

CITY OF LOS ANGELES

CALIFORNIA

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Economic Development Committee
Los Angeles City Council
c/o Richard Williams
City Clerk
Room 395, City Hall

TRANSMITTAL: PRELIMINARY REPORT TO THE ECONOMIC DEVELOPMENT COMMITTEE ON THE STATUS AND ACCOUNTING OF PROJECTED REVENUE TO THE CITY OF LOS ANGELES FROM THE FORMER COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES (CRA/LA)

The Interim General Manager, Economic and Workforce Development Department (EWDD), respectfully requests that the City Council NOTE and FILE this report inasmuch as the report is provided for informational purposes only and no Council action is necessary.

Status of CRA/LA-DLA Dissolution and City Impact

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/LA-DLA), took over as the entity tasked with winding down the work of the former redevelopment agency. CRA/LA-DLA is governed by a three-member board appointed by the Governor of California.

Although the City of Los Angeles chose not to step in as the successor entity, amending legislation (AB1484) to the Dissolution Act granted the City certain rights and opportunities to participate in limited efforts affecting the former redevelopment agency's housing assets; collect on past debts of the former agency to the City; obtain fee title to assets defined as 'Government Use' or 'Retained for Future Development'; and assume the land use authority still held by the CRA/LA-DLA. Additionally, the CRA/LA-DLA and City received independent approval from the State's Department of Finance to transfer and assign grants that the CRA/LA-DLA was no longer in a position to manage or match, saving millions in grant funds for important infrastructure projects throughout the City.

To date, the City has or is poised to be the receiver of the following assets from the CRA/LA-DLA:

- 62 real properties categorized by the State as housing assets that the City has the right to develop for affordable housing or other uses as it sees fit;
- Access to housing bond funds which can be requested by the Housing and Community Investment Department (HCID) as the Housing Successor;
- 20 grants totaling \$60 million for infrastructure projects
- 36 Government Use Properties including right-of-way, parks, administrative buildings, easements, covenants, and air rights;
- 15 Future Development Properties including key properties for development in South Los Angeles, East Los Angeles, Downtown and the Valley; and
- Land Use authority retaining important provisions guiding development in 30 plus communities in Los Angeles and assumption of certain significant projects like the Los Angeles Sports and Entertainment District.

The City is also pursuing claims for millions of dollars in loans to the former redevelopment agency that are either awaiting addition to the repayment obligation schedule or are under contention.

Although the CRA/LA-DLA still handles projects that are of critical importance to the City, the dissolution has narrowed this field. Nevertheless, projects like Grand Avenue, the Broad Museum, L.A. Streetcar, Metropolis, Wattstar, Slauson Central Retail Center, Midtown Crossings, District Square, NOHO Commons, Plaza Pacoima, Vermont/Wilshire and the Convenience Store Conversion Program are all still reliant on agreements and funding from the CRA/LA-DLA. These are critical projects to the residents of the City, and in many cases, the City has invested its own resources in them.

Additionally, given the former redevelopment agency's reliance on debt financing, the CRA/LA-DLA holds approximately \$80 million in bond funds available for project implementation per the Dissolution Act. Because the CRA had been prohibited by deadlines imposed by Dissolution Law, the CRA/LA-DLA did not have enough time or active projects and qualifying activity to utilize these proceeds. Because of this predicament, the CRA/LA-DLA has been forced to refund a portion of their bond portfolio.

Lastly, the former redevelopment agency's collection of public art holdings includes almost \$5 million in Cultural Trust Funds set aside in Reserve Accounts. Many significant public art pieces throughout the City are covenanted or owned by the CRA/LA-DLA. Prior to its dissolution, the former redevelopment agency was working collaboratively with the City to spend these Cultural Trust Funds on unique City assets, like the Warner Grand Theater in San Pedro and on a new public Arts District in Boyle Heights.

The interdepartmental committee chaired by the Mayor's Office on Dissolution continues to meet on a regular basis to direct the mandated dissolution process and advocate for strategies to preserve community-supported assets and projects of the City's former redevelopment agency, providing building blocks for the City's new economic development efforts. The committee has two sub groups working on the transfer of grants and the associated matching funds and the transfer of CRA's real property assets.

Managing the work created by the absorption of some of these former redevelopment assets and projects is a critical cornerstone of the early work of the Housing and Community Investment Department (HCID) and the Economic and Workforce Development Department (EWDD).

Role of the Economic and Workforce Development Department

The EWDD, working with the Mayor, Council, and City departments, will provide support to the city including taking responsibility where assigned and managing the tasks associated with making the assets and projects of the former redevelopment agency assumed by the City of Los Angeles a success for the city by doing the following:

Property Analysis and Reuse

1. Work with the Mayor, Council and City departments to analyze and prioritize the best use for the non-government use properties coming from the CRA/LA-DLA. These properties should include any mixed use, mixed income or non-affordable housing proposals for property received as a Housing Asset.
2. Provide asset management and use analysis for Government Administrative buildings transferred as 'Government Use.'
3. Provide an interim Property Management Plan for agencies that may receive CRA properties, including Recreation and Parks, HCID, Public Works, and the General Services Department (GSD).
4. Work with HCID and the mayor's office, as the lead of the dissolution team, in negotiating and preparing Option Agreements on Future Development Properties with the CRA/LA-DLA, including establishing milestones for projects' development within a fixed time frame with allowable extensions for execution by early 2014.
5. Work with appropriate City departments to develop former redevelopment agency properties into catalytic projects for the City of Los Angeles within the time frames laid out in the Option Agreements, in accordance with regulations associated with federal or grant funds connected to the properties.

