

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 6, 2018

CAO File No. 0220-05486-000

Council File No. 13-1090-S1

Council District: All

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Economic and Workforce Development Department Transmittal dated June 15, 2018; Received by the City Administrative Officer on June 28, 2018

Subject: **REQUEST TO APPROVE DRAFT CITYWIDE ECONOMIC DEVELOPMENT STRATEGY AND FIVE-YEAR IMPLEMENTATION PLAN**

RECOMMENDATION

That the Council, subject to the approval of the Mayor, instruct the General Manager, Economic and Workforce Development Department (EWDD), or designee, to report regarding the following, prior to the Council taking action on the proposed Citywide Economic Development Strategy (CEDS) and Five-Year Implementation Plan:

- 1) A recommended model for the implementation of the economic development delivery proposal from among the four models listed in the CEDS Implementation Plan Action (Plan Action) 1A and identify funding that would be required;
- 2) Among the recommendations proposed in the 16 CEDS Plan Actions,
 - a. Identify those that are existing City efforts; and
 - b. Prioritize the new recommendations for implementation and the funding required;
- 3) Confirm that the City Departments designated as lead or supporting entity in the proposed CEDS Plan Actions concur with the recommendations in the report and whether additional resources are required to implement the recommendations.

SUMMARY

The Economic and Workforce Development Department (EWDD) requests approval of the draft Citywide Economic Development Strategy (CEDS) and Five-Year Implementation Plan prepared in consultation with HR&A Advisors, Inc. (HR&A), and included in Attachment A of the EWDD Transmittal dated June 15, 2018 (C.F. 13-1090-S1). EWDD also requests approval to submit a final CEDS for Council and Mayor approval.

The comprehensive draft CEDS included in Attachment A of the EWDD Transmittal (C.F. 13-1090-S1) includes 16 Implementation Plan Actions (Plan Actions), potential funding sources, Focus Area Strategies pertaining to five historically underinvested areas of the City, and a 392-page set of Appendixes. The Appendixes provide overviews of demographic, economic, and industrial data; economic development existing conditions; study of best practices in New York City, Philadelphia, Austin, and London; a strengths, weaknesses, opportunities, and threats assessment; summary of feedback on the draft CEDS; and U.S. Economic Development Agency eligibility criteria for grants and census tract information.

In order to provide the Council with guidance on the consideration of the comprehensive draft CEDS, our Office recommends that EWDD report to the Council and Mayor with their recommended model for the implementation of the proposed new economic development delivery structure and the required funding; identification of current City economic development activity that has been included in the draft CEDS, prioritization of the new recommendations for implementation and the required funding; and identification of City Departments that have been designated as lead or supporting entities in the various proposed CEDS Plan Actions and that concur with and are able to implement the recommendations without additional resources.

BACKGROUND

On October 26, 2016, the Council approved the Citywide Comprehensive Job Plan (Job Plan) included in Attachment B of the Office of the Chief Legislative Analyst Report dated August 19, 2016 (C.F. 15-0850). Goal 1H of the Job Plan authorized EWDD to prepare a Request for Proposals (RFP) for the selection of a consultant to prepare a CEDS, and instructed EWDD, with the assistance of other departments as appropriate, to develop a scope of work for the RFP to include various issues listed on p. 33 of Attachment B to the CLA Report dated August 19, 2016. On June 14, 2017, the Council and Mayor approved EWDD's recommendation to select HR&A as a consultant as a result of the RFP process, and provided authority for EWDD to negotiate and execute an agreement with HR&A effective from June 19, 2017 through February 28, 2018 to develop a CEDS (C.F. 13-1090-S1).

CEDS OVERVIEW

The draft CEDS provides a wide-ranging discussion of various current City activities and pending or potential new initiatives in pursuit of economic, business, and jobs development and enhancement for the City's residents and businesses. The proposal consists of 16 Action Plans 1A through 4D for citywide economic development and five separate Focus Area Strategies addressing economic development objectives in the Eastern San Fernando, Eastside of Los Angeles, Harbor, Pico-Union/Westlake, and South Los Angeles areas of the City. The Focus Area Strategies propose the use of tools, activities, and initiatives described in several Action Plans to deploy specific economic development projects in each geographic area.

