
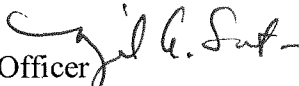


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: April 15, 2016

TO: Honorable Members of the Ad Hoc Committee on Comprehensive Job Creation Plan

FROM: Sharon M. Tso 
Chief Legislative Analyst Council File No. : 13-1090
Assignment No. : 16-03-0208

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City Administrative Officer Assignment No: 0220-05229-0000

SUBJECT: Citywide Economic Development Strategy

SUMMARY

This report responds to a Motion (Huizar – Cedillo, C.F. 13-1090) and a number of Committee instructions as described in the Related Actions section of this report. These instructions direct the Office of the Chief Legislative Analyst (CLA) and the Office of the City Administrative Officer (CAO) to report on the Economic and Workforce Development Department's (EWDD) efforts to create and implement a Citywide Economic Development Strategy. In response, this report provides: (1) elements that should be considered in an economic development strategy; (2) the City's organizational restructuring of economic development activities; (3) existing policy and new financing authorities that should be considered in a Citywide Economic Development Strategy; and (4) recommendations for EWDD to prepare a Request for Proposals (RFP) for the selection of a contractor to prepare the strategy, work with other departments in defining the RFP's scope of work, and report back to Mayor and Council.

EWDD's role has been shaped by its founding Ordinance and its ability to respond to the City's evolving economic development needs. Within the last four years, the City's economic development efforts have undergone significant restructuring, due in part to the dissolution of the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) and the Community Development Department (CDD). Given the department's experience in the last three years, this is an ideal time to identify areas that need coordination, restructuring or reinforcement for the department to form a foundation for a Citywide Economic Development Strategy. A multi-year Economic Development Strategy could lay out a clear vision for growth with goals and objectives that the City departments and stakeholders can work toward. The Economic Development Chapter of the General Plan and new financing tools available to the City to carry out economic development activities should also be considered in the strategy.

Funding for consultant costs for the development of a Citywide Economic Development Strategy is available in the Adopted Fiscal Year 2015-16 Unappropriated Balance (UB), Economic Development Initiative. This UB item has a current total of \$1.5 million for economic development activities, including strategic planning. The City Administrative Officer anticipates requesting the

balance of the Economic Development Initiative UB funding to be reappropriated for the 2016-17 Fiscal Year in the 2015-16 Year-End Financial Status Report to Council.

RECOMMENDATIONS

That the Council:

1. Authorize the General Manager, Economic and Workforce Development Department (EWDD), or designee, to prepare a Request for Proposals (RFP) for the selection of a consultant to prepare a Citywide Economic Development Strategy, subject to the review and approval of the City Attorney, and report back to Mayor and Council; and
2. Instruct the General Manager, EWDD, or designee, with the assistance of other departments as appropriate, to develop the Scope of Work for the RFP relative to the Citywide Economic Development Strategy.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund.

BACKGROUND

EWDD Prior Reports Relative to an Economic Development Strategy

In 2014 and 2015, EWDD prepared several reports addressing its role in forming an economic development strategy. In the March 27, 2015 report, EWDD recommends the adoption of the economic development work plan from prior April 7 and May 16, 2014 reports. In its latest report dated November 12, 2015, EWDD outlines EWDD goals to fulfill the department's purpose, including:

- Revitalize communities
- Generate economic growth and development
- Expand the job base within the City
- Increase City revenues
- Eliminate the complexity of the economic development processes and policies within the City
- Attract new businesses and industries to the City
- Retain existing businesses and industries

Our Offices recommend that the goals outlined in the November 12, 2015 report be addressed as the larger citywide strategy takes shape.

Economic Development Strategy

EWDD's reports outline the department's purpose under the Ordinance and goals that EWDD established to fulfill this purpose. These reports provide information on departmental work efforts, but do not provide a description of the City's economic development goals and objectives that guide this work. A long-term strategy with clear goals and objectives, short and long-term recommendations for programs and resource planning backed by community support can serve as a blueprint for the City's future economic development initiatives and allocation of resources. The strategy should consider and incorporate, at minimum:

