

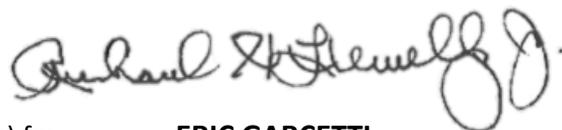
TRANSMITTAL

To: **THE COUNCIL**

Date: **09/29/21**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read "Eric Garcetti". The signature is written in a cursive, flowing style.

(Rich Llewellyn) for

ERIC GARCETTI
Mayor

CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL
GENERAL MANAGER



ERIC GARCETTI
MAYOR

**ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT**

1200 W. 7TH STREET
LOS ANGELES, CA 90017

August 19, 2021

Council File: 13-0934-S2
Council District: All
Contact Persons & Phone Numbers:
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Heleen Ramirez, Legislative Coordinator

TRANSMITTAL: JOBS AND ECONOMIC DEVELOPMENT INCENTIVE (JEDI) ZONES ESTABLISHMENT POLICY CRITERIA UPDATE AND RELATED ACTIONS

SUMMARY

On March 6, 2020, the Mayor and City Council approved and adopted the joint report from Economic Development Committee and Ad Hoc on Comprehensive Job Creation Plan to implement the Jobs and Economic Development Incentive (JEDI) Zones Establishment Policy and Incentive Plan.

The JEDI Zones are defined areas where local economic incentives are used to enhance existing businesses, attract new businesses and industries that will result in economic development and growth to the City of Los Angeles, particularly in communities that have been historically underinvested.

This report requests changes to the programmatic elements of the JEDI Zones Establishment Policy, including adjusting the unemployment assessment criteria, and eliminating the assessment criteria for crime and vacancy rates.

Through this report, EWDD is also requesting authority to release a Request for Qualifications (RFQ) to establish a list of qualified, experienced contractors that provide technical and construction services needed for the implementation of the JEDI Commercial Façade Program.

RECOMMENDATIONS

1. APPROVE the proposed programmatic changes to the JEDI Zones Establishment Policy as requested:
 - a. Adjust the assessment criteria “Non-seasonal unemployment rate that is at least 3% higher than the Citywide rate” to “Average unemployment rate 3% higher than average Citywide rate.”
 - b. Eliminate the assessment criteria “Crime rates 5% higher than the Citywide crime rate”
 - c. Eliminate the assessment criteria “Commercial, retail, or industrial vacancy is 5% greater than the City average.”
2. AUTHORIZE EWDD to release a Request for Qualification (RFQ) for the JEDI Zone Façade Improvement Program to develop a pool of qualified contractors to participate in technical and construction services required for the program.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund.