New responsibilities and/or work are directly proposed for EWDD, the Council, the Mayor's Office, Department of City Planning (DCP), Housing and Community Investment Department (HCID),

City Attorney, Municipal Facilities Committee, General Services Department, and the Office of Finance, which are named as leads for various Plan Actions. Furthermore, multiple Departments are identified as supporting in Plan Actions which impact or are impacted by their Department activities. As a means to augment the City's current economic development capacity, HR&A recommends the establishment of the new structure to provide citywide services related to strategic asset management and development, industry attraction, packaging of private and public financial resources, transaction-oriented services, and economic analysis and research. Four different options for implementation and the advantages and disadvantages of each are included in the draft CEDS. The four implementation options are as follows:

1. New unit directly within EWDD;
2. On-going multiple contractors through EWDD;
3. Contract between EWDD and an existing City-affiliated nonprofit entity, such as the Los Angeles Development Fund, transformed with expanded responsibilities, increased private sector leadership, and sufficient professional staffing; or,
4. New Citywide economic development nonprofit entity contracted through EWDD and led by independent, private-sector board of directors.

PROPOSED CEDS FUNDING

The draft CEDS recommends the dedication of revenues from a variety of existing and future funding sources. These sources will require additional review as to their availability and eligibility for the proposed usage, as well as the timeframes as to when funds would be needed, before Mayor and Council action on the CEDS. These proposed funding sources include General Fund revenues: property tax increment receipts from the dissolution of the Community Redevelopment Agency/Los Angeles (CRA/LA) and business tax receipts from cannabis businesses; and receipts from the sale of surplus properties proposed for deposit in the Economic Development Trust Fund (EDTF). The EDTF is proposed to be funded by 50 percent of the proceeds from the sale of City-owned property that has been designated for economic development through the City's Asset Management Framework. The draft EDTF Ordinance is currently pending in Budget and Finance, Economic Development, and Information, Technology, and General Services Committees (C.F. 16-0931). The amount of revenue available from the EDTF is to be determined and may fluctuate annually, contingent on eligible City property sale proceeds from year to year. Estimated property tax from the former CRA/LA and business tax on recently legalized recreational cannabis activity assumed in the adopted Fiscal Year 2018-19 Budget for City services is uncertain due to the large fluctuations in annual receipts and lack of prior year revenue data, respectively.

The draft CEDS also identifies current economic development funding sources with restricted uses, such as financing options for businesses through the Industrial Development Authority, place-based tax revenue diversion tools such as Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs), and federal grant programs including business revolving loan fund programs funded by the Community Development Trust Fund and U.S. Economic Development Administration grants. The base funding source for both EIFDs and CRIAs is current tax revenue, i.e., General Fund, and both would reduce General Fund funding available for City operations through the diversion of current

tax revenue to separate authorities overseeing place-based redevelopment projects. City policies related to the establishment of tax revenue diversion tools such as EIFDs and CRIs are pending Council and Mayor approval. The draft CEDS mentions a variety of new potential funding sources including publically available loans and grants, proposed new or increased taxes and fees (such as the Foreign Buyers Tax), and incentives to attract private investment. EWDD also recommends new allocations of General Fund to increase the capacity of the grant-funded business revolving loan funds and to establish a loan loss reserve fund to attract private capital for loans.

Contingent on the implementation model approved by the Mayor and Council for the proposed new economic development delivery structure, it is anticipated that EWDD may request new positions to implement enhanced economic development activities. Additionally, implementation of the draft CEDS Plan Actions contemplates dedication of new or existing City staff at the DCP, Office of Finance, HCID, and City Attorney. Preliminary details are provided in Attachment A of EWDD's Transmittal (C.F. 13-1090-S1). An evaluation of the identified staffing resources required to implement the CEDS is premature at this time. The recommended economic development delivery structure and other recommendations Council may request for inclusion in the CEDS will vary in staffing need based on their final actions and the EWDD responses to the request for additional information.

