

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: June 27, 2016

TO: Honorable Members of the Ad Hoc on Comprehensive Job Creation Plan Committee

FROM: Sharon M. Tso *VEK for*
Chief Legislative Analyst

Council File No: 15-1365
Assignment No: 16-03-0278

Business Unit and Rapid Response Team

SUMMARY

This report is in response to Motion (Krekorian-Martinez-Price, C.F.# 15-1365) instructing our Office with the assistance of the City Administrative Officer (CAO) and the Economic Workforce Development Department (EWDD) to report on the following: 1) an assessment of which departments most impact economic development and job creation; 2) the feasibility of creating a single business unit within the City that oversees business attraction, retention, growth, and job creation; and 3) an expansion of the rapid response team.

This report responds to items number 2 and 3 above. This report focuses on the feasibility of creating a single business entity within the City and the creation of a rapid response team to include essential departmental representatives to help shepherd businesses through the city process and provide immediate attention. With regards to item 1, an assessment of City departments that most impact economic development and job creation will be conducted by EWDD as part of the Economic Development Strategy (C.F.# 13-1090-S1).

Upon consultation with EWDD, the Department has stated that it has received funds in the FY 2016-17 budget to create a new Business Assistance Unit (BAU) within the Department. The unit would include among other things, a rapid response function for businesses experiencing difficulty with city requirements. In addition, the BAU would coordinate with other City Departments to resolve delays or other difficulties with securing City permits, licensing, inspections, etc.

We recommend that EWDD be instructed to report with the staffing required to establish a single business entity within the City focused on assisting small business that includes a rapid response feature. In addition, in order to ensure that all small business matters are addressed, the relevant Departments should be instructed to identify a designee to work with EWDD to identify issues commonly encountered by small businesses.

RECOMMENDATIONS

That the City Council:

1. Instruct EWDD to report on the funding, staffing, and scope of work required to create an effective business assistance unit that includes a rapid response feature for businesses.

2. Instruct the Office of Finance, Planning Department, Building and Safety, and Department of Water and Power, and other appropriate Departments, to assign a designee to assist EWDD with the identification of, and solutions to, problems encountered by small businesses.

BACKGROUND

The City currently has one primary program that directly assists the small business community, the BusinessSource Center program administered by EWDD. Additionally, there are two federally administered Small Business Development Centers (SBDCs), which fulfill similar functions to BusinessSource Centers that are located in the City. The Rapid Response team administered by EWDD operates through the Worksource Center program and provides assistance to dislocated workers. Below is a description of these programs.

BusinessSource Centers

There are nine BusinessSource Centers in the City, each of which serve multiple Council Districts. BusinessSource Centers provide startup ventures and current small business owners various tools to make their business successful. Funded by Community Development Block Grants (CDBG), BusinessSource Centers provide new and existing entrepreneurs assistance with business plan development, small business financing, work force management, technical training, and other essential business advice. Their chief responsibility is to provide businesses with strategy support and solutions for sustained job growth.

According to EWDD, BusinessSource Center contractors are not required to have the training and knowledge essential to navigate City programs, policies, or law. Further, BusinessSource Center staff are not trained to direct new businesses to designated City resources when more complicated or specific needs arise such as permits and inspections.

Small Business Development Centers

Similar to the City's BusinessSource Centers, the federal Small Business Administration (SBA) has established small business centers across the United States to assist aspiring business owners with planning, advertising, marketing, lease negotiation, and financing. Founded in 1953, the SBA was created as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business. The Los Angeles Regional Small Business Development Center (SBDC) is part of the nationwide SBDC program, the largest economic development program of the SBA. There are two SBDCs in the City located in Council Districts One and Ten.

Similar to BusinessSource Centers, SBDCs are not trained to provide specialized information to businesses about City functions and requirements such as licensure, relocations, or permits.

Rapid Response Team

EWDD currently operates a Rapid Response Team through the Workforce Development Board (WDB), which supports employees and business through any difficult transition process, such as a business closure. State law mandates that whenever there is a layoff of more than fifty or more individuals, the local area is required to provide a “rapid response” to Worker Adjustment Retraining Notifications (WARNs). In Los Angeles, Rapid Response Coordinators (RRC) respond to all layoffs, plant closures, and/or hour reductions regardless of the number of affected employees. The Rapid Response Team is funded with Workforce Innovation and Opportunity Act (WIOA) funds. Adults, dislocated workers, and youth are the only groups eligible to receive WIOA funds.

