Community Development Commission

January 25, 2016

TO: Board of Supervisors

FROM: Sachi A. Hamai
Chief Executive Officer

Sean Rogan, Executive Director
Community Development Commission

SUBJECT: REPORT ON THE ESTABLISHMENT OF A COUNTYWIDE ECONOMIC DEVELOPMENT TRUST FUND AND RELATED ACTION ITEMS (ITEM Nos. 1-D AND 7, AGENDA OF OCTOBER 20, 2015)

On October 20, 2015, the Board directed the Chief Executive Officer (CEO) and the Executive Director of the Community Development Commission (CDC), in conjunction with the Chief Executive Officer, to report back in 90 days and/or quarterly on the following actions related to the establishment of a County Economic Development Trust Fund (CEDTF):

1. Develop a County Manufacturing Business Loan Program targeted towards growing small- and medium-sized manufacturers that provide high quality, family supporting jobs (90-day report).
2. Secure a consultant to formulate an action plan for advancing the bioscience industry in the County (quarterly report).
3. Secure a consultant to develop a Countywide Industry Sector Development Strategy (90-day and quarterly reports).
4. Convene a working group of stakeholders to develop parameters for a Catalytic Development Fund (90-day and quarterly reports).
5. Recommend program and administrative guidelines for expanding the existing Community Business Revitalization Program throughout the unincorporated areas of the County (90-day report).
6. Evaluate the potential applicability, feasibility and fiscal and budgetary impacts of the County utilizing the provisions of Assembly Bill 2 (Community Revitalization and Investment Authority), Senate Bill 628 (Enhanced Infrastructure Financing Districts), and Senate Bill 718 (Capital Investment Incentive Program) (90-day report).
7. Provide recommendations on the establishment of an Advisory Committee to guide and oversee the implementation of the County's economic development strategies and programs (90-day report).

8. Develop recommendations for a targeted fee waiver program for small businesses (90-day report).

BACKGROUND

A nationwide study from the Joint Center for Housing Studies at Harvard University states that nearly 60 percent of renters are paying untenably high amounts of their incomes toward rent. Overall, 58.5 percent of renters are "burdened," meaning more than 30 percent of their income goes to rent.[1] Between 2006 and 2013, rental rates in Los Angeles grew 11 percent, while wages have fallen by 4 percent.[2] Another study purports that the region has an unacceptably high poverty rate at 17.8 percent.[3]

In response to these trends, the relatively straightforward profession of economic development has become more complex and unpredictable, especially when confronted by the new economic realities of emerging technologies and global integration. Despite fundamental changes in the economy, job creation remains a key goal and measure for economic development efforts. More importantly, the creation of quality jobs is vital – those that pay sustainable wages and offer advancements, as well as allow workers to accumulate financial assets. On October 20, 2015, with the objective of creating sustainable, quality jobs in a more resilient diverse economy, the Board approved a Motion to respond to the challenge of finding practical, effective ways that County government can support economic growth.

The Board Motion identified several specific economic development initiatives, within the scope of the County's jurisdiction and expertise, designed to build capacity in all communities with an emphasis on connecting opportunities to disadvantaged communities in the unincorporated areas. These particular initiatives are based on a strong foundation of research and analysis conducted through the County's *Economic Development Implementation Roadmap (2015)* and the *Los Angeles County Strategic Plan for Economic Development (2010-2014* and *2016-2020)*, all of which offer strategies for improving the business environment, encouraging productivity, and supporting the people, places and actions that can help the regional economy grow.

Attached is the 90-day report in response to the Board Motion. A summary of each of the related action items follows, as well as specific program recommendations.

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[1] *America's Rental Housing: Expanding Options for Diverse and Growing Demand*, Harvard University Joint Center for Housing Studies (December 9, 2015).
[2] *Renting in America's Largest Cities*, New York University Furman Center (May 28, 2015).
[3] *Los Angeles County Strategy for Economic Development 2016-2020*, Los Angeles Economic Development Corporation (January 5, 2016).

SUMMARY OF ACTION ITEMS

1. County Manufacturing Business Loan Program
   The Board requested that the CDC develop a work program, guidelines and estimated budget for the implementation of a countywide Manufacturing Business Loan program to begin in Fiscal Year 2016-17. This revolving loan fund is proposed to target manufacturers in: 1) Employment Protection Districts; 2) Industrial Flex Districts; or 3) Industrial Opportunity Areas established by the County General Plan to provide access to capital for the creation, expansion or retention of manufacturing businesses and job creation in unincorporated County areas. The revised motion expanded the program to include potential Community Revitalization and Investment Authority areas, and Enhanced Infrastructure Financing Districts.

   Staff has identified 52 eligible target areas in the unincorporated County that are zoned for light and heavy manufacturing. Small- and medium-sized manufacturing businesses within these areas could be eligible for loans for relocation, expansion, acquisition of property, construction or renovation of real estate, inventory, working capital, machinery and equipment, and debt refinancing. Loan amounts may range from $100,000 to $500,000, at a below market interest rate. Loan terms vary according to the use of funds (i.e., working capital, equipment, or real estate).

   The attached report provides the proposed program overview, maps of the proposed target areas, program guidelines and recommendations.

2. Bioscience Implementation Plan
   Through a competitive process, a consultant was procured to provide technical support for formulating an Implementation Plan in accordance with the Battelle Study recommendations. On November 10, 2015, the Board approved a contract with the Los Angeles Economic Development Corporation (LAEDC), the highest ranked proposer, to develop such a plan for the Countywide Bioscience Partnership Program. LAEDC will be the lead for a consultant team comprised of: 1) Biocom, a life science industry trade association; 2) BioAccel, a non-profit entity that assists with the financing of early stage life science companies; and 3) Regional Technology Strategies, a non-profit entity that uses proprietary data modeling to identify, align, and prioritize regional economic assets.

   The consultant team is progressing on three efforts: 1) Gaps and Assets Analysis; 2) Working Group Collaborations; and 3) Stakeholder Recommendations. The team will incorporate five distinct areas of focus: 1) Research and Development; 2) Capital; 3) Talent; 4) Policy and Marketing; and 5) Real Estate.

   A status report will be provided following the end of the next quarter (April).

3. Countywide Industry Sector Development Strategy
The Board directed the CDC to secure a consultant to develop a strategy and work plan for supporting other industry sectors with strong growth and high quality, family supporting employment potential. The CDC has prepared a Request for Proposals (RFP) to solicit proposals from consultants with: 1) demonstrated and specialized knowledge; capability and familiarity with regional, cluster-based economic development; workforce development; and experience specific to state and local government in the Los Angeles region. The strategy and work plan will identify priority issues to address for target clusters, and direct specific actions the County should consider to enhance its competitiveness.

It is anticipated that the RFP will be issued the week of January 25, 2016. A status report will be provided following the end of the next quarter (April).

4. Catalytic Development Fund Working Group
Staff organized a working group of financial and investment experts to develop parameters for structuring a Catalytic Development Fund program. The CDC has confirmed participation from five experts in the investment / financial services industry to provide input on developing a financing program for the stimulation of development and expansion of certain industries in the County.

On January 21, 2016, a kick-off meeting was held with the Catalytic Development Fund Working Group. The focus of the meeting was to provide a background on the purpose of the working group, its role and responsibilities, identifying data and types of analyses required, and determining next steps.

A status report will be provided following the end of the next quarter (April).

5. Community Business Revitalization Program
Currently the CDC administers the Community Business Revitalization (CBR) Program in the unincorporated communities of the First and Second Supervisorial Districts. The Board directed the CDC to report back on expanding the program countywide, as well as recommending commercial corridors in need of renovations.

Staff have identified 11 communities in the unincorporated County to target the RENOVATE Program, which is the proposed countywide façade improvement program. The specific objectives in the targeted areas include:

- Improving the exterior appearance of storefronts and the identity of the businesses through coordinated architecture, signage and design.
- Making commercial corridors more inviting and interesting places to visit and shop.
- Strengthening or restoring the original character of buildings.
- Helping building owners attract and retain tenants.

- Providing a catalyst for other property owners to improve their buildings.

The Target Areas include businesses that are clustered together to maximize the investment of public funds as well as visual and catalytic impact. Areas include those that are in proximity to: 1) major intersections; 2) older shopping areas abutting newer developments; 3) Transit Oriented Developments; and 4) planned or recently installed public infrastructure improvements.

Staff recommends the following program parameters:

- Provide grants ranging from $35,000 to $100,000 per building storefront, depending on the building's size.

- Eligible exterior improvements for the RENOVATE Program include design assistance, basic façade restoration (e.g., paint, stucco, masonry), windows, doors, awnings, exterior lighting, removal of non-conforming elements, sign repair or replacement, and accessibility improvements associated with the Americans with Disabilities Act (some interior improvements qualify).

- Require a maintenance easement to ensure that the improvements are maintained in good condition and repair for 10 years. The CDC would reserve the right to recover grant funds if the improvements are altered, removed, destroyed or not maintained during the term.

The attached report provides a detailed program overview and guidelines, maps of the proposed target areas, and recommendations for the implementation of the proposed RENOVATE Program countywide.

6. Evaluation of State Economic Development Programs
The Board directed the CEO and the CDC, in collaboration with the Auditor-Controller, to evaluate the potential applicability, feasibility, and fiscal and budgetary impacts of the County utilizing the provisions of three (3) economic development programs approved by the State Legislature: 1) Assembly Bill 2 (AB 2), Community Revitalization and Investment Authority; 2) Senate Bill 628 (SB 628), Enhanced Infrastructure Financing Districts; and 3) Senate Bill 718 (SB 718), Capital Investment Incentive Program.

- Effective January 1, 2016, a Community Revitalization and Investment Authority (CRIA) can be created in the County for the purposes of carrying out specified economic development activities in designated areas if they meet stringent requirements for income, unemployment, crime, and deteriorated structures or infrastructure.

- An Enhanced Infrastructure Financing District (EIFD) may be created anywhere in the County to finance infrastructure, public facilities, or other specific projects of community-wide significance that benefit the district or surrounding community. Careful consideration must be given for the projects and properties involved as a nexus must be established between the beneficiaries and payers of the projects.

- The Capital Investment Incentive Program (CIIP) allows for qualifying manufacturing facilities and energy producing companies engaged in the manufacturing of parts or components related to the production of electricity using solar, wind, biomass, hydropower or geothermal resources may be eligible to receive property tax rebates for up to 15 consecutive years. However, such manufacturers must have an initial investment in real and personal property of $150 million to qualify.

These three programs can be useful tools to the County depending on the overarching goals and types of projects the Board envisions. The CIIP, however, is unique and very few manufacturers would meet the program requirements for eligibility.

The attached report provides an overview of the three programs, along with recommendations regarding their applicability in the unincorporated County. The use of any of these programs would impact the amount of property tax revenue received by the County. Accordingly, it is anticipated the CEO will coordinate future County efforts regarding these three state economic development programs.

7. Advisory Committee

The Board directed the CEO, in collaboration with the Executive Director of the CDC, to provide recommendations on establishing an Advisory Committee to guide and oversee the implementation of the County's economic development strategies and programs. CEO and CDC staff consulted with the departments of Consumer and Business Affairs, Public Works, Regional Planning, Health Services, Community and Senior Services, Internal Services and the Chief Information Office, as well as private, academic and non-profit stakeholders.

On January 5, 2016, the Board approved a motion to receive and file the *2016-2020 Los Angeles County Strategic Plan for Economic Development*. As part of the motion, the Board directed the CEO to establish an Economic Development Policy Committee to join the Los Angeles Economic Development Corporation (LAEDC) in reviewing and providing advice for the CEO's strategy of implementation and quarterly reporting going forward.

The Policy Committee largely serves the same function and essentially includes the same members as the Advisory Committee that was requested to be evaluated as

part of the October 20, 2015 Motion. Therefore, the CEO recommends the creation of a single committee, the Economic Development Policy Committee, with an executive committee including representatives of each Board office, the CEO, the CDC, and the Departments of Consumer and Business Affairs, and Community and Seniors Services. We will begin to work out the details of the functions and operations of the committee and provide additional recommendations in April 2016, as part of the report back on the evaluation of the *2016-2020 Los Angeles County Strategic Plan for Economic Development*.

8. Targeted Fee Waiver Program for Small Businesses
The Board directed the CEO, Executive Director of the CDC, the Director of the Department of Regional Planning and the Director of the Department of Public Works, and the directors of other County departments as necessary, to develop recommendations for a targeted fee waiver program for small businesses and report back to the Board in writing with funding recommendations in 90 days.

Public Works has identified several potential fees impacting small businesses including:

- Land Development fees;
- Building Code fees and valuations;
- Electrical, Plumbing, and Mechanical Code fees;
- Grading and Landscape Permit and Plan Check fees;
- Geotechnical Review fees; and
- Traffic Study fees.

In addition, Regional Planning has identified five fees that could be potentially waived or reduced for small businesses:

- Business License Referral fees;
- Department of Motor Vehicles Verification Referral fees;
- Zoning Conformance Review fees;
- Site Plan Review fees; and
- Conditional Use Permit filing fees.

In addition to these fees, there are other possible scenarios where additional fees may be required depending upon the land use, location, building size, occupancy, etc.

Currently, the Departments do not have the necessary data to quantify the annual amount of fees paid by small businesses. In order to proceed with development of a fee waiver program for small businesses, further study is warranted to determine the impact of the potential loss in revenue for the affected County departments.

The CEO will work to further define the criteria of a small business, assess the impact to the County and return to the Board in 90 days with potential scenarios and recommendations.

RECOMMENDATIONS

In addition to the items above, on December 23, 2015, the CEO submitted a memo to the Board (copy attached) responding to Item No. 4 of the motion and reporting on the feasibility of utilizing one-time revenues received from redevelopment asset sale or disposition for the capitalization of the Bioscience Revolving Loan Fund and the Catalytic Development Fund.

We will return to the Board with further recommendations regarding the implementation of these initiatives, including consideration of possible additional funding to support these programs, in conjunction with the analysis and implementation of the *2016-2020 Los Angeles County Strategic Plan for Economic Development*.

If you have any questions, please contact either of us, or your staff may contact David Howard, Interim Assistant CEO at (213) 893-2477, or Cordé Carrillo, Director of Economic and Housing Development at (626) 586-1800.

SAH:SR:CC:kt

Attachment

c: Executive Office, Board of Supervisors
Auditor-Controller
Chief Information Office
Community and Senior Services
Consumer and Business Affairs
Internal Services
Health Services
Public Works
Regional Planning
Treasurer-Tax Collector

County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
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SACHI A. HAMAI
Chief Executive Officer

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HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

December 23, 2015

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

REPORT BACK ON THE COUNTYWIDE ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM – FUNDING THE BIOSCIENCE REVOLVING LOAN FUND AND THE CATAYLTIC DEVELOPMENT FUND (ITEM NO. SEVEN, AGENDA OF OCTOBER 20, 2015)

On October 20, 2015, Supervisors Ridley-Thomas and Solis introduced a series of directives under an economic development motion. One of the directives requested the Chief Executive Officer (CEO), in collaboration with the Treasurer and Tax Collector (TTC), to report back to the Board in writing in 90 days on the feasibility of utilizing the one-time revenues received from redevelopment asset sale or disposition for the capitalization of a Bioscience Revolving Loan Fund (BRLF) and a Catalytic Development Fund (CDF). This is one of multiple items related to the economic development Board motion from October 20, 2015. Other items will be reported under separate cover by the Community Development Commission (CDC) and our office.

The use of one-time revenues received from redevelopment asset sales or dispositions for the capitalization of the Bioscience Revolving Loan Fund and the Catalytic Development Fund is consistent with the Board of Supervisor's Budget Policies and Priorities. Pursuant to Section 4.030(17) of the Board Budget Policies and Priorities revenue received from the disposition of redevelopment agencies' fixed assets received beginning in fiscal year 2014-15 can be used for economic development. We believe that a BRLF and CDF should be viewed as economic development initiatives. The budget policy also allows this revenue to be used for County capital projects, deferred maintenance and/or low- to-moderate housing.

It is important to note that revenues from the sale(s) of redevelopment assets are one-time in nature and are difficult to forecast due to a variety of variables associated with disposing a large number of assets by the dozens of Successor Agencies throughout the County. In addition, state law governing this process does not have set time periods as to when the assets must be sold and proceeds to be submitted to the County Auditor-Controller for distribution to various taxing entities.

If you have any questions, please let me know, or your staff may contact Sid Kikkawa at skikkawa@ceo.lacounty.gov, or at 213-974-6872.

SAH:JJ:SK
MM:GS: kd

c: Executive Office, Board of Supervisors
Community Development Commission
County Counsel
Auditor-Controller
Treasurer and Tax Collector

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ECONOMIC DEVELOPMENT UPDATE

COUNTY OF LOS ANGELES BOARD OF SUPERVISORS

County of Los Angeles

Community Development Commission
of the County of Los Angeles

Sachi A. Hamai, *Chief Executive Officer*
Sean Rogan, *Executive Director, Community Development Commission*

Community Development Commission

January 25, 2016

TO: Board of Supervisors

FROM: Sachi A. Hamai
Chief Executive Officer

Sean Rogan, Executive Director
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2. Secure a consultant to formulate an action plan for advancing the bioscience industry in the County (quarterly report).
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4. Convene a working group of stakeholders to develop parameters for a Catalytic Development Fund (90-day and quarterly reports).
5. Recommend program and administrative guidelines for expanding the existing Community Business Revitalization Program throughout the unincorporated areas of the County (90-day report).
6. Evaluate the potential applicability, feasibility and fiscal and budgetary impacts of the County utilizing the provisions of Assembly Bill 2 (Community Revitalization and Investment Authority), Senate Bill 628 (Enhanced Infrastructure Financing Districts), and Senate Bill 718 (Capital Investment Incentive Program) (90-day report).
7. Provide recommendations on the establishment of an Advisory Committee to guide and oversee the implementation of the County's economic development strategies and programs (90-day report).

8. Develop recommendations for a targeted fee waiver program for small businesses (90-day report).

BACKGROUND

A nationwide study from the Joint Center for Housing Studies at Harvard University states that nearly 60 percent of renters are paying untenably high amounts of their incomes toward rent. Overall, 58.5 percent of renters are "burdened," meaning more than 30 percent of their income goes to rent.[1] Between 2006 and 2013, rental rates in Los Angeles grew 11 percent, while wages have fallen by 4 percent.[2] Another study purports that the region has an unacceptably high poverty rate at 17.8 percent.[3]

In response to these trends, the relatively straightforward profession of economic development has become more complex and unpredictable, especially when confronted by the new economic realities of emerging technologies and global integration. Despite fundamental changes in the economy, job creation remains a key goal and measure for economic development efforts. More importantly, the creation of quality jobs is vital – those that pay sustainable wages and offer advancements, as well as allow workers to accumulate financial assets. On October 20, 2015, with the objective of creating sustainable, quality jobs in a more resilient diverse economy, the Board approved a Motion to respond to the challenge of finding practical, effective ways that County government can support economic growth.

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SUMMARY OF ACTION ITEMS

1. County Manufacturing Business Loan Program
   The Board requested that the CDC develop a work program, guidelines and estimated budget for the implementation of a countywide Manufacturing Business Loan program to begin in Fiscal Year 2016-17. This revolving loan fund is proposed to target manufacturers in: 1) Employment Protection Districts; 2) Industrial Flex Districts; or 3) Industrial Opportunity Areas established by the County General Plan to provide access to capital for the creation, expansion or retention of manufacturing businesses and job creation in unincorporated County areas. The revised motion expanded the program to include potential Community Revitalization and Investment Authority areas, and Enhanced Infrastructure Financing Districts.

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   The attached report provides the proposed program overview, maps of the proposed target areas, program guidelines and recommendations.

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   A status report will be provided following the end of the next quarter (April).

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It is anticipated that the RFP will be issued the week of January 25, 2016. A status report will be provided following the end of the next quarter (April).

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The attached report provides a detailed program overview and guidelines, maps of the proposed target areas, and recommendations for the implementation of the proposed RENOVATE Program countywide.

6. Evaluation of State Economic Development Programs
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On January 5, 2016, the Board approved a motion to receive and file the *2016-2020 Los Angeles County Strategic Plan for Economic Development*. As part of the motion, the Board directed the CEO to establish an Economic Development Policy Committee to join the Los Angeles Economic Development Corporation (LAEDC) in reviewing and providing advice for the CEO's strategy of implementation and quarterly reporting going forward.

The Policy Committee largely serves the same function and essentially includes the same members as the Advisory Committee that was requested to be evaluated as

part of the October 20, 2015 Motion. Therefore, the CEO recommends the creation of a single committee, the Economic Development Policy Committee, with an executive committee including representatives of each Board office, the CEO, the CDC, and the Departments of Consumer and Business Affairs, and Community and Seniors Services. We will begin to work out the details of the functions and operations of the committee and provide additional recommendations in April 2016, as part of the report back on the evaluation of the *2016-2020 Los Angeles County Strategic Plan for Economic Development*.

8. Targeted Fee Waiver Program for Small Businesses
The Board directed the CEO, Executive Director of the CDC, the Director of the Department of Regional Planning and the Director of the Department of Public Works, and the directors of other County departments as necessary, to develop recommendations for a targeted fee waiver program for small businesses and report back to the Board in writing with funding recommendations in 90 days.

Public Works has identified several potential fees impacting small businesses including:

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In addition, Regional Planning has identified five fees that could be potentially waived or reduced for small businesses:

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In addition to these fees, there are other possible scenarios where additional fees may be required depending upon the land use, location, building size, occupancy, etc.

Currently, the Departments do not have the necessary data to quantify the annual amount of fees paid by small businesses. In order to proceed with development of a fee waiver program for small businesses, further study is warranted to determine the impact of the potential loss in revenue for the affected County departments.

The CEO will work to further define the criteria of a small business, assess the impact to the County and return to the Board in 90 days with potential scenarios and recommendations.

RECOMMENDATIONS

In addition to the items above, on December 23, 2015, the CEO submitted a memo to the Board (copy attached) responding to Item No. 4 of the motion and reporting on the feasibility of utilizing one-time revenues received from redevelopment asset sale or disposition for the capitalization of the Bioscience Revolving Loan Fund and the Catalytic Development Fund.

We will return to the Board with further recommendations regarding the implementation of these initiatives, including consideration of possible additional funding to support these programs, in conjunction with the analysis and implementation of the *2016-2020 Los Angeles County Strategic Plan for Economic Development*.

If you have any questions, please contact either of us, or your staff may contact David Howard, Interim Assistant CEO at (213) 893-2477, or Cordé Carrillo, Director of Economic and Housing Development at (626) 586-1800.

SAH:SR:CC:kt

Attachment

c: Executive Office, Board of Supervisors
Auditor-Controller
Chief Information Office
Community and Senior Services
Consumer and Business Affairs
Internal Services
Health Services
Public Works
Regional Planning
Treasurer-Tax Collector

County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

SACHI A. HAMAI
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

December 23, 2015

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

REPORT BACK ON THE COUNTYWIDE ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM – FUNDING THE BIOSCIENCE REVOLVING LOAN FUND AND THE CATAYLTIC DEVELOPMENT FUND (ITEM NO. SEVEN, AGENDA OF OCTOBER 20, 2015)

On October 20, 2015, Supervisors Ridley-Thomas and Solis introduced a series of directives under an economic development motion. One of the directives requested the Chief Executive Officer (CEO), in collaboration with the Treasurer and Tax Collector (TTC), to report back to the Board in writing in 90 days on the feasibility of utilizing the one-time revenues received from redevelopment asset sale or disposition for the capitalization of a Bioscience Revolving Loan Fund (BRLF) and a Catalytic Development Fund (CDF). This is one of multiple items related to the economic development Board motion from October 20, 2015. Other items will be reported under separate cover by the Community Development Commission (CDC) and our office.

The use of one-time revenues received from redevelopment asset sales or dispositions for the capitalization of the Bioscience Revolving Loan Fund and the Catalytic Development Fund is consistent with the Board of Supervisor's Budget Policies and Priorities. Pursuant to Section 4.030(17) of the Board Budget Policies and Priorities revenue received from the disposition of redevelopment agencies' fixed assets received beginning in fiscal year 2014-15 can be used for economic development. We believe that a BRLF and CDF should be viewed as economic development initiatives. The budget policy also allows this revenue to be used for County capital projects, deferred maintenance and/or low- to-moderate housing.

It is important to note that revenues from the sale(s) of redevelopment assets are one-time in nature and are difficult to forecast due to a variety of variables associated with disposing a large number of assets by the dozens of Successor Agencies throughout the County. In addition, state law governing this process does not have set time periods as to when the assets must be sold and proceeds to be submitted to the County Auditor-Controller for distribution to various taxing entities.

If you have any questions, please let me know, or your staff may contact Sid Kikkawa at skikkawa@ceo.lacounty.gov, or at 213-974-6872.

SAH:JJ:SK
MM:GS: kd

c: Executive Office, Board of Supervisors
Community Development Commission
County Counsel
Auditor-Controller
Treasurer and Tax Collector

U::\chron2015\Budget\Countywide Economic and Community Development Program

PROGRAM OVERVIEW

MANUFACTURING REVOLVING LOAN FUND (MRLF)

MANUFACTURING REVOLVING LOAN FUND
PROGRAM OVERVIEW

INTRODUCTION

The Board of Supervisors (the "Board") approved a revised action on October 20, 2015, as submitted by Supervisors Mark Ridley-Thomas and Hilda Solis. The motion authorized the Executive Director of the Community Development Commission (CDC) to develop a work program, guidelines and estimated budget to begin implementation of a County Manufacturing Revolving Loan Fund (MRLF). Specifically, the Board directed the CDC to explore the following:

- Target manufacturers in Employment Protection Districts, Industrial Flex Districts, or Industrial Opportunity Areas established by the County General Plan or any Community Revitalization Investment Area (per AB 2) or Enhanced Infrastructure Financing District (EIFD) (per SB 628).

- Provide access to capital for increased manufacturing business creation, expansion and retention, and job creation in unincorporated County areas, with particular focus on growing local, small- and medium-sized manufacturers supporting high quality, family-supporting jobs.

A. Purpose of the Program

The MRLF Program is to make capital available to manufacturers within targeted unincorporated areas in Los Angeles County to support local job growth. The MRLF will be part of the County's overall economic development strategy as a key incentive to assist companies to create and retain family supporting jobs.

According to the *Los Angeles Times*, the largest manufacturing workforce in the country is based in the Los Angeles metropolitan area. As of July 2015, the region had 510,900 manufacturing workers, according to the Bureau of Labor Statistics. In 2013, the average manufacturing worker in the United States earned $77,506 annually, including pay and benefits.

The MRLF guidelines and budget is proposed to be implemented in Fiscal Year (FY) 2016-17 with an initial budget of $1,000,000 for capitalization and administration costs and increasing to $3,000,000 in FY 2021-22.

B. Target Areas

Staff conducted spatial analysis that included overlaying areas zoned for manufacturing, Employment Protection Districts, Industrial Flex Districts, and Industrial Opportunity Areas over the unincorporated areas of the County. These areas are defined in the County General Plan as follows:

- Industrial Land Uses / Zoning are areas designated by the County's General Plan and zoning ordinance. These areas are reserved for non-residential uses including light and heavy industrial uses, such as manufacturing, assembly, warehousing, distribution, refineries, and other labor and capital intensive uses.
- Employment Protection Districts are economically viable industrial and employment rich lands, with policies to prevent the conversion of industrial land to non-industrial uses.
- Industrial Flex Districts are areas that provide opportunities for non-industrial uses and mixed uses, where appropriate, and also light industrial or office/professional uses that are compatible with residential uses.
- Industrial Opportunity Areas are economically viable industrial and employment-rich lands located in an unincorporated community that has an adopted community-based plan, or is in the process of creating one. Future considerations should be given to these areas to be mapped as Employment Protection Districts, where industrial zoning and industrial land use designations should remain, and where policies to protect industrial land from other uses (residential and commercial) should be enforced.