FISCAL IMPACT STATEMENT

Approval of the Recommendation in this Report will have no impact on the General Fund. Approval of the use of the revenues and funding sources proposed by the Economic and Workforce Development Department in the draft Citywide Economic Development Strategy (C.F. 13-1090-S1) for economic development would have a direct on-going impact on both the General Fund and various Special Funds with restricted uses once the Mayor and Council approve of the final CEDS and the resources required for its implementation. The viability and amount of the impact of new and proposed economic development funding sources are unknown at this time.

RHL:SAM:02190014C

TRANSMITTAL

To:

THE COUNCIL

Date: 6/20/2018

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero) for

ERIC GARCETI
Mayor

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

June 15, 2018

Council File: 13-1090-S1
Council District Nos.: All
Contact Person(s) & Phone
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Samuel Hughes, (213) 744-9723
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Mandy Morales, Legislative Coordinator

**TRANSMITTAL: UPDATE ON THE DEVELOPMENT OF THE CITYWIDE ECONOMIC
DEVELOPMENT STRATEGY (CEDS) AND FIVE-YEAR IMPLEMENTATION PLAN**

The General Manager of the Economic and Workforce Development Department (EWDD), or designee, respectfully requests that your office review this transmittal and forward to the City Council for further consideration.

RECOMMENDATIONS

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

1. **REVIEW AND APPROVE** the draft of the Citywide Economic Development Strategy (CEDS) and related five-year implementation plan attached to this report.
2. **DIRECT** the General Manager, EWDD, or designee, to finalize the draft CEDS and five-year implementation plan for review and approval.
3. **DIRECT** the General Manager, EWEDD, or designee, to submit the final CEDS version and five-year implementation plan for review and approval.

SUMMARY

The Council established the Ad Hoc Committee on Comprehensive Jobs Creation in 2015 to ensure the development of a city-wide comprehensive job creation plan. The Jobs Plan, "Jobs and Business Advancement in Los Angeles Action Plan", was released by the CLA in August 2016 with specific recommendations relative to economic development that included adoption a Citywide Economic Development Strategy (Council File No. 15-0850).

Subsequently on February 15, 2017, the Mayor and City Council authorized the EWDD to release an RFP with the goal of identifying a contractor to develop a Citywide Economic Development Strategy (C.F. 13-1090-S1). The EWDD was also instructed to submit the RFP results with recommendations for the selection of a contractor(s) to prepare the Citywide Economic Development Strategy and related recommendations for implementation.

Pursuant to Council File Number 13-1090-S1 approval, the EWDD issued a Request for Proposals on February 22, 2017 to solicit qualified firms to develop a Citywide Economic Development Strategy and five-year implementation plan. Five proposals were received in response to this RFP. After a thorough review of the proposals, EWDD recommended a contract be awarded to HR&A Advisors, Inc. (HR&A), in the amount of \$498,600 to develop a Citywide Economic Development Strategy and related five-year implementation plan.

EWDD, in concert with the HR&A team, has developed a draft CEDS that will be finalized once all final approvals from the City Council and Mayor have been obtained. The draft also includes a five-year implementation plan and related actions.

FUNDING

Proposed funding for plan implementation has been identified for each of the fourteen action items, with final funding depending on which action items are approved by Mayor and City Council, and year of implementation. An estimated \$4,925,000 million in new resources from the City General Fund and Economic Development Trust Fund and \$2.5 million in New Market Tax Credits and \$50 million in Small Business Loan Program and Credit Enhancement Funds will be needed for the first year of plan implementation. An estimated 4.5 full time equivalents (FTEs) in five departments and the Mayor's Office have been identified for the first year implementation. Please refer to the Draft Spreadsheet with Proposed Funding contained in Attachment B which also includes a breakdown of these funding resources and FTEs by department.

As part of the development process, EWDD has met with Councilmembers Krekorian and Price to brief them on progress to date. Both Councilmembers expressed their satisfaction with the work completed. To allow the City Council to fully discuss and review the draft they requested the final version be submitted after the completion of the City's budget process.

