

CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL
GENERAL MANAGER

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT



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ERIC GARCETTI
MAYOR

February 21, 2020

Council File: 13-0934-S2
Council District: All
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

City Council
c/o City Clerk
Room 395, City Hall

Attention: Heleen Ramirez, Legislative Coordinator

REPORT BACK: JOBS AND ECONOMIC DEVELOPMENT INCENTIVE (JEDI) ZONES ESTABLISHMENT POLICY AND RELATED ACTIONS

RECOMMENDATIONS

The General Manager of the Economic and Workforce Development Department (EWDD) or designee, respectfully requests that the City Council, subject to the approval of the Mayor as required:

1. AUTHORIZE the Controller to:
 - a. Transfer \$2.5 million from the UDAG Revenue Fund No. 356 into the Economic Development Trust Fund No. 62L and appropriate as follows:

Account	Title	Amount
22SXXX	JEDI Zone Program	1,500,000
22SXXX	Economic Development Projects	1,000,000
	Total	2,500,000

- b. Transfer funds from the Economic Development Trust Fund No. 62L to the following City departments for permit fee reductions:

Department	Fund No.	Fund Name	Amount
Building and Safety	48R/08	Building & Safety Permit Enterprise	700,000
Planning	52D/68	Planning Case Processing Sprew Fund	300,000

- 2. AUTHORIZE the General Manager of EWDD, or designee, to prepare Controller Instructions and/or make technical adjustments that may be required and are consistent with this action, subject to the approval of the City Administrative Officer (CAO), and instruct the Controller to implement these instructions;
- 3. AUTHORIZE the General Manager of EWDD, or designee, to release a Request for Qualifications (RFQ) to Development Expeditors knowledgeable about the City’s multi-faceted development services processes and, based on the recommendations of the JEDI Zones RFQ review team, place selected expeditors on a technical and operating services bench list based on the evaluation criteria set forth in the RFQ;
- 4. AUTHORIZE the General Manager of EWDD, or designee, to prepare and issue a Request for Bids (RFB) from the established bench list of consultants to select expeditor services for eligible JEDI Zone projects; and
- 5. AUTHORIZE the General Manager of EWDD, or designee, to prepare and execute an agreement with the selected consultant to perform the related expediting services.

FISCAL IMPACT STATEMENT

The Chief Legislative Analyst (CLA) has submitted a report dated January 16, 2020, recommending that the City Attorney prepare and present an ordinance to repeal the Subordinate Loans Revolving Special Fund (LA Admin Code Section 5.336(c)) and transfer all proceeds to the Economic Development Trust Fund (EDTF), of which the JEDI Zone program will exclusively use \$1.5 million. There is no impact to the General Fund.

SUMMARY

Pursuant to the Ad Hoc on Comprehensive Job Creation Plan Committee (Committee) instructions relative to the creation of JEDI Zones throughout the City, EWDD submitted a report dated August 21, 2019, relating to the development and feasibility of a JEDI Zone establishment policy and related incentives. The establishment policy and related incentives were developed in collaboration with City departments including the CLA, Department of City Planning (DCP), Department of Building and Safety (DBS), City Attorney’s Office (CA) and others. The Department of City Planning (DCP) indicated that small businesses are restricted by the cost of development service permit fees, while large business’ development projects are challenged by the lengthy time period required to secure development permits. As a result of feedback and recommendations from DCP, EWDD worked jointly with the City Attorney’s Office to develop the proposed JEDI Zone establishment policy and related incentives, including the fee reduction and expeditor services incentives that address the obstacles

communicated by DCP.

On August 28, 2019, the Committee approved the JEDI Zone establishment policy as amended and requested CAO report on the JEDI Zone establishment policy, including funding and potential impacts. In response to the Committee's instructions, CAO reported back to the Council and Mayor on September 19, 2019, with the following recommended activities:

1. EWDD to work with the Department of City Planning (DCP) and Department of Building and Safety (DBS) to develop the following:
 - Specific process to implement potential City development fee reductions for Jobs and Economic Development Incentive (JEDI) Zone businesses, including the method of applying the fee reduction for developers;
 - Impact and/or changes to current City service delivery systems necessary to implement the process including initial funding requirements;
 - Potential to utilize current DCP and DBS services to expedite the development permit process for JEDI Zone developers;
2. EWDD to work with Department of Public Works Bureau of Contract Administration, Department of Public Works Bureau of Sanitation, Los Angeles Fire Department, DCP, and other departments engaged in compliance monitoring to develop a process for coordinated services through EWDD to provide assistance to JEDI Zone businesses for corrective action in response to administrative notices of violations;
3. EWDD to initiate a Charter Section 1022 review process with the Personnel Department regarding the request to utilize consultant services to facilitate expedited City development permits;
4. EWDD to report to Council and Mayor regarding the findings of the activities recommended in Recommendations 1, 2, and 3 within 60 days;
5. In accordance with the City Financial Policies, EWDD to utilize the Fiscal Year 2020-21 budget development process to request resources necessary to implement the new JEDI Zone program and any other economic development tools, initiatives, and activities that may be contemplated as part of the Citywide Economic Development Strategy (C.F. 13-1090-S1).

