

City of Los Angeles

CALIFORNIA

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November 12, 2015

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

COMMITTEE TRANSMITTAL: REPORT BACK ON ECONOMIC AND WORKFORCE DEVELOPMENT DEPARTMENT (EWDD) EFFORTS TO CREATE A CITYWIDE ECONOMIC DEVELOPMENT PLAN

RECOMMENDATIONS

The General Manager of Economic and Workforce Development Department (EWDD) respectfully requests that the City Council and Mayor:

RECOMMENDATIONS

1. INSTRUCT the General Manager, EWDD, or designee to develop a programmatic budget for the economic development programs outlined within this report to be submitted for consideration during the FY2016-2017 budget hearings;
2. INSTRUCT the General Manager, EWDD, or designee, to report back with a list of city-owned assets to be considered for economic development purposes, in recommended priority order, with an accompanying status report for each asset; and
3. AUTHORIZE EWDD to lead the data compilation, analysis, mapping, and other actions necessary for the implementation of any community revitalization authority as outlined in the recently approved State legislation AB 2.

FISCAL IMPACT STATEMENT

The recommendations in this report have no impact to the General Fund.

SUMMARY

This report provides a summary and update on EWDD's initiatives in creating a citywide economic development plan, establishing the economic development functions in the department, and implementing its role in the City's economic development strategy, as envisioned by the ordinance that created the EWDD. The above recommendations are necessary to develop a more robust approach to economic development in the City and increase the potential for new streams of revenue for economic investment.

EWDD is dedicated to creating a robust and diversified Los Angeles economy that reaches all communities through inclusive economic development and job creation. While economic development is and should be a citywide effort, EWDD as the City's economic development department has a unique opportunity and responsibility to act as the economic link to neighborhoods, communities, and residents who have yet to benefit from the economic resurgence of Los Angeles. While unemployment citywide has decreased, the rising costs of housing and services makes creating economic opportunity and connecting residents to living wage career path opportunities even more urgent. The City, through the leadership of the Mayor and City Council, has already taken the a major step in addressing the high cost of living in Los Angeles by increasing the minimum wage, but the next crucial step is creating economic and job growth opportunities in communities that the private sector has historically underinvested in.

EWDD is building on the strong foundation of its successful Workforce Development efforts; the department will further enhance the City's existing workforce investments through the economic development program delivery model described in this report. In this effort, EWDD will prioritize neighborhoods and residents who have traditionally not participated in or benefited from economic growth periods by building bridges to the private sector through investment and program development and the department will act as the City's technical advisor on citywide economic development matters. To accomplish these efforts and provide these economic development services, EWDD will utilize a reorganized economic development structure already developed and implemented within the Department.

BACKGROUND

On April 9, 2013, the City Council adopted Ordinance No. 182500, which created the Economic and Workforce Development Department (EWDD). The creation and consolidation of the City's economic development powers into one department was the culmination of years of motions, reports, discussions and efforts within the City. The need for such a department was also heightened in 2012 with the elimination of Community Redevelopment Agencies, the elimination of State Enterprise Zones, and the worst economic recession in a generation.

The ordinance that created EWDD provides an outline of the department's Purpose, Powers, and Duties.

As described in the Ordinance, EWDD's Purpose is to:

- Replace the "loss of certain economic development and financing tools and the elimination of the Community Redevelopment Agency"
- Simplify the economic development process
- Help the city achieve "its goals of promoting the health, safety and welfare of City residents through improved employment, retail, housing and commercial opportunities and providing necessary municipal services"

The goals that EWDD developed to fulfill the purpose of the creation of the department are as follows:

- 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 industries¹

In the creation of the department, the City Council determined that EWDD required powers and duties which were necessary to serve its purpose and successfully

accomplish its goals. As described in the Ordinance, the Powers and Duties are explicitly divided between the department's two functions (1) Economic Development; (2) Workforce Development.

