

TRANSMITTAL

To:

THE COUNCIL

Date: 11/15/2018

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to read 'Eric Garceiti', is written over the printed name.

ERIC GARCEITI
Mayor

(Ana Guerrero) for

CITY OF LOS ANGELES

CALIFORNIA

JAN PERRY
GENERAL MANAGER



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

November 9, 2018

Council File: 13-1090-S1
Council District Nos: All
Contact Person(s) & Phone
Number(s):

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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Mandy Morales, Legislative Coordinator

Report Back: Draft Citywide Economic Development Strategy and Five Year Plan

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

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. APPROVE EWDD recommendations presented in this transmittal, in response to the CAO's report on the CEDS and five-year implementation plan and dated September 6, 2018.
2. APPROVE the draft of the Citywide Economic Development Strategy and related five-year implementation plan.
3. DIRECT the General Manager, EWDD, or designee to finalize the draft CEDS and five-year implementation plan and submit the final versions for review and approval.

BACKGROUND

In response to directions from the Mayor and City Council, the EWDD procured a contractor to develop a Citywide Economic Development Strategy and five-year

BACKGROUND

In response to directions from the Mayor and City Council, the EWDD procured a contractor to develop a Citywide Economic Development Strategy and five-year implementation plan via an RFP (C.F. 13-1090-S1).¹ The selection of HR&A Advisors Inc. to develop the CEDS and related five-year implementation plan was approved by Mayor and City Council and the HR&A was awarded a \$498,600 contract.

The draft CEDS contains 4 priority actions and 16 supporting activities that may be implemented by the City to make meaningful progress toward a defined economic development vision and goals over the next five years. The four priority actions and supporting activities include:

1. Strengthen the City's Economic Development Delivery System

- a. Restructure the City's Economic Delivery Structure
- b. Unlock New and Resilient Funding Sources for Economic Development

2. Strengthen the Economy of City communities

- a. Develop transformative, industry-focused place-based initiatives
- b. Create neighborhood and corridor revitalization toolkit and pilot projects
- c. Create a commercial affordability toolkit
- d. Revisit and update industrial land preservation policies
- e. Integrate physical planning efforts and economic development objectives
- f. Consolidate asset-management functions

3. Empower City Residents

- a. Support economic empowerment
- b. Increase workforce participation for underrepresented groups
- c. Support equity building through affordable housing
- d. Ban or limit predatory lending

4. Strengthen City Businesses and Industries

- a. Promote diversity and entrepreneurship in growth industries
- b. Streamline services and support for core industries
- c. Market the City and support business expansion
- d. Shape the implementation of disruptive technologies

The CEDS also includes twelve tailored actions to meet the unique economic development needs of five targeted areas (Eastern Los Angeles, Eastern San Fernando Valley, Pico-Union Westlake, South Los Angeles and Harbor) as these areas have benefitted least from recent economic development growth.

¹ The City Council adopted the "Jobs and Business Advancement in Los Angeles Action Plan (Jobs Plan) on October 2016. The Plan was prepared by the CLA in cooperation with the Mayor's Office, CAO, EWDD, City Clerk, and other key entities. The Plan includes a set of short and long-term steps to achieve specific goals to better assist businesses and promote job creation. The development and adoption of a CEDS was listed as Strategy 1H in the Plan.

On September 17, 2019, the CLA requested an additional meeting with the EWDD and HR&A for supplementary information and clarification about the CEDS. The CLA report is pending and has not been submitted as of the date of this transmittal.

Upon approval by the City Council and Mayor of the draft Citywide Economic Development Strategy and five-year implementation plan, a final version of the CEDS will be prepared that will incorporate any additional input and feedback as well as any revisions/corrections. The final version of the CEDS along with the five-year implementation and cost estimates will be presented to Mayor and Council for final approval before release and implementation. Regular reports and updates will be provided to the Mayor and City Council on plan implementation/progress and metrics/measures for success.

CAO CEDS REPORT:

In the CAO's report dated September 6, 2018 report, they recommended the EWDD report on the items listed below prior to the Council taking action on the draft CEDS and five-year implementation plan:

1. A recommended model for implementation of the economic development delivery proposal from among the four models listed in the draft CEDS implementation plan (Plan Action 1A) and required funding.
2. Identify the 16 CEDS Plan actions that are existing City efforts and prioritize the new recommendations for implementation along with the funding required.
3. Confirm whether city departments designated as lead or supporting entities concur with recommendations in the report, and whether additional resources are required to implement the recommendations.