EWDD provides the following updates to the activities recommended above:

1. EWDD has met and consulted with CAO, DCP, and DBS regarding the process for implementing permit fee reductions and applying the monies earmarked for the JEDI Zone program to recompense the permit-issuing department the reduced fee amount. EWDD will make an advanced payment to DCP and DBS of the fee reduction. Fee reductions will be applied at development services counters upon presentation of a certificate awarding the presenter the JEDI Zone fee reduction. Due to staffing levels and policies in place to ensure neutrality in awarding permits, EWDD has been advised that DCP and DBS are unable to favor JEDI Zone projects by expediting their permits;

2. EWDD has met with various departments to coordinate the compliance monitoring assistance service. We have not yet been able to meet and coordinate with all of the departments proposed for inclusion (e.g., Fire, Sanitation and others). However, while EWDD continues to work with the different departments, EWDD will provide assistance during the outreach phase of the JEDI Zone process for any compliance issues identified;
3. EWDD conducted a Charter 1022 review to determine whether the JEDI Zone incentive to expedite development services permits can more feasibly be performed by contractors than City employees. As a result of that process, it was determined there is insufficient City staff to perform the work proposed;
4. In this report, EWDD provides an update to Council and Mayor on activities 1, 2, and 3; and
5. EWDD has included a request in the Fiscal Year 2020-21 budget for \$750,000 for the JEDI Zone program.

EWDD will continue to seek resources and investments to increase the availability of business incentives, services, and programs to deliver economic opportunities to local industries.

DISCUSSION

Implementing Fee Reductions

The process for implementing permit fee reductions and applying the monies earmarked for the JEDI Zone program to compensate the permit-issuing department reduced fee amounts has been established. DBS and DCP require an advance payment to an EWDD customer account which will be allocated to recompense the permitting department the total amount of the permit fee reduced under the JEDI Zone program. The accounts for the advance payments to DCP and DBS have been identified and instructions to the Controller are included in this transmittal.

Upon Council approval of the report recommending an area's JEDI Zone designation, EWDD will conduct outreach to the area and market the enhanced services and incentives available. The package of economic incentives for JEDI Zone-selected areas, including procedures to utilize each incentive, will be delivered to each business in the zone. At that time, all projects making use of the permit fee reduction incentive will be issued a signed certificate authorizing the fee reduction. The JEDI Zone permit fee certificate will be presented by the customer to the permitting department. EWDD will establish a signatory and create a certificate authorizing the JEDI Zone fee reduction to the presenter at the development services counters. Upon presenting the certificate, the development fees to the customer will be reduced by up to \$10,000.

The amount of the reduction to permit fees will be charged to the EWDD customer accounts identified by DBS and DCP for advanced payment. Based on EWDD's research the majority of the permits required will be issued by DBS, and correspondingly it is estimated that seventy percent of the permit fees reductions will be issued by DBS. Therefore, we have recommended depositing seventy percent of the permit fee subsidy to DBS and thirty percent to DCP.

Monthly accounting reports of fund expenditures will be provided by DBS and DCP identifying the business names, property addresses, and subsidy amount for each project using the fee reduction. As JEDI Zones are established, the remaining balance will be reported in the fiscal impact report. Permit fee reduction funds will be used on a first come, first served basis until funds are exhausted.

Compliance Monitoring Assistance

EWDD reviewed the descriptions of over forty-five compliance monitoring functions/programs for inclusion in the compliance monitoring assistance service. EWDD found twenty-two programs wherein BRU can provide valuable services to help comply with administrative notices. The programs were selected to strengthen the sustainability of the enterprises in the JEDI Zones.

The table below provides the name, regulatory department, and description of the programs EWDD is recommending be included in the Compliance Monitoring Assistance incentive.

#	Regulatory Department	Program/Section Title	Description
1	City Attorney	Citywide Nuisance Abatement Program	The City Attorney's Citywide Nuisance Abatement Program is a coordinated multi-agency task force charged with targeting abandoned structures nuisance properties and blight plaguing neighborhoods throughout Los Angeles.
2	City Attorney	Tobacco Enforcement Program	The City Attorney's Tobacco Enforcement Program works closely with businesses and community organizations to ensure compliance with local, state and federal tobacco control laws.
3	Contract Admin	Peak Hours Construction Enforcement	The Peak Hours Section of the Bureau of Contract Administration is responsible for enforcing construction regulations on public streets during peak traffic hours of 6:00a.m. - 9:00a.m. and 3:30p.m.-7:00p.m.
4	Fire Department	Brush Clearance Enforcement	Los Angeles Fire Department (LAFD) Brush Clearance Unit is responsible in ensuring that properties comply with the Fire Code relative to brush clearance and care.
5	Fire Department	Cannabis Unit/Pre-license Inspection	The LAFD Cannabis Unit inspects cannabis businesses as part of the Licensing process for the Los Angeles Department of Cannabis Regulation.