1. Economic Development Powers and Duties:

a. Powers:

- i. "Centralized authority over the planning, coordinating, promoting, implementing and managing of all economic development activities within the City"
- ii. Manage all funding resources for economic development activities
- iii. Control, acquisition, and disposition of Real Property citywide for Economic Development

b. Duties:

- i. Recommend a 4 year economic development strategy
- ii. Assist businesses with navigating the City's business-related processes and procedures and provide assistance to such entities in accessing State or federal programs
- iii. Prepare, maintain and update; as necessary, a comprehensive analysis of the City's economic environment, including physical, economic and social factors of economic development
- iv. Provide technical assistance and information relative to economic development to City departments, bureaus, agencies, officers and offices

2. Workforce Development Powers and Duties:

Establish a workforce development team to manage federal development initiatives and establish partnerships with industry groups and educational institutions to further develop job training programs for City residents

Actions Taken with Appointment of General Manager in 2013

With the appointment of Jan Perry as the EWDD's General Manger in 2013, the department prioritized strengthening the Department's relationship with the Department of Housing and Urban Development (HUD), rebuilding staff capacity and identifying and prioritizing funding for staff and project implementation.

1. Strengthen the Department's Relationship with the Department of Housing and Urban Development (HUD)

For EWDD to flourish, it was determined that a strong relationship with HUD, based on strong performance, was important. To that end, in 2013, EWDD proactively engaged

HUD to request technical assistance. As a result of this engagement by EWDD, the department was granted HUD funded technical assistance, provided by Enterprise Community Partners. The technical assistance was an intensive two year process that engaged several nationally recognized Community Development Block Grant (CDBG) experts to correct program issues pre-existing to the creation of EWDD, and to ensure EWDD processes and procedures were on par with best practices nationwide.

EWDD completed the HUD-sponsored technical assistance engagement with in February 2015. CDBG experts who reviewed the Department's CDBG and Section 108 portfolio was reviewed to identify opportunities to improve EWDD's administration of these funds, and EWDD received the final report from the consultant team. EWDD is currently working on implementing their recommendations, including, but not limited to:

- Reconciling the City's Section 108 portfolio balances with HUD balances;
- Implementing documentation and policies and procedures to better demonstrate compliance with CDBG regulatory requirements;
- Developing underwriting policies and procedures; and
- Improving loan accounting and funds management.

Additionally, EWDD has reviewed all outstanding HUD audit and monitoring findings and has begun to work collaboratively with the Housing + Community Investment Department (HCID) to propose proactive solutions to resolve these issues. EWDD's work with HUD to resolve these audit/monitoring findings is important not only in order to make our grant-funded programs work better to serve low-income residents, but also to help mitigate the risk to the City's general fund that outstanding findings can represent. In many cases, HUD-required corrective actions may include required repayment from non-federal funds. It should also be noted that EWDD's time spent researching and responding to these findings is a CDBG Administrative expense. Such expenses are capped within the CDBG budget. Expenses incurred beyond the amount allowed under the cap also create a liability to the General Fund, resulting in either unreimbursed related costs or HUD-imposed repayment requirements from non-federal funds. For these reasons, EWDD will continue to work proactively with HUD to resolve the outstanding audit/monitoring findings.