EWDD RECOMMENDATIONS AND RESPONSE TO CAO CEDS REPORT

1. CEDS Plan Action 1, Strengthen the City's Economic Delivery System

Among the supporting activities included in Action 1, "Strengthen the City's Economic Delivery System," the HR&A team identified four alternatives along with their pros and cons including²:

1. establish a new "Strategic and Technical Service Group" within the EWDD;
2. contract with consultants via professional services agreements on an as needed basis;
3. expand the responsibilities of an existing non-profit to undertake economic development activities on the City's behalf; and
4. establish a new non-profit to undertake economic development activities

In response to the CAO, the EWDD recommends the Council consider and approve the following options in priority order:

² Draft City of Los Angeles Citywide Economic Development Strategy, pages 90-93.

3. expand the responsibilities of an existing non-profit to undertake economic development activities on the City's behalf; and
4. establish a new non-profit to undertake economic development activities

In response to the CAO, the EWDD recommends the Council consider and approve the following options in priority order:

A. Establish a new “Strategic and Technical Service Group” (STSG) within the EWDD to expand the department’s capacity to provide economic development programs and services

The incorporation of an STSG within the EWDD increases and enhances department and City capacity to develop, manage and administer more complex economic development programs and services. The STSG would incorporate an existing EWDD Real Property Asset Management Unit, which at present has a limited scope that focuses on the development and disposition of city-owned or option property. An estimated 2.75 to 3.0 Full Time Equivalent (FTE) positions are recommended; funding amount required will depend on the civil service or exempt classifications designated.

Additionally the need/advantage of internal expertise was addressed by Controller Ron Galperin in an August 10, 2018 report issued to the City Council on the efficacy of Incentive Agreements (Incentive Agreements (Tax Abatements/Subvention Agreements, CF #15-0850-S2). **Controller Galperin’s report identified the need and advantage to include a “qualified City entity” with experience in real-estate transactions/negotiations to assist in the development of Incentive Agreements. In the report, the Controller pointed to the need for proper expertise to ensure the “City receives the most favorable terms and conditions for potential Incentive Agreements.”**³ The establishment of the STSG within the EWDD would fill this need/void and provide the City with the necessary advantage identified by the Controller.

B. Expand and broaden the responsibilities of the LADF, an existing non-profit, to undertake economic development activities on the City’s behalf

The second ranking option is to expand and broaden the responsibilities of the Los Angeles Development Fund (LADF), a California non-profit corporation established by the City in September 2006. The purpose of the LADF is to manage the New Markets Tax Credit program that provides investment capital for low-income communities to promote economic growth. By generating private investment capital through New Markets Tax Credits, the LADF is able to fund development projects in low-income areas, helping these communities out of their economic distress. Investment in depressed areas promotes business development, local commerce, and creates jobs.

³ Report from the Los Angeles City Controller Ron Galperin, Office of the Controller. “Incentive Agreements (Tax Abatements/Subvention Agreements, CF# 15-0850-S2)”, August 10, 2018, pages 2 and 7.

The LADF is certified by the US Treasury Department's Community Development Financial Institutions (CDFI Fund) Fund as a Community Development Entity, as defined under New Markets Tax Credit regulations. The LADF is committed to financing non-residential projects, with a particular focus on projects that create maximum community and economic benefits (i.e. jobs, sales taxes, business license taxes, property tax increment). Allocations are targeted to the following project types:

- Industrial rehabilitation or expansion projects
- Retail projects in underserved neighborhoods
- Mixed-use projects

Oversight is provided by a Governing Board, which at their discretion can finance other types of projects eligible under the NMTC program such as community facilities, charter schools and for-sale housing. The governing board is comprised of representatives from key city departments, the Industrial Development Authority and Mayoral and City Council appointees.

Both option 1 and option 2 strengthen the overall capacity of the City to develop complex economic development strategies and programs; the STSG strengthens the internal capacity of the city while broadening the LADF does so externally. There is a nexus of control for each option to ensure alignment and oversight by Mayor and Council.

C. Establish a new non-profit to undertake economic development activities

The third option, formation of a new non-profit for economic development activities, would be duplicative given the existence of the non-profit LADF. Potential advantages are flexibility and access to private sector expertise. However, this same recommendation was already put forward in a 2012 report and was not acted upon because of complex governance and administrative issues.⁴

D. Continue to contract with consultants via professional services agreements on an as needed basis

The last recommendation, contracting with professional consultants, maintains the status quo and would not yield any new efficiency nor would it increase the City's internal capacity to provide economic development services.