#	Regulatory Department	Program/Section Title	Description
6	Fire Department	Fire Prevention Units	The Fire Prevention Units are responsible for ensuring that building plans and specifications are in compliance with the Fire Codes before issuing Fire Permits.
7	Fire Department	Hazardous Materials	The Hazardous Materials Certified Unified Program Agency (CUPA) issues permit for businesses that store hazardous materials or generate hazardous waste.
8	Fire Department	Hazardous Waste Generator Program	The Hazardous Waste Generator Program includes all businesses which generate wastes classified as hazardous under Federal Law (RCRA or the Resource Conservation Recovery Act) and/or State Law (Chapter 6.5 of the Health and Safety Code). This program includes facilities that operate onsite hazardous waste treatment programs (tiered permitting).
9	Fire Department	Underground Storage Tanks	The Underground Storage Tank (UST) Unit inspects existing Division 5 permits pertaining to underground storage tanks only.
10	Sanitation	Citywide Construction and Demolition Waste Recycling Requirements	All haulers and contractors responsible for handling C and D waste must obtain a Private Waste Hauler Permit from LASAN prior to collecting, hauling and transporting C and D waste, and C and D waste can only be taken to City certified C and D processing facilities. Non-compliance penalties of up to \$5,000 will be assessed for every load of C and D waste not taken to City certified processors. There are no longer any C and D rebates.
11	Sanitation	Fats, oil and grease (FOG) Control Program	Fats, oil and grease (FOG) can cause sewage backups and overflows. The FOG Control Program regulates Food Service Establishments (FSEs) to minimize the discharge of FOG into City sewers.

#	Regulatory Department	Program/Section Title	Description
12	Sanitation	Food Service Establishment (FSE) Waste Disposal Requirements	FSE is a facility engaged in preparing food for consumption by the public, such as but not limited to: restaurants, commercial kitchens, caterers, hotels, hospitals, prisons, correctional facilities or care institutions. This also includes bakeries, donut shops and public or private schools.
13	Sanitation	Industrial Wastewater Pretreatment Program	The Industrial Wastewater Pretreatment Program's objectives are to ensure the health and safety of the public and the environment while protecting the wastewater treatment plants including the byproducts of treatment: biosolids and recycled water.
14	Sanitation	Simplified Toxic Organics Management Plan for Industrial Users	Businesses that are required to monitor for toxic organic pollutants can submit a Toxic Organics Management Plan (TOMP) for their facility which eliminates the need for regular monitoring.
15	Street Services	Enforcement of Street Use Rules	The Bureau of Street Services Investigation and Enforcement Division regulates the use or misuse of the public right-of-way. Enforcement and regulatory activities in the Division fall within three general categories: construction, public health and safety, and community/event based operations.
16	Street Services	Illegal Construction/ Obstructions/ Encroachments	Construction projects require permits. Construction being done that encroaches on the public right-of-way, obstructs passage along sidewalks, etc. may be illegal.
17	Street Services	Lot Cleaning	The Lot Cleaning Division's mission is to improve and protect public health and safety as related to the existence of noxious vegetation, trash, debris and public nuisances on privately owned unimproved parcels and publicly owned unimproved parcels controlled by the Board of Public Works.

As EWDD conducts outreach to businesses in the designated JEDI Zones, EWDD staff will advise them about the EWDD Business Response Unit, who can match the business to appropriate support programs. Additionally, the businesses' needs will be assessed during the targeted outreach and marketing phase, therefore, any compliance issues will be identified and supported. Although EWDD has not yet met with all selected departments, EWDD can begin performing the compliance monitoring assistance service. EWDD will continue to meet and coordinate the service with the relevant departments.

Expedited Process For Development Permits

The EWDD is seeking to establish a bench list of prequalified permit expeditors. The anticipated scope of work shall include, but is not limited to:

1. Review blueprints and documents for commercial development projects;
2. Ensure projects meet zoning and building code compliance; and
3. Secure building permits for commercial projects.