Since manufacturing uses are only permitted in light or heavy industrial zones (i.e., M-1, M-1.5, M-2, M-2.5, M-3, M-4, and MPD), staff included these areas of the unincorporated county in the target area maps.

Unincorporated Target Areas			
ID#	Community	ID#	Community
First District			
1	Walnut Park	5	Whittier Narrows / North Whittier
2	Bandini Island	6	Avocado Heights / Bassett
3	East Los Angeles	7	San Jose Hills
4	El Monte	8	Walnut
Second District			
1	Ladera Heights	7	Florence – Firestone
2	Lennox	8	Willowbrook
3	Del Aire / Wisburn	9	Rancho Dominguez
4	El Camino Village	10	East Rancho Dominguez
5	West Carson	11	Lynwood
6	Willowbrook / West Rancho Dominguez		

Unincorporated Target Areas			
ID#	Community	ID#	Community
Third District			
1	Santa Monica Mountains		
Fourth District			
1	Palos Verde Penisula	5	South Whittier
2	Harbor Gateway / West Carson	6	Hacienda Heights
3	West Whittier / Los Nietos	7	Rowland Heights
4	Whittier / Hacienda Heights		
Fifth District			
1	Castaic	14	Palmdale
2	West Antelope Valley	15	Littlerock / Sun Village
3	Castaic / Val Verde	16	Roosevelt
4	Newhall / Stevenson Ranch	17	Littlerock / Pearblossom
5	Castaic / Lake Hughes	18	Llano
6	Bouquet Canyon	19	Hi Vista
7	Agua Dulce / Canyon Country	20	Kagel / Lopez Canyons
8	Del Sur	21	La Crescenta / Montrose
9	Quartz Hill	22	Altadena
10	Acton	23	East Pasadena
11	North Lancaster	24	Northeast San Gabriel
12	White Fence Farms	25	Covina (Charter Oak)
13	Acton / Anaverde		

C. MRLF Program Description

The MRLF Program will provide a flexible and accessible source of funding for small- and medium-sized manufacturing businesses located within the targeted unincorporated Los Angeles County areas. The MRLF Program will not have the restrictive eligibility requirements typically associated with federally funded loan programs, but instead will provide a below market interest rate, flexible loan terms, and no prepayment penalty, as further described below.

1. Loan Amounts

   Businesses with a minimum of two (2) years in operation may apply for MRLF for a maximum loan amount of $100,000. These businesses will be evaluated only upon the submittal of two (2) years of tax returns to support cash flow / profitability. If a business is successful and maintains a satisfactory track record with the Commission as well as outside creditors

during its second year of its loan term, the company may apply for additional funding.

It is expected that loans will be made in the range of $100,000 to $500,000, with most loans falling within $250,000.

2. Interest Rate

Flexible financing will be considered by the Loan Committee to meet special credit needs of the borrower or to encourage early repayment. These may include: stepped or fluctuating interest rates; interest-only payments for a maximum of five (5) years, with principal balance due at maturity; interest-only payments during the construction phase; and balloon payments tied to longer amortization schedules.

3. Loan Terms

The term for repayment will be generally based on the useful life of the assets being financed or the borrower's ability to repay. Terms are five (5) to seven (7) years for working capital, ten (10) years for equipment, and up to twenty (20) years for real estate. If appropriate, shorter terms will be negotiated in order to increase the availability of funds for issuance of new loans to other businesses. There will be no pre-payment penalty.

4. Eligible Use of Funds

The MRLF will provide an immediate, flexible and accessible source of funding to be made available to existing manufacturing firms that require loans for the expansion, acquisition, construction or renovation of real estate, inventory, working capital, machinery and equipment, leasehold improvements, and debt refinancing.

Eligible use of funds may include:

- Inventory.
- Operating expenses.
- Predevelopment cost, land costs, including engineering, legal, grading, testing, site mapping and related costs associated with acquisition and preparation of land that increases capacity.
- Building costs, including real estate, engineering, architectural, legal and related costs associated with acquisition, construction and rehabilitation of a building.
- Machinery and equipment costs including delivery, installation, engineering, architectural, legal, insurance and related costs associated with acquisition and installation of machinery and equipment.
- Infrastructure costs.

- Seismic retrofitting for hazard mitigation.
- Debt refinancing.

Ineligible loan activities include the following:

- Utilizing loan funds outside the designated target areas.
- Acquiring an equity position in a private business.
- Subsidizing interest payments on any other MRLF loan.
- Providing for borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring an interest in a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefit must be clearly consistent with the strategic objectives of the program.
- Utilizing loan funds for other than the approved use.

5. Job Creation and Retention
The MRLF job creation/retention requirement is one (1) job for every $50,000 borrowed.

D. Recommendation

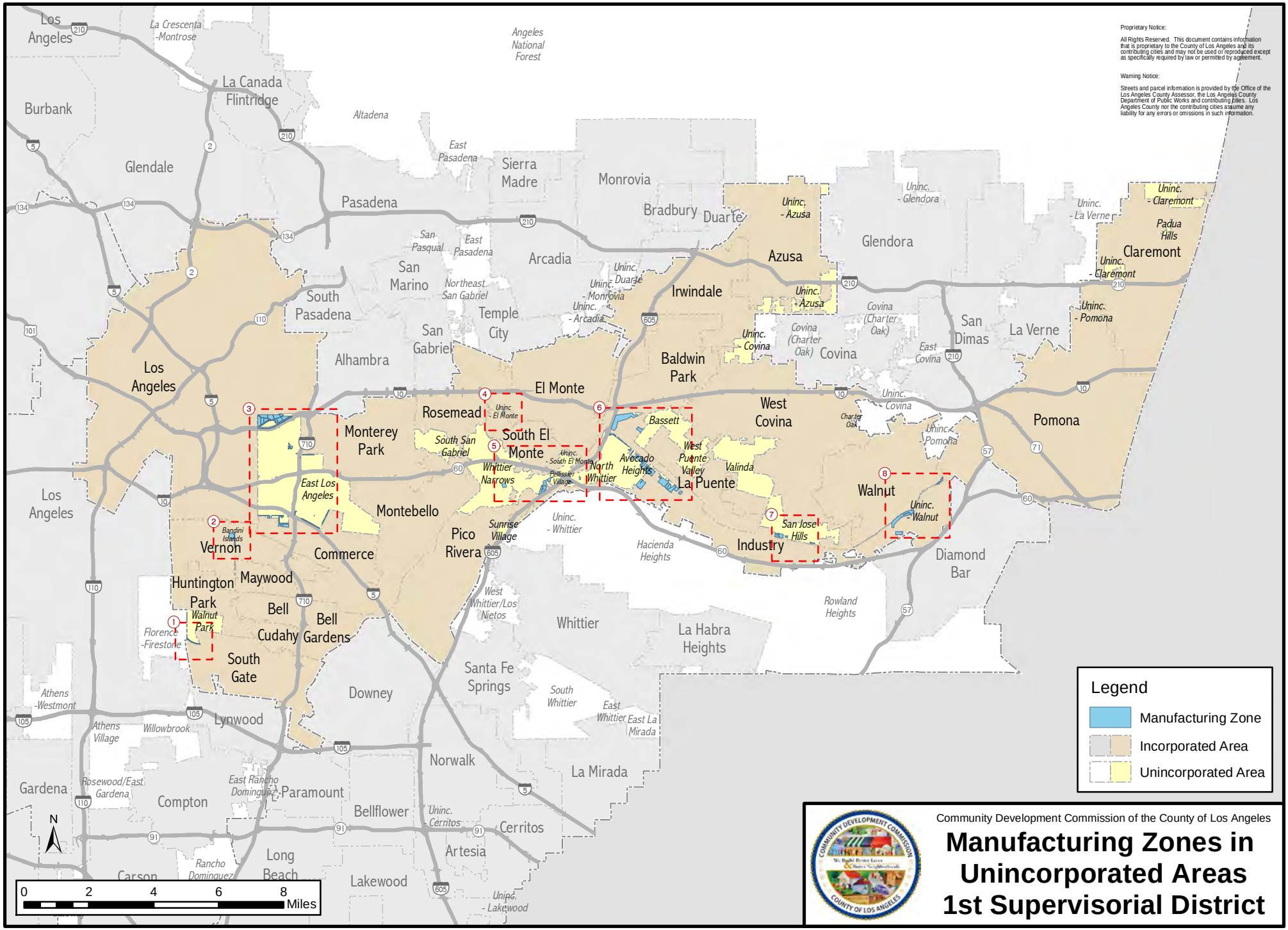
Manufacturing businesses have the some of the most diverse borrowing needs and require the broadest array of loan products. Many large companies are able to secure these loan products from large banks at a very low cost. However, small- and medium-sized companies have almost no access to similar products and pricing, particularly with banks. Even smaller regional lending institutions have minimum loan size requirements. In discussions with the CDC's financial consultants, generally borrowers need to have a $10 million loan before they will attract the attention of regional banks. Typical loan amounts for small- and medium-sized businesses are $500,000 and up.

To address this financing gap, staff recommends that the minimum loan amount be $250,000 for the first year of implementation as the typical loan amounts are $500,000 and up. However, the initial capitalization amount of $1,000,000 is not sufficient to fund a $250,000 loan in each of the Supervisorial Districts. Therefore, it is recommended that the MRLF Program be capitalized at a minimum of $2,000,000 for FY 2016-17.

The CDC recommends two full-time staff members to administer the proposed program. Additional staff may be required in the future when the anticipated production levels increase.

ATTACHMENT A

MAPS OF THE PROPOSED TARGET AREAS FOR THE MANUFACTURING REVOLVING LOAN FUND



Community Development Commission of the County of Los Angeles

Manufacturing Zones in Unincorporated Areas 1st Supervisorial District

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Prepared By: Michael Chong

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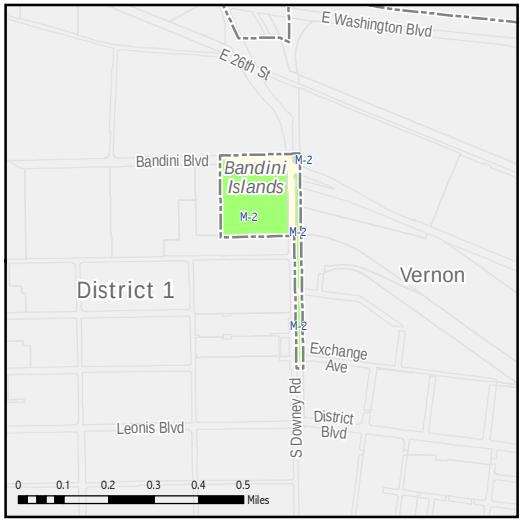
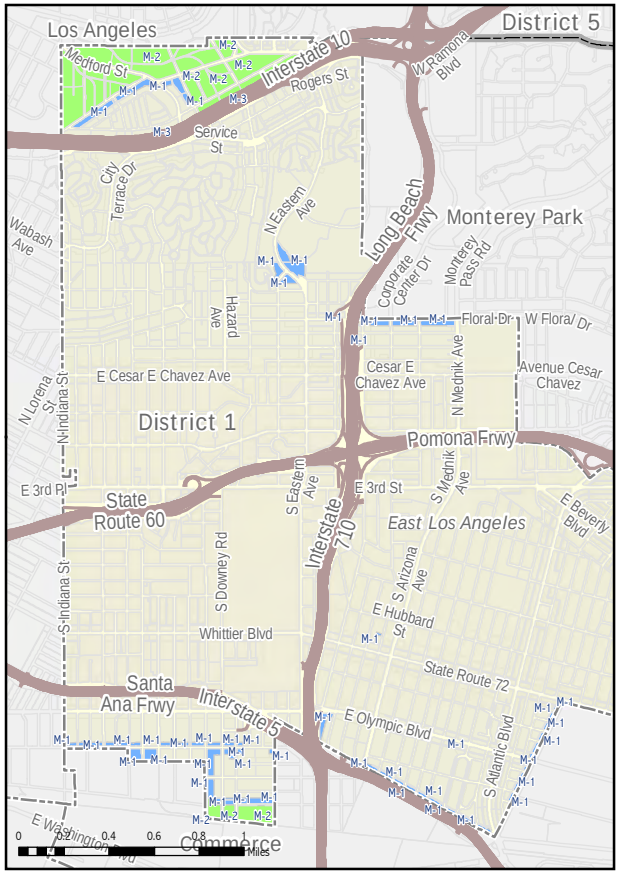
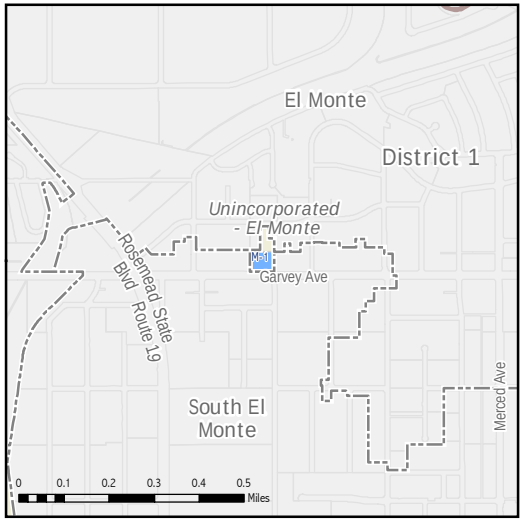
② Bandini Island



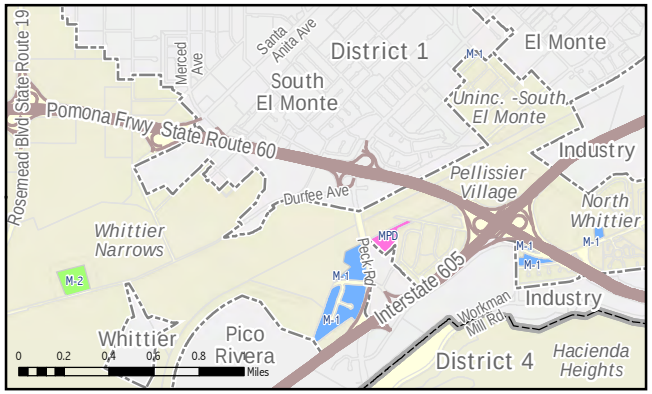
③ East Los Angeles



④ Unincorporated - El Monte



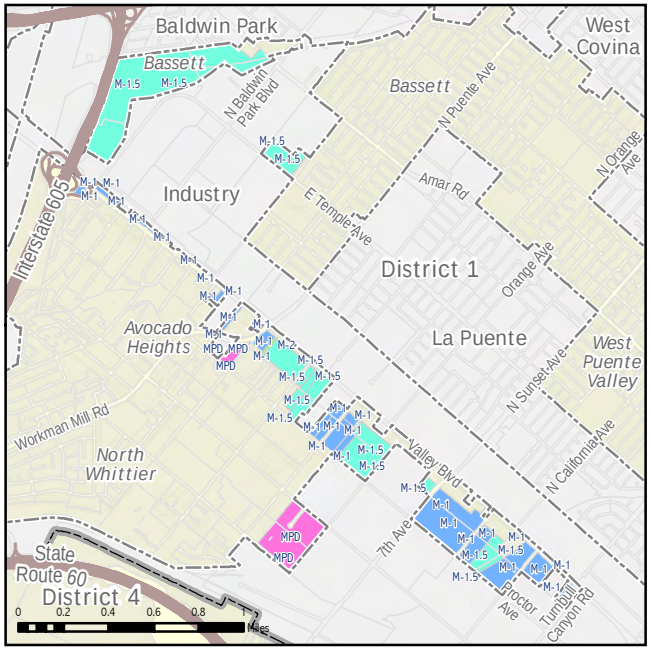
⑤ Whittier Narrows / North Whittier



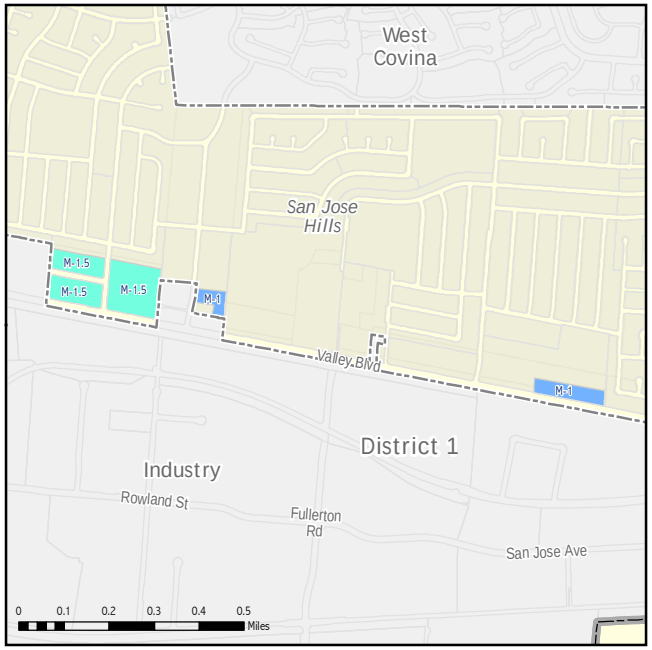
Zoning

- M-1 - Light manufacturing
- M-1.5 - Restricted heavy manufacturing
- M-2 - Heavy manufacturing
- M-2.5 - Aircraft, heavy industrial
- M-3 - Unclassified
- MPD - Manufacturing industrial planned development

⑥ Avocado Heights / Bassett



⑦ San Jose Hills



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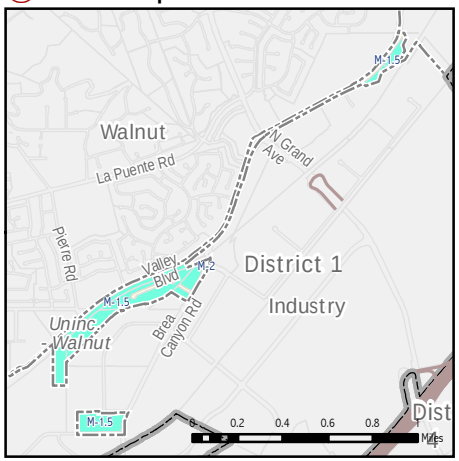
⑧ Unincorporated - Walnut



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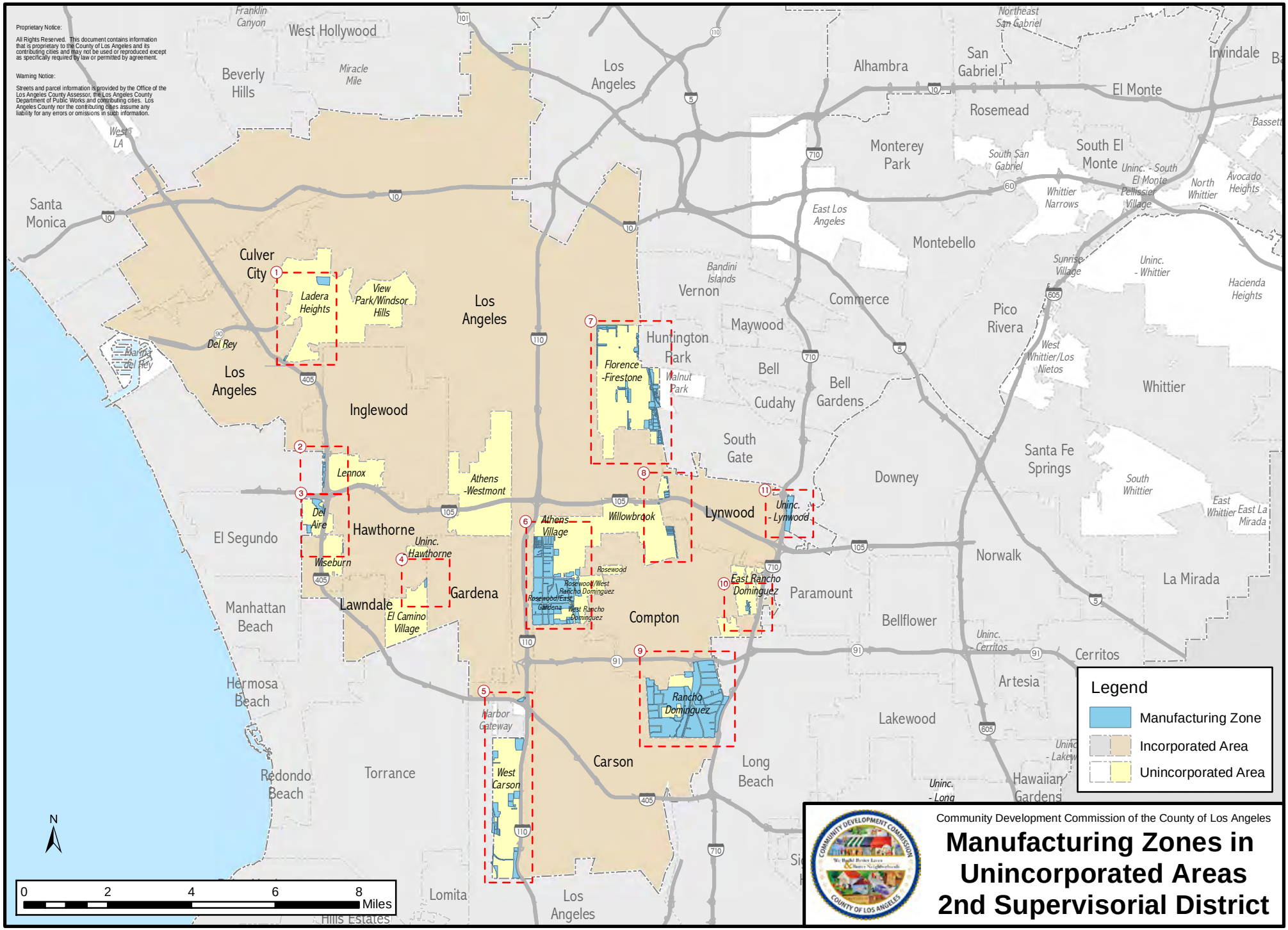

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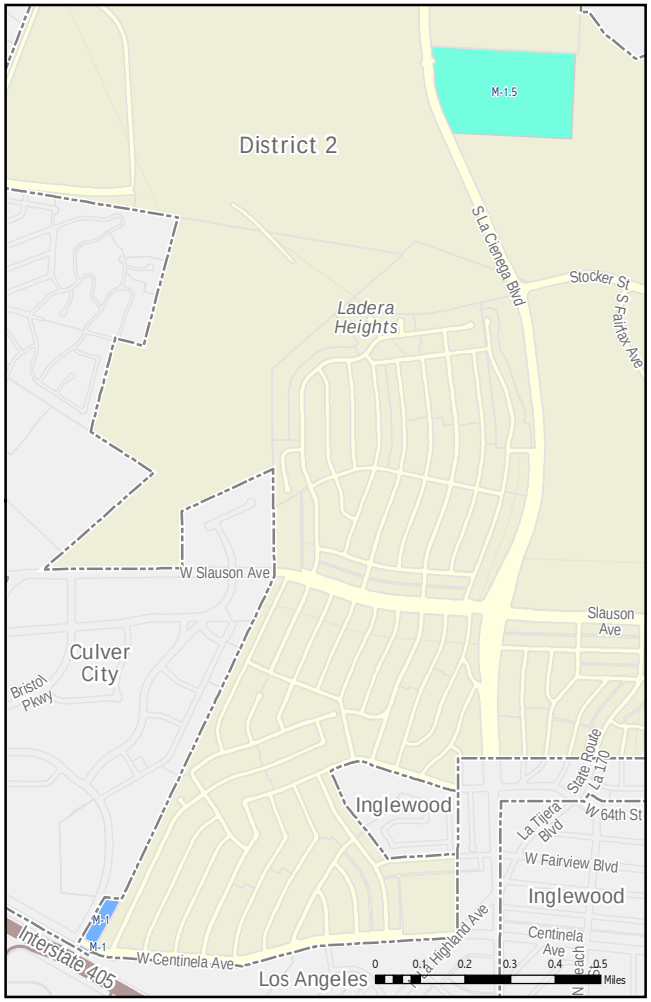
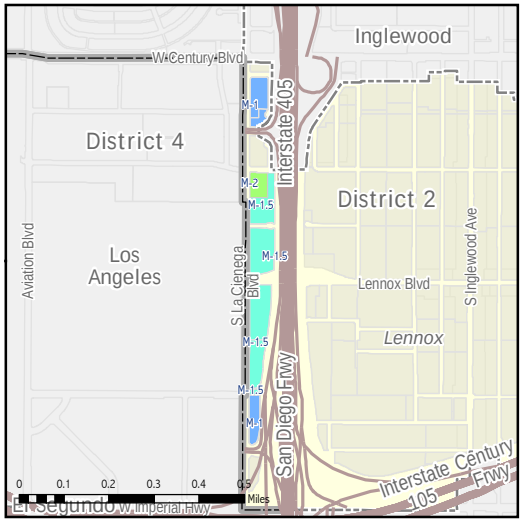
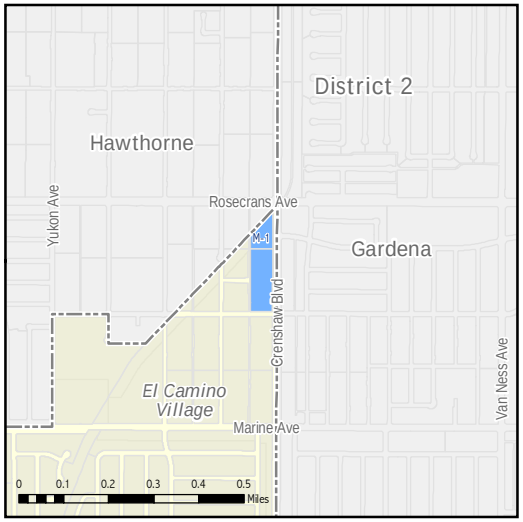
① Ladera Heights