2. CEDS Plan Actions

Existing City Efforts and Coordination

Included in their examination of the City's existing economic climate, the HR&A team examined the City's delivery and coordination of economic development services. Results indicate that responsibility for these functions is scattered across a number of city departments, "...the responsibilities of the EWDD and many other economic development

⁴ HR&A Advisors Inc. with ICF International and Renata Simril, "Economic Development in Los Angeles: A New Approach for a World Class City," pages 2-11.

functions are duplicated and scattered throughout City departments, with limited coordination.”⁵

A summary of the results is presented in Figure 13, “Core Economic Development Services Provision by Relevant Entities,” which identifies nine core economic development services and the 28 responsible entities including City entities and, departments, County entities, Nonprofit Entities and Special Purpose entities and whether the entity directly provides or indirectly provides these services.

New Recommendations for Implementation and Funding

Figure 15, Implementation Timeline, depicts new actions and supporting activities for the CEDS five-year implementation plan including the year of implementation beginning with 2018 (Quarters 2-4) through 2023.⁶ The timeline is color coded based on whether actions/activities require feasibility study/planning, approval/transition and evaluation and refinement. For example for Action 1-Strengthen the City’s Economic Development Delivery System, 1A-restructure the City’s economic development delivery system is slated for feasibility study and planning in 2018 (quarter 2-4), approval/transition in 2019, and evaluation/refinement in years 2020-2023, etc. (See Attachment A.)

The draft CEDS includes an initial proposed budget and staffing to initiate implementation plan actions in year one. These recommendations are in addition to the existing allocations in the City and departmental budgets. Attachment B-Proposed FY 2018-2019 lists \$4.925 million in funding required for each action item for the first year of implementation and also includes a summary breakdown by department along with recommended staffing of 4.5 FTEs.⁷

Implementation and Opportunity for Change

The Ad Hoc on Comprehensive Jobs Creation Plan and Economic Development Committees envisioned the CEDS as an opportunity for implementation of an economic development strategy that would lead to real change and improvement of the City’s existing economic development structure. Therefore, in accordance with instructions from both committees, the draft CEDS was designed as both a strategy and plan for immediate and long-term implementation (i.e., over five-years) with 4 actions and core supporting activities.⁸ If implemented as presented, the CEDS would provide the City with the opportunity to change, revise and modernize long standing economic development structures.

An action template has been created to facilitate the implementation process and includes the following key features:

⁵ Draft CEDS, “Economic Development Existing Conditions Summary, pages 52-53.

⁶ Draft CEDS, “Figure 15. Implementation Timeline”, pages 88-89.

⁷ Attachment C was included in the June 15, 2018 EWDD Transmittal: “Update submitted by EWDD on the Development of the Citywide Economic Development Strategy and Five-Year Implementation Plan.”

⁸ Draft CEDS, pages 84-125.

- Action Title
- Context-overview and rationale of the action
- Goals Addressed-primary strategy goals that are supported by the action(s)
- Lead Entity-department or other entity to lead implementation
- Supporting departments/organizations-other departments to support implementation
- Implementation process-specific policies, programs or projects for the City to pursue
- Priority Geographies-potential locations for demonstration projects
- Timeline-initial implementation milestones
- Budget and staffing-estimate of initial resources
- Accountability metrics-recommended steps to track implementation

The CEDS included a summary/chronicle of past efforts over three decades to consolidate and align economic development functions from 1999 through 2012.⁹

Many of these efforts were in response to economic crises. By approving the CEDS and implementation plan, the Mayor and City Council would “seize” the opportunity to take a bold, innovative approach to set the stage for the City’s future growth and economic development. The resulting implementation plan would result in a proactive approach to increase the City’s resilience to future economic shocks and stresses.