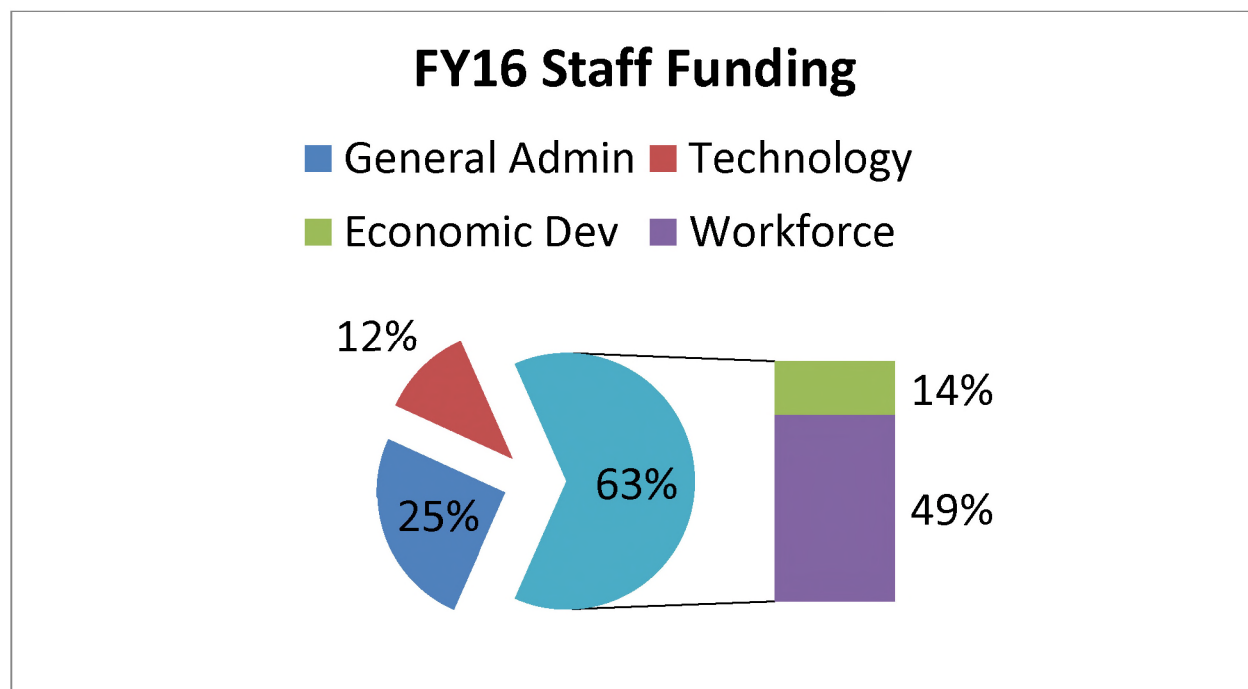
2. Rebuild Staff Capacity

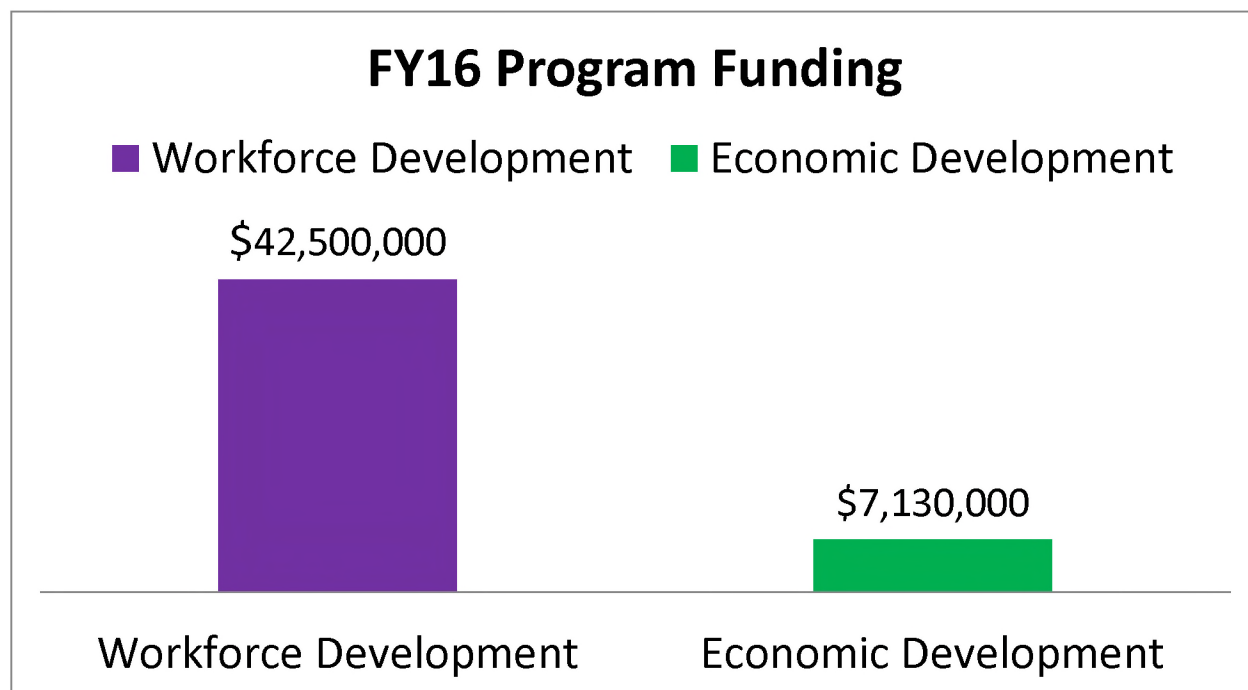
The reorganization of the former Los Angeles Housing Department (LAHD) and Community Development Department (CDD) into the new HCID and EWDD resulted in multiple staff with extensive CDBG expertise being transferred from CDD to HCID. EWDD needed then, and still needs now, much of that expertise in construction