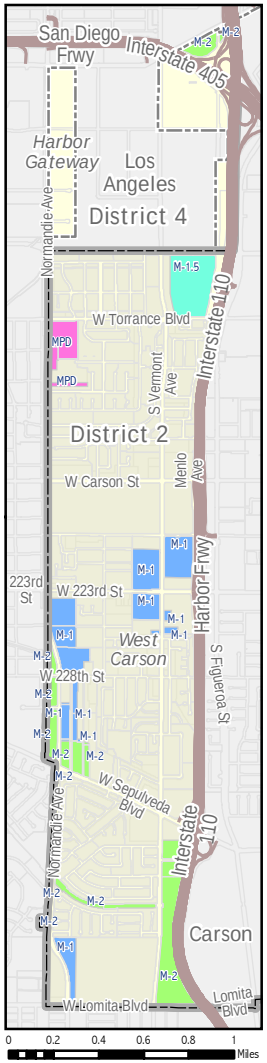
② Lennox



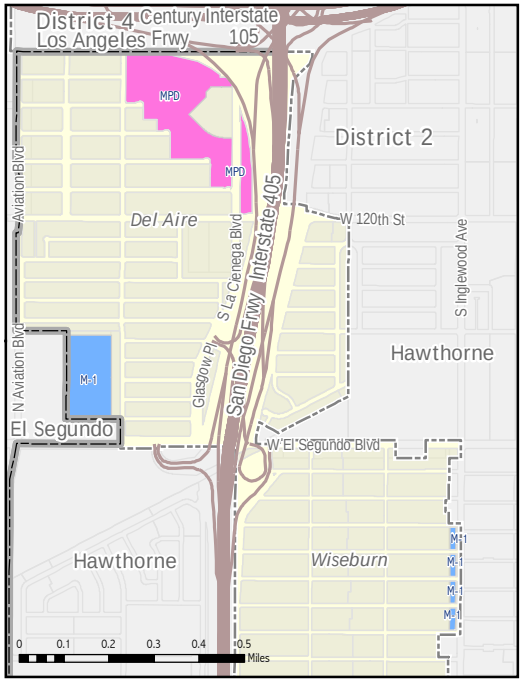
④ El Camino Village



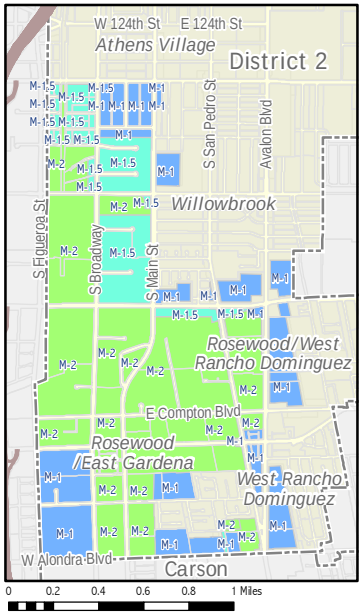
⑤ West Carson



③ Del Aire / Wisburn



⑥ Willowbrook / West Rancho Dominguez



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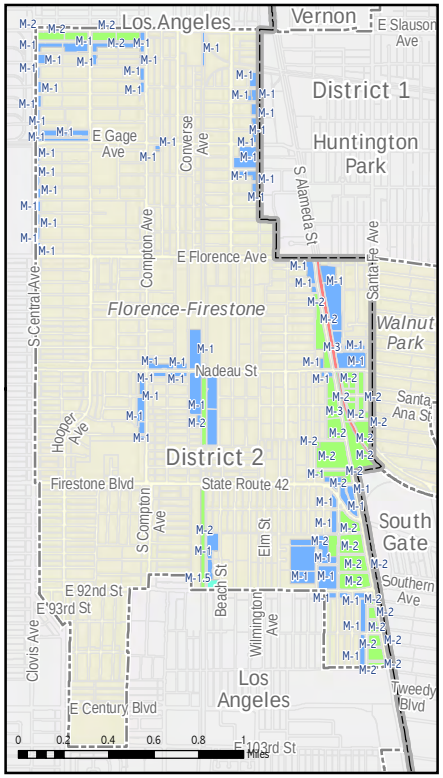
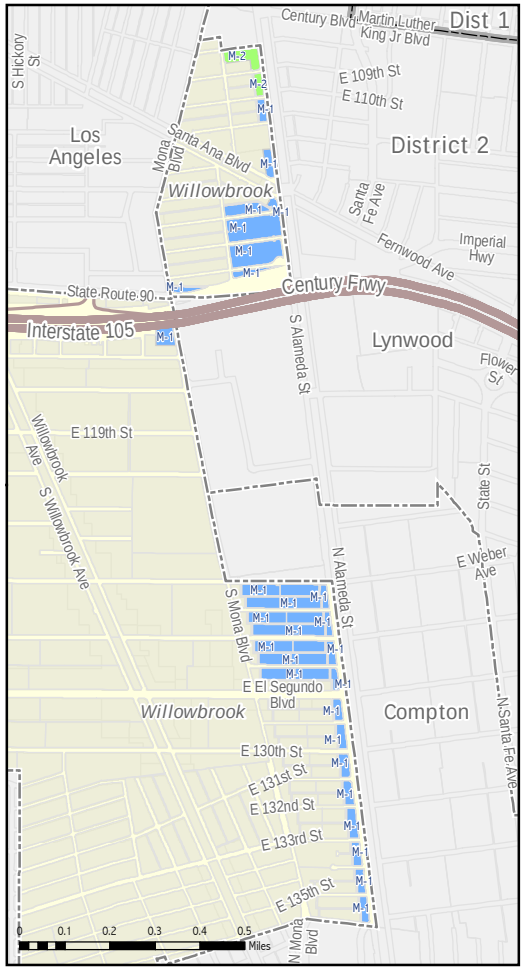
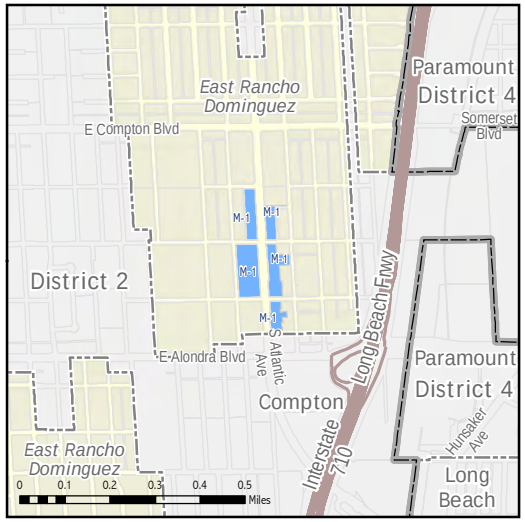
⑦ Florence-Firestone



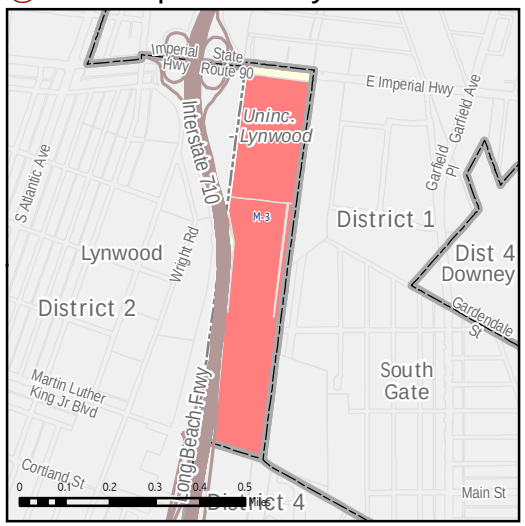
⑧ Willowbrook



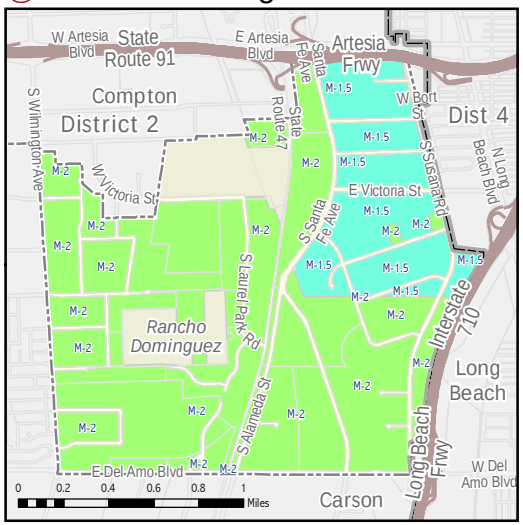
⑩ East Rancho Dominguez



⑪ Unincorporated - Lynwood



⑨ Rancho Dominguez



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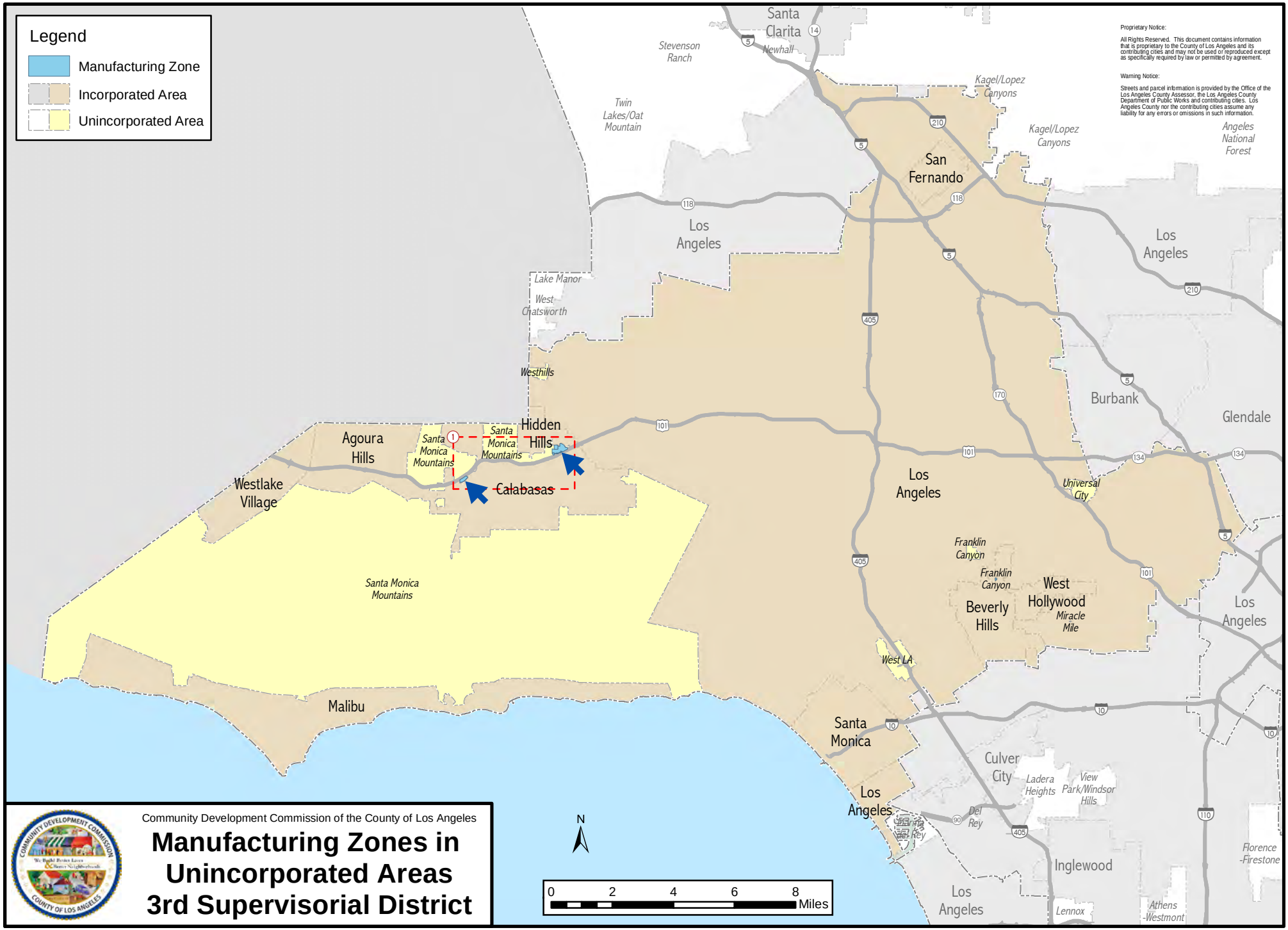

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Manufacturing Zones in Unincorporated Areas 3rd Supervisorial District

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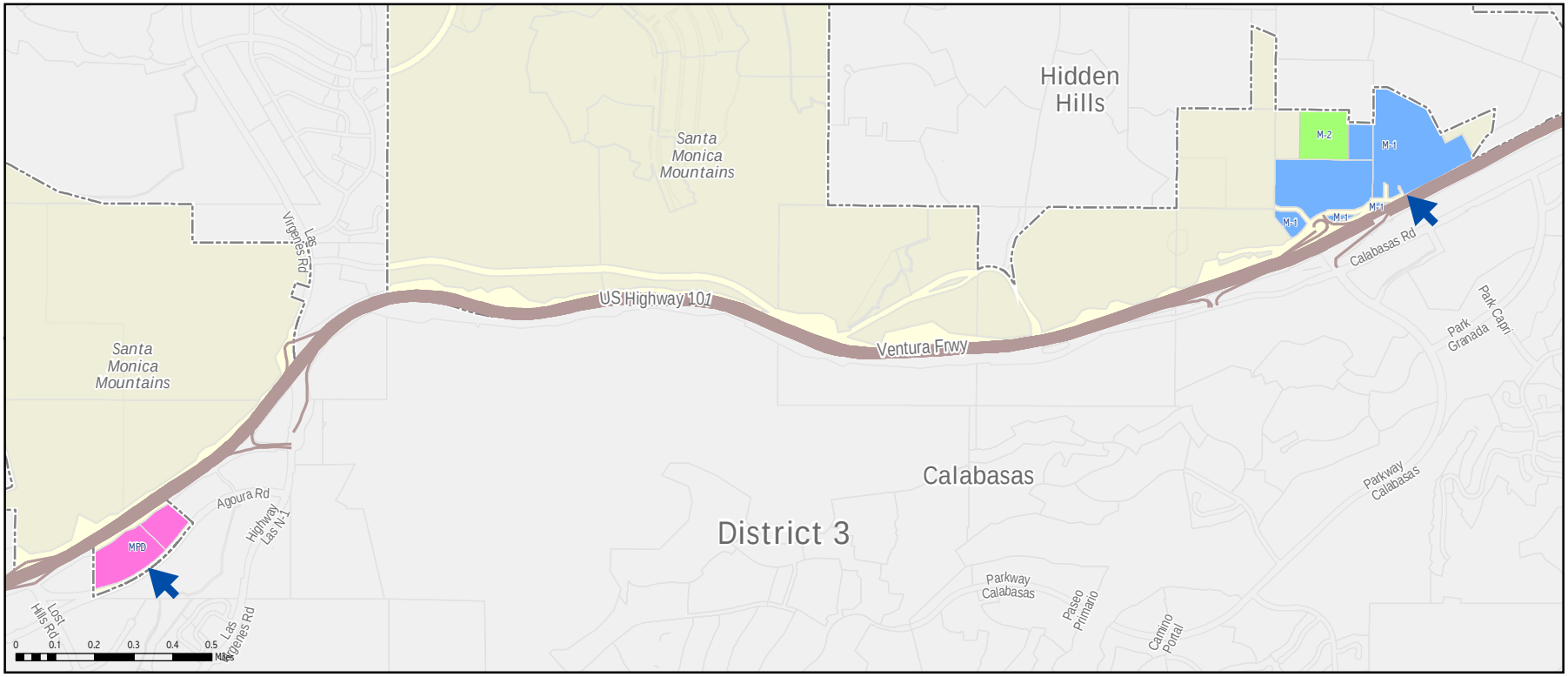
1 Unincorporated Area



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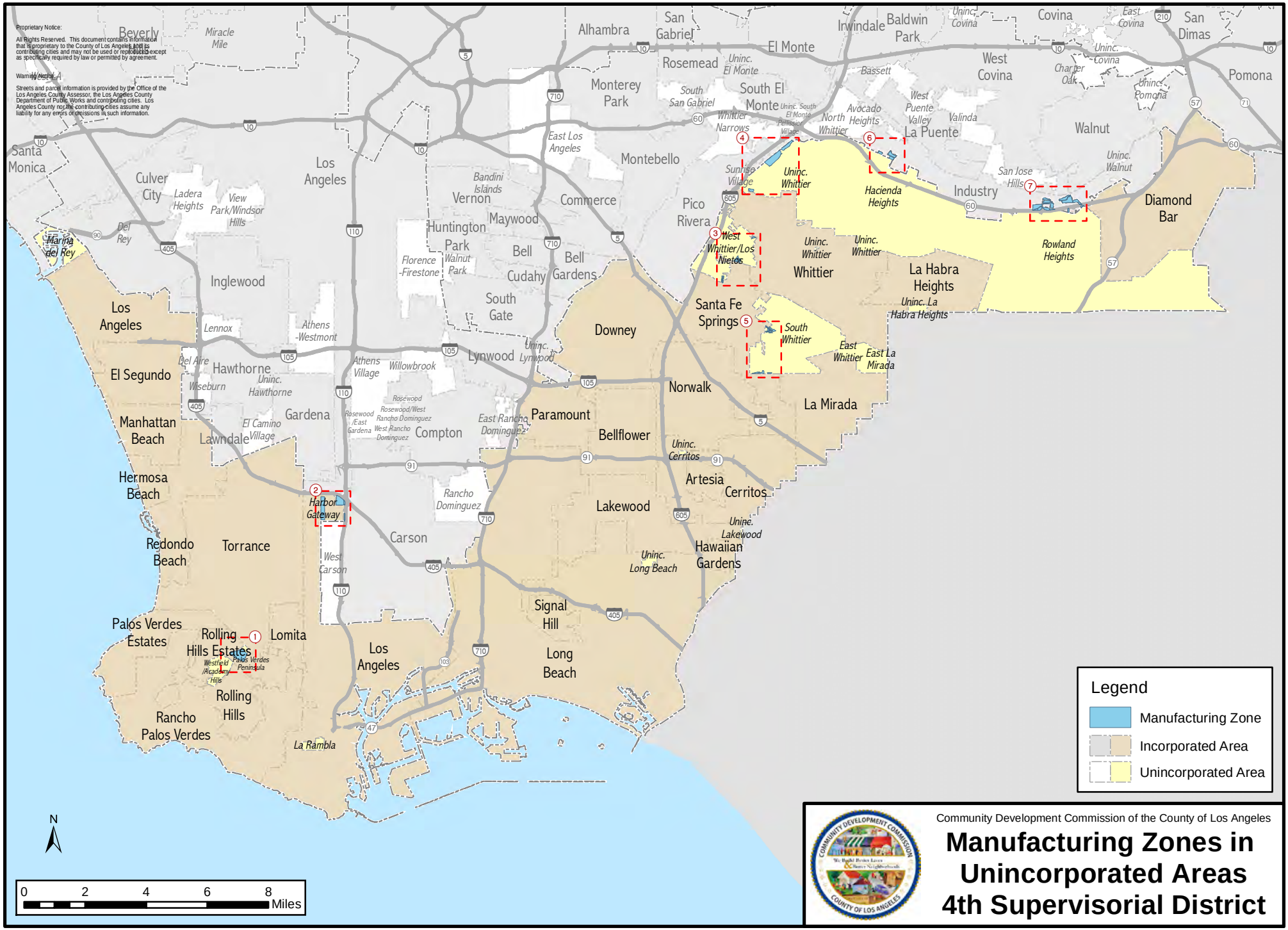

Community Development Commission of the County of Los Angeles

Manufacturing Zones in Unincorporated Areas 4th Supervisorial District

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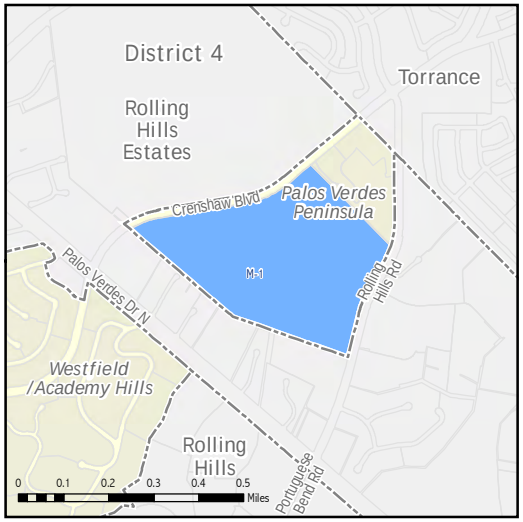
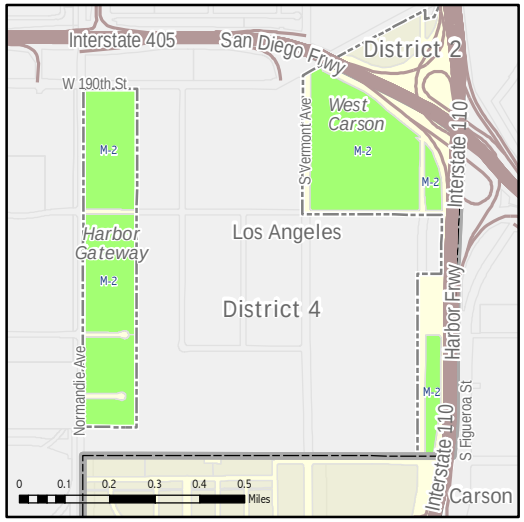
① Palos Verdes Peninsula



② Harbor Gateway / West Carson



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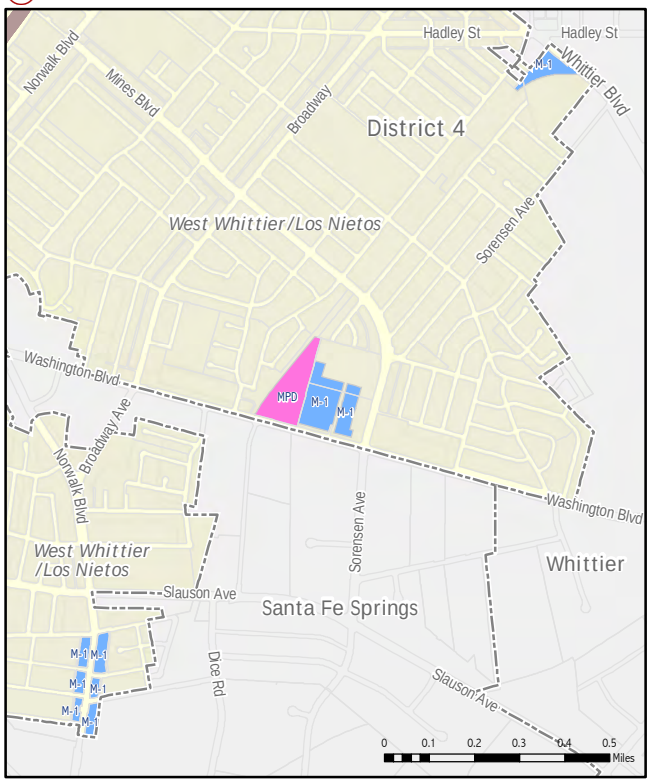
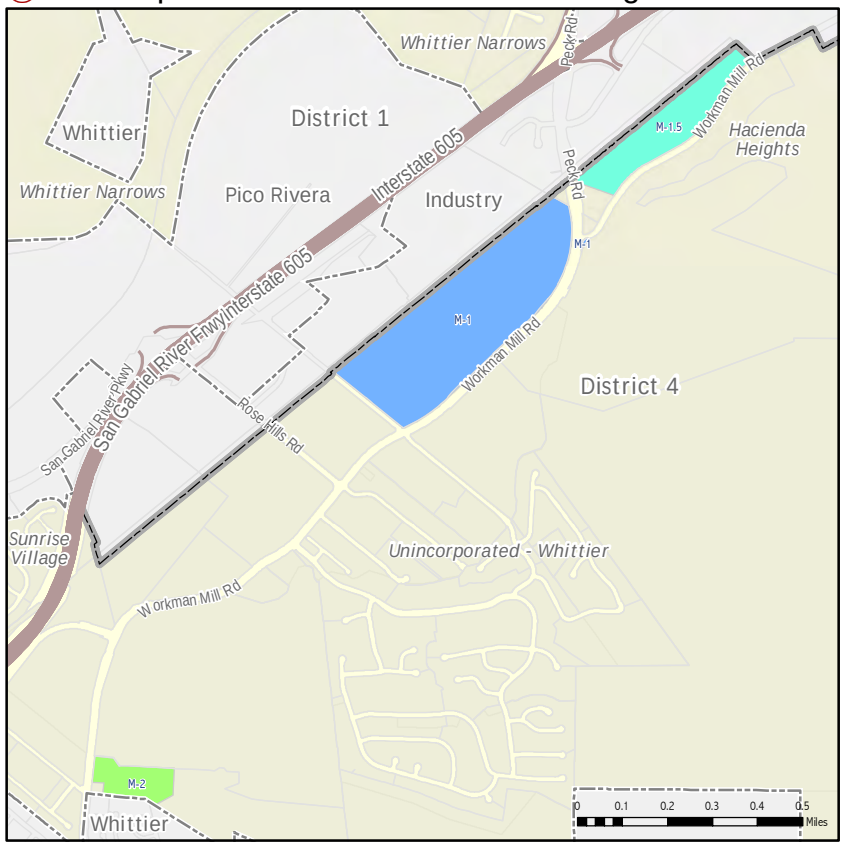
③ West Whittier/Los Nietos



④ Unincorporated - Whittier / Hacienda Heights



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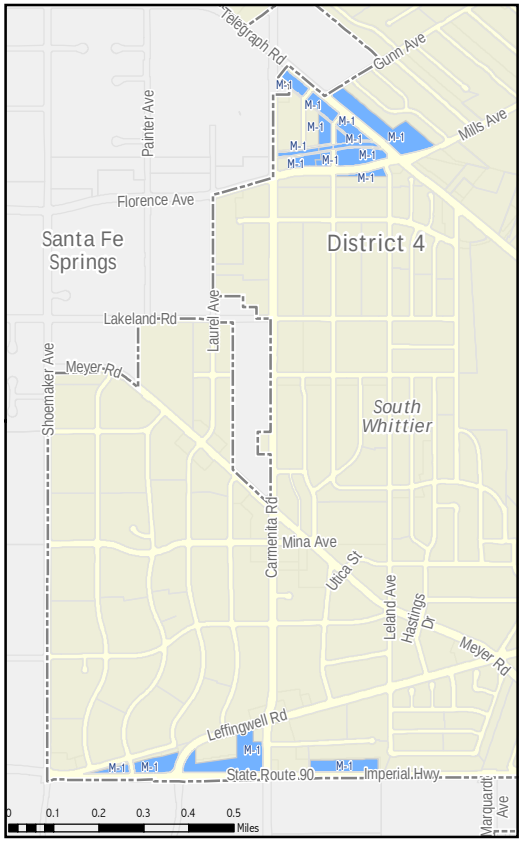
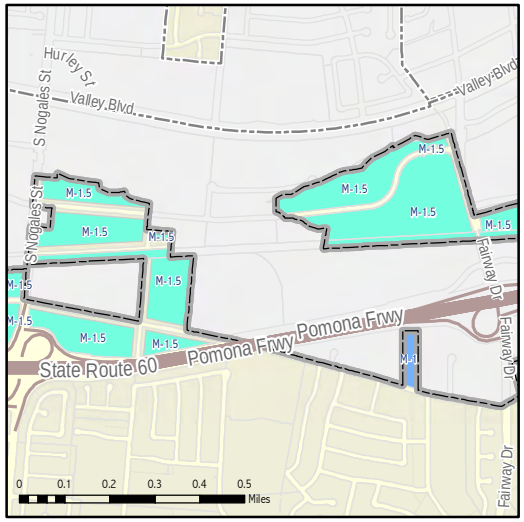
Date Saved: Wednesday, December 23, 2015
Prepared By:

5 South Whittier



6 Hacienda Heights



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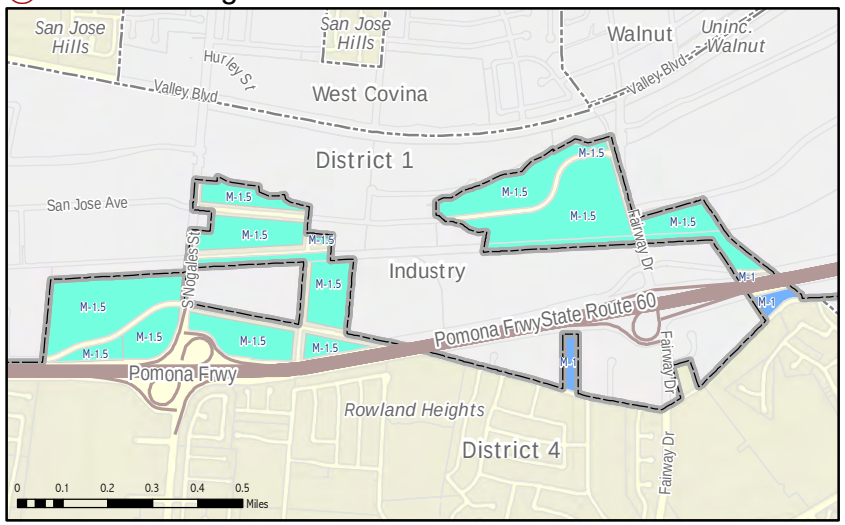