- **Inter-departmental Coordination** - Roles and responsibilities for other departments that play a role in economic development initiatives throughout the City.
- **Existing Policies and Plans** – The (a) Economic Development chapter of the General Plan which outlines City's the policies and goals for economic growth. As an update to the General Plan is forthcoming, the department should propose recommendations for revisions, as necessary, to make more relevant to current economic conditions; and (b) Comprehensive Economic Development Strategy (CEDS) to align regional economic strategies and facilitate future CEDS updates.
- **Regional Conditions** - In January 2016, the Los Angeles County Board of Supervisors released the *Los Angeles County Strategic Plan for Economic Development*. This report can serve as a resource in assessing how the City can best align its goals with regional efforts.
- **Shared Vision** - Input from elected officials, City departments, and community stakeholders, including residents, business representatives, and economic development non-profits.
- **Mayor and Council Initiatives** – Recently proposed initiatives relative to creating a Small Business Commission, developing City-owned properties, exploring new economic development incentive zones, other initiatives currently proposed for Council consideration, and any economic development initiatives identified by the Mayor's Office.
- **Citywide Business Incentive Plan** – Create and maintain a Citywide Business Incentive Plan which would include a comprehensive list of existing incentives available to businesses in the City and identify any new incentives for Council consideration, based on a business services gap analysis. (This recommendation is also made under separate cover relative to Jobs and Economic Development Incentive Zones [JEDI Zones, C.F. 13-0934-S2]). Further, there should be effective marketing and facilitation of all Citywide incentives to current and prospective business owners.
- **Resources** – Resources needed to implement the strategy.

- **Metrics** – Metrics or performance indicators that can be used to track the strategy’s progress and outcomes.

Our Offices recommend that EWDD work with a third-party consultant, as necessary, to prepare a Citywide Economic Development Strategy, including the components described in this report.

Recent Economic Development Organizational Restructuring

There has been significant changes affecting the City’s delivery of economic development services. Prior to the formation of EWDD, several entities carried major economic development functions. Below is an overview of the departments and their previous roles. Upon the dissolution of these departments, EWDD was formed and absorbed some of these roles as noted below.

Former CRA/LA and Community Development Department - In 2012, when the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) dissolved, a number of functions, including asset management and development of CRA/LA-owned sites, were absorbed by City departments (e.g. City Administrative Officer, Housing and Community Investment Department, and General Services Department). EWDD is now assisting with many of these functions in effort to facilitate the development of City-owned properties for economic development purposes.

EWDD - On July 1, 2013, the Community Development Department was dissolved and EWDD was established. Some of the functions assumed by EWDD include: WorkSource and YouthSource Centers; BusinessSource Centers; Hire LA Youth; Industrial Development Authority; Day Laborer Program; and City Loans (Section 108). As a result of the dissolution, EWDD was established with 30 positions in its Economic Development program, and tasked with continuing certain economic development activities under the Housing and Community Development Consolidated Plan as well as planning, coordinating, and managing economic development activities within the City. Over the course of the 2013-14, 2014-15 and 2015-16 fiscal years, EWDD received funding and position authority for a total of six new positions for economic development and asset management activities. In the current fiscal year adopted budget, the Unappropriated Balance has set aside \$1 million for asset management and \$1.5 million for Economic Development Initiative activities, including strategic planning related to Citywide economic development.

General Plan – Economic Development Chapter

In creating the Citywide Economic Development Strategy, the City should consider utilizing the Economic Development Chapter of the General Plan (Chapter) as a guide that will help frame the goals of the future strategy. The overall planning objectives associated with this Chapter will help the City maximize economic development in terms of cost efficiencies and infrastructure, creating an attractive environment for investment. In addition to this, utilizing the objectives in the Chapter will help ensure that the nature of future economic development is aligned with the goals of citywide planning objectives for long-term growth.

The Chapter provides guidance for the City in achieving two goals: to provide the physical locations and competitive financial environment necessary to attract various types of economic

development to Los Angeles, and to encourage the geographic distribution of job growth in a manner supportive of the City's overall planning objectives. The Chapter emphasizes the need for meaningful development incentives that can attract investment into the City, as there are limited opportunities due to the increasingly competitive national economy. In order to achieve this, the Chapter emphasizes the need to concentrate and incentivize development in areas that have received less of a proportion of Citywide employment and development opportunities.

The Chapter advises utilizing a multi-pronged approach that helps guide economic development through a combination of streamlined approval processes and economic incentives. Economic development incentives include the reuse of existing land, stimulation of concentrated commercial and mixed-use development near transit corridors and in historically under-developed areas, and the creation of industrial preservation zones in order to maintain a core manufacturing base.