monitoring, eligibility analysis, and financial underwriting to effectively and successfully implement economic development projects and programs. As discussed later in this report, over the past two years EWDD has taken steps to re-align staff, especially in the Economic Development Division, to match the work envisioned in the Ordinance that formed the Department, as well as to ensure that the necessary capacity is in place to implement an effective economic development program.

3. Identify and Prioritize Funding for Staff and Project Implementation

EWDD's current primary funding sources, CDBG funds and Workforce Innovation and Opportunity Act (WIOA) funds, do not allow the department adequate flexibility to utilize the powers and accomplish the duties outlined within the department's implementing ordinance. As illustrated in the Staff Funding and Program Funding graphs below, funds are also severely misaligned. The majority of the duties and powers outlined in the ordinance adopted by Council creating EWDD are directly related to achieving economic development goals, while the majority of staff and program funding is explicitly restricted to workforce development activities, and by Federal regulation cannot be used for economic development. As EWDD was created to be the City's primary economic development agency, and City Council has provided the necessary powers to implement an economic strategy and provide position authorities to support this roll out, the next essential step is to provide a new source(s) of funding for programming that is flexible, adequate and dedicated to economic development.





While the department successfully solidified the foundation created by City Council in April 2013, it also maintained strong performance metrics in programs appropriately staffed and funded. As demonstrated by the 2014 accomplishments within the Workforce Development and the Business Source Programs, EWDD has demonstrated its ability to perform when provided with the requisite funding for both staff and program implementation. While the City has focused the last three years on rebuilding its reserves and regaining the ability to provide increased basic services for residents, little room has been left in the annual budget for the funding necessary for citywide economic growth. EWDD has made every effort to develop and implement a new programming and economic development delivery system within existing funding restraints, while at the same time continuing to exercise its available human capital and grant dollars to triage the City's economic priorities and lay the foundation for a robust economic development delivery system.

It cannot be overstated that a predictable, dedicated source of funds for EWDD is needed so that the department can significantly contribute to reversing historic negative trends on job growth, creating a baseline of housing and amenities that attracts, retains and assists businesses and households, and developing the infrastructure necessary to ensure Los Angeles' position as a competitive global city of the 21st Century. In order to duplicate the successes of the robustly funded Workforce Development Division in the Economic Development Division, the City should prioritize, memorialize and set aside a

significant portion in tax revenue formerly diverted to the Community Redevelopment Agency of Los Angeles (CRA/LA), or “Boomerang Funds”, as a permanent source of funding for economic development and associated affordable housing efforts in Los Angeles.

In prior reports to the Mayor and Council, EWDD described the focus areas listed below, and the department has structured itself to deliver on these core areas. Utilizing its current resources, EWDD is acquiring the necessary capacity to expand these functions, however at present, the department has reached the limits of what current staffing and organizational structure can do to produce additional economic development outcomes.

The following describes the work of these focus areas within the Economic Development Division, including a description of the Workforce Development Division as a whole as well.

Asset Management and Real Estate

This unit’s focus is managing, acquiring, disposing and leasing city-owned property assets assumed upon dissolution of the former redevelopment agency, and, in collaboration with other City departments, other City-owned sites with economic development value. This function replaces a vital tool previously housed with CRA/LA, is a potential future source for economic development opportunities and funding, and creates a single point of contact for the private sector for development opportunities with City-owned assets. In 2015, EWDD hired a Principal Project Coordinator as a first step toward re-establishing this function for the City, and the Department intends to request additional staff to fill out a Property Development and Disposition unit in the FY2016-17 budget. With these additional staff and capacity, EWDD will be able to analyze property potential; address any remediation, facilitate relocation efforts as necessary; prepare the property for reuse; develop and/or oversee Request for Information, Request for Qualification and/or Request for Proposal process for selecting consultants and/or developers; arrange for businesses to lease or purchase City-owned properties; prepare term sheets; draft lease and development agreements for private use; interface with City Attorney’s Office to finalize documents; manage real property assets; and maintain lease and development agreements.