The development process included 4 key tasks/elements:

- 1) Background research including the following:
 - Economic development plans and strategies from 2012 to the present.
 - City Council and Mayoral Initiatives and Recommendations from the City Council Ad Hoc on Comprehensive Job Creation Plan.
 - Other regional plans from other entities.
 - Existing economic development incentives/tools.
 - Existing economic development roles, responsibilities and authorities within City departments.
 - Best practices from key US cities.
 - Demographics and economic data citywide with special emphasis on targeted geographic areas of the City that have been historically disenfranchised and have not benefitted from economic growth: Eastern Los Angeles (Boyle Heights, Lincoln Heights, and El Sereno), East Valley including the Van Nuys corridor, Harbor Area (San Pedro, Wilmington, Harbor City-Gateway), Pico Union-Westlake, South Los Angeles.
- 2) Needs Assessment analysis of Strengths/Weaknesses/Opportunities and Threats (SWOT)
 - This task is based on the results of the background research and includes an analysis and prioritization of the City's regional SWOT that includes the needs of the targeted geographic areas of the City.
- 3) Development of a draft Citywide Economic Development Strategy (CEDS) and five-year implementation plan.
- 4) Final version of the CEDS and implementation plan that incorporates input.
 - Tasks three and four include the input from the Mayor, City Council, Project Steering Committee and key stakeholders.

When finalized, the CEDS will serve as a tool to increase the effectiveness of economic development citywide and to identify opportunities for coordination, restructuring or reinforcement and enhanced access to resources.

Additionally when approved, the CEDS will contain a description of projects and activities that meet requirements for the Economic Development Administration's Comprehensive Economic Development Strategy required to compete for federal grants, the Non-housing Community Development Plan portion of the Department of Housing and Urban Development's Consolidated Plan, and the City's General Plan.

FISCAL IMPACT STATEMENT

Funds totaling \$500,000 were transferred from the 2015-2016 Unappropriated Balance to EWDD's contractual services account for the procurement of qualified consultant to

develop the CEDS. These funds were subsequently encumbered upon execution of the agreement with HR&A. However, \$675,000 in funds identified for the immediate implementation of the CEDS that remained in the UB were recaptured and additional resources have not been identified and allocated. EWDD will work with the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) and will submit a separate report along with the final version of the CEDS that includes possible funding resources for the approved actions and funding estimates for the first year of the five-year implementation plan.

BACKGROUND

In February 2012, the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) was dissolved. Its successor, the CRA/LA-Designated Local Authority (CRA/LADLA), took over as the entity tasked with winding down the work of the former redevelopment agency. The City of Los Angeles received over \$200 million annually through the former Community Redevelopment Agency of Los Angeles (CRA/LA) in new tax increment revenue. These funds were allocated by the CRA/LA to affordable housing, infrastructure and economic development projects in economically depressed parts of the City.

As a result of the 2012 CRA/LA dissolution, on April 9, 2013, the Mayor and the City Council established the Economic and Workforce Development Department (Ordinance No. 182500) to mirror some of the critical economic development roles the former redevelopment agency played in leveraging grant resources, establishing strong connections between development and the labor market to attract private sector investment, ensuring fair economic development opportunities and job creation, supporting advanced planning, and managing critical infrastructure and public/private economic development ventures in the City.

On February 15, 2017, the City Council authorized the EWDD to release an RFP with the goal of identifying a contractor to develop a Citywide Economic Development Strategy (C.F. 13-1090-S1). The EWDD released the RFP on February 22, 2017, which consisted of the four (4) key tasks/deliverables; 1) background research, 2) needs assessment and strengths/weaknesses/opportunities and threats (SWOT) analysis, 3) preparation of a draft Strategy and draft five-year implementation plan, and 4) preparation of a final version of the Strategy and final five-year implementation plan.

The overall goal of the Citywide Economic Development Strategy is to promote robust economic growth through economic inclusion and enhanced competitiveness when applying for federal funds. Greater City economic growth and prosperity enhances business success, and also ensures that low income Angelenos benefit. The future of Los Angeles' economic vitality depends on how well it can ensure minority, immigrant and lesbian, gay, bisexual, and transgender (LGBT) communities and all disadvantaged people have a pathway to prosperity. To this end the CEDS focuses on five areas of the City that have been historically disenfranchised including: East Los Angeles, East Valley, Harbor (San Pedro, Wilmington, and Harbor City-Gateway), Pico-Union/Westlake and South Los Angeles.