Grant and Bond Projects

1. Work with and assist other City departments in implementing grants received by CRA/LA-DLA and competing for funds to match or build on the scope of work developed under these grants.
2. Reach out to major granting sources (like Metro, State HCD and State Parks Department) to determine a process for reviving grants that were lost due to the CRA/LA-DLA's inability to execute grant agreements prior to its dissolution.
3. Work with HCID to pursue options for the City to receive all or a portion of the bond funds from the CRA/LA-DLA for priority projects within the redevelopment project areas where excess bond funds are available.

This would include a determination of fund amounts available in each project area, creating criteria for investment and a recommendation of projects to fund.

Integration Into the Larger Economic Development Agenda

EWDD was set up by the City to define the City's new economic development efforts and to mirror some of the critical 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 ventures in the City.

Any government agency involved in redevelopment efforts must give the private sector the confidence necessary to invest in emerging markets and develop in historically underinvested areas of the City. As the City moves forward, its economic development strategy through EWDD will rest in building capacity, reputation and resources to meet the economic development needs of the City and its diverse communities.

Developing baseline funding and the establishment of funding priorities are the critical components to future success as EWDD takes up these challenges. In order to compete nationally and regionally, the City of Los Angeles must prioritize its economic development activities.

The County of Los Angeles and many surrounding municipalities have taken action to set aside revenue from property tax increases ("Boomerang Funds.") They have reassessed their redevelopment agencies, economic development efforts and affordable housing projects and programs to focus on the most efficient use of their resources. Many cities were supplementing redevelopment programs with General Fund dollars.

The City has received \$107 million to date that has been nearly all assigned to the city's budget. It's anticipated that the City will receive approximately \$16 million of funding from the CRA/LA-DLA in January 2014, and between \$30-40 million a year in Boomerang Funds.

Given the public sector economics of 2013, state and local governments must make each dollar count. We cannot afford to pour valuable revenue into activities that don't return great value. EWDD must be structured to succeed to meet this challenge. Strengthening staff capacity within EWDD will come with thoughtful reorganization. Hiring new staff with professional experience to match the City's needs is a priority.

It is hoped that the city will support a staffing plan that allows for EWDD to house a multi-disciplined "Dream Team" with on-loan staff from various departments (Department of Transportation (DOT), Bureau of Engineering (BOE), Bureau of Street Services (BSS), Planning) to collaboratively manage and oversee the City's priority projects ensuring a high level of focus and results.

EWDD must forge strong working relationships with other City departments and proprietaries, such as Department of Water and Power (DWP) and the Port of Los Angeles, as the City's economic development agenda reaches broadly into the development of regional assets, improving public infrastructure, and major projects that cut

across multiple disciplines (e.g. developing a project that could contain housing, parks, cultural facilities, roadway improvements and major advanced planning and environmental activities). Projects like 'My Figueroa' are a good example of a multi-disciplined endeavor that was characteristic of the former redevelopment agency.

Even with an infusion of Boomerang Funds or another dedicated City source, the City's economic development efforts will not be funded at a quarter of the scale of those run under the former redevelopment agency. Therefore, the greatest challenge in this scaled funding environment will be how the city establishes its priorities for the funds we will receive. Given the steps taken to secure properties from the CRA/LA-DLA, we can assume that a portion of funds off the top will be used to move this asset program forward.

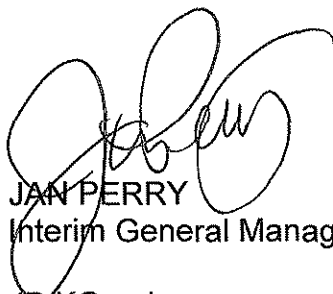
EWDD is in the process of hiring lead staff to manage its economic development efforts. A more detailed approach to prioritizing funding, strategizing investment, and advanced program and project development can be addressed with the expertise, research and contributions of the staff working in concert with the Mayor, Council, and City departments.

Setting aside funding in the City's budget is not putting the cart before the horse. Funds committed as part of the budget process will be used for capacity building, asset management and plugging gaps in key projects jeopardized by the dissolution of the redevelopment agency.

These funds can assist with implementing grants assigned to the City by the CRA/LA-DLA and leverage a program to revive grant money lost in the dissolution process.

The City may choose to continue some of the more sector driven efforts like the Industrial Incentive Program or public-health focused Convenience Store Conversion Program. And in some cases there are specific projects suspended due to the loss of gap financing from bond funds or tax increment promised. Phase II of the 29th Street Crossings Project, improvements on Cesar Chavez Blvd. in East Los Angeles, extension of the Red Car Trolley in San Pedro are just a few examples of public works projects lost to dissolution.

Rest assured that EWDD staff will continue to work with the Mayor, CAO and CLA on the City's response to the former redevelopment agency's dissolution process and absorb any work program that emanates from it, and I will continue to meet and collaborate with the Mayor and Councilmembers as we respond to, prioritize and bring to fruition the opportunities presented by the potential funding from the CRA/LA-DLA dissolution.



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