Strategic Opportunities for FY2016:

- Coordinating evaluation and disposition activities with Housing and Community Investment Department (HCID) related to the City’s Purchase Option

Agreements on CRA/LA-DLA properties for the purpose of economic development.

- Presenting a priority list of economic development opportunity sites to the Mayor and City Council prepared by EWDD's Asset Management and Real Estate Unit.

On-Going Opportunities:

- Working with Metro in planning activities associated with the Crenshaw/Vernon Station.
- Providing assistance to HCID in identifying economic development opportunities for commercial space located within affordable housing projects. Developing and implementing a plan for reuse of property to better serve convention center and LA Live entertainment center activities (Convention Center Hotel).
- Working with Los Angeles County to facilitate development of City-owned property adjacent to County-owned property and working with Council to develop strategies to redevelop underutilized sites within various Council districts.

Economic Strategy and Marketing

This unit's role is to prepare, maintain and update, as necessary, a comprehensive analysis of the City's economic environment, including physical, economic and social factors of economic development. This unit utilizes data to provide policy recommendations to focus EWDD's economic development programs by identifying emerging industry clusters and economic development opportunities at a macro and micro level. This unit also assists the City Council and City departments in developing policies and ordinances that further the City's economic agenda. This unit engages external partners to help market Los Angeles as a city of opportunity and is also the thought leader for EWDD to ensure program implementation is in line with best practices, and that the City has a proactive policy team available to help cultivate strong economic development policies. EWDD has funding and position authority for staff for this unit and expects to fill these positions this fiscal year, however additional funds are necessary for contractual services to provide data analysis support to ensure that staff recommendations are based on accurate and appropriate information.

Strategic Opportunities for FY2016:

- Lead City efforts in partnership with the CAO and CLA to form a Community Revitalization Authority and zones as outlined in the recently adopted AB 2 legislation.
- Partner with City departments in developing incentives and procedures for potential future Jobs and Economic Development Incentive (JEDI) zones.

- Form an Internal Economic Development Advisory Committee comprised of private sector thought leaders to advise the department on programs and policies.
- Provide strategic support to citywide policy efforts such as the LA River Revitalization, the Great Streets Initiative, and Transit Oriented Development (TOD) strategy by providing programming tailored to these City priorities.
- Develop a strategy to leverage anchor institutions like USC and the LA County-USC Medical Center for economic and workforce development opportunities.

On-Going Opportunities

- Create materials marketing Los Angeles and specific sites for development.
- Create a “road show” for industry trade shows and business and educational conferences which will provide marketing materials to expanding businesses and international investors on the economic opportunity that exists within Los Angeles.
- Develop analysis of various commercial and industrial sectors such as Cleantech, Biotech, and Healthcare and geographic-oriented development visions (Crenshaw Corridor, Central Avenue Corridor, San Pedro Arts District).
- Provide technical seminars focused on topics such as expanding local business export capacity, etc.
- Work with Business Improvement Districts (BID) throughout the City to encourage an economic growth agenda.

Market Investment and Innovation

This unit's role is primarily focused on program implementation and capital investments. The unit manages all economic development programming funded through CDBG, and manages the City's Section 108 loan program and all other capital sources dedicated to programs or projects. This unit also focuses on small business investments and catalytic project investments and underwrites, monitors, and implements strategic capital investments including, but not limited to, commercial developments, façade improvement programs, capital projects, and small business loans. EWDD has made great progress with staffing this division. Two underwriter positions were filled in April 2015, and a third underwriter and a supervisory position for the lending unit will be requested in the FY 2016-17 budget.

At this time, the only source of funds available for lending to small businesses and microenterprises is Section 108, which, because it carries all the same restrictive requirements as CDBG, is very difficult to use for this type of economic development.

With a less restrictive source of funds, EWDD could provide a more robust yet focused collection of lending products ranging from Micro-Loans (\$10,000 to \$50,000) to more traditional small business loans (\$50,000 to \$450,000), thereby enabling the use of Section 108 for larger catalytic projects.

