE NO. 12-1549-S3
From: Municipal Facilities Committee		COUNCIL DISTRICT all

At its meeting of October 27, 2016 the Municipal Facilities Committee adopted the recommendations of the attached Economic Workforce Development Department (EWDD) report, which is hereby transmitted for Council consideration. The report contains expenditure guidelines for the Economic Development Trust Fund (EDTF).

If approved 50 percent of the proceeds from the sale of City owned property will be deposited into the EDTF.



Miguel A. Santana
City Administrative Officer
Chair, Municipal Facilities Committee

MAS:JLVW:SMR151700033

JAN PERRY
GENERAL MANAGER

CITY OF LOS ANGELES
CALIFORNIA



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

October 4, 2016

Council File: 12-1549-S3
Council District: All
Contact Persons & Phone Numbers:
Sam Hughes: (213) 744-9723

Miguel A. Santana, City Administrative Officer
Chair, Municipal Facilities Committee
Room 1500, City Hall East

**COMMITTEE TRANSMITTAL: REPORT BACK TO THE MUNICIPAL FACILITIES
COMMITTEE WITH SPECIFIC GUIDELINES FOR THE EXPENDITURE OF FUNDS FROM
THE ECONOMIC DEVELOPMENT TRUST FUND**

RECOMMENDATIONS

The General Manager of the Economic and Workforce Development Department (EWDD), or designee, respectfully requests that the Municipal Facilities Committee review and approve this transmittal and forward to the City Council and Mayor to consider the following recommendations:

1. APPROVE the attached recommended guidelines for the expenditure of funds from the Economic Development Trust Fund (EDTF).
2. INSTRUCT the EWDD to report annually to the City Council and the Mayor's Office on the status of the EDTF including, but not limited to:
 - a) Amount of economic development incentives anticipated to be attained, or otherwise owing, for each Project for the upcoming fiscal year.
 - b) The maximum anticipated balance of incentives for each Project over the term of the Project Agreement(s).

FISCAL IMPACT STATEMENT

The recommendations in this report, if adopted, will result in the allocation of fifty percent of the sale or lease proceeds to the EDTF from City-owned properties that have been designated by the City Council for economic development use. The remaining fifty percent will be deposited in the Real Property Trust Fund of the Council District in which the proceeds were generated. Such diversion of Council approved sale or lease funds will result in reduced monies to the General Fund. The amount of sale or lease proceeds that will be deposited into the EDTF and Council District Real Property Trust Funds is unknown at this time.

BACKGROUND

On May 3, 2016, the City Council instructed the Economic and Workforce Development Department to report to the Municipal Facilities Committee (MFC) with specific guidelines for the expenditure of funds from the EDTF (C.F.12-1549-S3). Moreover, the City Attorney was directed to prepare and present an ordinance to establish a new interest-bearing EDTF, to be administered by the Economic and Workforce Development Department, to receive eligible proceeds from the sale or lease of City property for economic development purposes, in accordance with expenditure guidelines presented in this report. On September 13, 2016 (C.F. 16-0931), the Economic Development Committee approved the City Attorney report, dated August 12, 2016, and Ordinance relative to amending the Los Angeles Administrative Code to create the Economic Development Trust Fund and authorizing the use of real property trust funds to fund economic development. The Council File 16-0931 has been transmitted to the Entertainment and Facilities Committee and referred to the Budget and Finance Committee for further consideration.

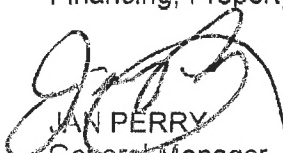
SUMMARY

The Real Property Asset Management Unit within the Economic Development Division of EWDD is focused on managing, analyzing and disposing of both optioned real property economic assets of the former redevelopment agency and other City-owned sites with economic development value.

EWDD, in a manner consistent with the department's authority per Ordinance No. 182500 to control and convey City properties that are intended for purposes that achieve the City's economic development goals, is focusing its efforts on improving the performance and productivity of the economic development real estate assets through property improvement, exploring alternative property usage, and exploring public-private partnerships that secure the City's tax base.