In analyzing best practices in other US cities and globally, the HR&A team identified four key findings including:

1. High-performing cities have strong leadership and collective buy-in on a clear vision for economic development and coordination and trust amount city departments and with the private sector.
2. Lead economic development entities must be well resourced with access to a dedicated source of funding sources.
3. To promote sustainable and equitable economic growth, high-performing cities focus not only on top-line economic expansion but also invest in community and residents to support growth, prosperity and progress.
4. In light of 21st-century global economic changes, leading cities have adopted comprehensive industry-focused strategies that leverage the potential city assets and new forms of investment.¹⁰

3. Lead Departments and/or Supporting City Entities

Although obtaining concurrence from departments identified as lead or supporting entity in the draft CEDS/implementation is not within the EWDD’s purview, input and feedback was obtained from 15 representatives from the Mayor’s Office and key city departments convened by the EWDD to form a Project Steering Committee. Their input was integral to the development of the CEDS and their input, guidance and participation formed the basis for the draft vision and related goals.

⁹ Draft CEDS, pages 24-25.

¹⁰ Draft of the City of Los Angeles Citywide Economic Development Strategy, page 11.

Simultaneous to the approval of the final version of the CEDS and implementation plan, the EWDD **recommends and requests** the Mayor and City Council direct and assign lead and supporting departments to take responsibility for actions and supporting activities.

Additionally, the EWDD **requests** the City Council approve the implementation plan actions, supporting activities and related implementation timeline which can begin as early as Quarters three and four of 2018 through 2023 (See Attachment A-Figure 15 Implementation Timeline). Implementation of the CEDS plan would address three goals:

1. Enhance the delivery of economic development services
2. Develop world-class infrastructure to support economic growth
3. Strengthen Los Angeles's position as a world-class city

WHY A CEDS/IMPACT OF NOT HAVING A CEDS

The need for a City of Los Angeles CEDS has never been greater or more important. The lack of a CEDS for the City of Los Angeles prohibits and prevents City departments from seeking federal grant funds; a requirement for grant solicitations from the US Economic Development Administration (EDA) and private foundations. The EDA requires a "Comprehensive Economic Development Strategy," a document similar to the CEDS, for federal grants under its jurisdiction. Regulations governing the CEDS (see 13 Code of Federal Regulations § 303.7) instruct applicants to include: 1) Summary background of the regional economic conditions, 2) SWOT analysis-an in-depth analysis of regional strengths, weaknesses, opportunities and strengths, 3) Strategic direction/action plan which builds on the SWOT analysis and 4) Evaluation framework-performance measures to evaluate implementation and impact on the regional economy.¹¹

In developing the City's CEDS, the EWDD, Project Steering Committee and HR&A team identified many prospective projects and activities for transfer and incorporation into a sound, strategic application. These projects and activities are not restrictive and do not standalone but serve as a framework to incorporate others depending on the unique economic development needs of City regions/neighborhoods.

Most recently Controller Galperin identified the need for a "comprehensive City plan for economic development" in an August 10, 2018 report to the City Council on "Incentive Agreements." In his report Controller Galperin recommended the City Council adopt a policy to "Require that any tax Incentive Agreements align with a comprehensive City plan for economic development. Such a plan should establish clear goals for industry specific growth, job creation, maximization of tax revenue, etc. The strategy should also include goals for specific neighborhoods where development may not otherwise be occurring..."¹² The "Focus Area Strategies" of the CEDS contains examples of specific actions recommended for implementation.¹³

¹¹ US Economic Development Administration, "Comprehensive Development Strategy (CEDS) Content Guidelines, Recommendations for Creating an Impactful CEDS."

¹² Report from the Los Angeles City Controller Ron Galperin, page 2.

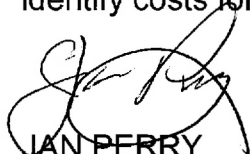
¹³ Draft of the City of Los Angeles Citywide Economic Development Strategy, pages 127-150.

The Council itself recognized the need by adopting the “Jobs and Business Advancement in Los Angeles Action Plan” released by the CLA in August 2016 that included adoption of a Citywide Economic Development Strategy (Council File No. 15-0850).

Additionally in January 2008, the Los Angeles Economy and Jobs Committee developed specific recommendations (about 100) for economic development and creation of quality jobs in Los Angeles. The committee included a broad-based coalition of leaders from business, academia, labor and the non-profit sector.¹⁴

CONCLUSION

The EWDD will work with 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 for approval. Once the final version has been fully vetted and revised to incorporate feedback from the Mayor and Council it will be submitted for final approval. The draft and final versions of the CEDS will identify costs for immediate implementation and related metrics.



JAN PERRY
General Manager

JP:SC

Attachment A: Figure 15 Implementation Timeline

Attachment B: Discussion Draft Proposed FY 2018-2019 Funding for Implementation Plan

¹⁴ Los Angeles Economy & Jobs Committee, “Building a World-Class City for the 21st Century, Recommendations for Job Growth and a Stronger Economy in Los Angeles,” January 2008.