SUMMARY

Since the Council action of February 15, 2017, EWDD completed the procurement and identified HR&A Advisors, Inc. as the selected contractor to develop the Citywide Economic Development Strategy and five-year implementation plan. Subsequent to the completion of the procurement process, EWDD was authorized to enter into a formal contract with HR&A for CEDS development.

A draft strategy has been prepared, which frames the structure, vision, long-term goals and five-year implementation plan and actions. In developing the strategy, careful consideration was given to the City's current systems to promote small businesses and its workforce development system for job seekers as tools to remove barriers that limit participation within communities, increase access to technology and create opportunities for diverse residents to prosper. To counteract inequality and income stagnation, the draft also considers the lowering of barriers to economic opportunity and promotion of greater financial capacity.

The CEDS development process included a series of 16 round table discussions with key stakeholders regarding their economic development needs and priorities, held throughout the City. The CEDS was also formed by input from two online surveys distributed to residents, businesses and community organizations.

A project steering committee comprised of fifteen members from the Mayor's Office and key City departments also provided input and feedback throughout the development process. The draft vision and related goals were developed based on their input and guidance.

CEDS Structure

The overall structure of the CEDS includes the following elements:

- Overview of Strategy Development
- Summary of City and target area sociodemographic, economic, and industry Context
- Summary of Economic Development Existing Conditions and Case Study Analyses
- Strategy Purpose and vision
- Long-term Goals
- Five-Year Implementation and Timeline
- Focused Area Strategies for: East Los Angeles, East Valley, Harbor Area, Pico-Union Westlake, and South Los Angeles
- Appendices that include these standalone reports:
 - City and Focus Area Sociodemographic, Economic and Industrial Context
 - Economic Development Existing Conditions
 - Global Best Practices

- Strengths, Weaknesses and Threats Assessment
- Summary of Phase 1 and Phase 2 Feedback
- U.S. Economic Development Agency Eligibility Criteria

VISION

Los Angeles will leverage its position as a gateway to the Pacific Rim and other world markets to grow its economy for the benefit of all Angelenos. Building on our unparalleled culture of creative and leadership in innovation, we will expand our global, national and regional presence by investing in our people, neighborhoods and industries.

LONG-TERM GOALS

Long term goals in the draft CEDS associated with this Vision include:

1. Strengthen Los Angeles' Position as a World-Class City
2. Ensure Growth is Equitably Distributed
3. Grow the Resilience of Core Industries
4. Catalyze Emerging and Growing Industries
5. Support the City's Small Businesses
6. Create Financial and Economic Security for Disadvantaged Angelenos
7. Develop World-Class Infrastructure to Support Economic Growth
8. Enhance the Delivery of Economic Development Services

To ensure meaningful progress towards achieving the progressive vision for equitable growth and other long-term economic development goals, the CEDS includes a five-year implementation plan and related timeline consisting of:

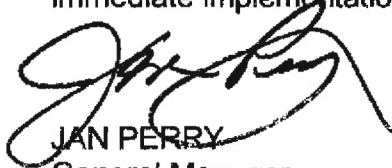
1. Recommendations for strengthening the City's ability to deliver economic development services.
2. Fourteen specific actions that can be measured to determine success and implemented citywide.
3. A set of new and expanded funding resources for economic development.

Input from the City Council and Mayor is critical to the successful completion of the CEDS and may result in the reprioritization of specific actions and associated funding resources. EWDD will make any final adjustments to the overall strategy and implementation plan and work for immediate implementation.

CONCLUSION

Concurrent with approval of the draft CEDS, the EWDD will work HR&A and the Project Steering Committee to submit the final version of the CEDS, related five-year implementation plan/timeline, related appendices, and estimated costs for implementation for Mayor and Council approval. The final version will be submitted for

approval once the draft has been fully vetted and will incorporate feedback from the Mayor and Council. Both the draft and final version of the CEDS will identify costs for immediate implementation and metrics to measure success.



JAN PERRY
General Manager

JP:SH:SC

- Attachment A: Draft of the City of Los Angeles Citywide Economic Development Strategy
- Attachment B: Proposed Fiscal Year 2018 – 2019 Funding for Implementation Plan