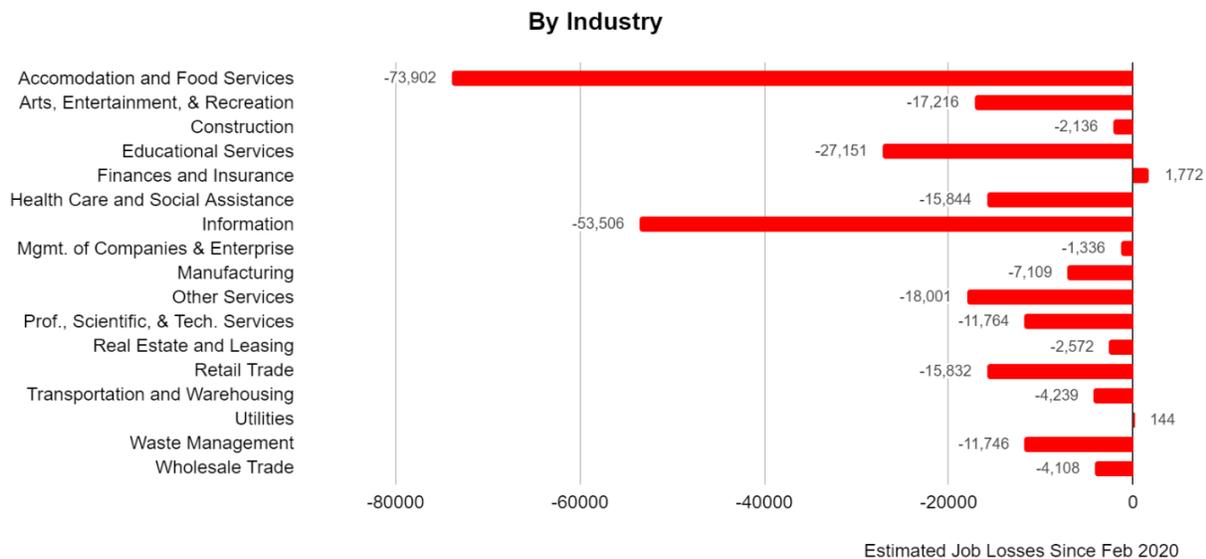
DISCUSSION

Background

The JEDI Program provides incentives, services and resources to businesses located within designated JEDI Zones, to promote economic development in generally underinvested areas under economic stress. The JEDI Zones Establishment Policy requires the Mayor’s and/or City Council’s request to evaluate an area’s eligibility based upon primary qualifying criteria and secondary needs assessment.

As a result of the coronavirus 2019 (COVID-19) health pandemic, local businesses have been facing declining sales, operational challenges, and financial uncertainty, especially those in areas that were economically stressed prior to COVID. The City Controller’s Office recent report of jobs lost in the City, as detailed in Table 1, confirmed that the pandemic’s effects are uneven. Low-wage service industries and the people of color predominantly employed in them are in the throes of a deep recession that has left other industries, professions, and demographics relatively untouched. Businesses involving close human contact including restaurants, gyms, hair salons, and movie theaters are suffering excessively.

TABLE 1 – LA City Controller Estimated Jobs Lost Since February 2020



Incentives and other financial subsidies often operate as a rapid response mechanism for governments to create jobs and enhance the revenue streams of local business. The JEDI Zones program’s aim to increase the availability of business incentives and services to deliver economic opportunities to underserved areas can also serve to ensure an inclusive and sustainable recovery for disproportionately affected enterprises.

Proposed Changes to Establishment Policy

The JEDI Zone establishment policy was adopted March 6, 2020, prior to the unprecedented health pandemic, which changed the scope and urgency of business needs. More communities and industries within the City that historically would measure lower in the secondary needs assessment criteria are facing unprecedented surge losses in employment and income. As adopted, many areas in the City are meeting the benchmarks outlined in the JEDI Zones establishment policy to indicate distress in the significantly changed, post-COVID environment.

EWDD has re-evaluated the factors indicating the proposed area is in distress in context with the recent dramatic increases to Citywide business closures and unemployment. To deliver this much-needed program expeditiously, EWDD is looking to streamline the process for establishing JEDI Zones. Based on an initial JEDI Zone analysis, EWDD is requesting modifications of the policies and framework and recommends changes to the eligibility criteria for unemployment, commercial vacancy rate, and crime rate.

EWDD recommends that the JEDI Zone assessment of distress, secondary needs assessment, should be reimagined to capture the heterogeneity of how sensitive businesses are to the COVID-19 financial crisis. The JEDI Zone’s secondary needs assessment may be redesigned to measure a sustained and persistent basis for designating the area. Therefore, communities who have suffered the most can get additional help to firmly recover from the pandemic and be more resilient in the future.

The adopted establishment policy included the secondary needs assessment benchmark “non-seasonal unemployment rate that is at least 3% higher than the Citywide rate.” EWDD is requesting a modification to the JEDI Zone evaluation policies to reflect “Average unemployment rate 3% higher than average Citywide rate.” This request is made to ensure that the neighborhoods that were already distressed and suffering from disparities in private investment prior to the pandemic will be at the forefront of recovery from its worst economic impacts.

The adopted JEDI policy also included secondary assessment criteria for crime rates higher than 5% that the crime rate citywide. The methodology for normalizing the crime count compares the primary geography in the City against each block group comprising the eligible area and counts the number of crimes committed per thousand residents. The rate of crime is derived by dividing the total number of the population of a census block group by 1000, then dividing the total number of crimes occurring in that block group by the resulting number. The same process is completed for the City’s population and total crimes committed, then numbers are normalized by subtracting the block group’s crime rate from the City’s crime rate, then dividing the difference by the City’s crime rate. This methodology requires a labor-intensive effort that results in delays in JEDI assessments and does not provide a valuable distinction of the area’s needs. Therefore, EWDD is requesting to discontinue this measurement criteria in the Secondary Needs Assessment in order to implement the JEDI Program more effectively.