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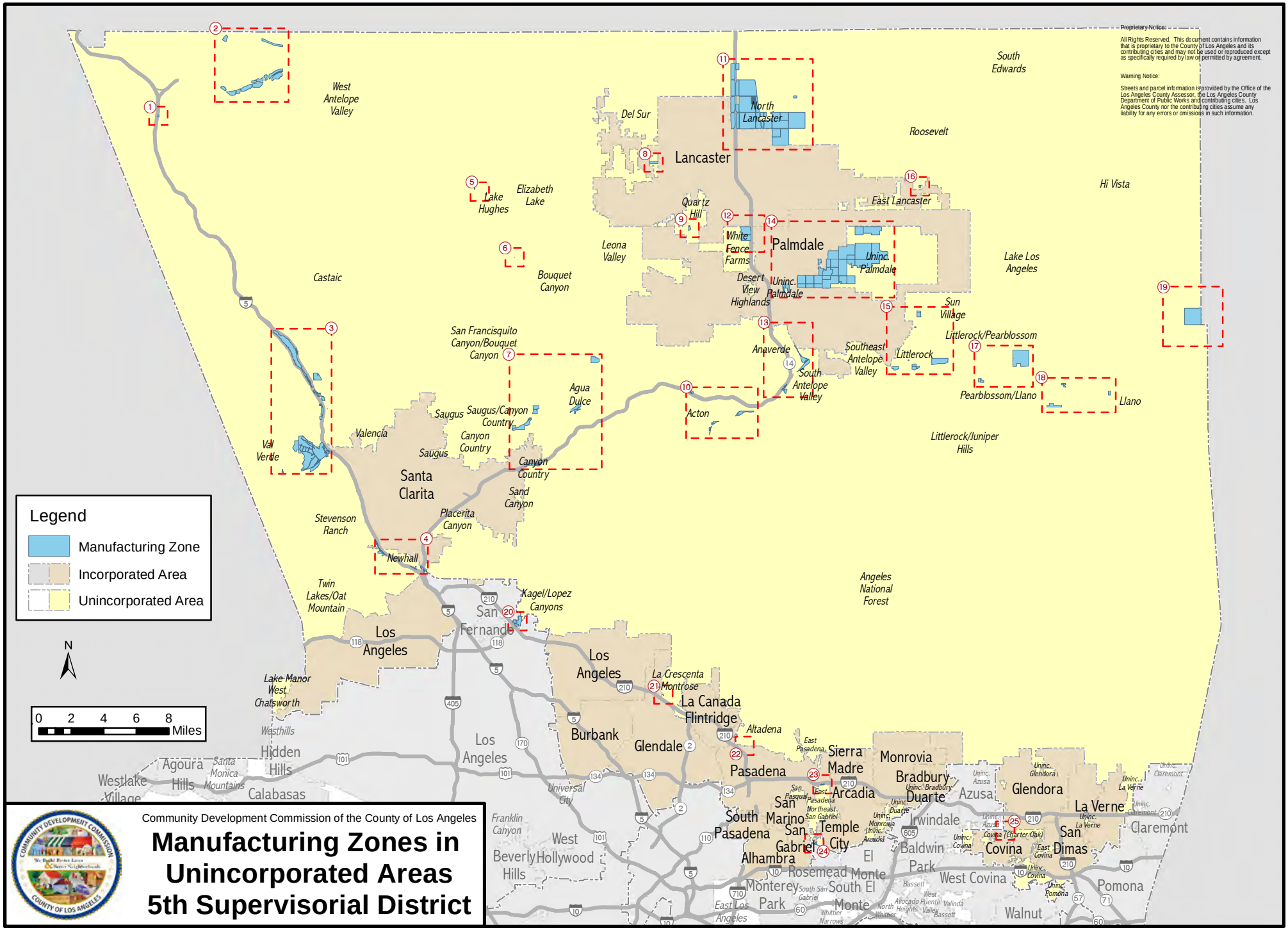

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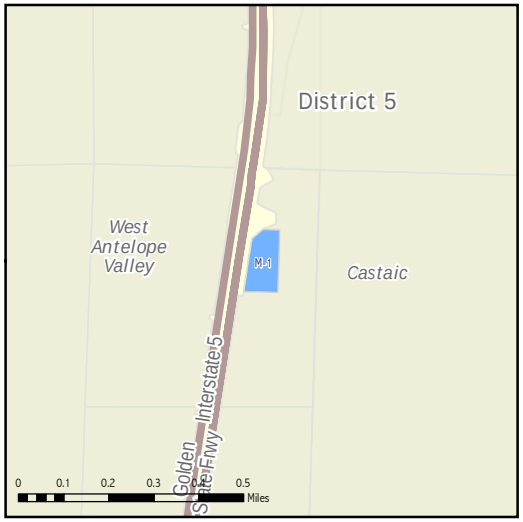
① Castaic



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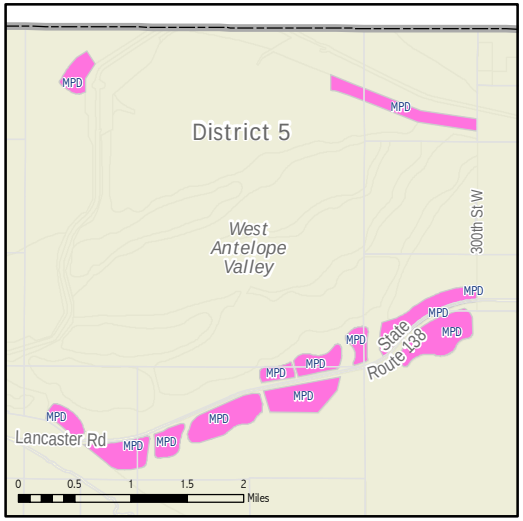
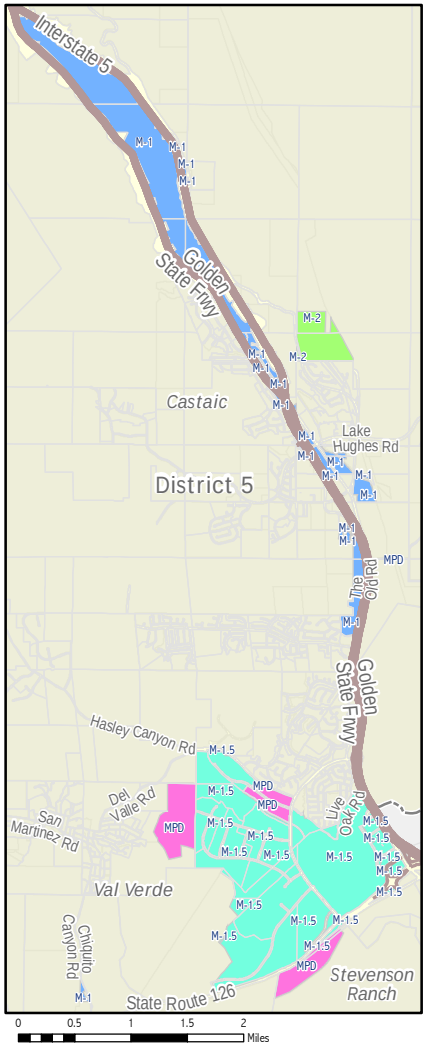
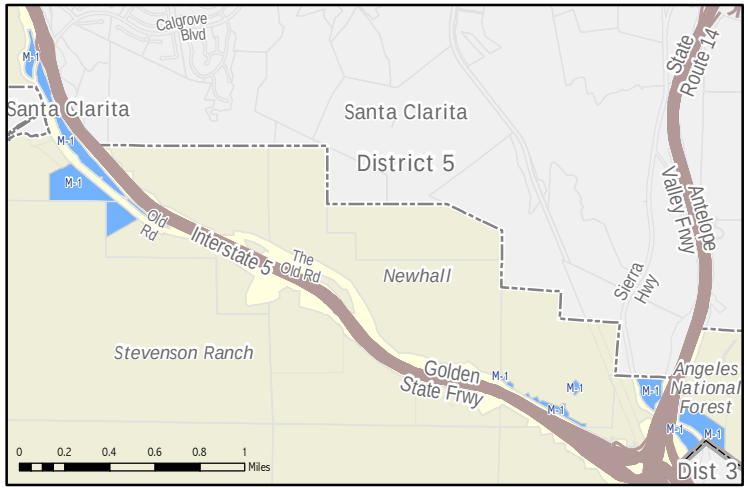


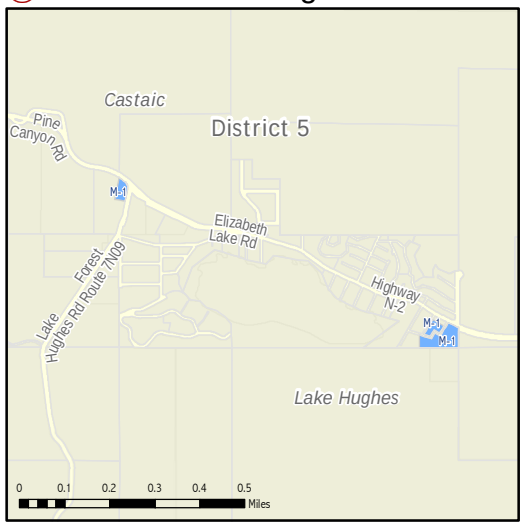
③ Castaic / Val Verde



④ Newhall / Stevenson Ranch



⑤ Castaic / Lake Hughes



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Date Saved: Thursday, December 24, 2015
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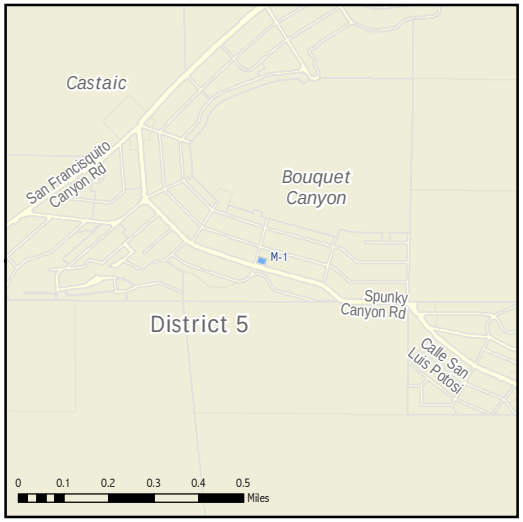
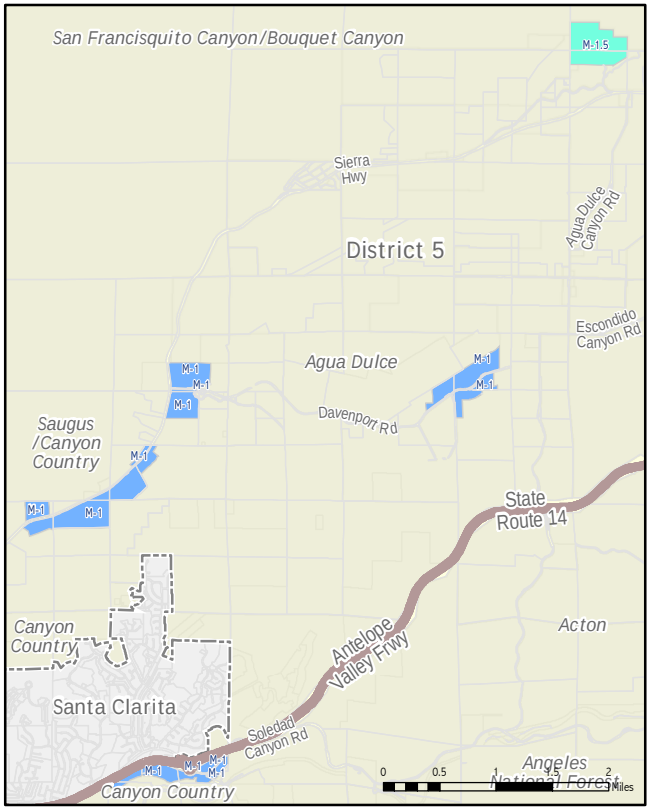
6 Bouquet Canyon



7 Agua Dulce / Canyon Country



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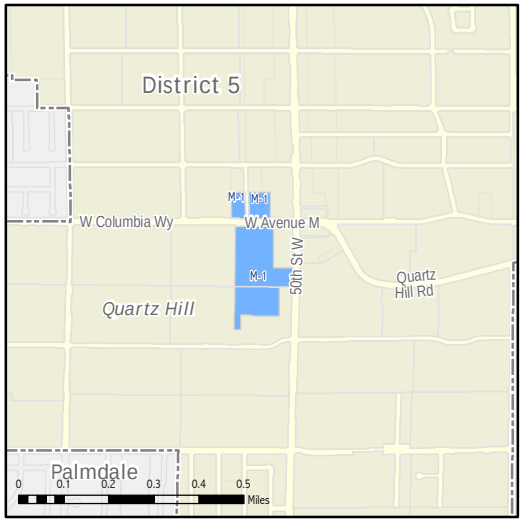
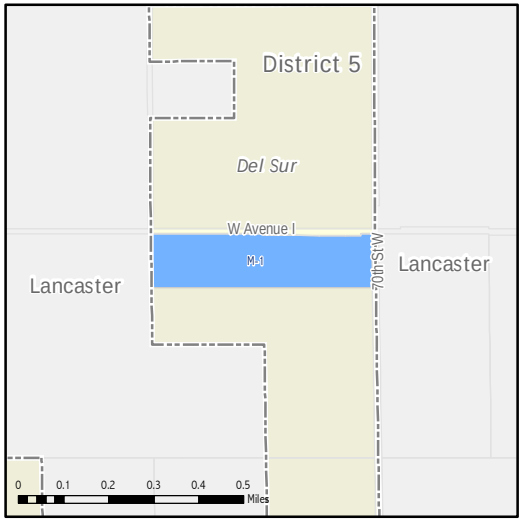


8 Del Sur



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Date Saved: Thursday, December 24, 2015
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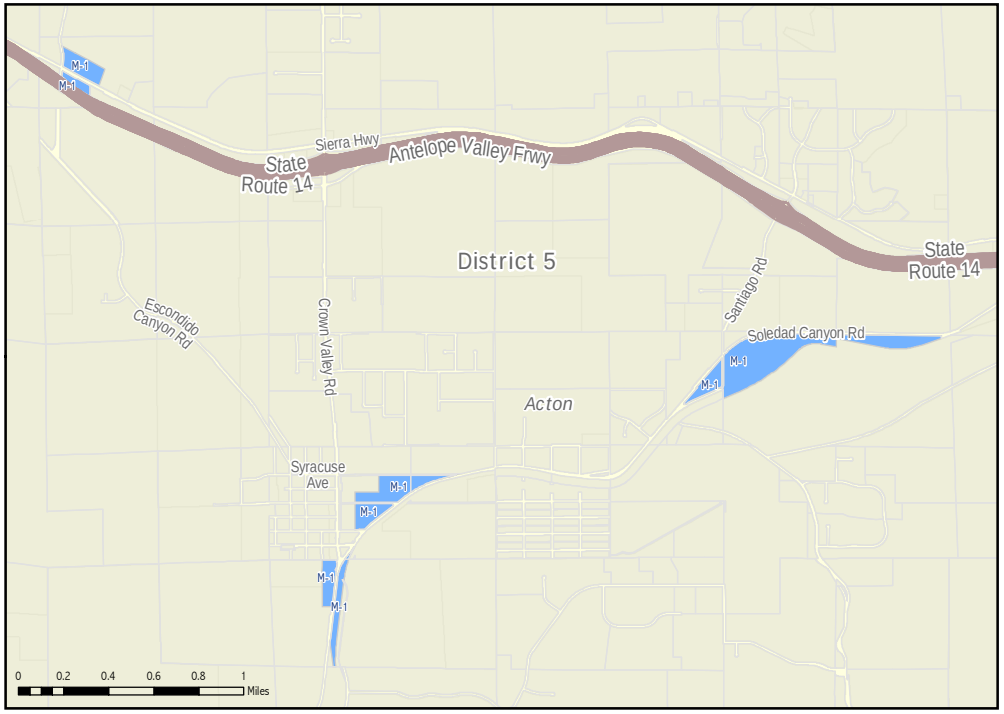
⑩ Acton



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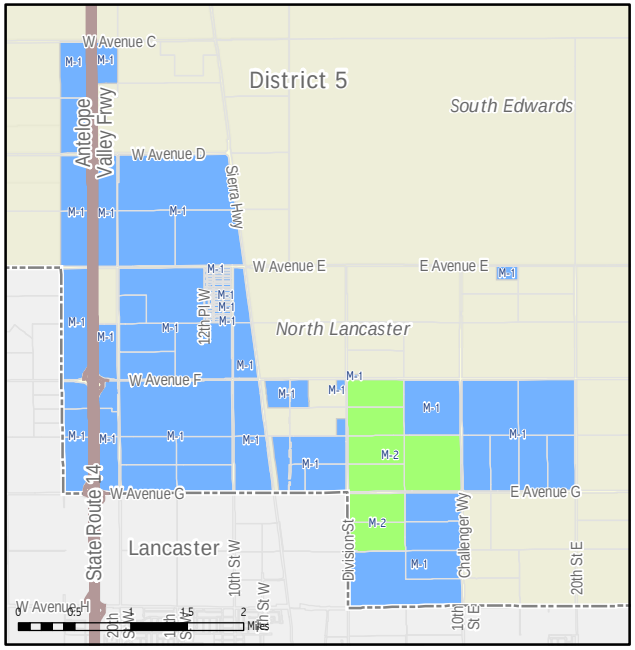
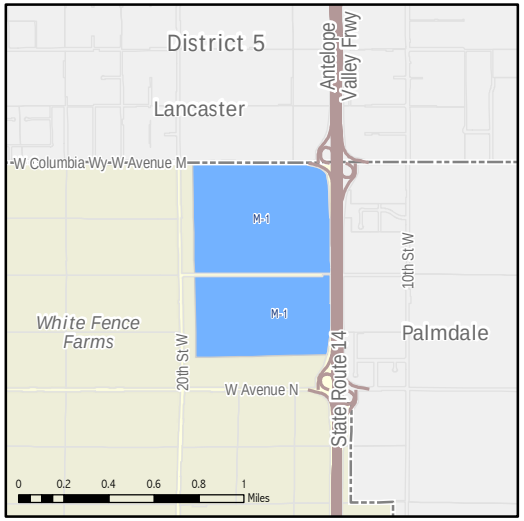
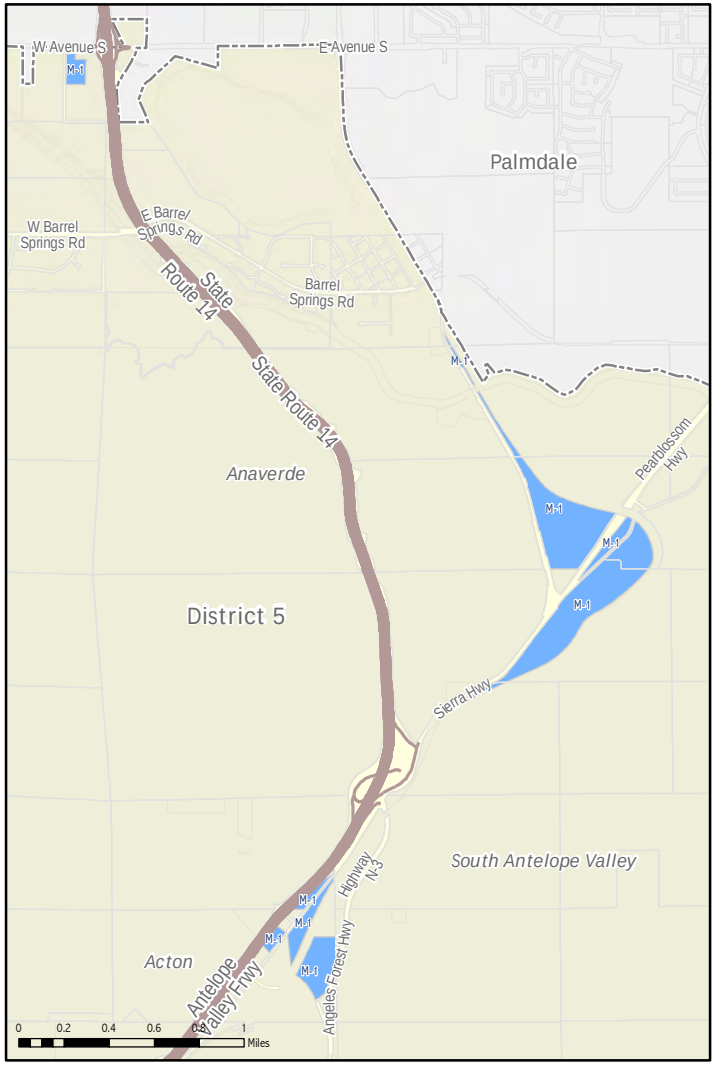
⑪ North Lancaster



⑫ White Fence Farms



⑬ Acton / Anaverde



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Date Saved: Thursday, December 24, 2015
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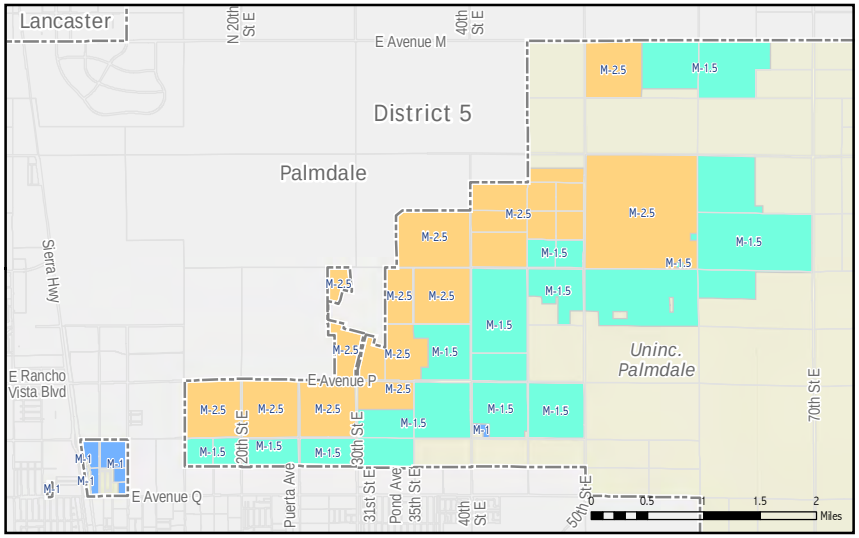
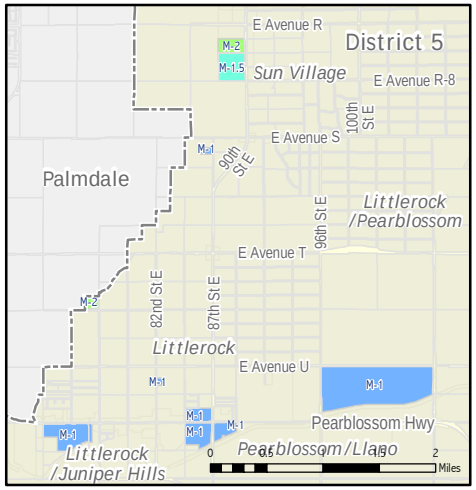
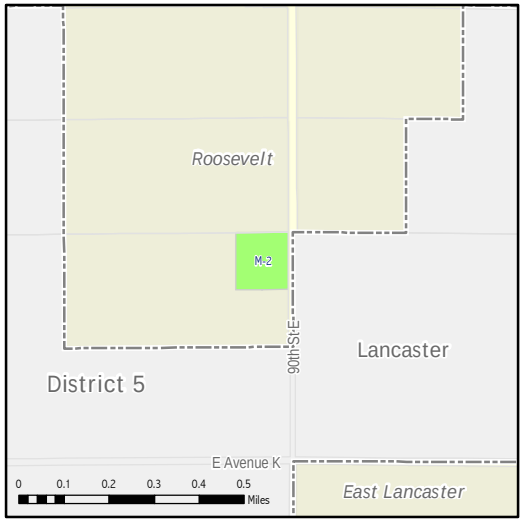
⑭ Unincorporated - Palmdale



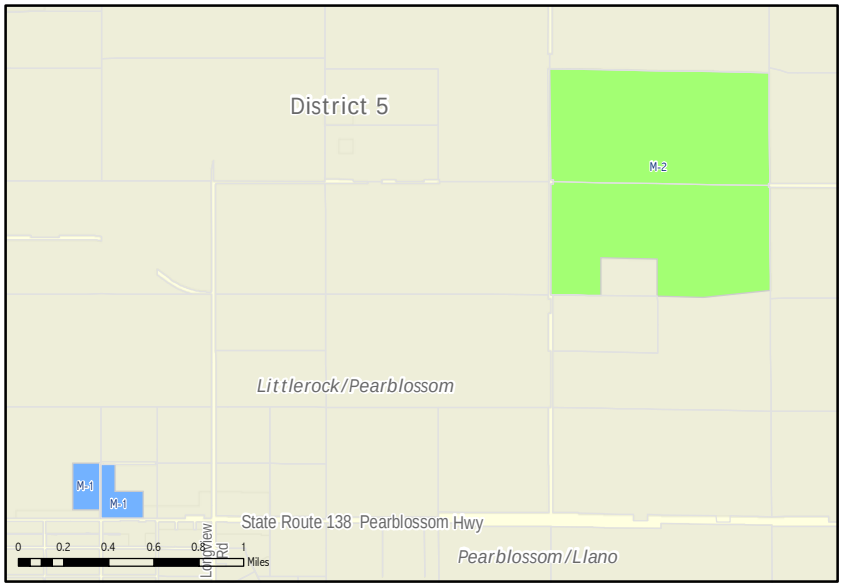
⑮ Littlerock / Sun Village



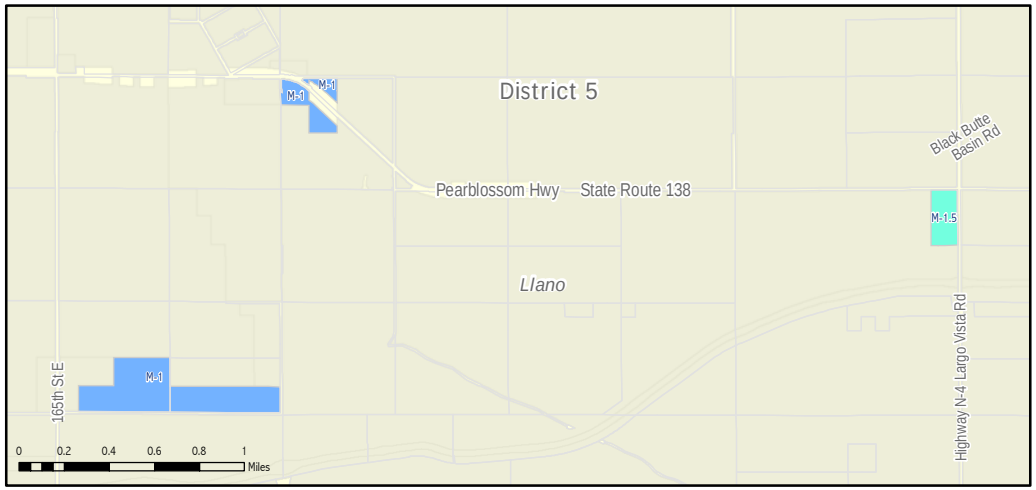
⑯ Roosevelt



⑰ Littlerock/Pearblossom



⑱ Llano



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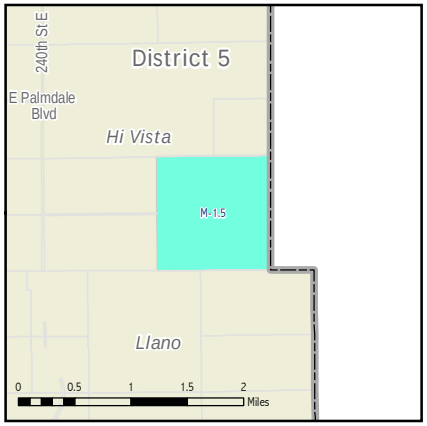
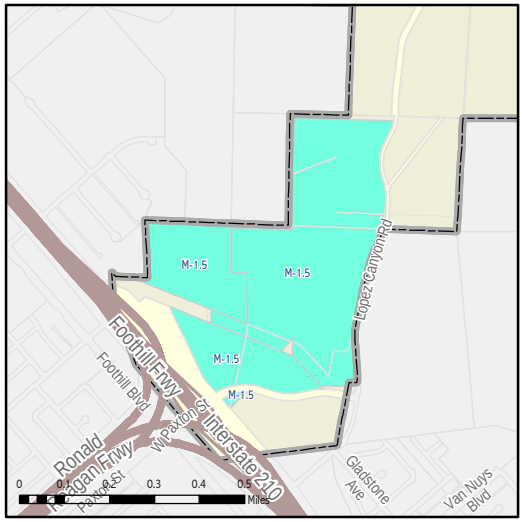
19 Hi Vista



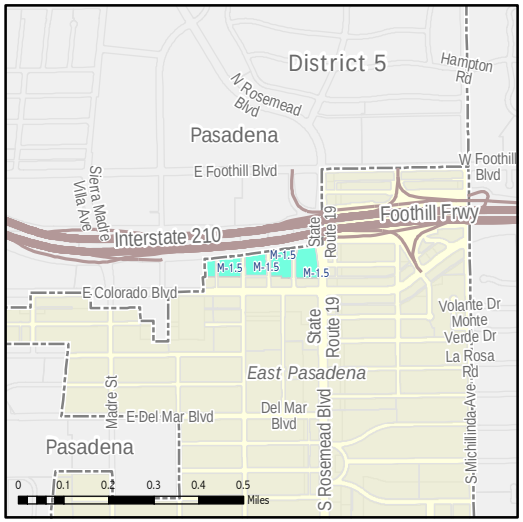
20 Kagel/Lopez Canyons



21 La Crescenta-Montrose

22 Altadena

23 East Pasadena



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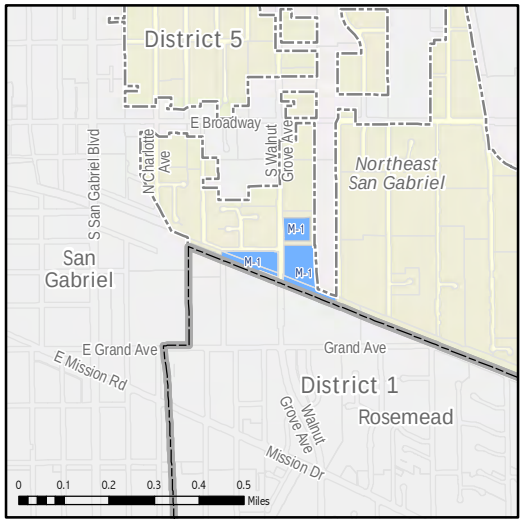
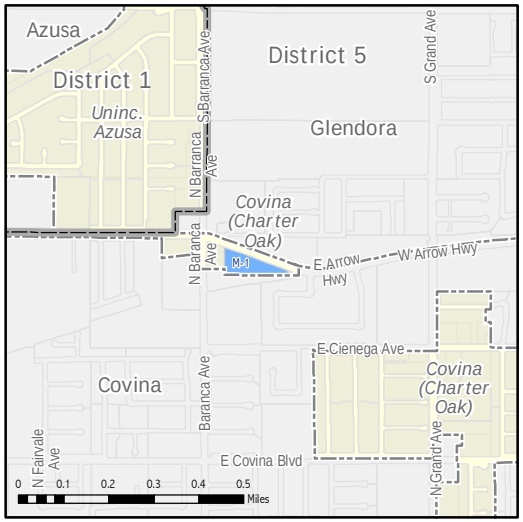


25 Covina (Charter Oak)



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PROGRAM GUIDELINES

MANUFACTURING REVOLVING LOAN FUND

MANUFACTURING REVOLVING LOAN FUND
PROGRAM GUIDELINES

INTRODUCTION

The Board of Supervisors (the "Board") approved a revised action on October 20, 2015, as submitted by Supervisors Mark Ridley-Thomas and Hilda Solis. The motion authorized the Executive Director of the Community Development Commission (CDC) to develop a work program, guidelines and estimated budget to begin implementation of a County Manufacturing Revolving Loan Fund (MRLF). Specifically, the Board directed the CDC to explore the following:

- Target manufacturers in Employment Protection Districts, Industrial Flex Districts, and Industrial Opportunity zones over the unincorporated areas of the County.

