

CITY OF LOS ANGELES

CALIFORNIA

ECONOMIC & WORKFORCE
DEVELOPMENT DEPARTMENT

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~~Report~~ Report from the
EWDD

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

TRANSMITTAL: REPORT BACK TO THE ECONOMIC DEVELOPMENT COMMITTEE OF 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)

BACKGROUND:

Basis for Program Development Strategy

The City of Los Angeles is one of the largest municipal economies in the country, and one of the largest overall economies in the world. The city can boast of its broad sector of emerging and established markets; one of the most active Ports in the world; a strong connection to the markets and businesses in Latin America and the Pacific Rim; and a robust tourism industry.

Overall, the city has not seen job growth in over two decades and has not kept up with the state or national economic recovery in this post-recession era. To reverse this trend, it is vital that the city and the Economic and Workforce Development Department (EWDD) actively focus this coming Fiscal Year on developing strategies to create a real jobs/housing balance that will brand Los Angeles as a 21st Century City fostering innovation, sustainability, and a better quality of life.

To develop an effective economic development program, the city must establish a baseline of funding for these efforts by utilizing the Boomerang Funds returning to the city as the result of the dissolution of the CRA. Even as the city continues to face ongoing budget challenges, in order to deliver a real economic development strategy for the city, it is essential that these funds be set aside in percentages similar to those established under

redevelopment: 20 percent for affordable housing programs and 80 percent for economic development and public infrastructure programs. It is estimated that for the foreseeable future, funding from the Boomerang Funds would equate to approximately \$30 million a year. It is EWDD's goal to ensure that every dollar received from these funds will be matched with grants and private investment to guarantee leveraged investment and produce results that generate new revenue for the city over time.

Over the next year, EWDD will be organizing the city's consolidated economic development effort and establishing the groundwork necessary to grow this program. In order to meet this challenge, the EWDD will need to supplement its existing staffing and acquire a baseline of city funding it can rely on for programmatic and project development. The first year will require hiring a **small** but effective staff that will be responsible for meeting the following objectives:

1. Establish a Citywide Implementation Plan for Economic Development with a 5-year horizon beginning July 1, 2014.
2. Support and build capacity for any supplemental nonprofit that will work in concert with EWDD and city departments on implementation.
3. Integrate various city staff and departments into the economic development work of the EWDD so that citywide economic development begins to operate in a more cohesive and comprehensive manner.
4. Work to assist with Asset Management functions including repositioning/repurposing city properties and creating plans to economically develop properties the city receives from the CRA as part of the Dissolution Process.
5. Initiate sector-based study and best practices to validate and establish economic development goals for the city, and set up programs that will assist with sector growth.
6. Establish and deliver on strategies to improve infrastructure in our neighborhoods utilizing infrastructure bond proceeds to ensure sustained growth, reliable delivery of services, and the removal of transportation and Goods/Movement barriers.
7. Create and implement a work plan for marketing the city to businesses and promoting various sectors within the city.
8. Review, modify and initiate/enhance business assistance programs and strategic development investment in the city.
9. Champion and work with city departments to implement major economic initiatives including but not limited to Transit Oriented Development, Great Streets, Convention Center expansion, etc.
10. Work with the Mayor and Council Offices to develop geographic work programs that will address specific economic and development issues and opportunities in the various neighborhoods throughout the city.

Program Detail

Program development and fund expenditures would be focused on the following areas:

1. Asset Management and Real Estate
2. Capital Projects (Transportation and Infrastructure)
3. Economic Strategy and Marketing
4. Market Investment and Innovation

This program will be focused on managing, acquiring, disposing and leasing city-owned property assets received from the redevelopment agency and any other sites owned by the city with Transit Oriented District (TOD) or strategic potential to meet the City's economic development objectives and maximize a return on assets for the City. EWDD will work closely with the Housing and Community Investment Department (HCID) to focus on properties that are or can be positioned to create jobs, commercial and industrial growth and mixed-use development.