Lastly, the JEDI Zone’s adopted secondary needs assessment specifies a distress criterion of a commercial, retail, or industrial vacancy rate within a zone 5% greater than the City average. Vacancies increased dramatically during 2020. During the area assessments conducted by EWDD, it was unclear if business closures were temporary due to COVID-19 or permanent closures of these small neighborhood businesses. Consequently, EWDD is requesting to discontinue the vacancy rate assessment criteria from the JEDI Zone assessment. Although, EWDD will continue to record observed vacancies during the baseline site visits, the data collected would not be used as part of the assessment or for recommending establishment of a JEDI Zone.

An effective economic recovery strategy for local businesses should analyze and factor areas identified as having the greatest need. EWDD developed an economic distress and needs assessment as part of the JEDI Zone’s policy. This information should be taken into consideration to rank proposed JEDI Zones and distribute benefits equitably. Investments without an equitable policy and process historically leads to displacement and lack of access to benefits in many low-income and communities of color. Communities disproportionately impacted by poverty, unemployment and underdevelopment, and living in distressed areas identified in the Citywide Economic Development Strategy as a Focus Area, Opportunity Zones, and Promise Zones areas should receive priority access to the resources available under the JEDI Zones program.

In order to identify and rank marginalized communities, EWDD used the JEDI Zone’s qualifying primary criteria and secondary needs assessment to assign opportunity and vulnerability (need). The ranking will be used to manage and ensure equitable, inclusive investments throughout the City.

Primary Qualifying criteria are predefined areas where economic incentives can be used to enhance existing businesses and attract new businesses and industry to historically underinvested communities. These criteria include local, State, and Federal initiatives designed to stimulate business growth in economically distressed communities. Designation(s) in this category represents high opportunity for growth. Communities designated in more than one of these

initiatives and/or containing higher concentrations of land mass designated in these initiatives can be ranked higher in the opportunity's category.

Primary Qualifying Criteria

1. Within a Federally designated Opportunity Zone; or
2. Designated Promise Zone Community; or
3. City-established EIFD District; or
4. City-established CRIA District; or
5. Focus Area designated by Citywide Economic Development Strategy or
6. Economic assessment establishing five criteria in secondary needs assessment.

The secondary needs assessment evaluates factors indicating distress in an area qualified under the Primary Qualifying Criteria to prioritize and target areas of highest need. Each distress criterion met can be assigned point values based on the percentage of residents and/or percentage of Council District meeting the criteria. If the proposed changes to the secondary needs assessment criteria are approved, then JEDI assessment will include the following:

Secondary Needs Assessment

1. Unemployment-Average unemployment rate 3% higher than the average rate citywide
2. Low and Moderate Income as defined by the U.S. Department of Housing and Community Development (HUD)
3. Blight as identified by a blight study or area assessment
4. Commercial, Industrial and Retail Usage
5. The area contains Identified City Priority Projects
6. The area is a former Community Redevelopment Area

Request to Solicit Statements of Qualifications

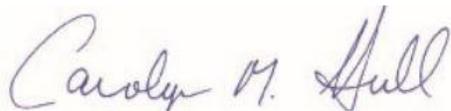
Through this report, EWDD is also requesting authorization to offer local and other businesses an opportunity to submit qualifications to participate in the JEDI Zone's façade improvement program. This program will assist commercial property owners and tenants in the designated JEDI Zones to improve building facades, signage, awnings, lighting, and other exterior architectural features. The RFQ will seek to establish a list of qualified individuals, consultants, or firms that can demonstrate the knowledge, experience, and capacity to offer architectural and design assistance, exterior building rehabilitation, and general contracting services. Specific façade improvements to be performed will be approved on a case-by-case basis pursuant to all applicable building and zoning regulations, as well as to Federal and State guidelines applicable to the program funding, which are administered through Community Development Block Grants (CDBG) awarded by HUD.

By establishing the list of qualified organizations, EWDD or its contractors may select to contract with one (1) or more of the organizations on an "as needed" basis. A cost or price analysis for each project will be completed as projects are identified.

CONCLUSION

The coronavirus health pandemic has shed light on the financial fragility of many small businesses and the significant economic impact COVID-19 has had on these businesses. As with any financial crisis, viability of the business' success is due to some external factors beyond the control of the company. The City and EWDD should continue to identify and target small businesses in the City's most vulnerable communities.

The benchmark indicators of an area's distress have changed over the past year. EWDD is requesting Council's consideration of changes to make the JEDI Zone program nimbler and more responsive to the current socioeconomic status of the City. EWDD foresees these changes will have a positive effect on the timeline of designations to JEDI Zone areas in the future.

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CAROLYN M. HULL
General Manager

CH:FJ:DH:JDR:vw