

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: September 19, 2019

CAO File No. 0220-01024-2777  
Council File No. 13-0934-S2  
Council District: Various

To: The Council  
The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Economic and Workforce Development Department Transmittal dated August 21, 2019; Received by the City Administrative Officer on August 26, 2019; Additional information received through September 11, 2019.

Subject: **JOBS AND ECONOMIC DEVELOPMENT INCENTIVE ZONES ESTABLISHMENT  
POLICY AND RELATED ACTIONS**

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### RECOMMENDATIONS

That the Council, subject to the approval of the Mayor, instruct the interim General Manager, Economic and Workforce Development Department (EWDD) or designee, to:

1. Work with the Department of City Planning (DCP) and Department of Building and Safety (DBS) to develop the following:
  - Specific process to implement potential City development fee reductions for Jobs and Economic Development Incentive (JEDI) Zone businesses, including the method of applying the fee reduction for developers;
  - Impact and/or changes to current City service delivery systems necessary to implement the process including initial funding requirements;
  - Potential to utilize current DCP and DBS services to expedite the development permit process for JEDI Zone developers;
2. Work with the Department of Public Works Bureau of Contract Administration, Department of Public Works Bureau of Sanitation, Los Angeles Fire Department, DCP, and other departments engaged in compliance monitoring to develop a process for coordinated services through EWDD to provide assistance to JEDI Zone businesses for corrective action in response to administrative notices of violations;
3. Initiate a Charter Section 1022 review process with the Personnel Department regarding the request to utilize consultant services to facilitate expedited City development permits;

4. Report to Council and Mayor regarding the findings of the activities recommended in Recommendations 1, 2, and 3 in this Report within 60 days; and,
5. In accordance with the City Financial Policies, utilize the Fiscal Year 2020-21 budget development process to request resources necessary to implement the new JEDI Zone program and any other economic development tools, initiatives, and activities that may be contemplated as part of the Citywide Economic Development Strategy (C.F. 13-1090-S1).

## **SUMMARY**

In its Transmittal dated August 21, 2019 (Transmittal), the Economic and Workforce Development Department (EWDD) requests approval of: 1) the proposed Jobs and Economic Development Incentive (JEDI) Zone Establishment Policy and Incentive Plan included in Attachment 3 of their Transmittal; 2) instructions to work with other City Departments including the Department of Building and Safety (DBS) and Department of City Planning (DCP) to develop and implement the JEDI Zone business incentives; 3) \$1.5 million in a General Fund allocation to EWDD; 4) a request to the City Attorney to prepare an ordinance to establish a JEDI Zone fund to be administered by EWDD; 5) authority for EWDD to release a Request for Qualifications to establish a list of consultants to expedite City development approval processes for JEDI Zone developers, and other related actions. On August 28, 2019, the Ad Hoc Committee on Comprehensive Job Creation Plan (Ad Hoc Jobs Committee) considered EWDD's Transmittal and adopted Recommendations 1 through 4 in the Transmittal with an amendment that would require that requests to establish a JEDI Zone be initiated by Council motion. The Ad Hoc Jobs Committee replaced Recommendations 5 through 11 with an instruction to the Office of the City Administrative Officer (CAO) to report regarding the EWDD transmittal relative to the JEDI Zone establishment policy, including funding and potential impacts. On September 10, 2019, the Economic Development Committee considered EWDD's Transmittal and continued the item pending the CAO report.

While this Office supports the creation of incentives for businesses to encourage economic development, additional information is needed as to how the proposed incentives would impact existing operations among the relevant departments, how the fee subsidy would subsequently be implemented, and the timing and level of General Fund required to initiate the program. In light of these concerns, we recommend that EWDD report back as directed in the recommendations to better inform the Mayor and Council of the Program's key components prior to funding consideration.

We recommend that EWDD: 1) work with the various City Departments whose services are included in the JEDI Zone Establishment Policy and Business Incentive Plan to develop the implementation procedure of the business incentives and funding needed for the start of the program; 2) initiate the required Charter Section 1022 review process to identify whether City services exist for assistance to developers in expediting the development permit process and whether contractors can perform the work more feasibly or economically; and 3) report to Council and Mayor with the results of these actions. We also recommend that, in accordance with the City's Financial Policies, EWDD utilize the Fiscal Year 2020-21 budget development process to request

resources for the new JEDI Zone program and other new economic development tools and initiatives under the Citywide Economic Development Strategy (CEDS) (C.F. 13-1090-S1).

The EWDD's Transmittal includes a request for \$1.5 million in General Fund which has not been budgeted in the current fiscal year. The Council and Mayor may choose as a policy decision to approve interim funding from the City's budgetary reserves for EWDD's request. Approval of EWDD's request would have a negative impact on the General Fund in the current fiscal year. This proposed program is one of an array of potential economic development incentives in the Citywide Economic Development Strategy (C.F. 13-1090-S1) that were approved by Council on September 18, 2019. In order for the Mayor and Council to comprehensively consider all requests for various new economic development programs such as JEDI Zones, we recommend that new resources be requested as part of the 2020-21 budget development process so that they can be evaluated along with other citywide funding priorities.