CONCLUSION

To better leverage City properties for sustainable economic development and job creation, and to facilitate an asset based approach to economic development, EWDD recommends the use of EDTF Funds for the revitalization of former CRA/LA project areas, areas with unemployment levels that exceed the City of Los Angeles average, areas where the average income is lower than the City of Los Angeles average, designated Federal, State and local economic development zones, and for projects generating a significant number of net new jobs in the City. Adoption of the recommended expenditure guidelines for the EDTF (see Attachment) will provide the funding to enact the economic framework to achieve revitalization through Gap Financing, Property Acquisition, Property Enhancement, and Economic Development.



JAN PERRY
General Manager

JP:SH

Attachment: Expenditure Guidelines for the Economic Development Trust Fund

EXPENDITURE GUIDELINES FOR THE CITY OF LOS ANGELES ECONOMIC DEVELOPMENT TRUST FUND (EDTF)

EDTF Description

The City of Los Angeles established the EDTF to fund future economic development projects and programs within City boundaries, and to serve as an economic development tool to encourage property development, business expansion, employment opportunities, and community investment. Fifty percent of sale or lease proceeds from City-owned properties that have been designated by the City Council for economic development use will be deposited to the EDTF. The remaining fifty percent will be deposited in the Real Property Trust Fund of the Council District in which the proceeds were generated. The Economic and Workforce Development Department (EWDD) will administer the EDTF.

EDTF Key Objectives

- facilitate the creation of vital development opportunities
- use public funds to assist the progress of private development and leverage new private sector and community based organization investment
- attract targeted industries, businesses, and commercial/retail uses
- retain and expand existing industries and businesses
- provide for infrastructure
- revitalize blighted and underutilized areas
- create jobs

EDTF Funding Guidelines

The amount of EDTF funding provided for a particular project will be based on:

- an analysis of new jobs created and wage levels
- level of capital investment
- project area unemployment/average income and fiscal stress (i.e. slow or low property tax revenue)
- whether a project area is in a former CRA/LA project area(s)
- whether a project area is in a designated Federal, State and/or local economic development zone(s)
- the City's interest in the project and resulting industry or company growth potential
- a determination of need for financial assistance from the EWDD to ensure the attraction and retention of eligible projects
- compliance with Fund objectives

EWDD staff will conduct a fiscal benefit analysis for each project and evaluate the total benefits projected from all financial incentive programs the City offers for the project, including, but not limited to tax abatement, grants and/or loans.

The General Manager of EWDD, or designee, will draft a narrative for each project or program considered for funding and forward to the Municipal Facilities Committee for review and approval. Each project narrative will describe the purpose of funding requested, the recommended funding amount, the project's public benefit, its relationship to the City's overall economic development goals and objectives, and the manner in which it meets other Fund objectives.

A narrative for each project or program considered for funding will be drafted and submitted to the Municipal Facilities Committee for review and approval by the General Manager of EWDD, or designee, describing the purpose of funding requested, the recommended funding amount, the project's public benefit, its relationship to the City's overall economic development goals and objectives, and the manner in which it meets other Fund objectives.

EDTF Eligible Project Categories

EDTF fund expenditures are for projects that will further the City's economic development strategy to bring about the creation, retention and attraction of businesses to facilitate job growth and workforce training. The EWDD may consider the following four categories of projects:

- **Gap Financing Project (GFP):** A project that requires EDTFs to fill a financial shortfall in the development pro forma as determined by EWDD underwriting guidelines. A GFP is a project in which debt service is paid from cash flow generated from leasing the property to third party tenants occupying space in the following property types: retail, industrial, warehouse, office space, hotel, and commercial.
- **Property Acquisition Project (PAP):** A project that requires EDTFs to purchase private or other public property for the creation of economic development opportunities.
- **Property Enhancement Project (PEP):** A project that requires EDTFs to construct, renovate or rehabilitate property or otherwise maintain property for the enhancement of the subject property including improvements to existing public infrastructure or construction of new public infrastructure, site preparation or demolition.
- **Economic Development Project (EDP):** A project that requires EDTFs for human service programs specific to job creation, technical assistance, professional services or economic development programs and projects.