The existing Rapid Response Team provides support to employees when a business is in crisis. Thus, a Rapid Response Team as it currently functions does provide small businesses with the assistance they need to navigate the complex City programs and processes. As noted, only limited services are available to helping businesses avert problems early, so a program similar to the rapid response team to assist small businesses would be appropriate to establish within EWDD.

DISCUSSION

Business Assistance Unit (BAU)

A review of current City programs indicates that there is a gap in City services available to local businesses seeking unique information related to loans, licensure, permits, and other highly specialized information. After consulting with EWDD, this Office has determined that the formation of a Business Assistance Unit (BAU) to oversee business attraction, retention, growth, and job creation could be a solution to address this need.

BusinessSource Centers act as the introductory point of assistance for prospective entrepreneurs who need assistance with their business strategy, marketing techniques, and employee training. More specific and challenging problems such as permitting, licensure, and unique City Department advice would not be available. When staff at BusinessSource Centers encounter a service need beyond their scope, they could refer a business to the proposed BAU to obtain more specialized assistance. The BAU, as City employees, would have direct access to the programs and staff who would provide the services needed.

Rapid Response Team for Small Business

The Council may want to consider replicating the Rapid Response Team model, which could entail the designation of a person in EWDD who is trained to handle the immediate needs of businesses beyond the needs of displaced workers only. Thus, it is not the same service that is being provided but a similar immediate contact point of help for businesses that are experiencing difficulty with licensure, permitting, or other specialized land use issues such as relocations.

We recommend that EWDD report on the feasibility of establishing a rapid response feature to help satisfy the current difficulties for businesses addressed in the Motion, including any funding resources that may be available to support this program.

CONCLUSION

Our Office consulted with EWDD and they have indicated that funding for positions was provided in the FY 2016-17 Budget that could be used to establish a BAU within the Department. The BAU could be integrated with other proposed business assistance programs such as Jobs and Economic Development Incentive (JEDI) Zones, or the Small Business Commission (SBC). We recommend that EWDD report on the staffing needed to fully implement this program and how it would operate within the context of its other initiatives.

Additionally, EWDD should coordinate an interdepartmental team of City designees originating from the Departments entrepreneurs most frequently interact. This team would have regular meetings and develop a list of problems that businesses frequently encounter, with the goal of standardizing solutions to these commonly held problems. This group of designees would be focused on business retention by dynamically resolving problems encountered by local business and coordinating communication between Departments that have overlapping laws, permits, or licenses. We recommend that Council direct each Department to name a business assistance coordinator to work with EWDD.

FISCAL IMPACT

The Recommendations in this report have no immediate impact on the General Fund.



Henry Flatt
Analyst

Attachment: 1. Motion

MOTION

The City of Los Angeles created the Economic and Workforce Development Department in 2013 in an attempt to centralize the City's economic development strategy and services. However, many other city departments and agencies continue to play a significant role in either promoting or inhibiting job creation and economic growth depending on how they administer and implement policy. Among the many departments that impact potential, new or existing businesses are the Department of Finance, the Bureau of Contract Administration, the Department of Building and Safety, the Bureau of Engineering, the Department of Planning, and the Department of Water and Power.

The City's job creation efforts would be improved with a business unit that provides information about city and state services, programs, and incentives, and that assists businesses in need of help with city departments throughout the process of opening a business, relocating, or building in Los Angeles. Without such a proactive business unit, the City's job creation strategy can be fragmented and ineffective.

The city's layoff aversion program and rapid response team targets at-risk businesses and offers one-on-one consultations, workshops and training to help avoid layoffs. In instances where layoffs are unavoidable, the program offers career counseling, benefits assistance, and job placement. Despite these programs, existing businesses seeking immediate assistance and/or relief from city departments may be forced into a bureaucratic maze often difficult to navigate. The city should explore the expansion of the rapid response unit to include essential departmental representatives to help shepherd businesses through the city's bureaucracy and provide immediate attention.

I THEREFORE MOVE that the Chief Legislative Analyst, the City Administrative Officer, Economic Workforce and Development Department, with the assistance of other relevant departments, be directed to report on which departments most impact economic development and job creation, and to explore the feasibility of creating a single business unit within the City to oversee business attraction, retention, and growth, and job creation, as well as exploring the expansion of the rapid response team.

Presented by: Paul Krekorian
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Seconded by: Current
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