The Department of City Planning (Planning) is currently undergoing the process of updating the General Plan, which is being referred to as pLAN 2040. Updates to the General Plan will include amendments to several aspects of the Economic Development Chapter in order to remain applicable to the current and future economic landscape of the City of Los Angeles. Planning anticipates for pLAN 2040 to be complete by 2020. Although the General Plan is currently under revision, the EWDD should continue to move forward in creating an Economic Development Strategy that utilizes the current objectives and policies of the chapter inasmuch as they remain relevant and, if needed, work with Planning toward the completion of pLAN 2040. EWDD should provide continuous input every three to five years to ensure the relevancy and efficiency of the Economic Development Chapter.

Financing Tools and Authorities

New State financing authorities to form Enhanced Infrastructure Financing Districts (EIFD) and Community Revitalization and Investment Authorities (CRIA) are being studied by EWDD, as directed by City actions (C.F. 15-1195, 14-1349, 14-1349 S1-S2, and 15-1195). These financing tools would direct a portion of City tax increment and possibly leverage with other entities additional funding for infrastructure improvements and programs to support economic development activity. In addition, at the local level, EWDD has been requested by the Ad Hoc Committee on Comprehensive Job Creation Plan to study the implementation of Jobs and Economic Development Incentive (JEDI) Zones to target specific incentives to areas where economic activity may thrive (C.F. 13-0934-S2). A strategy should incorporate the potential benefits of these additional tools to help carry out economic development in the City as well as any related financial and policy implications.

Related Actions

This report responds to the original Motion (Attachment A) and several instructions that followed. On August 20, 2013, a Motion (Huizar – Cedillo) was introduced instructing the Economic Development Department (now EWDD), CLA and CAO to report with an accounting of revenues

and projected revenues, along with recommendations for the use of CRA/LA funds for economic development in areas which previously had CRA/LA coverage (C.F. 13-1090).

On October 13, 2015, the City Council adopted an Economic Development Committee (EDC) report pursuant to a Motion (Attachment A) and 2014 budget instructions (14-0600-S79, 14-0600-S80, 14-0600-S81, and 14-0600-S82), relative to the EWDD's efforts to create a Citywide economic development plan, establish department economic development functions, fund these initiatives and implement its role in the City's economic development strategy, including the following recommendations:

1. Note and file EWDD reports dated March 27, 2015, May 16, 2014 and April 7, 2014;
2. Instruct the EWDD, CLA and CAO to report with recommendations to implement to economic development actions identified in the EWDD report dated March 27, 2015; and
3. Direct the CLA to report on the use of boomerang funds for affordable housing and economic development purposes.

This report responds to instruction no. 2 above. A report relative to instruction no. 3 above on the use of boomerang funds is being prepared under separate cover.

On November 18, 2015, the Ad Hoc Committee on Comprehensive Job Creation Plan heard the EWDD's report (dated November 12, 2015) relative to creating a Citywide Economic Development Plan. The Committee provided the following instructions on this item:

1. Hold the EWDD report in Committee;
2. Instruct EWDD to report on an overall economic development strategy with metrics and look at the General Plan's Economic Development chapter;
3. Instruct CLA and CAO to report with recommendations on EWDD's March 27, November 12, 2015 reports and EWDD's overall economic development strategy; and
4. Instruct EWDD to report on the Section 108 program.

This report responds to instructions no. 2 and no. 3 above. In response to instruction no. 4, EWDD reported on the Section 108 program under separate cover (report dated January 25, 2016) and Council adopted the report with amended instructions on February 24, 2016.

Attachment: A. Motion (Huizar – Cedillo)

SMT:MAS/DH:SAM

13-1090

MOTION

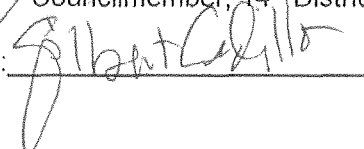
The former Community Redevelopment Agency (CRA) was a powerful tool for economic development within approved CRA project areas in the City of Los Angeles. CRA activities were funded by the use of tax increment. 30% of the funding which previously went to the CRA amounts to tens of millions of dollars annually, which now comes directly to the City of Los Angeles.

City Council has not yet developed a specific policy for the use of these funds, which should be used, among other resources, to promote economic development in areas which previously had CRA coverage and which are now grappling with the loss of economic development functions and funding eliminated with the dissolution of the CRA.

I THEREFORE MOVE that the city's Economic Development Department, Chief Legislative Analyst and City Administrative Officer report to the Economic Development Committee within 30 days, with an accounting of revenues and projected revenues, along with recommendations for the use of these former CRA funds for economic development in areas which previously had CRA coverage.

PRESENTED BY: 
JOSE HUIZAR

Councilmember, 14th District

SECONDED BY: 

jwm

AUG 20 2013

AUG 20 2013

ORIGINAL