EWDD, in accordance with the ordinance that established the department, will work with the Mayor's Office, CAO and CLA, council offices and the non-profit entity to develop these properties. Overall project responsibilities would include analyzing property potential; addressing any remediation, relocation or land preparation needed to prepare the property for reuse; developing and overseeing RFP process for selecting developers or businesses to lease or purchase the properties; drafting all lease and development agreements for private use; and managing and maintaining all lease and development agreements once executed.

Examples of Immediate Projects to be undertaken:

- Convention Center Adjacent Property. Develop and implement plan for reuse of property to better serve convention center and LA Live entertainment center activities.
- Properties located near Metro planned or existing Metro major station stops. Analyze current uses and develop plan for repositioning selected properties in concert with public partners like Metro, the Housing and Community Investment Department and potential private developers or commercial tenants.
- CRA/LA-DLA Assets. Work closely with HCID on developing disposition plans for Future Development Assets and properties that are well suited for mixed-use or commercial/industrial development in the former redevelopment project areas.

Capital Projects

By utilizing Boomerang Funds, EWDD could create physical infrastructure, facilities and amenities that strengthen the City's economic position by investing in streetscape and infrastructure projects in the City's commercial and industrial hubs and project manage the creation or rehabilitation of sports and cultural facilities, markets, buildings, and amenities

that create and enhance the City's competitive edge.

EWDD will focus on those projects that are particularly complex, involve multiple grant sources, include private partnerships, and/or are the focus of a larger economic development strategy. EWDD will work to establish the financing for projects, managing the design and construction, and setting up long-term/short-term maintenance agreements.

Examples of Immediate Projects to be undertaken:

- Focus on Tourism Infrastructure. This would include improving infrastructure in areas the City has designated for cultural, entertainment or sports-related uses but would also include developing emerging urban tourism wherein tourists are interested in specific experiences (eco, food, etc.). Projects could include upgrades to Chinatown Plaza, Downtown Streetcar, and related streetcar projects in other neighborhoods, My Figueroa, Fashion District way-finding, parking and walkability improvements, etc.
- High Speed Internet and Technology. Focus on efforts to create more public Wi-Fi hotspots and develop plans for improving high-speed access to lower income areas and commercial hubs.
- Great Streets. Develop infrastructure plans for neighborhoods designated under the Great Streets Program and implement a streetscape, signage and branding program. As part of the Dissolution Process, the city is working to ensure that CRA bond proceeds return to the city for public infrastructure uses within CRA project areas. These resources will help fund infrastructure efforts.
- Goods/Movement. Develop infrastructure along key transit corridors for Goods Movement, including the Alameda Corridor, and reinforcing streets for heavy weight trucks in Wilmington.

Economic Strategy

Develop focused plans for sector and job growth throughout the City of Los Angeles and provide regular reports to the City Council, Mayor's office and other relevant departments. Assist in developing policies and ordinances that will further the City's economic development agenda. Work with various Business Improvement Districts (BID), L.A. Inc., chambers of commerce and business associations to promote Los Angeles' economic development opportunities through media and conference efforts to attract and retain corporate investment. Formulate an economic strategy to look at the City from both a micro and macro level to determine how to build on neighborhood and citywide assets as well as fill in economic gaps. EWDD would also utilize the most current information of Los Angeles' diverse real estate market to assist businesses and developers in finding best-suited locations within the City limits for their investments.

Examples of Immediate Projects for consideration:

Made in L.A. Design - market a website that creates a database of manufacturers providing garment-related production services. Market the website locally and internationally to position Los Angeles as a uniquely qualified City for fashion production, design and distribution. Create materials marketing Los Angeles and specific sites for development.

Create a "road show" for industry trade shows and business and educational conferences.