Figure 15. Implementation Timeline

ATTACHMENT A

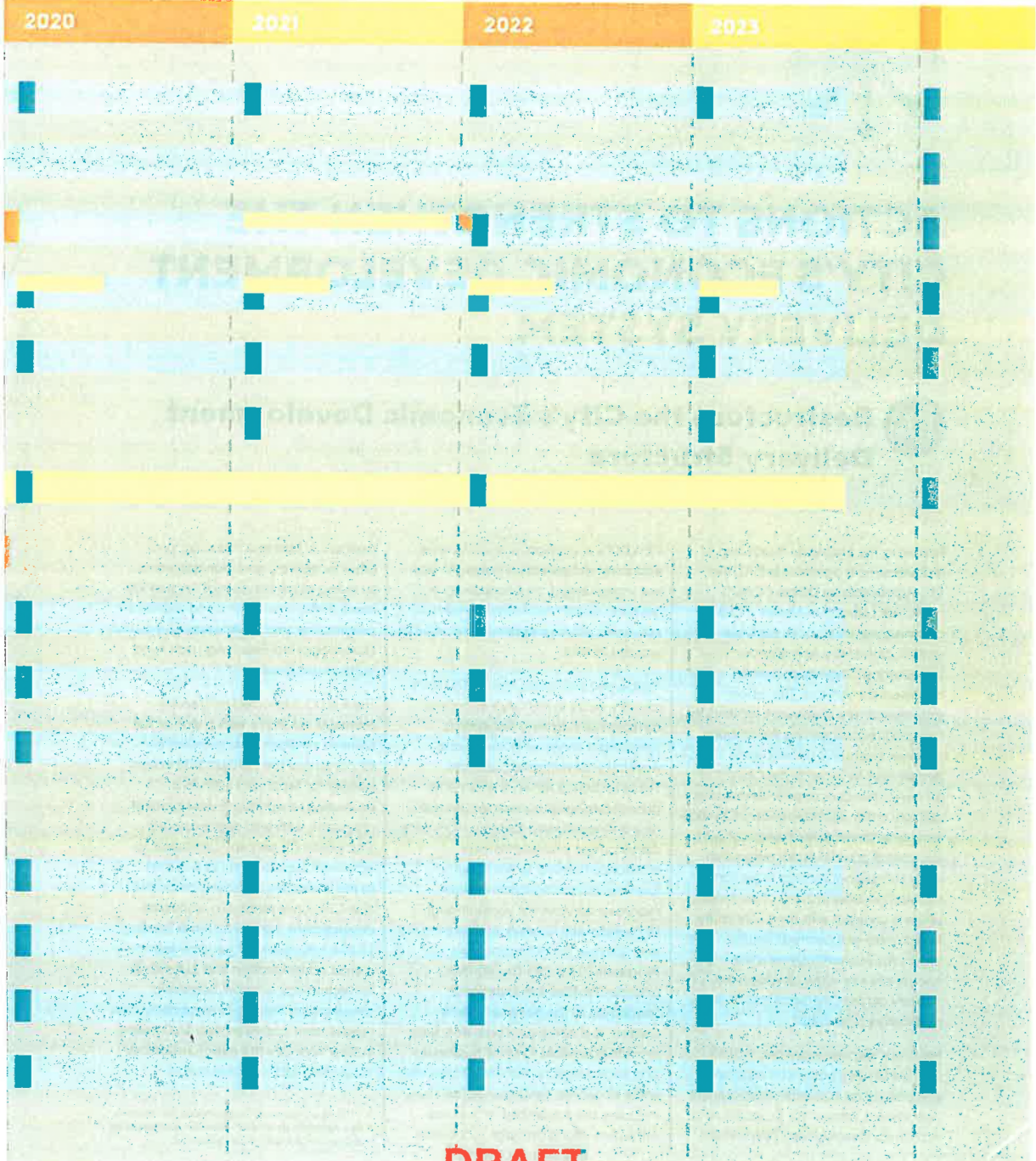
- 1.A Restructure the City's Economic Development Delivery Structure
- 1.B Unlock New and Resilient Funding Sources for Economic Development
- 2.A Develop Transformative, Industry-Focused and Place-Based Initiatives
- 2.B Create Neighborhood and Corridor Revitalization Toolkit and Pilot Projects
- 2.C Create a Commercial Affordability Toolkit
- 2.D Revisit and Update Industrial Land Preservation Policies
- 2.E Integrate Physical Planning Efforts and Economic Development Objectives
- 2.F Consolidate Asset-Management Functions
- 3.A Support Economic Empowerment
- 3.B Increase Workforce Participation for Underrepresented Groups
- 3.C Support Equity Building Through Affordable Housing
- 3.D Ban or Limit Predatory Lending
- 4.A Promote Diversity and Entrepreneurship in Growth Industries
- 4.B Streamline Services and Support for Core Industries
- 4.C Market the City and Support Business Expansion
- 4.D Shape the Implementation of Disruptive Technologies