- Provide access to capital for increased manufacturing business creation, expansion and retention, and job creation in unincorporated County areas, with particular focus on growing local, small- and medium-sized manufacturers supporting high quality, family-supporting jobs.

A. Purpose of the Program

The purpose of the MRLF Program is to make capital available to manufacturers within targeted unincorporated areas in Los Angeles County to support local job growth. The MRLF will be part of the County's overall economic development strategy as a key incentive to assist companies to create and retain family supporting jobs.

B. Target Areas

The MRLF's targeted manufacturers in Employment Protection Districts, Industrial Flex Districts, and Industrial Opportunity zones in the unincorporated areas of the County. Maps of these areas are depicted in **Attachment A**.

C. MRLF Program

The MRLF Program will provide a flexible and accessible source of funding to be made available to small- and medium-sized manufacturing businesses located within the targeted unincorporated Los Angeles County areas. The MRLF program will not have the restrictive eligibility requirements typically associated with federally funded loan programs, but instead will provide a below market interest rate, flexible loan terms, and no prepayment penalty, as further described below.

1. <u>Loan Amounts</u>

   Under special circumstances businesses with a minimum of two (2) years in operation may apply for MRLF for a maximum loan amount of $100,000.

These businesses will be evaluated only upon the submittal of two (2) years of tax returns to support cash flow / profitability. If a business is successful and maintains a satisfactory track record with the CDC as well as outside creditors during its second year of its loan term, the company may apply for additional funding.

For established businesses in existence of three (3) years or more, loans will be made in the range from $100,000 to $500,000.

2. Interest Rate

Special financing techniques will be considered by the Loan Committee in loan repayment to meet special credit needs of the borrower or to encourage early repayment. This may include: stepped or fluctuating interest rates; interest-only payments for a maximum of five (5) years, with principal balance due at maturity; interest-only payments during the construction phase; and balloon payments tied to longer amortization schedules.

3. Loan Terms

The term for repayment will be generally based on the useful life of the assets being financed or the borrower's ability to repay. Terms are five (5) to seven (7) years for working capital, ten (10) years for equipment, and up to twenty (20) years for real estate. If appropriate, shorter terms will be negotiated in order to increase the velocity of funds for issuance of new loans to other businesses. There will be no pre-payment penalty.

4. Eligible Use of Funds

The MRLF will provide an immediate, flexible and accessible source of funding to be made available to existing manufacturing firms that require loans for the expansion, acquisition, construction or renovation of real estate, inventory, working capital, machinery and equipment, leasehold improvements, and debt refinancing where appropriate.

Eligible use of funds may include:

- Inventory.
- Operating expenses.
- Predevelopment cost, land costs, including engineering, legal, grading, testing, site mapping and related costs associated with acquisition and preparation of land that increases capacity.
- Building costs, including real estate, engineering, architectural, legal and related costs associated with acquisition, construction and rehabilitation of a building.

- Machinery and equipment costs including delivery, installation, engineering, architectural, legal, insurance and related costs associated with acquisition and installation of machinery and equipment.
- Infrastructure costs.
- Seismic retrofitting for hazard mitigation.
- Debt refinancing.

Ineligible loan activities include the following:

- Utilizing loan funds outside the designated target areas.
- Acquiring an equity position in a private business.
- Subsidizing interest payments on any other MRLF loan.
- Providing for borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring an interest in a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefit must be clearly consistent with the strategic objectives of the program.
- Utilizing loan funds for other than the approved use.

5. Job Creation and Retention

The MRLF job creation/retention requirement is one (1) job for every $50,000 borrowed.

6. Collateral

Full collateral is not a requirement for financial assistance. However, some collateral must be available to secure each loan. The MRLF will generally secure each loan to the maximum extent possible. The MRLF will obtain a perfected interest in a borrower's assets, including the outside assets of related parties as may be required. Loans may be secured with the following types of collateral: real property, machinery, equipment, inventory, accounts receivable, securities and personal guarantees, including collateralized personal guarantees.

A personal guarantee shall be obtained from all principals having a twenty (20) percent or more ownership in the company being considered for a loan. Appropriate hazard and liability insurance shall be required. A Lender's Loss Payable endorsement naming MRLF will normally be required, as appropriate, to protect the interests of the MRLF. Personal guarantees may

be collateralized with the assets of the guarantor. Please refer to Section 14. Standard Collateral Requirements.

7. Fees

Loan origination or other loan fees charged to borrowers to cover MRLF expenses, such as credit reports or legal expenses incurred by the MRLF, will be determined by the Loan Committee. The maximum loan fee shall not exceed one (1) point.

8. Marketing

Due to the extent of the MRLF target areas, the CDC will select on an annual basis two (2) of the largest manufacturing areas within each Supervisorial District in order to minimize marketing expenses and maximize outreach to businesses within those large clusters.

9. Responsibilities

The Commission responsibilities are:

a. Evaluation/Screening: Staff will evaluate, screen and package prospective loan applicants.

b. Processing: Staff will process individual loans by working with prospective borrowers and preparing lender packages.

c. Closings: Staff performs final review, orders Uniform Commercial Code (UCC) searches, files UCCs and Deeds of Trust as appropriate, and works with legal counsel to perform all necessary functions related to closing specific loan packages.

d. Disbursing and Servicing: Staff will be directly responsible for disbursing and servicing all loans. Required documentation for disbursements includes completed loan documents and recorded UCC files and Deeds of Trust, if applicable.

e. Accounting: Financial Management Division will be responsible for accounting and tracking loan payments.

10. Related Activities

a. Technical and Management Assistance: A close relationship will be maintained with borrowers during the post-loan phase. Besides requiring semi-annual employment reports to verify the job assurances given during the pre-loan phase, the MRLF will require financial statements annually from borrowers. In addition, the MRLF will maintain relationships as appropriate with private lending institutions, community-based economic development organizations, and other agencies providing financial and/or technical assistance to

small businesses. Contacts and referrals will be made to these groups as appropriate.

b. Loan Packaging and Referral Services: Loan packaging services will not usually be provided unless a MRLF loan is involved. Referrals will generally be made to other financial institutions and providers of assistance to businesses, as appropriate, when firms applying for assistance are not eligible or turned down under the MRLF.

11. Loan Processing Procedures

a. Standard Loan Application Requirements
Upon determination by a loan officer that an opportunity for financing exists, the loan officer shall contact the potential borrower and request the following information or documentation as may be required for consideration of their loan request:

- Three (3) years of business and personal tax returns.
- Three (3) years of business financial statements which contain balance sheets and profit and loss statements.
- Personal Financial Statement dated within the most recent quarter and not more than three (3) months old (SBA 413 is acceptable) from all principals with more than twenty (20%) ownership.
- Financial projections for business expansion.
- Proof of Hazard and Liability Insurance.
- Accounts Receivable and Accounts Payable aging, if applicable.
- Schedule of debts including current outstanding balances, repayment schedules and due dates, and schedule of collateral.
- Authorization to request business or personal credit reports as required.

The loan officer is responsible for adding to the credit file checklist the following items as may be applicable:

- Appraisal Reports.

- Environmental Reviews.
- Standard Collateral Requirements.
- Standard Equity Requirements.
- Standard Insurance Requirements.
- Public Benefit Requirements and required certifications or documentation.

The loan officer is responsible for preparing the Credit Memorandum to the Loan Committee.

12. Appraisal Reports
Appraisals may be required of real property or other fixed assets that are being used as collateral for the loan.

13. Environmental Reviews
Environmental reviews will be required if loans involve the acquisition of real property or the alteration of the physical environment as in construction. In these cases, all borrowers will:

- Complete an environmental questionnaire as may be required.
- Permit a site inspection of the property and an environmental audit (Phase I or Phase II) by a qualified inspector selected by the CDC, as appropriate.
- Provide such documentation as may be required.

Environmental reviews shall comply with the California Environmental Quality Act (CEQA), as amended, and if applicable, with the National Environmental Policy Act (NEPA) of 1969, as amended.

14. Standard Collateral Requirements
The MRLF will obtain a perfected interest in a borrower's assets, including the outside assets of related parties as may be required. Loans may be secured with the following types of collateral: real property, machinery, equipment, inventory, accounts receivable, securities and personal guarantees, including collateralized personal guarantees.

A personal guarantee shall be obtained from all principals having a twenty (20) percent or more ownership in the company being considered. Appropriate hazard and liability insurance shall be required. A Lender's

Loss Payable endorsement naming MRLF will normally be required, as appropriate, to protect the interests of the MRLF.

Trust deeds will be obtained and supported by a lot book report or lender's title policy, as appropriate. Liens on personal property will be perfected by UCC-1 filings and Security Agreements where fixed assets and/or soft assets are taken as collateral.

CDC does not accept intellectual property (patents, trademarks, copyrights), collectibles (coins, art, etc.), intangible assets, privately held stock, foreign assets, private notes, or anything else where there is not a market to easily sell the collateral within a short period of time.

15. Loan Write-up

The loan write-up, or Credit Memorandum, is a written summary signed by the Commercial Loan Officer/Administrator and presented to the Loan Committee. It fully describes the recommended loan transaction and is organized as follows:

- *Basic Information* - The date, the name of the company and the location of the business involved, including Supervisorial district.
- *Background* - The type of company, market conditions, current trends and pertinent detail about the principals and the company's products.
- *Economic Impact* - The effect of the loan and the public benefit to be expected;
- *Purpose* - What the loan will finance such as equipment purchase, working capital, etc. and the effect of that action on company operations.
- *Terms of Proposed Financing* - The amount, term, interest rate, fees, collateral, guarantees and requirements of the MRLF loan and related loans.
- *Uses and Sources of Funds* – All the funding sources will be identified including the specific uses of each funding source.
- *Identification of Problems* – Any environmental concerns will be identified.
- *Cash Flow Repayment Analysis* - A tabular presentation with explanations and footnotes.

- *Estimated Annual Debt Service* - A tabular presentation of the repayment schedule.

- *Financial Statements* - An analysis of the financial statements.

- *Proforma Analysis* - An analysis of the business proforma.

- *Balance Sheet Analysis* - A tabular presentation of the company's balance sheet.

- *Discussion of Collateral* - An analysis of the collateral.

- *Recommendation* - The recommendation of the loan officer, including contingencies.

16. Loan Approval Procedures

Loan approval by the Loan Committee shall be in writing, signed by all participating Loan Committee members. Following Loan Committee approval, the CDC's Executive Director's or its designee's approval is required. A letter shall be sent to the borrower indicating Loan Committee approval, the terms, and conditions approved by the Loan Committee.

17. Loan Closing and Disbursement

a. General Closing Requirements

MRLF staff will perform a final loan review, including credit reports, ordering UCC searches, and filing UCCs and Deeds of Trust, as applicable, and will work with a closing attorney, if necessary, to perform all necessary functions related to closing specific loan packages. MRLF staff will review the job requirements and ensure that required documentation includes required employment certification and other forms needed to fulfill the job requirements of the loan. Attached as Exhibit A is a checklist of documentation and authorization requirements to be utilized by the MRLF staff in reviewing the loan file.

b. Loan Disbursement Requirements

Borrower will comply with the use of funds as stated on the loan agreement. Once the above documentation requirements are met, security interests are perfected and borrower's certification that the funds are to be used for the purpose intended, funds will be disbursed as directed by the Loan Committee approval action and in accordance with the loan agreement and instructions from the Loan Officer. Fixed asset loans may require the opening of a loan escrow for the perfection of collateral and the coordination of fund distribution. Working capital loans will be funded in a single

disbursement or on an agreed schedule depending upon the circumstances. Fixed asset loans may require backup documentation including invoices or bank statements, or other verifiable documentation.

18. Loan Servicing

a. Subordinate Liens & Position of Liens

i. From time to time the CDC is asked to subordinate the priority of its UCC filing/collateral, note, and/or loan payments to other lenders. In general, it is the position of the CDC not to subordinate. However, the CDC does recognize that under certain limited situations, subordination to another lender may be to the benefit of all parties. The Loan Committee and the Executive Director must approve all subordination of the CDC's UCC filings/collateral, note(s), and/or loan payments to other lenders.

ii. Subordinate liens positions will be considered to facilitate new capital injection. The MRLF will take first position for any asset financed by the MRLF.

iii. Restructuring of a MRLF loan will be considered only to improve the repayment prospects of the borrower or to protect the interests of the MRLF.

19. Loan Payment and Collection Procedures

a. Direct Loans are set up in the Accounting Department in the Financial Management Division. Loans are set up on the LSSI software system that tracks all loan activity.

b. Payments are deposited in federally insured accounts in accordance with California Government Code on the same day as received, if received before 12 p.m., or the next business day.

20. Loan Monitoring Procedures

Under the direction of the Loan Officer, each loan file will be monitored for compliance with job requirements and for the proper and timely submission of financial data, reports, UCC renewals and insurance documents. Every six months, on July 1 and January 1, until requirement is met, a letter will be mailed out to borrowers requesting submission of job hiring information in accordance with the loan agreement. Every twelve months, a copy of the annual financial statement of the business will be requested and an appointment will be made for a site visit and inspection of collateral.

Borrowers are required to maintain adequate records and books of account in which complete entries will be made reflecting all of its business and financial activities, and to submit financial statements annually for the life of the loan.

A successful business will keep payments current and meet the above monitoring requirements without difficulty. Failure to comply with the above monitoring routine will result in the loan file being pulled, scheduling a site visit, and determination of proper action.

a. Late Payment Follow-up Procedures

i. If a payment not timely made remains overdue for a period of ten (10) days after the same becomes due and payable, Borrower, without notice or demand by the CDC or any holder of the note, shall apply a late charge in the amount of five (5) percent of the delinquent payment owing. The loan is placed on the delinquent loan report, which is submitted to the Loan Officer on a monthly basis.

ii. During the first 30 days of delinquency, the loan file will be pulled and returned to the Servicing Officer for oral communication with the borrower and for a determination of appropriate action.

iii. During the second 60 days of delinquency, the Loan Officer will visit the site, if this has not already been done, to inventory the collateral and to determine a plan to resolve the delinquency. A Borrower may request and the CDC may approve a deferral period during the life of the loan.

b. Procedures After 90 days

The Loan Officer will work to exercise all rights and privileges of the lender in order to collect the proceeds on delinquent loans. The Loan Officer will:

i. Make sure all loan documentation is in order.

ii. Contact Counsel to coordinate collection efforts.

iii. Formally notify other lenders of the delinquency, as appropriate.

iv. Formally notify the guarantors of the defaulted loan and put them on notice that they are expected to make payment.

v. Notify the Loan Committee.

vi. After a period of six months and all possible collection efforts have been exhausted, the file will be transferred to an outside collection agency for continue collection.

c. Default Loan Monitoring Procedures

The Loan Officer can recommend to the Loan Committee and the Executive Director that a loan be declared in default and that action should be taken to initiate recovery against collateral, if it appears that the threat to the collateral or to the repayment of the loan is immediate or the situation is rapidly deteriorating. The Loan Committee and Executive Director must approve foreclosure or necessary litigation. The Loan Committee and Executive Director shall be briefed and the CDC's attorney consulted with respect to the possibility of a successful workout.

The file will be reviewed and a recommendation will be submitted to the Loan Committee and Executive Director for approval. The liquidation officer will be responsible for all actions related to collection of past amounts due including disposition of collateral and negotiations of any "Offer in Compromise" (OIC). The OIC will require the approval of the Loan Committee/Executive Director.

21. Write-Off Procedures

Collection efforts will be continued until all collateral has been liquidated and all other actions have been exhausted. Staff will recommend and prepare either a charge off request, or forwarding the loan to an outside collection agency for additional collection efforts. Write-off requests will be submitted to the Loan Committee and the Executive Director for approval.

EXHIBIT A

MANUFACTURING REVOLVING LOAN FUND APPLICATION CHECKLIST

Applicant Name: _____

Date: _____

NOTE: *Applicant's name must be consistent throughout the loan package. Name must be exactly as filed on the Fictitious Trade Style or as filed on the Articles of Incorporation.*

_____ Application

_____ Internal Revenue Service Tax Return Verification Form (IRS Tax Form 4506)

_____ Listing of available collateral, including any to be purchased with loan proceeds

_____ Fictitious Trade Style (Filing and Proof of Publication)

_____ Articles of Incorporation or Partnership Agreement Limited Liability Company Articles of Organization

_____ Fiscal year end business financial statement within 60 days of application date

_____ Interim business financial statement within 60 days of application date

_____ Business federal tax returns for the prior three years to include all supporting schedules and statements (if available)

_____ Month-to-month projections covering any interim period until year end plus one full fiscal year including the assumptions that the projections were based upon

_____ Copy of current / proposed lease on business premises including Assessor's Parcel Number

_____ Environmental Questionnaire and Disclosure Statement (EQDS) for applicants in an environmentally sensitive industry

_____ Business plan and resume for each business owner / manager

_____ Current personal financial statement for each business owner

_____ Staffing plan for proposed expansion, including number of jobs created or retained and wage levels

_____ Franchise Agreement / FTC Disclosure Statement (if applicable)

_____ Personal Federal tax returns for the prior three years to include all supporting schedules and statements for each business owner

_____ Business data and history

PROGRAM OVERVIEW

RENOVATE FAÇADE IMPROVEMENT PROGRAM

INTRODUCTION

On October 20, 2015, the Board of Supervisors (BOS or Board) approved a revised Motion, which directed the Executive Director of the Community Development Commission (CDC) to report back to the Board in writing in 90 days on a recommended program and administrative guidelines for expanding the CDC's existing Community Business Revitalization Program throughout the unincorporated areas of the County with consideration given to maximizing the impact of the County's investment by focusing on commercial corridors with multiple storefronts in need of renovation.

A. SUMMARY OF THE EXISTING PROGRAM

The current Community Business Revitalization (CBR) program provides businesses with grants and technical services to assist with the improvement of building facades along designated commercial corridors, primarily focusing on visual aesthetics. Previously, the CBR program was funded solely through Community Development Block Grants (CDBG). The Department of Housing and Urban Development (HUD) requires that CDBG funds must be restricted to low- and moderate-income census tracts. Currently, the CBR program is only offered in the First and Second Supervisorial Districts.

B. PURPOSE

The revised Board Motion contemplates the use of monies from the County Economic Development Trust Fund (CEDTF) for the purposes of expanding the CBR program countywide. As proposed, the use of County general funds would allow for the expansion of the program in areas that would not qualify under the existing program. The expanded program would provide funding to improve the appearance of buildings and entire commercial centers by enhancing the sense of place and making commercial areas more inviting places to walk and shop.

As further explained below, one of the key objectives of the program is to target areas where newer, commercial retail centers abut older developments. As proposed, the RENOVATE Commercial Business Revitalization Program aims to make a significant, positive visual impact to the building environment while complementing other community development efforts by focusing on commercial corridors with multiple storefronts in need of renovation. Ultimately, through the implementation of the RENOVATE program, these targeted areas will have a more unified appearance that will strengthen the visual character and image of commercial corridors, make them more inviting to potential new businesses and shoppers, and increase property values.

C. ELIGIBILITY CRITERIA

The following criteria will be used to determine whether an applicant is eligible for the program.

1. Who can apply?

   Building owners and commercial tenants (with the property owner's consent) can apply for a RENOVATE façade improvement grant if:

   a. They are located within an eligible Target Area (see below), and
   b. The façade improvements are for a commercial (retail and wholesale) and service establishments, including:
      i. Professional services (i.e., accountants, architects, engineers, etc.).
      ii. Personal services (i.e., barbers/hair salons, shoe repair, dry cleaners, laundromats, etc.).
      iii. Neighborhood services (i.e., non-franchise restaurants, convenience stores, and produce stores, bakeries, health food stores, apparel stores, hobby shops).
      iv. Repair services (i.e., office equipment, locksmiths, plumbers, etc.).
      v. Business services (i.e., advertising, office management, printing, etc.).

   Banks, savings and loan associations, gas and service stations, used car lots and adult entertainment businesses (i.e., smoke shops, liquor stores, bars, etc.) are not eligible for this program.

2. Improvements

   The work conducted must be visible from a public street, not an alley. The following eligible improvements include, but are not limited to, the following:

   - Exterior elements that improve the aesthetics of the building (i.e., painting, windows, doors, security grilles, stucco and tile repair, cornices, awnings, etc.)
   - Removal of inappropriate or incompatible exterior finishes or materials (i.e., false fronts, panels)
   - Restoration of exterior finishes
   - Exterior building and sign lighting (i.e., externally illuminated signs)
   - Replacement of signs attached to buildings
   - Americans with Disabilities Act (ADA) compliance (interior and exterior)

   Ineligible activities include:

   - New construction or additions
   - Improvements in progress or completed prior to application submittal
   - Roof improvements, replacement, or repair
   - Interior furnishings
   - Business/personal property, equipment and supplies
   - Internally illuminated signs or interior window coverings
   - Structural foundations

- Billboards, roof signs, or temporary signs
- Fencing
- Landscaping
- Public rights-of-way (i.e., sidewalks, curbs, gutters)
- Routine maintenance
- Mechanical/Heating Ventilation Air Conditioning (HVAC) systems
- Window displays
- Security systems (including metal roll-down gates, window bars, cameras)
- Trash/mechanical enclosures
- Parking

3. Target Areas

Prior to conducting windshield surveys and site visitations, staff consulted with each District Office regarding the identification of Target Areas. The following criteria were used to determine the location of the Target Areas:

- Properties and businesses are located on major commercial corridors and are "clustered" together to maximize the investment of public funds.
- Areas are frequently visited by the local community.
- Streetscape projects or programs are planned or recently improved.
- The improvements will have a significant visual impact.

The areas identified below are recommended as proposed Target Areas as these corridors have had limited success in attracting private investment or have been recognized for future County specific activities, such as Transit Oriented Developments (TODs), which provide excellent opportunities for increased activity. Maps are provided in Attachment B depicting the location of the proposed corridors.

PROPOSED TARGET AREAS FOR RENOVATE PROGRAM	
First District	
East Los Angeles	Third Street between Ford Boulevard and Atlantic Boulevard
Valinda	Amar Road between Aileron Avenue and Echelon Avenue
Second District	
Athens-Westmont	Vermont Avenue between Imperial Highway and 110th Street
Florence-Firestone	Firestone Boulevard between Compton Avenue and Fir Avenue

PROPOSED TARGET AREAS FOR RENOVATE PROGRAM	
Third District	
Topanga Village	South Topanga Canyon Road between Cuesta Cala Road and Topanga School Road
Fourth District	
Hacienda Heights	Hacienda Boulevard between Gale Avenue and SR-60
Santa Fe Springs	Intersections on Telegraph Road: (1) Lanett Avenue and (2) Florence Avenue/Mill Avenue
Fifth District	
Altadena (1)	Fair Oaks Avenue between Mariposa Street and Harriet Street
Altadena (2)	Lincoln Avenue between Alberta Street and Woodbury Road
Altadena (3)	Washington Boulevard between Grand Oaks Avenue and Altadena Drive
Desert View Highlands	Intersection of Elizabeth Lake Road and 10th Street SW
East Antelope Valley	State Route 138 between 72nd Street East and 89th Street East
Quartz Hill	50th Street West between Avenue L-4 and Avenue M-2

D. PROGRAM ADMINISTRATION

1. Program Administration

   Under the current program, the oversight of the rehabilitation activities have been provided by the CDC's Construction Management Unit. The CDC recommends maintaining this administrative control for the proposed RENOVATE program as the CDC has these controls in place and can ensure better process coordination in implementing the program.

   The expanded program would require the much of the same documentation as the current program, which includes the following:

   - A completed CBR Application
   - Property Profile
   - Proof of Ownership/Owner Consent Form
   - Environmental Assessment (Lead/Asbestos Testing report, if required)
   - Photographs of Existing Façade(s)
   - Design Plans/Elevations of Proposed Improvements
   - Detailed Scope of Work
   - Cost Estimate
   - Verification of Plot Plan Application, Submittal and Approval

- Procurement (minimum of three (3) contractor cost proposals)
- Notarized Development Agreement
- Closeout documentation

Additionally, a maintenance covenant and grant agreement will be required as part of the new program.

E. ANALYSIS

1. Grant vs. Loan Program
   The current CBR Program is a grant-based incentive program created to encourage property owners and businesses to participate in the program to improve the exterior appearance of their buildings and storefronts. In determining whether the proposed countywide program should be modified to a loan program, staff analyzed the merits and challenges of both options, which are outlined below.