## **DISCUSSION**

On October 26, 2016, the Council instructed the Economic and Workforce Development Department (EWDD) to report on a Jobs and Economic Development Incentives (JEDI) Establishment Policy with consideration of the framework outlined in the Chief Legislative Analyst Report dated March 29, 2016, including a Citywide Business Incentive Plan and staffing plan (C.F. 13-0934-S2). The EWDD's Transmittal dated August 21, 2019 (Transmittal) presents a City JEDI Zones Establishment Policy and Business Incentives Plan in Attachment 3 of their Transmittal.

### Jedi Zones Overview

The JEDI Zones are proposed as geographic areas in the City which are assessed for conformance with eligibility criteria and, once approved by Council and Mayor, designated to receive an array of incentives for businesses to spur economic development. The JEDI Zone establishment approval process consists of a Mayor and/or Council request (via Council motion, as amended by the Ad Hoc Committee on Comprehensive Job Creation Plan) followed by an analysis by EWDD of the geographic area's needs and eligibility to meet the necessary criteria as described on p. 2 through 5 of Attachment 3 in the EWDD Transmittal. EWDD states that the criteria will help ensure that underdeveloped areas of the City benefit from a JEDI Zone designation. After completing their assessment, EWDD will submit their findings and recommendations to Council and Mayor regarding the requested JEDI Zone, potentially including recommendations for action to address the specific economic development needs and situation in the requested JEDI Zone area. Once the JEDI Zone has been approved by Council and Mayor, enterprises within the designated area would be eligible to receive the nine business incentives listed on p. 7 of Attachment 3 in EWDD's Transmittal.

The nine business incentives for the JEDI Zones include current or enhanced City services and new incentives proposed by EWDD. One of the main new incentives is the JEDI Zone Primary Support Program which will allow businesses to have a single City staff contact at EWDD for their JEDI Zone to access the array of incentives for which the businesses are eligible. Other new

incentives include an expedited process for City development permits, fee reductions for development permits, and assistance in compliance with City administrative notices by various Departments including the Los Angeles Fire Department. The current City services offered as part of JEDI Zone business incentives include Community Development Block Grant-funded business loan and façade improvement programs and City WorkSource Center services for paid training for employees funded by the annual Workforce Innovation and Opportunity Act grant from the U.S. Department of Labor. The federal grant-funded programs are restricted to disadvantaged or underserved populations which meet low income and other similar socio-economic criteria. EWDD will verify eligibility of JEDI Zone businesses for the grant funded programs.

### Funding and Implementation

The EWDD is not requesting new positions to implement the JEDI Zone program at this time and states that it has a current filled Senior Project Coordinator position dedicated to the program. The Department has requested an initial budget of \$1.5 million in General Fund of which \$1 million is for reimbursement to the Department of City Planning (DCP) and the Department of Building and Safety (DBS) for development fee reductions of up to \$10,000 per project for 100 projects total and \$500,000 for new consultant services to provide expedited City development permits for JEDI Zone developers. EWDD states that as the program is new, the volume of JEDI Zone activity and the demand for fee reductions are not clear and the funding request is to establish the program at a projected base level.

The process for implementing the reduced development fee incentive is unclear at this time. In its Transmittal, EWDD requested authority to administer the JEDI Zone Fund (to be established via City Attorney ordinance) and to transfer funds on a reimbursement basis to DCP and DBS for the amount of the fee reductions after the developers have paid. This method of reducing fees for the developers at the front end would require tracking and coordination by DCP, DBS, and EWDD regarding the amount of fee reduction per project. However, DBS staff states that their current permitting system does not allow for permits to be issued for less than the full cost of the fee unless the amount of the fee reduction has been paid in advance to DBS and the specific projects which qualify for the fee reductions have been identified in advance. Similarly, the process to implement the compliance assistance to JEDI Zone businesses for administrative notices of violations issued by various City departments has not yet been determined. EWDD states that their staff have not yet had discussions with the Fire Department and other compliance monitoring departments regarding implementation of this incentive. The recommendations in this Report include instructions to EWDD to work with the relevant City Departments to determine these procedures and any changes that may be necessary to implement the procedures and report back to the Mayor and Council.

### Services for Expedited Process to obtain Development Permits

The EWDD states that the proposed new consultant services to be funded by the City are intended to have the City offer contract services that have been utilized and paid for by larger scale developers recently to expedite the development permit process. DCP and DBS currently offer a range of services including problem solving, consultation and permitting assistance at each stage

for larger projects. Prior to approval of EWDD's request for funding and authority to issue a Request for Qualifications for this purpose, our Office recommends that EWDD discuss with DCP and DBS regarding the potential for current services offered by the City to provide this incentive to JEDI Zone businesses and to initiate a Charter Section 1022 review process with the Personnel Department, as required by City contracting requirements. The completion of this review process will establish whether the requested services are currently performed by City staff and/or whether they can be performed more economically or feasibly by independent contractors.

### **FISCAL IMPACT STATEMENT**

Approval of the Recommendations in this Report will have no impact on the General Fund and is in accordance with the City Financial Policies in that the City, as recommended, will consider requests for funding for the Jobs and Economic Development Initiatives and other new General Fund economic development programs during the course of the annual budget process. Approval of the request from the Economic and Workforce Development Department will have a negative impact on the General Fund in the current fiscal year in the amount of \$1.5 million.

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