DRAFT

Feasibility Study / Planning

Approval / Transition

Evaluation / Refinement



DRAFT

**Discussion Draft - Proposed FY '18-19 Funding for Implementation Plan
Attachment B**

	Action	Lead Entity	Start Year	End Year	FTE	TOTALS		
						City General Fund and ED Trust Fund Resources	Federal/State Resources	Private Resources
Action 1.A	Strategic and Technical Service Group	EWDD	2018		TBD	\$ 500,000	\$ -	\$ -
Action 2.A	Transformative Place-Based Initiatives (2x; Start Q1 2019)	EWDD	2018	Ongoing (increase for full Year 2)	1 (Future STSG)	\$ 750,000	\$ -	\$ -
Action 2.B	Neighborhood Revitalization Toolkit (Feasibility Study; 2x Start Q2 2019)	EWDD	2018	Ongoing (increase for full Year 2)	0.5 EWDD; 0.5 DCP	\$ 400,000	\$ -	\$ -
Action 2.C	Commercial Affordability Toolkit	EWDD	2018	Ongoing	0.25 EWDD; 0.25 Finance	\$ 150,000	\$2,500,000 (New Market Tax Credits)	\$50,000,000 (Small Biz Loan Program and Credit Enhancement Fund)
Action 2.D	Industrial Land Preservation Policies Revision	DCP	2018	2019	0	\$ 150,000	\$ -	
Action 2.E	Economic Development Strategies for Community Plan Updates	DCP	2018	Ongoing	0	\$ 375,000	\$ -	\$ -
Action 2.F	Consolidate Asset Management Functions	STSG	2019	Ongoing	N/A 2018 (4 FTE FY '19-20)	\$ -	\$ -	\$ -
Action 3.A	Economic Empowerment Program (Q4 2018)	HCID	2018	Ongoing (increase for full Year 2)	0	\$ 950,000	\$ -	\$ -
Action 3.B	Workforce Participation and Opportunity Access (Start Q1 2019)	Mayor's Office	2019	Ongoing (substantial increase for Years 2+)	1 EWDD	\$ 500,000	\$ -	\$ -
Action 3.C	Equity / Affordable Housing (via Linkage Fee Revenues)	HCID	2018	Ongoing	0	\$ -		\$ -
Action 3.D	Ban or Limit Payday / Title Lending	CLA	2018	2019	0.5 CLA (Temporary)	\$ -	\$ -	\$ -
Action 4.A	Diversity and Entrepreneurship in Growth Industries (Q4 2018; \$1m for RLF)	EWDD	2018	Ongoing	1 EWDD	\$ 1,150,000	\$ -	\$ -
Action 4.B	Streamlining and Support for Core Industries	STSG	2019	Ongoing	N/A 2018 (4 FTE FY '19-20)	\$ -	\$ -	\$ -
Action 4.C	Marketing City for Business Expansion	STSG	2019	Ongoing	N/A 2018 (4 FTE FY '19-20)	\$ -	\$ -	\$ -
Action 4.D	Disruptive Technology Taskforce	STSG	2018	Ongoing	0	\$ -	\$ -	\$ -
Total					(See Below)	\$ 4,925,000	\$ -	\$ -

Discussion Draft - Proposed FY '18-19 Funding for Implementation Plan
Attachment B

Summary by Department		City Resources (Non-Staff)	FTEs	
CLA	\$	-	0.5	\$ 4,925,000
DCP	\$	525,000	0.5	
EWDD	\$	2,950,000	2.75	
Finance	\$	-	0.25	
HCID	\$	950,000	0	
Mayor's Office	\$	500,000	0.5	
Total	\$	4,925,000	4.5	