GRANT VERSUS LOAN PROGRAM		
	Advantages	**Disadvantages**
Grants	• Easier to market with no matching requirement by applicant • Easier to disperse funds with no liens • Reduced administrative costs • No loan servicing and monitoring required	• No vested interest from the property owner and/ or tenant • Size of building may increase the scope of work, resulting in larger grants and less funding for additional projects
Loans	• Vested interest and contribution by property owner and/or tenant • Repayment of the loan replenishes program funds (revolving loan fund) making money available for additional loans	• Loans are a marketing constraint for participating in the program • Increased administrative costs as a result of loan servicing and monitoring

F. RECOMMENDATIONS

1. Financial Assistance
   In order to generate and obtain interest and participation in the program, staff recommends a grant program. A historical analysis of the current CBR Program over the past five fiscal years has revealed that the average storefront measures

approximately 75 linear feet, and the average cost of improvements per linear foot was approximately $537. Based on this analysis, staff recommends that storefronts:

a. Up to 50 linear feet may receive a grant of up to $35,000 per designated building storefront; and
b. Over 50 linear feet may receive grants up to a maximum amount of $100,000.

2. Program Budget
The average cost of each CBR project is approximately $50,000. It is estimated that 15 projects could be completed within the proposed program budget, after deducting administrative costs. This translates to three projects per Supervisorial District at the proposed level of funding. However, in order to have noticeable impact in the proposed Target Areas, more than three CBR projects per Target Area would need to occur. Staff recommends increasing the initial capitalization from $1 million to a minimum of $2 million for FY 2016-17, which would fund approximately three projects in each of the 14 target areas in the first year of the program. As proposed, continued annual funding of $1 million for this program will enable additional projects in each target area through FY 2020-21.

3. Use of Funds
The Board also requested that the CDC report back on the ability to use these funds to support internal renovations, conversion to more flexible space, including demolition and limited tenant improvements.

Façade improvements are designed to preserve and repair the value of a building, promote the desirability of targeted areas, and retain and encourage the growth of retail establishments. The main impetus of the program is to improve the exteriors of commercial buildings to support and complement both public and private investments in the County. Structures with peeling paint, damaged materials, poorly implemented renovations altering the original character of the building (i.e., canopies, parapets, cornices, pilasters, siding, awnings, lighting, signage, etc.), and etched or cracked windows diminish the professional image and appeal of any business district. Well-maintained buildings express pride and care and enhance a district's economic viability. While funding could be used for interior renovations or tenant improvements, there would be no visual impact of such improvements in the targeted area.

Staff recommends that the funding for the proposed RENOVATE program mirror the existing CBR Program, by restricting the use of funds for restoration or renovation of commercial storefronts. The current CBR Program also includes limited use of funds for improving accessibility to the building in compliance with the Americans with Disability Act (ADA), such as entrance doors, accessible bathrooms and ramps, will be permitted. County Building and Safety Code violations or code enforcement issues that are identified would be the responsibility

of the owner/tenant prior to participation in the program as these types of improvements are more costly. While requiring the owner or tenant to address code violations or enforcement issues may reduce participation in the program, it will ensure that adequate funding is available in each Supervisorial District countywide for the RENOVATE program.

As an alternate source of funds, the CDC offers business loans with favorable interest rates to assist with interior and system improvements, demolition or new construction that are not included in the proposed RENOVATE Program.

The CDC recommends two full-time staff members to administer the proposed program. Additional staff may be required in the future when the anticipated production levels increase. As with the current CBR Program, CDC staff will engage other pertinent County departments (i.e., DRP, DPW, etc.) as projects are implemented.

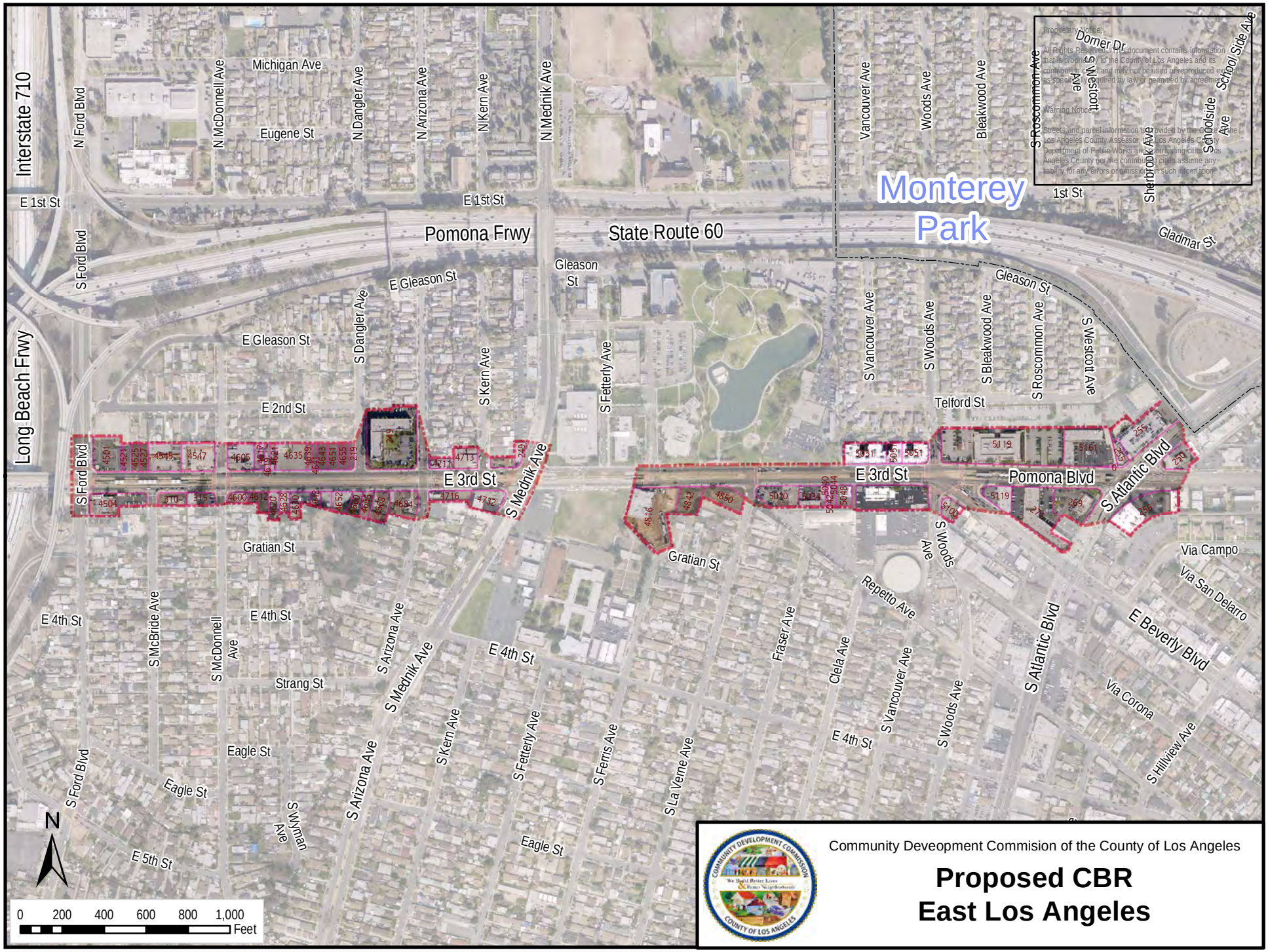
4. Maintenance Easement / Restrictive Covenant
The CDC has not required a maintenance agreement as a condition of its CBR subsidies. Consequently, it has not had any enforcement instrument for ensuring proper maintenance of its investments. Staff recommends that a maintenance easement or restricted covenant to be recorded against the property as a program requirement. The maintenance easement / restrictive covenant would require the program participant to keep and maintain the exterior façade of the property in good condition and repair for 10 years, which is secured by a lien encumbering the property. The CDC would reserve the right to recover grant funds if the improvements are altered, removed, destroyed or not maintained within the term. The grantor would be obligated to reimburse the County in full in the event of a violation of the maintenance easement / restrictive covenant. While a maintenance easement / restrictive covenant may have a negative impact on participation in the program, the CDC has an obligation to be a careful steward of public funds. Staff recommends that the Board grant the Executive Director the authority to make changes to the program, as needed.

5. Current CBR Program Funds
As mentioned previously, the current CBR Program is funded with Community Development Block Grant (CDBG) monies. This type of funding requires more monitoring than other sources of funds due to stringent CDBG compliance and construction-related requirements. Even though there are less stringent regulatory requirements with County General Funds, it is uncertain if there will be any cost savings in the implementation of the program as there will be increased costs associated with the recording of documents (e.g., maintenance easement / restrictive covenant) and the annual monitoring of completed projects for proper maintenance.

The use of County General Funds for the proposed RENOVATE Program would avail CDBG funds for other community development purposes, which could be reprogrammed accordingly.

ATTACHMENT B

RENOVATE FAÇADE IMPROVEMENT PROGRAM TARGET AREA MAPS



Community Deveopment Commision of the County of Los Angeles

Proposed CBR
East Los Angeles

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Date Saved: Thursday, December 17, 2015
Prepared By: Michael Chong

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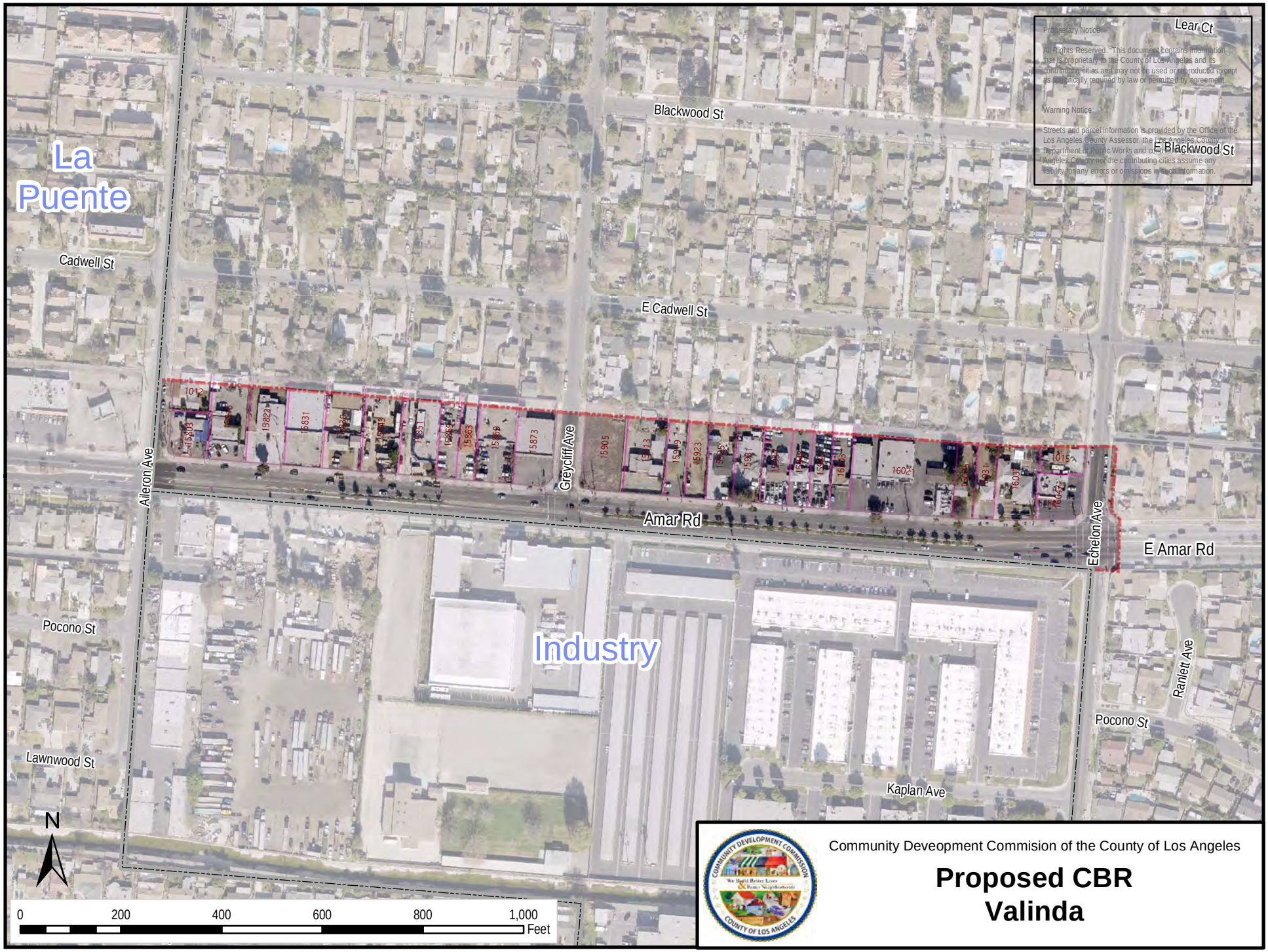

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Proposed CBR
Valinda

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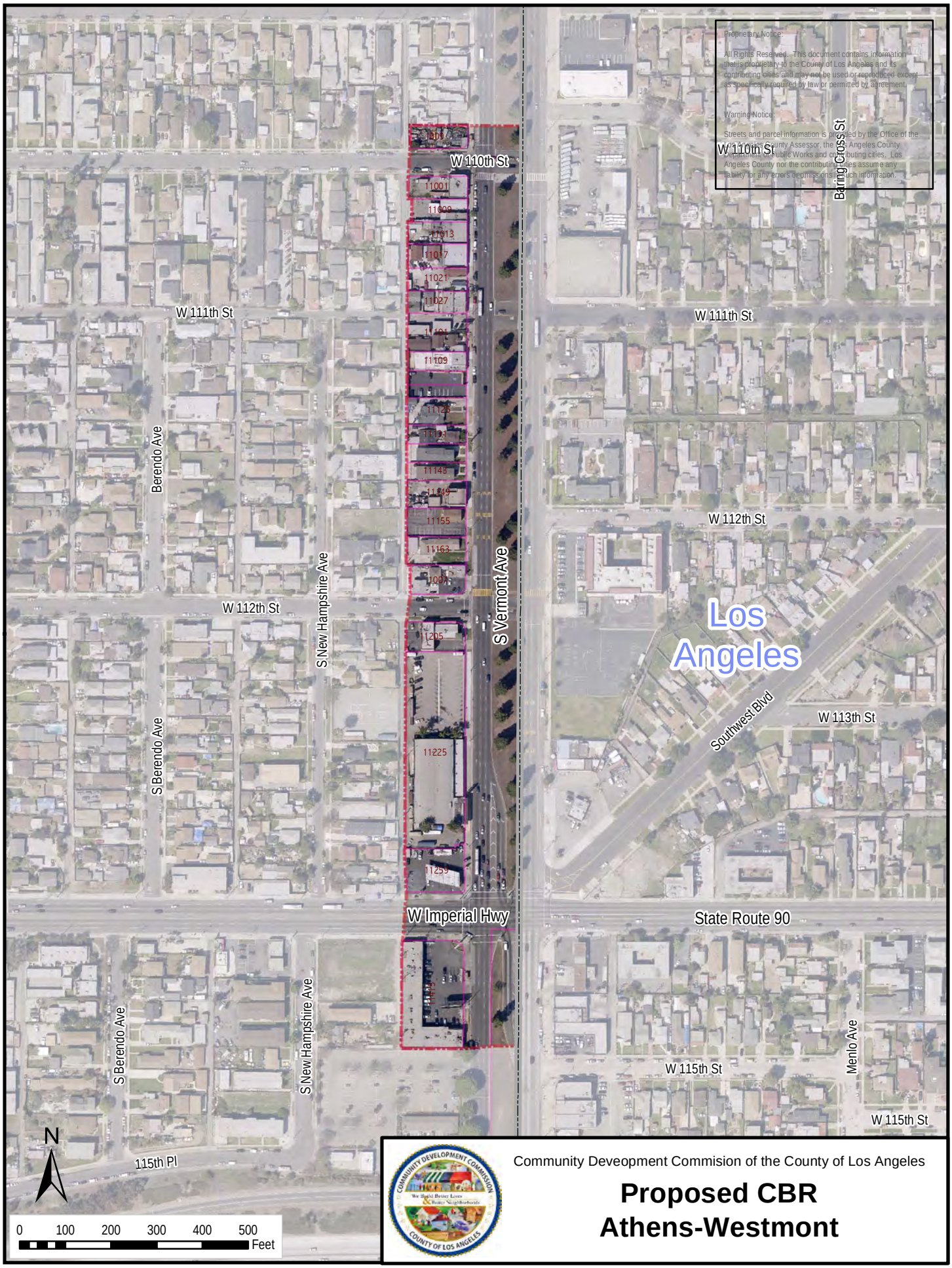

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Proposed CBR
Athens-Westmont

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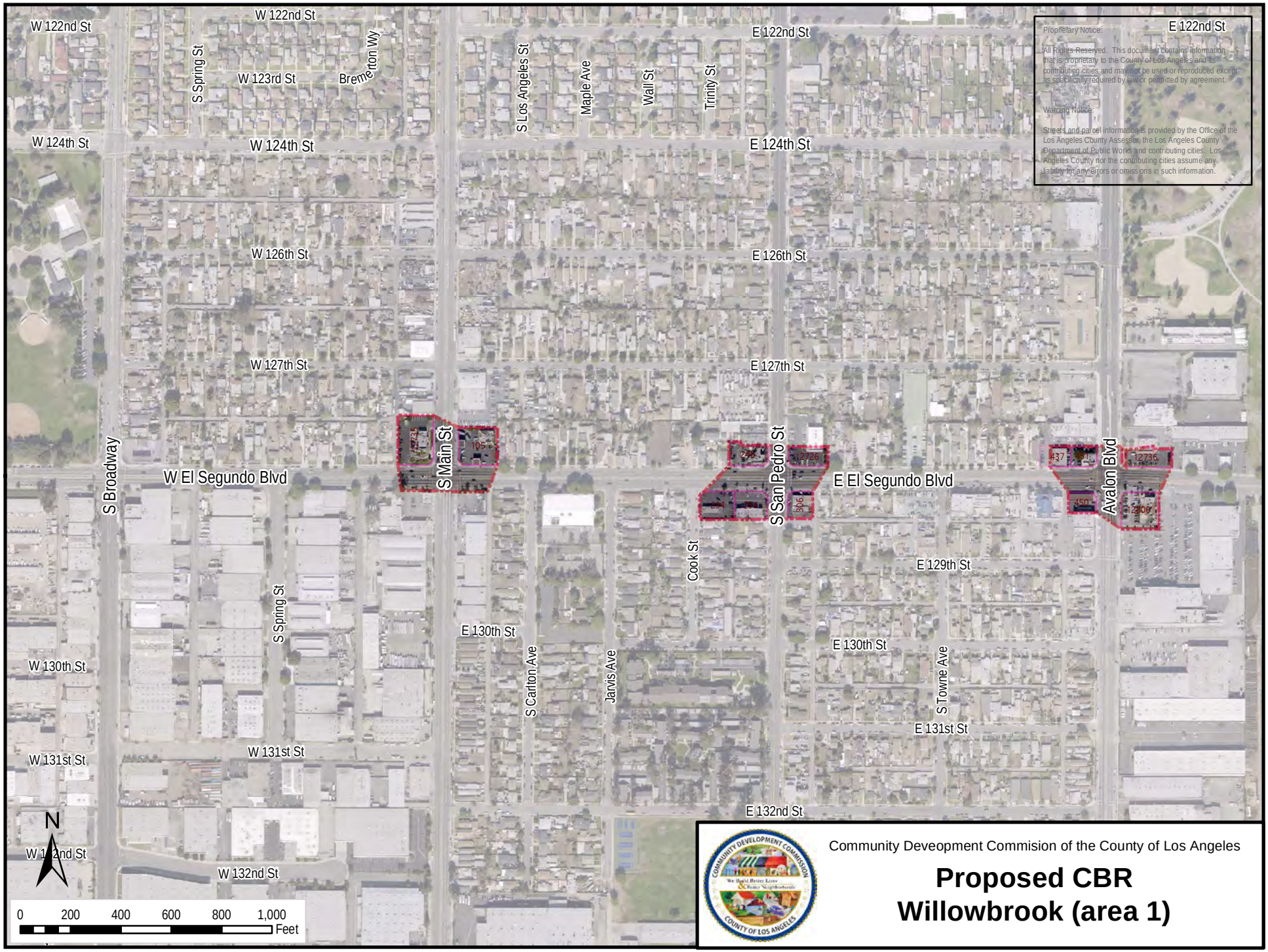

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Proposed CBR
Willowbrook (area 1)

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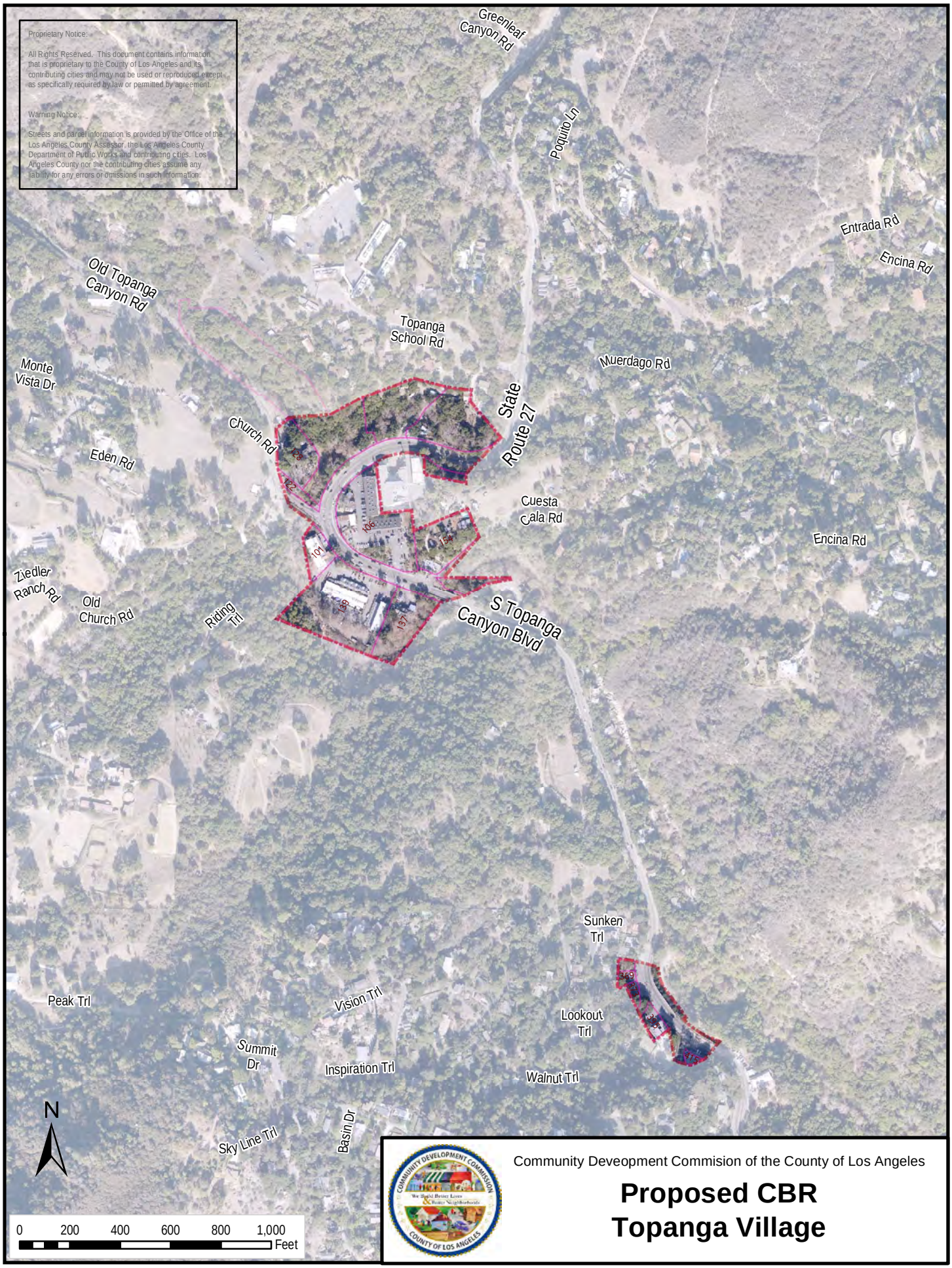

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Proposed CBR
Hacienda Heights

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Proposed CBR
Santa Fe Springs

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Proposed CBR
Altadena, Area 1

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Proposed CBR
Altadena, Area 2

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Prepared By: Michael Chong

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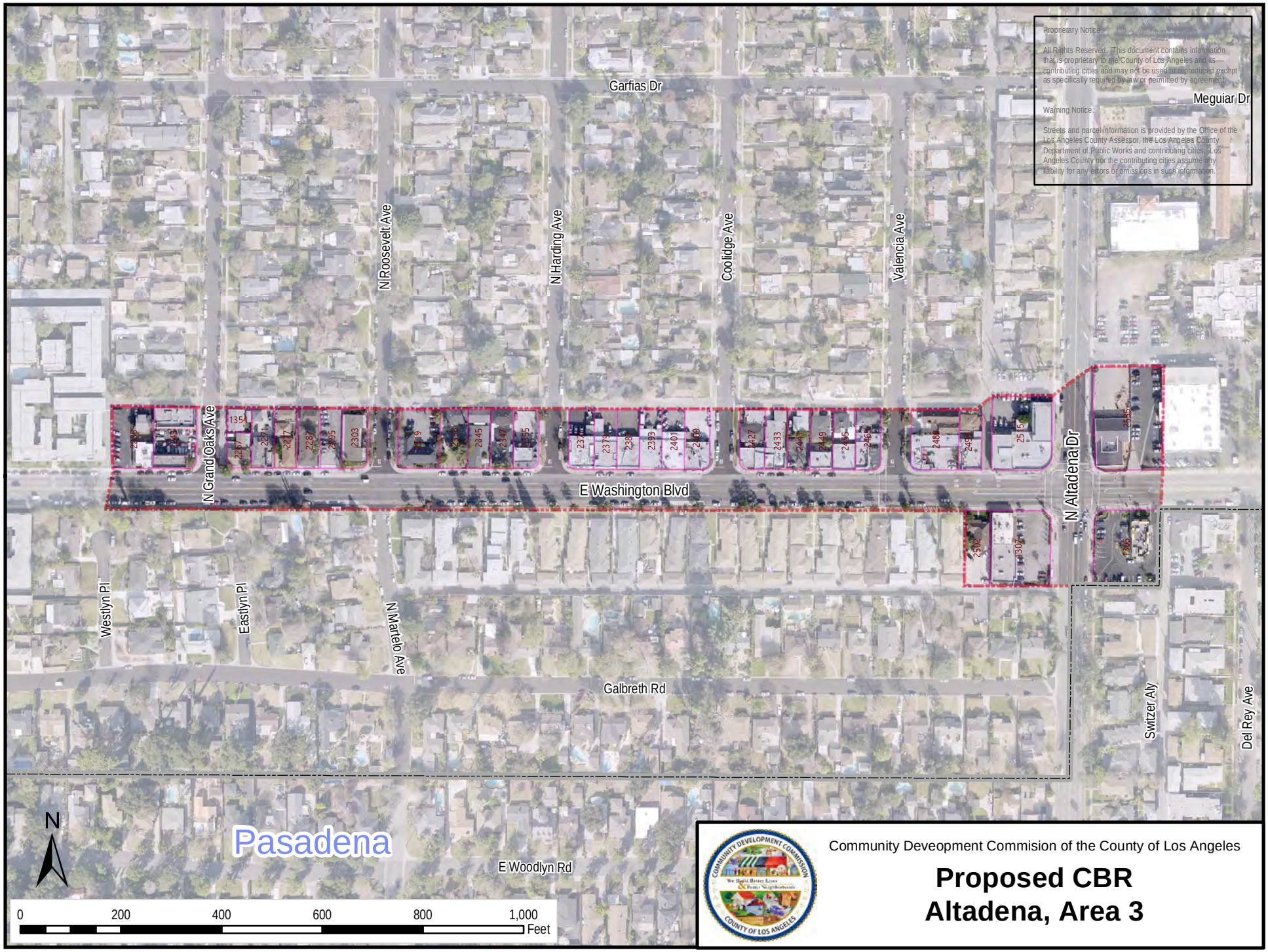

