

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 27, 2012

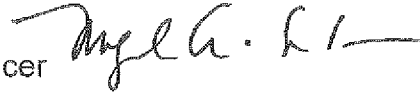
CAO File No. 0220-04736-000

Council File No. 08-3050

Council District: ALL

To: The City Council
Mayor Antonio R. Villaraigosa

From: Miguel A. Santana, City Administrative Officer



Reference: Policy Options for Citywide Economic Development Functions

Subject: **City Administrative Officer – New Asset Management Strategic Planning Unit**

SUMMARY

As a result of the dissolution of the Community Redevelopment Agency (CRA), on June 22, 2012, the Council adopted the recommendations of a joint City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) report on policy options for Citywide economic development functions (C.F. 08-3050). In adopting the recommendations, the Council approved, in concept, the establishment of an economic development entity to implement the City's economic development goals and projects. We are working with the CLA on the implementation strategy for economic development and will jointly report back to Council on this strategy within a short timeframe. However, as a precursor to this new entity, we recommend the establishment of an Asset Management Strategic Planning unit (AMSP) in the CAO. The main focus of this unit will be to identify opportunities, provide the framework and perform preliminary analysis on various asset management planning needs in the City.

Historically, AMSP activities would have been assigned to the General Services Department (GSD) Asset Management Division (AMD). However, as noted in previous performance audits of GSD AMD, that department is better suited to manage real estate transactional functions than to engage in strategic planning for effective on-going asset management. GSD AMD's core function is to perform operations on a transactional level and it does not have the proper staff or expertise to perform policy and strategic planning work.

Given the City's new commitment to economic development, the initial establishment of an AMSP in the Office of the CAO is needed to lay the foundation for the new entity and to identify areas of opportunity where the City can leverage its real estate assets for economic development. Establishment of an AMSP in the CAO's Office will also make it easier to facilitate a transfer of the function to a new Economic Development Department, should it ultimately be created. The Council action on Citywide economic development does envision a potential opportunity for the City, with the assistance of a nonprofit entity, to manage, maintain, acquire, dispose of and lease City-owned real

estate for economic development purposes.

The City also recently released a Request for Proposal (RFP) on best practices relative the City's Asset Management functions. Responses to the RFP are due in late October and selection of a contractor should occur by year end. It is anticipated that the successful responder will analyze and provide recommendations on appropriate staffing levels among other deliverables for the Asset Management function. Implementation of any recommended improvements would likely take place in FY 2013-14. We also note that the RFP is asking for best practice recommendations on the use of technology to effectively manage the City's real property assets. The development of a state-of-the-art citywide database of the City's real property inventory, which the City does not currently have, is critical to success of GSD's transaction based asset management functions, the AMSP and the future economic development entity.

Specific responsibilities of the AMSP will include:

1. Partnering City asset management needs with economic development opportunities
2. Identifying highest benefit options for the disposition/development of surplus property
3. Evaluating consolidation of City operations into appropriate space to reduce City costs
4. Developing and implementing multiple long-term strategic plans for municipal use; and,
5. Working with other governmental entities and the private sector on economic development as it applies to real estate assets.

There are a number of projects that the new AMSP can immediately start to focus on such as identifying economic development opportunities at the Mangrove site in Little Tokyo, Old Lincoln Heights Jail, West Los Angeles Civic Center and the Los Angeles Mall. Our aim is to develop an initial work plan by surveying elected officials and department managers on outstanding asset management needs, analyzing the economic development potential of these needs and prioritizing the resulting projects.

We recommend that the unit be staffed with four professional staff as well as be provided with funding for specialized consultant services. There are several options for qualified staffing for the new AMSP such as through the civil service process, through civil service-exempt positions or through professionally contracted services.

To formulate an informed recommendation on the type of staffing needed for this new unit, we reviewed a number of existing class specifications of City positions (both exempt and civil service) in the CAO, CRA, General Services, and Housing departments. We wanted to determine whether existing classifications could be effectively employed in the AMSP. We found that many of the classifications have job elements that are desirable for the AMSP such as requiring related base knowledge, experience and background in real estate development, private commercial real estate financing and/or property management. Although some classifications have attributes which are desirable in the AMSP unit, they also had other job requirements that were not applicable to the work of the new unit. Consequently, we are recommending the use of the Project Coordinator series which allows flexibility in crafting an applicable job description derived from the appropriate and relevant duties of various classifications.

We recommend that the positions be filled through a combination of civil service and civil service-exempt basis. Two of the positions are recommended to be civil service-exempt. This will provide us with the ability to hire employees with existing content-based experience in real estate projects and financing. Through the civil service-exempt process, we will look at hiring potential candidates from within and outside of the City, including current and former CRA employees. The remaining two positions are recommended to be filled on a civil service basis. This will allow us to look within the City at high performing individuals with experience in research, analysis, communications and presentation skills.

The estimated annual direct cost of the four-position unit is estimated to be \$417,642 and related costs would be \$150,907 for a total of \$568,549. Assuming that the transition would be effective by January 1, 2013, the total direct costs needed this fiscal year would be \$208,821. An appropriation for half year funding for direct salaries will be included in the 2012-13 Mid-Year Report. The costs will be financed with surplus property revenues that were not included in the 2012-13 Budget. In addition, it is recommended that \$193,000, which is equivalent to 50 percent of GSD's contractual real estate services funds, be transferred to the CAO.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize the establishment of an Asset Management Strategic Planning Unit in the Office of the City Administrative Officer.
2. Approve the exemption of one Principal Project Coordinator and one Senior Project Coordinator for the City Administrative Officer Strategic Planning for Asset Management from the Civil Service provisions of the City Charter, pursuant to Charter Section 1001(b).
3. Authorize by resolution the following four positions in the Office of the City Administrative Officer from December 1, 2012 through June 30, 2013, subject to position allocation by the Personnel Department and paygrade determination by the City Administrative Officer:

No.	Code	Class Title
1	1541-2	Senior Administrative Analyst II
1	9134	Principal Project Coordinator
1	1537	Senior Project Coordinator
1	1590-2	Administrative Analyst II

4. Authorize the Controller to transfer \$193,000 from General Services Department Fund 100/40, Contractual Services Account No. 003040 to the City Administrative Officer Fund 100/10, Contractual Services Account No. 003040.

FISCAL IMPACT STATEMENT

The six month cost of the four positions includes \$208,821 in direct costs and \$75,454 in related costs for a total of \$284,275. To mitigate this impact, the cost of the positions will be financed with unbudgeted revenues from the sale of surplus property. The annual cost of the four positions is \$568,549 consisting of \$417,641 in direct costs and \$150,907 in related costs. There is no impact on the General Fund from the transfer of \$193,000 in contractual services funds because these are currently budgeted in the General Services Department budget.

MAS:MRC/jjvw: 05130039