Strategic Opportunities for FY2016:

- Establish a prioritized pipeline of catalytic projects and analyze for public funding.
- Implement façade improvement program for small business prioritizing businesses located on TOD corridors or Great Streets.
- Create a loan loss reserve program utilizing existing Section 108 loan program to support private bank financing for small businesses within underinvested communities.
- Develop programming for new sources of funding including AB 2 or EIFD funds.
- Expand small business lending in partnership with the BusinessSource program.

On-Going Opportunities:

- Coordinate New Market Tax Credit investments with the Los Angeles Development Fund (LADF).
- Support the Industrial Incentive Program and expansion of PACE Program. Provide technical support, loans and bonds to manufacturing and non-manufacturing industrial businesses for investment in building rehabilitation, remediation, capital equipment purchases and public improvements.
- Leverage the BusinessSource Center program =(train to package City Small Business Loan Applications, coordinate training for businesses in advance of minimum wage increases, etc.)
- Management of complicated capital projects funded by EWDD managed resources.

Workforce Development

EWDD, through its Workforce Development Division (WDD), manages the City's workforce development programs. Funding for these programs comes from federal, state, and local government sources and from private entities. The EWDD manages a network of service providers – 17 WorkSource Centers (WSC) and 16 YouthSource Centers (YSC). EWDD has re-designed WSCs and YSCs to align with the Workforce Innovation and Opportunity Act (WIOA), signed into law in July 2014. EWDD has re-

designed WSCs and YSCs to align with the Workforce Innovation and Opportunity Act (WIOA), signed into law in July 2014.

In Program Year 14-15, the City launched a redesigned the Adult workforce delivery system to emphasize the integration of strategic partners (such as the California Employment Development Department, the California Department of Rehabilitation, the Los Angeles Community College District, the Los Angeles Unified School District, and others) to provide coordinated services. The new system also emphasized training in high demand employment sectors. The system focused services on job seekers with significant barriers to employment, including individuals with disabilities, returning veterans, English-language learners, and individuals with a history of homelessness.

Three years ago, the City redesigned its YouthSource system to improve services to vulnerable youth. This redesign aligns well with the new legislation. Specifically, the system focuses on services to out-of-school youth (OSY), having a minimum service level of 70 percent while achieving an enrollment level of 80 percent. The system established a partnership with the Los Angeles Unified School District to provide a Pupil Services and Attendance (PSA) counselor at each of the YouthSource Centers. The PSA counselors help with recruitment of OSY, provide academic counseling services, and facilitate cross-training opportunities (such as crisis management and mental health services). Through its summer youth employment programs, the system integrates complementary opportunities for work experience and financial literacy.

Strategic Opportunities for FY2016

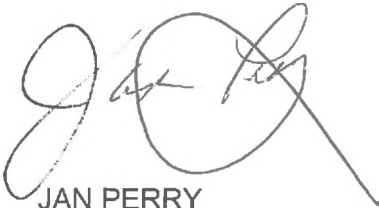
- Department of Labor P3 Initiative
- LA:RISE Initiative
- High Growth Sector Strategies
- Regional Workforce Planning Providing summer youth employment opportunities to disconnected youth

On-going Opportunities

- Explore strategies to better serve young adults up to the age of 24 in the Youth formula-funded programs, which may include:
 - additional training of the provider community, through greater linkages with agencies serving the young adult population
 - coordinating services in the adult system
- Examine contractor evaluation process to ensure it supports the desired outcomes of new programs

CONCLUSION

As outlined above, the current funding sources identified for EWDD are inadequate to effectively utilize the powers granted to the department and achieve the duties expected. When provided an opportunity to appropriately staff and fund programs, EWDD has performed exceptionally. This performance can be expected in all facets of the department if funding for economic development programs and staff is provided, as will be requested in FY2016-2017. This funding can be thought of similarly to initial seed funding for a startup business, and is necessary for this department to develop to successfully provide the services envisioned and authorized by the Ordinance and allow for EWDD to support city businesses to create jobs and further the City's economic vitality, thus increasing City revenue.



JAN PERRY
General Manager

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ⁱ Ordinance 182500, Section 22.1001-22.1002, May 22, 2013