- **Real Estate Advisory Services.** Continue to promote use of Locate LA with developers and brokers; work with local business and chamber organizations to assist specific businesses wanting to locate in Los Angeles to help them find a site and provide public financing options through various City and/or state related programs.
- **Sector Analysis.** Develop analysis of various commercial and industrial sectors; create investment strategies and Strategic Initiatives (e.g. Cleantech, Biotech) as well as geographic-oriented development visions (Crenshaw Corridor, Central Avenue Corridor, San Pedro Arts District).
- **Technical Seminars.** Provide technical seminars focused on topics such as expanding local business export capacity, etc.
- **BID Collaboration.** Work with BIDs throughout the City to encourage an economic growth agenda. Establish and nurture BIDs as partners of the City in maintaining public improvements and safety. Also, assist in developing Assessment Areas to help with maintenance of out-of-the-box public improvements.
- **Transportation and Food Access.** Implement recommendations for improved access to healthy food through the creation of policies and advocacy for modifications to public transit systems.
- **Guide to local communities in Los Angeles.** Complete data gathering and website design/launch for a guide to highlight eating, site-seeing and exploring opportunities for all Los Angeles neighborhoods. Coordinate this effort with Experience LA and Council Offices and ensure that other traditionally "less explored" communities like the south and east Los Angeles and San Fernando Valley communities are fully represented.

Market Investment and Innovation

Provide funding through public investments for various real estate development, job creation and economic development opportunities. In addition, EWDD could leverage Boomerang Funds by combining them with bonds, low-interest loans, New Market Tax Credits, refunds of city sales, utility user, property and business license taxes, and service-repayment loans for business retention and creation purposes.

Some of these loan and bond programs are already active in the city and would be consolidated under the Los Angeles Economic Development Corporation (EDC). EWDD will also provide analysis to guide potential public investments in commercial, mixed use or industrial ventures in the City of Los Angeles.

EWDD will evaluate requests for public assistance and underwrite and coordinate an investment strategy with city Departments, Council and Mayor's office. Projects would be organized into two divisions, one that works on small business or micro-enterprise loan

programs and the other for larger investments to establish new businesses and help

existing businesses expand. The larger loans would typically focus on businesses or projects with more than 20 employees, while the smaller loans would focus on façade rehabilitations and capital equipment investments for businesses with under 20 employees.

Examples of Immediate Projects to be undertaken:

- Create Managed Pipeline. Establish a prioritized pipeline of projects and analyze for public funding; develop a community benefits package in coordination with city leadership; develop and utilize project labor agreements; and assist in leveraging any other available resources. Projects should be focused on regional impact as well as the opportunities the projects would have to spark innovation. Projects should also create connectivity to other City investments and ensure that the city's investments are tied to job creation and training with the focus on living wage employment opportunities for our workforce program participants.
- Façade Program. Continue façade programs in Great Streets neighborhoods that provide exterior and interior upgrades to assist local retail efforts.
- New Market Tax Credit. Coordinate investments with Los Angeles Development Fund (LADF).
- 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.
- Incubators. Assist in funding business incubation efforts, whether through innovative program or capital build out of incubation centers.

UPDATE ON FISCAL YEAR 2014-2015 EWDD BUDGET REQUESTS:

On February 20th EWDD met with the Mayor's Office and the CAO and subsequently submitted a revised budget request for fiscal year 2014-2015 that provides a transitional approach to building the capacity of the department to assume economic development related projects. These include the following:

1. Delay the transfer of the BID program to EWDD, and instead develop an MOU with the City Clerk's Office to provide marketing of the BID program to businesses through EWDD's nine (9) Business Source centers. The centers are located throughout the city and offer a wide range of resources to businesses and individuals. Delay of the transfer may save EWDD \$402,485 in BID related general administrative expenses.
2. Revise the number of new positions requested for the Lending Unit in the Economic Development Division from six (6) to three (3) and reducing the amount requested from \$674,271 to \$518,829 for six (6) months for the following positions:
 - a. 1 Industrial Commercial Finance Officer II

- b. 2 Management Analyst IIs
3. Revise the number of positions requested for Asset Management from fourteen (14) to six (6) and reducing the funding amount from \$1.8 million to \$553,709 for six (6) months to include the positions listed below:
 - a. 1 Senior Project Coordinator
 - b. 1 Real Estate Officer II
 - c. 1 Environmental Specialist I
 - d. 1 Management Analyst II
 - e. 2 Senior Project Assistants

We also anticipate having an Assistant General Manager for Economic Development in place by May 2014 and will begin moving forward with expanding functions based on the anticipated return of CRA properties.

In the interim, we are awaiting the strategy regarding the Economic Development Non-profit. A new plan is being reconsidered, and going forward the EWDD may assume significant portions of its functions.