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Proposed CBR
Altadena, Area 3

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Proposed CBR
Desert View Highlands

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Date Saved: Monday, January 11, 2016
Prepared By: Michael Chong

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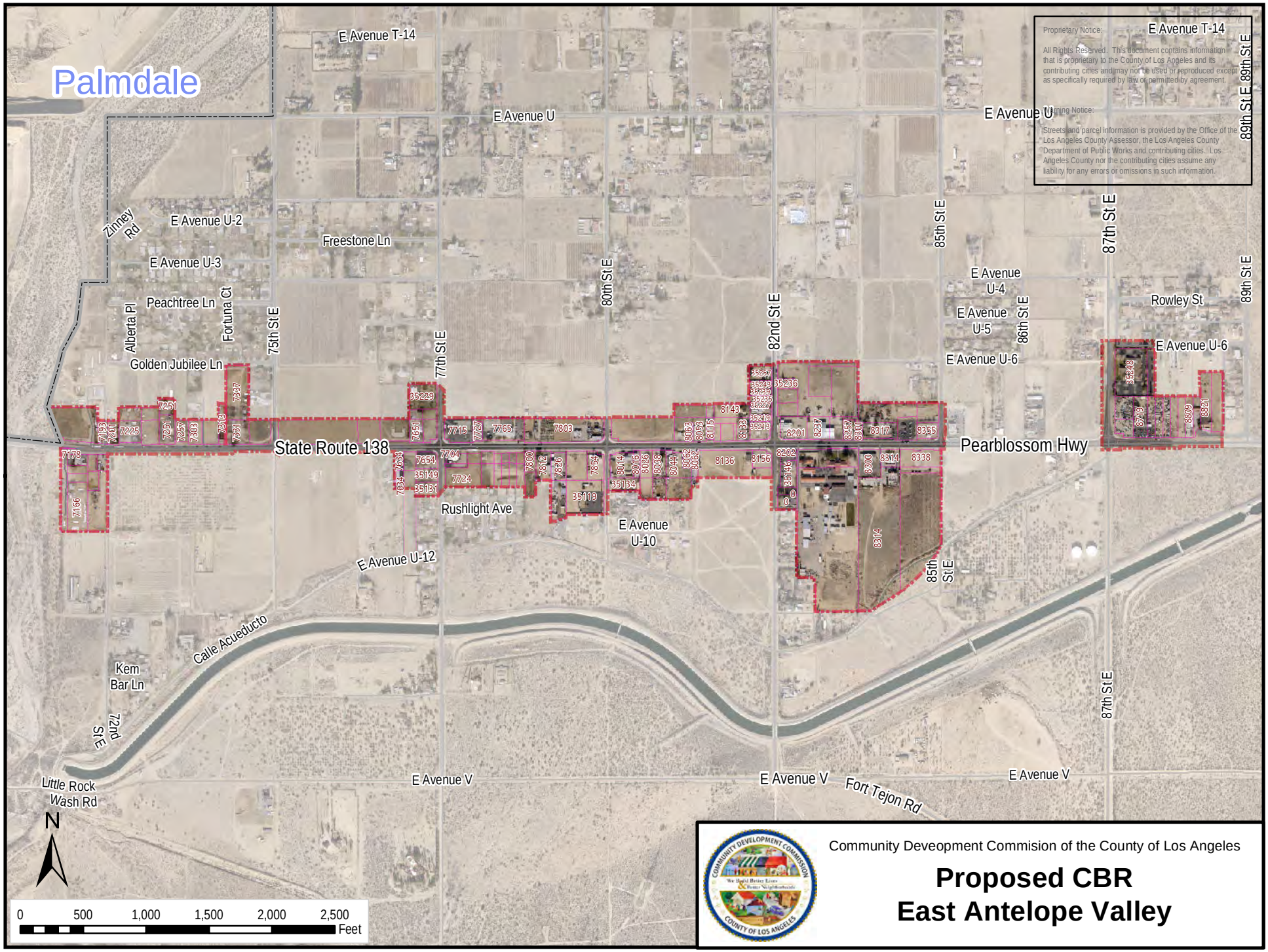

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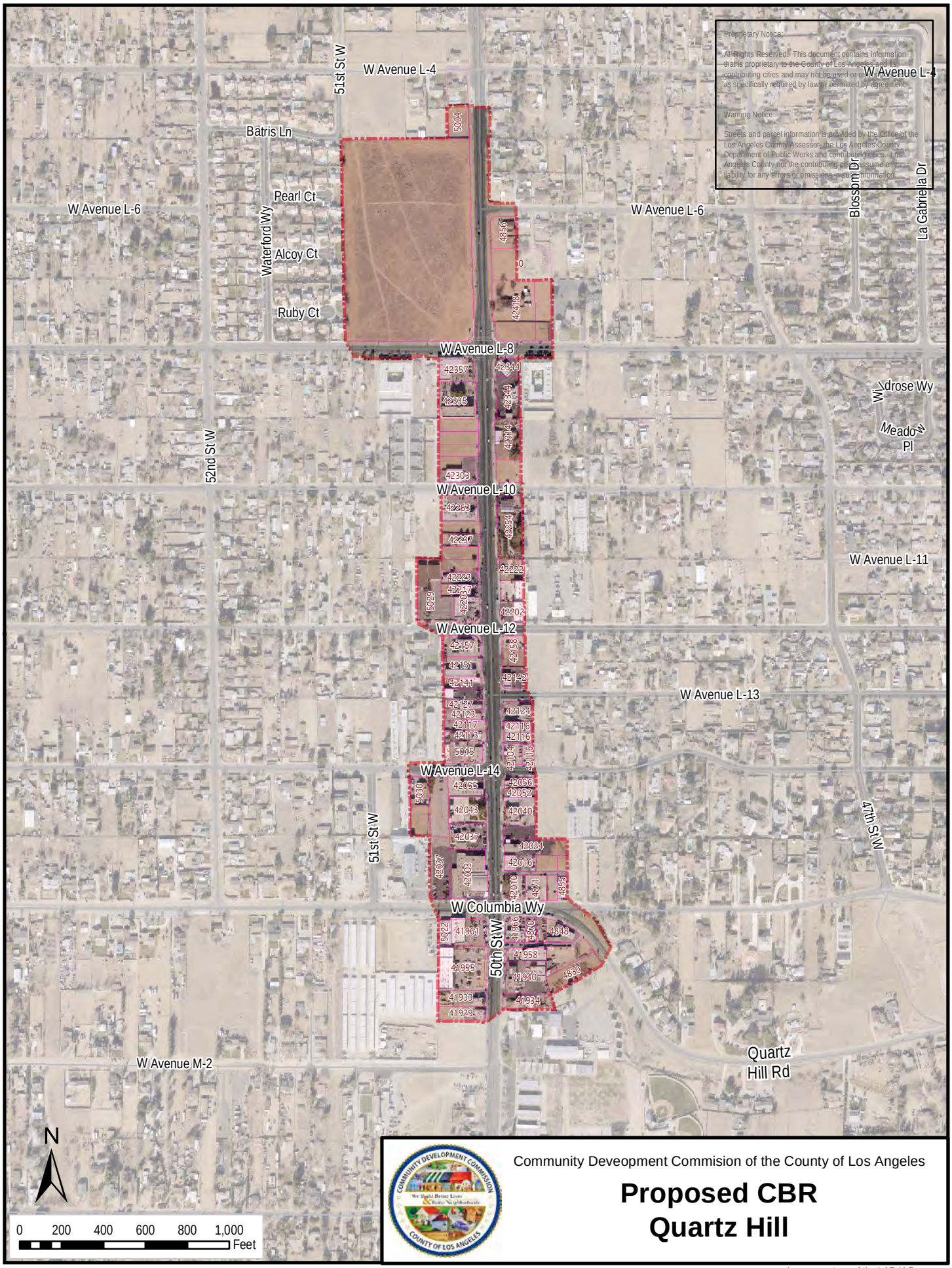
Community Deveopment Commision of the County of Los Angeles

Proposed CBR
East Antelope Valley

File: J:\CDC Projects\ER\CBRs\Proposed CBR - East Antelope Valley.mxd
Date Saved: Monday, January 11, 2016
Prepared By: Michael Chong

Image courtesy of the LAR-IAC
Natural Color Orthogonal Imagery 2014



File: J:\CDC Projects\ER\CBRs\Proposed CBR - Quartz Hill.mxd
Date Saved: Monday, January 11, 2016
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Natural Color Orthogonal Imagery 2014

PROGRAM GUIDELINES

COUNTYWIDE RENOVATE PROGRAM

RENOVATE Program Guidelines

INTRODUCTION

On October 20, 2015, the Board of Supervisors (BOS or Board) approved a revised motion, which directed the Executive Director of the Community Development Commission (CDC) to report back to the Board in writing in 90 days on a recommended program and administrative guidelines for expanding the CDC's existing Community Business Revitalization Program throughout the unincorporated areas of the County with consideration given to maximizing the impact of the County's investment by focusing on commercial corridors with multiple storefronts in need of renovation.

A. PURPOSE

The RENOVATE Program is a countywide, county general funded, façade improvement program. The revised Board motion allows the use of monies from the County Economic Development Trust Fund (CEDTF) for the purposes of expanding the commercial façade program countywide. The RENOVATE Program provides funding to improve the appearance of buildings and entire commercial centers by enhancing the sense of place and making commercial areas more inviting places to walk and shop.

One of the key objectives of the Program is to target areas where newer, commercial retail centers abut older developments. The RENOVATE Program aims to make a significant, positive visual impact to the building environment while complementing other community development efforts by focusing on commercial corridors with multiple storefronts in need of renovation. Ultimately, through the implementation of the RENOVATE Program, these targeted areas will have a more unified appearance that will strengthen the visual character and image of commercial corridors, make them more inviting to potential new businesses and shoppers, and increase property values.

B. ELIGIBILITY CRITERIA

The following criteria will be used to determine whether an applicant is eligible for the Program.

1. Who can apply?

   Building owners and commercial tenants (with the property owner's consent) can apply for a RENOVATE façade improvement grant if:

   a. They are located within an eligible Target Area (see Section 3 below), and

b. The façade improvements are for a commercial (retail and wholesale) and service establishments, including:

   i. Professional services (i.e., accountants, architects, engineers, etc.).

   ii. Personal services (i.e., barbers/hair salons, shoe repair, dry cleaners, laundromats, etc.).

   iii. Neighborhood services (i.e., non-franchise restaurants, convenience stores, and produce stores, bakeries, health food stores, apparel stores, hobby shops).

   iv. Repair services (i.e., office equipment, locksmiths, plumbers, etc.).

   v. Business services (i.e., advertising, office management, printing, etc.).

Banks, savings and loan associations, gas and service stations, used car lots and adult entertainment businesses (i.e., smoke shops, liquor stores, bars, etc.) are not eligible for this Program.

2. <u>Improvements</u>

The work conducted must be visible from a public street, not an alley. The following eligible improvements include, but are not limited to, the following:

- Exterior elements that improve the aesthetics of the building (i.e., painting, windows, doors, security grilles, stucco and tile repair, cornices, awnings, etc.)
- Removal of inappropriate or incompatible exterior finishes or materials (i.e., false fronts, panels)
- Restoration of exterior finishes
- Exterior building and sign lighting (i.e., externally illuminated signs)
- Replacement of signs attached to buildings
- Americans with Disabilities Act (ADA) compliance (interior and exterior)

Ineligible activities include:

- New construction or additions
- Improvements in progress or completed prior to application submittal
- Roof improvements, replacement, or repair
- Interior furnishings
- Business/personal property, equipment and supplies

- Internally illuminated signs or interior window coverings
- Structural foundations
- Billboards, roof signs, or temporary signs
- Fencing
- Landscaping
- Public rights-of-way (i.e., sidewalks, curbs, gutters)
- Routine maintenance
- Mechanical/Heating Ventilation Air Conditioning (HVAC) systems
- Window displays
- Security systems (including metal roll-down gates, window bars, cameras)
- Trash/mechanical enclosures
- Parking

3. Target Areas

Prior to conducting windshield surveys and site visitations, staff consulted with each District Office regarding the identification of Target Areas. The following criteria was used to determine the location of the Target Areas:

- Properties and businesses are located on major commercial corridors and are "clustered" together to maximize the investment of public funds.
- Areas are frequently visited by the local community.
- Streetscape projects or programs are planned or recently installed.
- The improvements will have a significant visual impact.

The following Target Areas have been identified as these corridors have limited success in attracting private investment or have been recognized for future County specific activities, such as Transit Oriented Developments (TODs), which provide excellent opportunities for increased activity. Maps are provided in **Exhibit 1** depicting the location of the Target Areas.

TARGET AREAS FOR RENOVATE PROGRAM	
First District	
East Los Angeles	Third Street between Ford Boulevard and Atlantic Boulevard
Valinda	Amar Road between Aileron Avenue and Echelon Avenue
Second District	
Athens-Westmont	Vermont Avenue between Imperial Highway and 110th Street
Florence-Firestone	Firestone Boulevard between Compton Avenue and Fir Avenue
Third District	
Topanga Village	South Topanga Canyon Road between Cuesta Cala Road and Topanga School Road
Fourth District	
Hacienda Heights	Hacienda Boulevard between Gale Avenue and SR-60
Santa Fe Springs	Intersections on Telegraph Road: (1) Lanett Avenue and (2) Florence Avenue/Mill Avenue
Fifth District	
Altadena (1)	Fair Oaks Avenue between Mariposa Street and Harriet Street
Altadena (2)	Lincoln Avenue between Alberta Street and Woodbury Road
Altadena (3)	Washington Boulevard between Grand Oaks Avenue and Altadena Drive
Unincorporated Palmdale	Southeast corner of Elizabeth Lake Road and Palmdale Road
Pearblossom	Pearblossom Highway between 72nd Street East and 89th Street East
Quartz Hill	Columbia Way between 51st Street and Quartz Hill Road 50th Street West between Avenue L-8 and Columbia Way

C. PROGRAM ADMINISTRATION

1. <u>Program Administration</u>
   Administration of the RENOVATE Program shall be the responsibility of the CDC's Economic and Housing Development (EHD) Division, including promoting the Program and processing all applications. Construction management services for the RENOVATE Program will be provided by CDC's Construction Management Unit (CMU). The CDC will maintain this administrative control for the proposed RENOVATE Program, as the CDC has regulatory controls in place and can ensure better process coordination in implementing the Program.

CDC reserves the right to amend the RENOVATE Program as it deems necessary to address the nature and needs of the Program as it is administered. In addition, the Executive Director of the CDC, or his designee, shall execute, and amend, and if necessary, terminate each façade Grant Agreement (GA) between the CDC and the property owner.

The RENOVATE Program would require the following documentation:

- A completed RENOVATE Application
- Property Profile
- Proof of Ownership/Owner Consent Form
- Environmental Assessment (Lead/Asbestos Testing report, if required)
- Photographs of Existing Façade(s)
- Design Plans/Elevations of Proposed Improvements
- Detailed Scope of Work
- Cost Estimate
- Verification of Plot Plan Application, Submittal and Approval
- Grant Agreement
- Maintenance Easement/Restrictive Covenant
- Closeout documentation

2. Financial Assistance

Financial assistance will be provided in the form of a grant. The grant amounts shall be as follows:

- Up to 50 linear feet may receive a grant of up to $35,000 per designated building storefront; and
- Over 50 linear feet may receive grants up to a maximum amount of $100,000.

3. Maintenance Easement / Restrictive Covenant

A maintenance easement or restricted covenant will be recorded against the property. The maintenance easement/restrictive covenant will require the Program participant to keep and maintain the exterior façade of the property in "good" condition and repair for ten (10) years, which is secured by a lien encumbering the property. The CDC reserves the right to recover grant funds if the improvements are altered, removed, destroyed or not maintained within the term. The grantor will be obligated to reimburse the CDC in full in the event of a violation of the maintenance easement/restrictive covenant.

D. PROCEDURES

The RENOVATE Program shall be administered by the following procedures:

Phase 1: Planning

1.1 Annual Identification of Target Areas. EHD Project Managers (EHD PMs) shall identify target areas for focused marketing in order to achieve the greatest visual impact. EHD PMs in collaboration with CMU will comprise survey teams to conduct windshield surveys of eligible target areas.

1.2 The RENOVATE Program will implement a marketing approach to the selected target areas in order to achieve the greatest visual and business impact through completed RENOVATE projects.

1.3 CMU prepares design kit for each of the target areas. The design kit may include a pallet or color theme for the target areas.

Phase 2: Marketing

2.1 A marketing consultant will be contracted to formulate a strategy for reaching out to all property and business owners within the target areas (e.g., CDC's website, internet, mailers, site visits and referrals by other County Departments).

2.2 If the Owner is interested, EHD PM will obtain Owner signature on the RENOVATE Application (Exhibit 2).

Phase 3: Application Process

3.1 EHD PM will obtain Owner signature on the RENOVATE Application. EHD PM will verify that the person signing the application is the Owner by attaching a copy of the grant deed or other verification source.

3.2 If at any staged during the process an Owner elects to withdraw from the RENOVATE Program, EHD PM must document in a letter to the Owner (and if applicable the affected Tenant) that the RENOVATE Application has been "placed on hold" or "terminated".

3.3 EHD PM prepares and submits a Service Request Form on each property to CMU.

3.4 Each RENOVATE project is assigned to a CMU Project Manager, Labor Compliance officer, and Inspector (within 2 working days).

3.5 Prior to incurring any costs or the release of County General funds, the EHD PM shall obtain environmental and historical clearance from the Environmental Officer on each property by completing and submitting the Property Identification Form online via the CDBG online system. The form is submitted electronically for each RENOVATE project (1 working day).

3.6 Projects funded under the RENOVATE Program require asbestos testing to determine if the proposed work will require asbestos mitigation. EHD PM informs the Owner and schedules date of asbestos testing. CMU proceeds to order Asbestos Report and sets site visit date with architect.

3.7 Asbestos consultant completes survey and report (includes destructive testing) and submits Asbestos Report/Survey to CMU for comment (15 working days). CMU reviews Asbestos Report/Survey (2 working days).

3.8 EHD PM, CMU, and Owner (or Merchant if designated by Owner) will meet and discuss the RENOVATE Program, project scope, potential issues including, but not limited to, code violations, asbestos report, and compliance with the American with Disabilities Act. The EHD PM and CMU will discuss with Owner(s) their expectations for the project and provide estimated cost and design examples.

Phase 4: Design

4.1 Architect and Engineering (A&E), if applicable, and Asbestos Consultants prepare and submit scope of work (or revised scope), design and cost estimate to CMU (10 working days, revisions may take up to 5 working days).

4.2 EHD PM schedules design review meeting with Owner/Tenant (5-10 working days). Prior to meeting, CMU, Inspector and EHD PM review the design and cost estimates on scope of work (1 working day).

4.3 CMU and EHD PM will meet with Owner(s) to review scope of work, cost estimate, and design.

4.4 Owner accepts design and will sign RENOVATE GA (3 work days) to proceed with project.

Phase 5: Construction Documents Plan Check (if applicable)

5.1 CMU prepares Request for Proposal and Scope of Work package, with alternates, if needed (15 working days, if revisions are required add 3 more working days). CMU will aggregate projects in the same building with the same owner into one project.

5.2 CMU senior architect/inspector reviews Request for Proposal and Scope of Work (5 working days).

a. CMU PM submits Statement of Work to Department of Regional Planning (DRP) and/or Department of Public Works (DPW) and adjusts drawings and resubmits, as needed (10-15 working days).

b. If signage is included, DRP to conduct design review (10 working days).

c. Review by DPW, if needed (2 weeks).

Phase 6: Signing of RENOVATE Grant Agreement

6.1 EHD PM obtains Owner's signature on GA and records appurtenant Maintenance Covenant (1 working day).

6.2 CMU reviews and approves Contractor's Schedule of Work, obtains Contractor's signature on Construction Contract, and sets date for Pre-Construction Conference with Contractor (3 working days).

6.3 EHD PM routes Construction Contract for signatures by EHD Management, County Counsel, and CDC Executive Director or designee; prepares Purchase Order (PO) Requisition; encumbers funds; forwards signed GA and Construction Contract with all necessary back-up information to CMU; and sets up Pre-Construction date with Owner and Tenant (3 working days).

6.4 The signed Construction Contract will be distributed after the PO is issued. A copy of the executed contract is provided to the Contractor and a copy retained in the EHD PM working file.

Phase 7: Construction

7.1 Pre-Construction and Notice to Proceed (NTP). A Pre-Construction Conference is held and attended by the Owner (or owner's representative granting permission to allow access to the site), Tenant, Contractor, CMU, Labor Compliance officer and Inspector. CMU issues a NTP to the Contractor (1 working day).

7.2 Contractor obtains all necessary construction permits and mobilizes to the site (5 working days).

a. If there is asbestos on the property, a 10-day notification to California's Division of Occupational Safety and Health (Cal/OSHA) and South Coast Air Quality Management District (AQMD) is required (10 working days).

b. If abatement is required, Contractor abates the part of the building identified by consultant (15 working days).

c. If abatement is required, a Final Abatement Clearance is given to CMU (3 working days).

7.3 Construction has commenced.

7.4 CMU, Labor Compliance officer, Inspector, and architect conduct regular inspections.

7.5 After construction is complete, request is made for final CMU inspection.

7.6 CMU meets with Contractor to confirm work completed and reviews Contractor's final Punch List (3 working days, or 5 working days if additional work is required).

7.7 Punch List completed, Inspector signs off (5 working days).

Phase 8: Close Out

8.1 Contractor submits warranties and remaining compliance documentation, including final payrolls to CMU Labor Compliance officer (7–10 working days).

8.2 CMU provides EHD PM with backup documentation (3 working days), such as warranties and sign off from Labor Compliance officer (3 working days).

8.3 EHD PM processes final payment for signatures and forwards to Financial Management Division (FMD) (1 working day). FMD issues check by following Friday (7 working days). Note: This payment is separate from "Release of Retention" check.

8.4 Inspector prepares "Release of Retention" payment form and obtains the following:

a. Confirmation from Labor Compliance officer all documentation is complete.

b. Contractor's signature on Release of Retention payment form.

c. Forwards documentation to EHD PM (3-5 working days).

8.5 EHD PM obtains Owner's signature on "Release of Retention" payment form (5 working days) and processes "Release of Retention" check request to FMD with all backup documentation.

Phase 9: Archiving

9.1 CMU transmits all construction and labor compliance files to EHD for its records (30 working days).

Phase 10: Monitoring of Completed RENOVATE Projects

10.1 EHD PM shall conduct annual inspections of completed RENOVATE projects located within their respective project areas, and (1) determine if exterior of properties are properly being maintained for ten (10) years, as required in the GA; (2) verify that the use of property continues to be consistent with zoning and land use regulations; and (3) verify that the building continues to provide eligible neighborhood services pursuant to Section B.1.b.

Phase 11: Standardized Filing System for RENOVATE Projects

11.1 In an effort to organize the documentation for a County General funded project, EHD PM shall use the filing system noted below.

11.2 Files shall be maintained by EHD PM using the following checklists to assist in organizing files:

Individual Project Files (Working Files)

a. Project Files identified with the project name, project number and fiscal year.
b. General correspondence specific to the project.
c. Documentation of relevant meetings or on-site visits.
d. Appropriate checklists for monitoring of the Grant Agreement.
e. Executed RENOVATE Application and relevant backup documentation.
f. Executed Grant Agreement.
g. Executed Construction Contract with recorded Maintenance Covenant.
h. Environmental Clearance.

11.3 CMU shall maintain construction files for each RENOVATE project and shall be organized as follows:

CMU Project Files

a. Labor compliance files
b. Inspection files
c. Design plans

d. Construction Contract

e. Supporting documentation

f. Names and contacts (if applicable) of subrecipients/service providers (e.g. architects, asbestos consultants, etc.)

g. Documentation (e.g. asbestos reports, asbestos clearance, etc.) required to be secured from subrecipients/service providers.

h. Associated files pertaining to subrecipients/service providers.

CMU Project Files to be transferred to EHD PM at completion of project.

EXHIBITS

1. RENOVATE Grant Agreement
2. Maintenance Covenant

EXHIBITS

RENOVATE PROGRAM

RENOVATE PROGRAM GRANT AGREEMENT

This RENOVATE PROGRAM AGREEMENT, hereinafter referred to as "AGREEMENT" is made and entered into this _____ day of _____, 2016, by and between the Community Development Commission of the County of Los Angeles, a public body corporate and politic, hereinafter referred to as the "COMMISSION" and _____, hereinafter referred to as "PROPERTY OWNER".

WITNESSETH, that the COMMISSION and PROPERTY OWNER, for the consideration stated herein, mutually agree as follows:

A. WHEREAS, the COMMISSION has received County General Funds (CGF) funding from the Board of Supervisors of the County of Los Angeles to provide for the implementation of a RENOVATE Program (RENOVATE), and

B. WHEREAS, the PROPERTY OWNER desires, by participating in the RENOVATE to provide facade improvements to the exterior of commercial business structure(s) located at:

ADDRESS: _____

_____

APN(s): _____

NOW, THEREFORE, in consideration of the promises made herein, the COMMISSION and the PROPERTY OWNER agree as follows:

1. Site Access. The PROPERTY OWNER agrees to allow the COMMISSION staff, its consultants, project managers, agents, or other designees access to the commercial business structure(s) located on the OWNER'S PROPERTY for the purpose of inspecting, measuring, and otherwise undertaking any actions necessary for gathering information in developing plans and specifications for the construction and installation of said façade improvements. The PROPERTY OWNER also agrees to allow contractors who are considering submitting bids to enter the OWNER'S PROPERTY in order to review the Work and prepare a construction bid. The PROPERTY OWNER further agrees to permit the COMMISSION staff, its consultants, project managers, agents, or other designees and contractors and subcontractors access to the commercial business structure(s) located on the OWNER'S PROPERTY for the purpose of conducting asbestos, lead-based paint and other environmental contaminant testing. If these environmental contaminants are found, the PROPERTY OWNER further agrees to permit the COMMISSION staff, its consultants, project managers, agents, or other designees and contractors and subcontractors access to the commercial business structure(s) located on the OWNER'S PROPERTY for the purpose conducting the appropriate abatement. The COMMISSION staff, its consultants, project managers, agents, designees, contractors and subcontractors will make every attempt to keep the PROPERTY OWNER informed about the overall project schedule so that disruption in PROPERTY OWNER's routines will be kept to a minimum. The COMMISSION agrees to contact the PROPERTY OWNER in advance to set up appointments necessary to complete the Work. The PROPERTY OWNER agrees to make reasonable efforts to be present when the consultants, project managers or contractors visit the property. PROPERTY OWNER will be notified by the COMMISSION in advance of the date of commencement of the Work at the Property. During the construction period, the PROPERTY OWNER/TENANT agree to be responsible for safeguarding of all valuables and business effects such as cash, jewelry and other personal belongings. PROPERTY OWNER further agrees to provide access throughout the period of construction and for reasonable periods thereafter to inspect the condition of the Work. In addition to the above, PROPERTY OWNER agrees to allow the COMMISSION staff, its consultants, contractors, project managers, agents, or other designees and subcontractors access to the commercial business structure(s) located on the OWNER'S PROPERTY between the hours of 7:00 a.m. and 5:00 p.m. on Monday through Friday or at any time upon twenty-four (24) hour notice being given by

COMMISSION or COMMISSION's contractors to PROPERTY OWNER.