EWDD requested the Personnel Department review the scope of work and advise whether City employees can or cannot perform the work. Personnel found that City employees in DCP, Airports, Recreation and Parks, Bureau of Sanitation, and Harbor Departments have the expertise to perform the work. EWDD reached out to all of the noted departments to find out if the City employees could feasibly conduct the work. All departments reported not having sufficient personnel to perform the work. In addition, due to the limited duration of the project if these staff were to be hired by the City, the City would need to lay off these additional staff after the JEDI Zone project is completed. EWDD's findings evidence that a contractor can more feasibly perform the scope of work for the incentive than the City employees, in accordance with Charter Section 1022.

CONCLUSION

Based on the results of the activities recommended by the CAO, the JEDI Zone's proposed incentives and key components can be feasibly implemented. The array of incentives for businesses to spur economic development can be supported by EWDD in collaboration with the necessary departments. EWDD will continue to coordinate with the relevant City departments to determine any changes that may be necessary.



CAROLYN M. HULL
General Manager

CH:SH:DH:JDR:vw

ATTACHMENT: Charter Sec 1022 Determination from CAO

**Report From
OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Charter Section 1022 Determination**

TO: (Department/Bureau and Division) Economic and Workforce Development Department	Contact: Jacqueline Rodriguez	Phone: 213 744 7185	Date: 01-22-20
Activity/Service to be Contracted: Establish a bench of pre-qualified permit expeditors to provide services including but not limited to the review of development plans and documents, ensuring zoning and building code compliance, and securing various development permits.		Type of Contract: (Check one) <input checked="" type="checkbox"/> NEW <input type="checkbox"/> AMEND Term: Five years	
Personnel Department Finding: CITY EMPLOYEES <u>HAVE</u> THE EXPERTISE TO PERFORM THE WORK. (Attach Personnel Department Contract Review Report).			

A. FEASIBILITY FINDINGS

This Office finds that, in accordance with Charter Section 1022, the work proposed to be contracted can be performed more feasibly by a contractor than by City employees for the following reason(s):	
<input checked="" type="checkbox"/>	There is insufficient existing City staff to perform the work proposed to be contracted and additional staff cannot be employed and trained in a timely manner to meet the department's needs.
<input checked="" type="checkbox"/>	The work is of limited scope or intermittent nature and it is unlikely that the City would be able to continue the employment of persons hired for this project.
<input type="checkbox"/>	Independent review is needed and/or the contractor has proprietary knowledge the City needs.
<input type="checkbox"/>	Council has declared an emergency pursuant to Charter Section 371 (e) (5) or (6), and neither existing nor additional staff is available in a timely manner to perform the work.
<input checked="" type="checkbox"/>	Other – see Comments Section below.

B. ECONOMIC FINDINGS

<input type="checkbox"/>	This Office finds that, in accordance with Charter Section 1022, the work proposed to be contracted can be performed more economically by a contractor than by City employees as summarized below. (Attach Contract Cost Analysis Form (CAO/ERD-2) completed by requesting department).				
	ESTIMATED COST OF CITY FORCES	TOTAL		PROPOSED CONTRACT COSTS	TOTAL
1	Cost of Civilian Positions		1	Proposed Contract Labor Costs	
2	Cost of Sworn Positions		2	Other Pertinent Contract Costs (if provided)	
3	Other Pertinent Costs (if applicable)		3	Civilian Department Contract Administration Costs	
			4	Sworn Department Contract Administration Costs	
	TOTALS	\$0		TOTALS	\$0

C. CONTRACTING IS NOT WARRANTED

<input type="checkbox"/>	This Office finds that, in accordance with Charter Section 1022, City employees have the expertise to perform the work proposed to be contracted, and it is not more feasible or economical to contract.
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D. COMMENTS

The Economic and Workforce Development Department (EWDD) seeks to establish a bench of pre-qualified contractors for future opportunities to provide services related to expediting the development permit process for businesses and projects located in qualifying Jobs and Economic Development Incentive (JEDI) Zones in the City. The scope of work includes reviewing development blueprints and documents, ensuring zoning and building code compliance, securing commercial building permits, and other related functions. The Personnel Department found that the City Planner, Senior City Planner, Associate Zoning Administrator, City Planning Associate, Construction and Maintenance Superintendent, and Civil Engineer classifications at various City Departments can perform the proposed work. EWDD contacted the Harbor Department, Los Angeles World Airports, Department of City Planning, Recreation and Parks, Bureau of Sanitation, Bureau of Engineering, and the Department of Aging regarding availability of their staff to perform the work. All of the contacted Departments state that no staff are available. EWDD states that the work is intermittent in nature. Staff hired for this work would need to be laid off at project completion. Therefore, this Office determines that the work can be performed more feasibly by contract than City forces due to insufficient City staff and the intermittent nature of the proposed work.

0150-11567-0000	<i>Shafiq Min</i> SAM	<i>acavasi</i> ACA	<i>Mark Chy</i> IC
Work Assignment Number	Analyst	Chief	Assistant CAO