4. In light of the Mayor's Executive Directive on cyber security, EWDD has submitted a new request for one (1) new Systems Programmer II position required for the realignment of EWDD's computer network security with new, cyber security requirements.

Our approach is proactive and includes the submission of requests for funds and positions through the reprogramming of CDBG monies, the FSR and fiscal year 2014-2015 budget processes to strengthen department operations and infrastructure, and position the department to assume proposed roles and responsibilities. The remaining requests will be submitted during the 2015-2016 budget process, with additional requests pending as the role of the department evolves.

BOOMERANG FUNDS

Due to the dissolution of the former Community Redevelopment Agency (CRA), the city has received \$121.7 million in Ex-CRA tax increment revenues (General Fund monies) since June 2012. The Office of the County Auditor Controller (CAC) estimates the City's June 2014 Ex-CRA tax increment payment to be \$26.3 million, which would bring the total amount to \$148 million.

The CAC collects the Ex-CRA tax increment monies and then deducts, among other things, the County's administrative fees, pass-through payments to the affected taxing entities (ATEs), such as the City, County, School District, Community College District for project areas, and the amount approved under the ROPS for the CRA/LA DLA. The remainder is distributed to the ATEs including the City.

The redevelopment dissolution law created a new administrative process whereby all

The redevelopment dissolution law created a new administrative process whereby all proposed expenditures by the CRA/LA-DLA must be listed on a Recognized Obligation Payment Schedule (ROPS), a six-month expenditure plan, and approved by CRA/LA-DLA's Governing Board, Oversight Board and the State Department of Finance (DOF) which possesses final authority.

To date, the CRA/LA-DLA and DOF have approved six ROPS which are funded with the Ex-CRA tax increment revenues. The City has received its share of these revenues from five ROPS. For the sixth ROPS the Ex-CRA tax increment payment is expected June 2014. The redevelopment dissolution law also required the CRA/LA DLA to undergo two due diligence reviews (DDR): a) Low and Moderate Income Housing Fund (LMIHF) and (b) Other Funds and Accounts (OFA). Both DDR reviews have been completed and the City has received its share of these funds.

Below is a breakdown by fund, amount and revenue time period for the \$121.7 million in Ex-CRA tax increment monies:

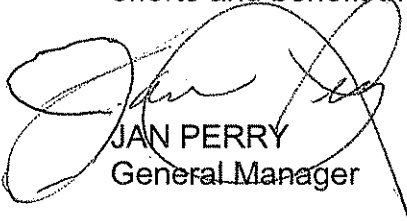
Fund	Amount (millions)	Revenue Time Period
ROPS 1	\$17.0	1/1/12-6/30/12
ROPS 2	\$23.0	7/1/12-12/31/12
ROPS 3	\$16.8	1/1/13-6/30/13
ROPS 13-14A	\$15.3	7/1/13-12/31/13
ROPS 13-14B	\$20.3	1/1/14-6/30/14
DDR - OFA	\$19.9	N/A
DDR - LMIHF	\$ 9.4	N/A
	Total-\$121.7	

CONCLUSION

Building the Economic Development structure as described will require a commitment of investment to achieve the vital and much needed economic goals for the city. Policies adopted should also be consistent with the goals and objectives laid out in the Consolidated Plan and how the city has defined the use of Federal resources for housing and economic development.

Establishing priorities for this work will depend on the decisions of policy makers, as well as the opportunities presented as we work our way through the CRA Dissolution process and budget challenges. Finally, by the strategic and thoughtful use of set aside Boomerang Funds, and following the economic development strategy developed by EWDD, the Mayor's office, Council Offices, CAO and CLA, Los Angeles can work to impact the negative job growth that has been so detrimental to the City and its diverse and numerous stakeholders.

It is understood that the development and investment community want certainty in their negotiations and agreements with the city. It is therefore vital that the city provide its loan programs, business service and incentive programs, development opportunities and resources in a manner that is consistent, fair and reliable. This is where the strategic development and adoption of strong policies having to do with the allocation of economic and workforce development resources will provide the framework for the city's development efforts and benefit those that want to do business with the city.



JAN PERRY
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cc: Councilmember Price