2. Plans and Specifications. The COMMISSION will prepare plans and specifications for installing new exterior, façade improvements in the commercial businesses which, when finalized and approved by the PROPERTY OWNER, shall constitute the Scope of Work and be part of the Construction Contract between the COMMISSION and selected Contractor. The PROPERTY OWNER authorizes the COMMISSION to procure and select the services of a licensed General Contractor and to enter into Construction Contract on the PROPERTY OWNER's behalf, in order to provide construction façade improvements to the exterior of the structure located at the OWNER'S PROPERTY. The COMMISSION will execute a Construction Contract with a contractor selected by the COMMISSION to perform the construction façade improvement work as described in the approved plans and specifications.

3. Cost. The COMMISSION, in consideration for the PROPERTY OWNER's participation, agrees to pay one hundred percent (100%) of the cost for the construction façade improvement work as described in the plans and specifications as approved by the COMMISSION.

4. Term. This AGREEMENT shall commence on the date indicated above and shall remain in full force and effect for a period of ninety (90) days after completion of the Construction Contract or upon COMMISSION's acceptance of the Contractor's work, unless sooner terminated by the PROPERTY OWNER or the COMMISSION.

5. Withdrawal. PROPERTY OWNER may withdraw from the RENOVATE at any time prior to the execution of the Construction Contract between the COMMISSION and the Contractor. PROPERTY OWNER may not withdraw from the RENOVATE after the Construction Contract has been executed. PROPERTY OWNER agrees that if he/she chooses to withdraw from the RENOVATE after the execution of Construction Contract or placement of orders by Contractor for materials and products, then, as a condition to such withdrawal, PROPERTY OWNER will reimburse COMMISSION and/or Contractor for direct project expenditures including Contractor's labor and materials. In such event, the COMMISSION shall no longer be obligated to fulfill its duties under this AGREEMENT and PROPERTY OWNER shall be liable to COMMISSION and/or Contractor for direct project expenditures. The COMMISSION at its discretion may place a lien upon the OWNER'S PROPERTY to recover any expenses or damages incurred from PROPERTY OWNER's withdrawal.

6. Termination for Improper Consideration. The COMMISSION may, by written notice to the PROPERTY OWNER, immediately terminate the right of the PROPERTY OWNER to proceed under this AGREEMENT if it is found that consideration, in any form, was offered or given by the PROPERTY OWNER, either directly or through an intermediary, to any COMMISSION officer, employee or agent with the intent of securing this AGREEMENT or securing favorable treatment with respect to the award, amendment or extension of this AGREEMENT or the making of any determinations with respect to the PROPERTY OWNER's performance pursuant to this AGREEMENT. In the event of such termination, the COMMISSION shall be entitled to pursue the same remedies against the PROPERTY OWNER as it could pursue in the event of default by the PROPERTY OWNER.

   The PROPERTY OWNER shall immediately report any attempt by a COMMISSION officer or employee to solicit such improper consideration. The report shall be made either to the COMMISSION's Executive Director or to the County Auditor-Controller's Employee Fraud Hotline at (800) 544-6861. Among other items, such improper consideration may take the form of cash, discounts, and service, the provision of travel or entertainment, or tangible gifts.

7. Termination for Cause. The COMMISSION may terminate this AGREEMENT immediately in whole or in part by providing to the PROPERTY OWNER a written Notice of Default with no penalties incurred by the COMMISSION if: (1) the PROPERTY OWNER fails to perform any duties within the time specified in this AGREEMENT or any extensions approved by the COMMISSION; (2) the

PROPERTY OWNER fails to perform any other covenant or condition of this AGREEMENT; or (3) the PROPERTY OWNER fails to make progress so as to endanger its performance under this AGREEMENT.

In its sole discretion, COMMISSION may include in the Notice of Default a period of time for the PROPERTY OWNER to cure the Default(s).

Without limitation of any additional rights or remedies to which it may be entitled, if the COMMISSION terminates all or part of the services because of the PROPERTY OWNER's Default, the COMMISSION may require the PROPERTY OWNER to return to the COMMISSION all funds granted to the PROPERTY OWNER pursuant to this AGREEMENT within thirty (30) days from the date of written notice from the COMMISSION to the PROPERTY OWNER.

8. Proposed Work. The Scope of Work (Work), as set forth in the Design Specification for RENOVATE which is attached hereto as Exhibit "A" and incorporated herein by reference as though fully set forth, will be performed by the General Contractor and its subcontractor(s) (sometimes referred to herein as the "Contractor") under contract to the COMMISSION based on a public bidding process to the extent required by law. The Work shall commence within a reasonable period of time after PROPERTY OWNER has agreed to accept the Work as described in the design specifications provided to PROPERTY OWNER by the COMMISSION. Once commenced, the Work will proceed with due diligence, however, it is understood that delays may be occasioned by Acts of God, strikes, and other unforeseeable events, including shortage of materials, supplies, or labor. All materials shall become the property of the Owner upon completion of the Work and final inspection by the Owner and Commission. General maintenance of doors, windows and all other items, and their replacement beyond expiration of manufacturer's warranty shall be the responsibility of the Owner.

9. Payments to Contractor. Based upon applications for payment submitted by the Contractor to the COMMISSION, the COMMISSION shall make progress payments on account of the Contract Sum to the Contractor, as provided in the COMMISSION's Standard instruction to Bidders of the Construction Contract incorporated by reference herein. The PROPERTY OWNER authorizes the COMMISSION to make progress payments based on its reasonable discretion following progress payment inspections. The COMMISSION, its consultants, project managers, agents or other designees shall have sole authority to determine reasonable payment. The COMMISSION will maintain a holding account for the grant amount. Payments to the Contractor will be drawn down from this account.

10. Changes to the Work. In the event that deletions or additions to the scope of Work are required, a written change order must be first approved by the COMMISSION. The COMMISSION reserves the right to require PROPERTY OWNER to repair or remedy any condition in the commercial business, above and beyond that which is covered by the maximum grant amount that might affect the façade improvements. Approved deletions or reductions in project costs will be promptly retained by the COMMISSION. PROPERTY OWNER agrees not to enter into any agreements with the Contractor or subcontractor(s) regarding changes to the Work or for additional work without the express written consent of the COMMISSION.

    The COMMISSION will promptly credit liquidated damages assessed and collected during construction to the program funds.

11. Completion of Project. The COMMISSION shall be the sole authority for declaring completion of the construction exterior work to be performed under this AGREEMENT. No other party shall have the authority.

12. Warranty. Following completion of the Work and final inspection by the COMMISSION, the Work will remain under warranty from the Contractor to PROPERTY OWNER for a period of one (1) year, after which time the Work will be the sole responsibility of the PROPERTY OWNER. PROPERTY

OWNER recognizes that if a defect is detected within any applicable warranty period, such defect shall immediately be communicated in writing to the Contractor and to the COMMISSION as soon as practicable. Only the Contractor shall be responsible to correct defective Work. All manufacturer's warranties and guarantees will be provided to the PROPERTY OWNER, and if any materials have a warranty extending beyond one year, then PROPERTY OWNER shall be entitled to such warranty as is applicable. PROPERTY OWNER shall assume full responsibility for the general maintenance of doors, windows and all other items, and their replacement beyond expiration of manufacturer's warranty. The COMMISSION shall not bear any responsibility for the maintenance and operation of said items.

13. Indemnity Provisions. The PROPERTY OWNER hereto agrees to indemnify, defend, and hold harmless the COMMISSION, the Housing Authority of the County of Los Angeles ("Housing Authority"), the County of Los Angeles ("County"), their elected and appointed officers, employees, and agents from any and all claims, liabilities, damages and losses arising from Work performed by Contractor, including work performed by any and all subcontractors, material-men, laborers and any other person, firm or corporation furnishing or supplying work, services, materials, or supplies in connection with the work under this AGREEMENT and arising from the condition of the OWNER'S PROPERTY existing on the date of commencement of work under this AGREEMENT, and from any claims, liabilities, damages, and losses for workers' compensation arising from the performance of the work under this AGREEMENT by the Contractor or any subcontractor. It is understood that the employees of the Contractor are not agents or employees of the COMMISSION, Housing Authority or the County. PROPERTY OWNER further releases and holds harmless the COMMISSION from all liability for any actions taken in connection with hazardous materials or substances or from any occurrence relating to relocation during abatement of hazardous materials or substances presently on the Property, including those discovered on the Property during the course of the Work.

14. Long Term Maintenance of Property and Façade Improvement Components; Indemnity Provisions; Recording. PROPERTY OWNER shall not remove or destroy any of the façade improvement or exterior work materials and equipment installed as part of the Work. Unauthorized modifications of the Work, or removal or destruction of the façade improvement or exterior work material or other act to reduce its effectiveness by PROPERTY OWNER during the useful life of the Work may result in degradation of the subject Property and will constitute a default under the terms and conditions of this AGREEMENT. The Owner shall maintain the Property in good repair, working order and condition. Owner shall make all necessary and proper repairs, renewals and replacements in a timely and good workman like manner. The Owner shall not commit or permit any waste or deterioration of the Property. The Owner shall keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair. The Owner shall not commit, suffer or permit any act to be done in or upon the Property in violation of any law, ordinance or regulation. The COMMISSION and its representatives reserve the right to contact the appropriate County Department or Code Enforcement Agency to ensure properties are being properly maintained should the PROPERTY OWNER/TENANT not adhere to the long term maintenance of said property.

The PROPERTY OWNER hereto agrees to indemnify, defend, and hold harmless the COMMISSION, the Housing Authority, the County, their elected and appointed officers, employees, and agents from any and all claims, liabilities, damages and losses arising from any unauthorized modifications to the Work or destruction of the exterior façade improvements or other act to reduce its effectiveness by PROPERTY OWNER, its tenants, and/or any agents of PROPERTY OWNER.

PROPERTY OWNER acknowledges and agrees that this AGREEMENT shall be binding on all subsequent property owners. PROPERTY OWNER agrees that in the event that this property is ever sold, the PROPERTY OWNER shall disclose to such buyer the terms and conditions of this AGREEMENT and provide the buyer with a copy of this AGREEMENT.

PROPERTY MAINTENANCE: The Owner agrees that the Property is to be maintained in accordance with Commission Standards, per Attachment "A" for a term equal to ten (10) years, commencing _____.

15. PROPERTY OWNER'S Responsibility for Safeguarding Valuable. During the construction period, the PROPERTY OWNER and its tenants agree to be responsible for safeguarding all valuables and merchandise of the PROPERTY OWNER and its tenants.

16. Access and Retention of Records. The PROPERTY OWNER hereby agrees to maintain or make available for a period of five years, to the COMMISSION, Federal grantor agency, the Comptroller General of the United States, or any other duly authorized representative and upon reasonable request, records disclosing the amount of CGF received by the PROPERTY OWNER and disposition of such funds.

17. Covenants and Conditions. The PROPERTY OWNER understands that the Work is being funded with CGF and agrees to perform all of the following conditions:

a) PROPERTY OWNER agrees not to discriminate against or deny occupancy to any tenant or prospective tenant in violation of any federal, state or local fair law or other applicable civil rights statutes;
b) PROPERTY OWNER further agrees not to increase the current rent/average utility costs for a period of one year after rehabilitation has commenced no more than Consumer Price Index (generally 3% to 5%);
c) PROPERTY OWNER agrees to provide current copies of Monthly Rental or Lease Agreements to the COMMISSION, if asked for and required.

18. Notices. Notices provided for in this AGREEMENT shall be in writing and shall be addressed to the person intended to receive the same, at the following address:

COMMISSION:	Community Development Commission
	700 West Main Street
	Alhambra, CA 91801
	Attn: Cordé Carrillo, Director
	Economic and Housing Development Division
PROPERTY OWNER:	_____
	_____
	_____
	Attn: Owner

Notices addressed as provided above shall be deemed delivered three (3) business days after mailed by U.S. Mail or when delivered in person with written acknowledgement of receipt thereof. The COMMISSION and the PROPERTY OWNER may designate a different address or addresses for notices to be sent by giving written notice of such change of address to all other parties entitled to receive notices.

19. Special Power of Attorney. If more than one person holds a share of the title to the OWNER'S PROPERTY, a Special Power of Attorney may be signed by one or more title holders which shall designate one person to act on behalf of those title holders signing the Special Power of Attorney during all phases of the Program.

20. Severability. In the event that any provision herein contained is held to be invalid, void, or illegal by any court of competent jurisdiction, the same shall be deemed severable from the remainder of this AGREEMENT and shall in no way affect, impair or invalidate any other provision contained herein. If

any such provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent of the scope or breadth permitted by law.

21. Interpretation. No provision of this AGREEMENT is to be interpreted for or against either party because that party or that party's legal representative drafted such provision, but this AGREEMENT is to be construed as if drafted by both parties hereto.

22. Waiver. No breach of any provision hereof can be waived unless in writing. Waiver of any one breach of any provision shall not be deemed to be a waiver of any breach of the same or any other provision hereof.

23. Still Photography/Live Recording/Audio Recording. I, the PROPERTY OWNER, on behalf of myself and my minor child(ren) and/or those whom I have custody or guardianship, being photographed, filmed or recorded, hereby grant permission to the Commission, the Housing Authority, the County, and their officers, employees, and agents (for convenience, hereinafter referred to individually and collectively as the "County Entities") to use and/or edit, and/or publish for County Entities' purposes any still photographs, live video footage, and/or audio recordings of the persons, properties, and facilities described herein. I, the PROPERTY OWNER, on behalf of myself and my minor child(ren) and/or those over whom I have custody or guardianship, being photographed, filmed or recorded hereby hold harmless and specifically waive and release the County Entities from any and all claims, now or in the future, which may arise out of the County Entities' use and/or publications of still photographs, live video footage, and/or audio recordings described herein.

24. Advertising. PROPERTY OWNER shall grant permission to the COMMISSION to advertise by use of construction signs during and after the completion of construction not to exceed thirty (30) days.

25. Entire Agreement. This AGREEMENT, with the attached Exhibits, constitutes the entire understanding and Agreement of the parties. No variations, modifications, or changes hereto shall be binding upon any party hereto unless set forth in a document duly executed by or on behalf of all parties. All prior negotiations, representations and/or contracts between the parties relative to the subject matters hereof shall be superseded hereby and have no further force and effect.

26. Counterparts. This AGREEMENT may be executed in several counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute and be one and the same instrument.

SIGNATURES

IN WITNESS WHEREOF, the PROPERTY OWNER and the COMMISSION, through their duly authorized officers, have executed this AGREEMENT as of the date first above written.

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES

BY: _____
SEAN ROGAN
Executive Director

PROPERTY OWNER

BY: _____
Owner

BY: _____
Owner

APPROVED AS TO PROGRAM:

ECONOMIC AND HOUSING DEVELOPMENT
DIVISION

BY: _____
CORDÉ CARRILLO
Director

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

BY: _____
BEHNAZ TASHAKORIAN
Deputy County Counsel

Official Business:

Document entitled to free recording per Govt. Code Section 6103.

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

Community Development Commission of the County of Los Angeles
700 W. Main Street
Alhambra, CA 91801
Attn: Director of Economic and Housing Development Division

APN: Space above this line for recorder's use

RENOVATE PROGRAM
MAINTENANCE COVENANT

This RENOVATE PROGRAM MAINTENANCE COVENANT, hereinafter referred to as "COVENANT" is made and entered into this_____ day of _____, 2016 by and between the Community Development Commission of the County of Los Angeles, a public body corporate and politic, hereinafter referred to as the "COMMISSION" and _____ hereinafter referred to as "PROPERTY OWNER".

WITNESSETH, that the COMMISSION and PROPERTY OWNER, for the consideration stated herein, mutually agree as follows:

A. WHEREAS, the COMMISSION has received County General Funds from the Board of Supervisors of the County of Los Angeles to provide for the implementation of a Renovate Program (RENOVATE), and

B. WHEREAS, the PROPERTY OWNER desires, by participating in the RENOVATE to provide façade improvements to the exterior of the commercial business structure(s) located at _____ (Property) and is legally described as follows:

Lot ____ Tract #____ as per map recorded in Book _ Page(s) _____ of maps in the Office of the County Recorder of said County.

NOW, THEREFORE, in consideration of the promises made herein, the COMMISSION and the PROPERTY OWNER agrees as follows:

1. **Purpose of the Covenant:** The purpose of the COVENANT is to set forth general maintenance standards and obligations of PROPERTY OWNER in its maintenance of the private and public improvements on and within the Property line.

2. **Performance of Maintenance:** PROPERTY OWNER shall maintain in accordance with COMMISSION Standards, as hereinafter defined, the private improvements and if applicable, public improvements to the property line on and abutting the Property. Said improvements shall include, but no limited to, buildings, lighting, architectural elements identifying the Property and any and all other improvements on the Property.

3. **Commission Standards:** The following standards ("Commission Standards") shall be complied with by PROPERTY OWNER and it's maintenance staff, contractors or subcontractors:

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a. Ordinary Maintenance Standards: The PROPERTY OWNER shall maintain the commercial business and Property in good repair; order and condition at all times in order to assure that the buildings (s) on the Property is kept in a decent, safe and sanitary condition. PROPERTY OWNER shall maintain the useful life of the Work to ensure there is no degradation of the subject Property and will preserve their condition. The PROPERTY OWNER shall perform any repairs or replacements necessary in order to maintain the Property in accordance with its Ordinary Maintenance Standards, (Attachment A-1) and incorporated herein by this reference.

b. Annual Inspection Standards – The PROPERTY OWNER shall annually inspect the Property in accordance with the Annual Inspection Standards, set forth on Attachment (A-2) are incorporated herein by this reference. The complete annual inspection will be documented and reported to the COMMISSION on an annual basis, and at the end of the year, the PROPERTY OWNER shall submit to the COMMISSION a declaration certifying that the annual inspection, as set forth in Attachment A-2, was performed at the Property. The PROPERTY OWNER shall retain records of the inspection and make them available for review by the COMMISSION at the request of the COMMISSION.

c. Preventative Maintenance Standards: The PROPERTY OWNER shall annually inspect the Property in accordance with the Preventative Maintenance Standards, set forth on Attachment A-2 and incorporated herein by this reference. The completed preventative maintenance work will be documented and reported to the COMMISSION on an annual basis, and at the end of each year the PROPERTY OWNER shall submit to the COMMISSION a declaration certifying that the preventative maintenance, as set forth in Attachment A-2, was performed at the Property. The PROPERTY OWNER shall retain copies of the inspection and make them available for review by the COMMISSION at the request of the COMMISSION.

4. Failure to Maintain Improvements. In the event PROPERTY OWNER does not maintain the Property Improvements in the manner set forth herein and in accordance with COMMISSION Standards, COMMISSION shall have the right to place a lien on the Property for prorated value of the improvements. However, prior to taking such action, COMMISSION to notify PROPERTY OWNER in writing if the condition of said improvements does not meet with COMMISSION Standards and to specify the deficiencies. Upon notification of any maintenance deficiency, PROPERTY OWNER shall have thirty (30) days within which to correct, remedy or cure the deficiency.

In the event PROPERTY OWNER fails to correct, remedy or cure such maintenance deficiency after notification and after the period of correction has lapsed, the COMMISSION shall have the right to commence default proceedings.

5. Site Access. The PROPERTY OWNER agrees to allow the COMMISSION staff, its consultants, project managers, agents, or other designees' access to the commercial business structure(s) located on the OWNER'S PROPERTY for the purpose of inspecting, measuring, and otherwise undertaking any actions necessary for gathering information in developing plans and specifications for the façade improvements and appurtenances. The PROPERTY OWNER also agrees to allow contractors who are considering submitting bids to enter the OWNER'S Property in order to review the Work and prepare a construction bid. The PROPERTY OWNER further agrees to permit the COMMISSION staff, its consultants, project managers, agents, or other designees and contractors and subcontractors access to the commercial business structure(s) located on the OWNER'S Property for the façade improvements and appurtenances, quality control inspections. The COMMISSION staff, its consultants, project managers, agents, designees, contractors and subcontractors will make every attempt to keep the PROPERTY OWNER informed about the overall project schedule so that disruption in PROPERTY OWNER's routines will be kept to a minimum. The COMMISSION agrees to contact the PROPERTY OWNER in advance to set up appointments necessary to complete the Work. The PROPERTY OWNER agrees to make reasonable efforts to be present when the consultants, project managers or contractors visit the property. PROPERTY OWNER will be notified by the COMMISSION in advance of the date of commencement of the Work at the Property. During the

construction period, the PROPERTY OWNER, its Tenant agrees to be responsible for safeguarding all valuables and merchandise of the PROPERTY OWNER and its tenants. PROPERTY OWNER further agrees to provide access throughout the period of construction and for reasonable periods thereafter to inspect the condition of the Work. In addition to the above, PROPERTY OWNER agrees to allow the COMMISSION staff, its consultants, contractors, project managers, agents, or other designees and subcontractors access to the commercial business structure(s) located on the OWNER'S PROPERTY between the hours of 7:00 a.m. and 5:00 p.m. on Monday through Friday or at any time upon twenty four (24) hours notice being given by COMMISSION or COMMISSION's contractors to PROPERTY OWNER.

6. **Plans and Specifications.** The COMMISSION will prepare plans and specifications for the façade improvements which, when finalized and approved by the PROPERTY OWNER, shall constitute the Scope of Work and be part of the Construction Contract between the COMMISSION and selected Contractor. PROPERTY OWNER authorizes the COMMISSION to procure and select the services of a licensed General Contractor and to enter into Construction Contract on the PROPERTY OWNER's behalf, in order to improve the façade of the structure located at the OWNER'S Property. The COMMISSION will execute a Construction Contract with a contractor selected by the COMMISSION to perform the façade improvement work as described in the approved plans and specifications.

7. **Cost.** The COMMISSION, in consideration for the PROPERTY OWNER's participation, agrees to pay one hundred percent (100%) of the cost for the improvement of the façade of the building as described in the plans and specifications as approved by the COMMISSION.

8. **Term.** This COVENANT shall commence on the date indicated above and shall remain in full force and effect for a period of ten (10) years after completion of the Construction Contract or upon COMMISSION's acceptance of the contractor's work, unless sooner terminated by the PROPERTY OWNER or the COMMISSION.

9. **Withdrawal.** PROPERTY OWNER may withdraw from the RENOVATE at any time prior to the execution of the Construction Contract between the COMMISSION and the Contractor. PROPERTY OWNER may not withdraw from the RENOVATE after the Construction Contract has been executed. PROPERTY OWNER agrees that if he/she chooses to withdraw from the RENOVATE after the execution of Construction Contract or placement of orders by Contractor for materials and products, then, as a condition to such withdrawal, PROPERTY OWNER will reimburse COMMISSION and/or Contractor for direct project expenditures including Contractor's labor and materials. In such event, the COMMISSION shall no longer be obligated to fulfill its duties under this COVENANT and PROPERTY OWNER shall be liable to COMMISSION and/or Contractor for direct project expenditures. The COMMISSION at its discretion may place a lien upon the OWNER'S Property to recover any expenses or damages incurred from PROPERTY OWNER's withdrawal.

10. **Termination for Improper Consideration.** The COMMISSION may, by written notice to the PROPERTY OWNER, immediately terminate the right of the PROPERTY OWNER to proceed under this COVENANT if it is found that consideration, in any form, was offered or given by the PROPERTY OWNER, either directly or through an intermediary, to any COMMISSION officer, employee or agent with the intent of securing this COVENANT or securing favorable treatment with respect to the award, amendment or extension of this COVENANT or the making of any determinations with respect to the PROPERTY OWNER's performance pursuant to this COVENANT. In the event of such termination, the COMMISSION shall be entitled to pursue the same remedies against the PROPERTY OWNER as it could pursue in the event of default by the PROPERTY OWNER.

    The PROPERTY OWNER shall immediately report any attempt by a COMMISSION officer or employee to solicit such improper consideration. The report shall be made either to the COMMISSION's Executive Director or to the County Auditor-Controller's Employee Fraud Hotline at (800) 544-6861.

    Among other items, such improper consideration may take the form of cash, discounts, and service, the provision of travel or entertainment, or tangible gifts.

11. **Termination For Cause.** The COMMISSION may terminate this COVENANT immediately in whole or in part by providing to the PROPERTY OWNER a written Notice of Default with no penalties incurred by the COMMISSION if: (1) the PROPERTY OWNER fails to perform any duties within the time specified in this COVENANT or any extensions approved by the COMMISSION; (2) the PROPERTY OWNER fails to perform any other covenant or

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condition of this COVENANT; or (3) the PROPERTY OWNER fails to make progress so as to endanger its performance under this COVENANT.

In its sole discretion, COMMISSION may include in the Notice of Default a period of time for the PROPERTY OWNER to cure the Default(s).

Without limitation of any additional rights or remedies to which it may be entitled, if the COMMISSION terminates all or part of the services because of the PROPERTY OWNER's Default, the COMMISSION may require the PROPERTY OWNER to return to the COMMISSION all funds granted to the PROPERTY OWNER pursuant to this COVENANT within thirty (30) days from the date of written notice from the COMMISSION to the PROPERTY OWNER.

12. **Proposed Work.** The Scope of Work (Work), as set forth in the Design Specification for RENOVATE and incorporated herein by reference as though fully set forth, will be performed by the General Contractor and its subcontractor(s) (sometimes referred to herein as the "Contractor") under contract to the COMMISSION based on a public bidding process to the extent required by law. The Work shall commence within a reasonable period of time after PROPERTY OWNER has agreed to accept the Work as described in the design specifications provided to PROPERTY OWNER by the COMMISSION. Once commenced, the Work will proceed with due diligence, however, it is understood that delays may be occasioned by Acts of God, strikes, and other unforeseeable events, including shortage of materials, supplies, or labor. All materials shall become the property of the PROPERTY OWNER upon completion of the Work and final inspection by the COMMISSION.

13. **Payments to Contractor.** Based upon applications for payment submitted by the Contractor to the COMMISSION, the COMMISSION shall make progress payments on account of the Contract Sum to the Contractor,. The PROPERTY OWNER authorizes the COMMISSION to make progress payments based on its reasonable discretion following progress payment inspections. The COMMISSION, its consultants, project managers, agents or other designees shall have sole authority to determine reasonable payment. The COMMISSION will maintain a holding account for the grant amount. Payments to the Contractor will be drawn down from this account.

14. **Changes to the Work.** In the event that deletions or additions to the Work are required, a written change order must be first approved by the COMMISSION. The COMMISSION reserves the right to require PROPERTY OWNER to repair or remedy any condition in the Property, above and beyond that which is covered by the maximum grant amount that might affect the installation of façade improvements. Approved deletions or reductions in project costs will be promptly retained by the COMMISSION. PROPERTY OWNER agrees not to enter into any agreements with the Contractor or subcontractor(s) regarding changes to the Work or for additional work without the express written consent of the COMMISSION.

    The COMMISSION will promptly credit liquidated damages assessed and collected during construction to the program funds.

15. **Completion of Project.** The COMMISSION shall be the sole authority for declaring completion of facade improvements to be performed under this COVENANT. No other party shall have the authority.

16. **Warranty.** Following completion of the Work and final inspection by the COMMISSION, the Work will remain under warranty from the Contractor to PROPERTY OWNER for a period of one (1) year, after which time the Work will be the sole responsibility of the PROPERTY OWNER. PROPERTY OWNER recognizes that if a defect is detected within any applicable warranty period, such defect shall immediately be communicated in writing to the Contractor and to the COMMISSION as soon as practicable. Only the Contractor shall be responsible to correct defective Work. All manufacturer's warranties and guarantees will be provided to the PROPERTY OWNER, and if any materials have a warranty extending beyond one (1) year, then PROPERTY OWNER shall be entitled to such warranty as is applicable. PROPERTY OWNER shall assume full responsibility for the general maintenance of doors, windows and all other items, and their replacement beyond expiration of manufacturer's warranty. The COMMISSION, shall not bear any responsibility for the maintenance and operation of said items.

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17. **Indemnity Provisions.** The PROPERTY OWNER hereto agrees to indemnify, defend, and hold harmless the COMMISSION, the Housing Authority of the County of Los Angeles ("Housing Authority"), the County of Los Angeles ("County"), their elected and appointed officers, employees, and agents from any and all claims, liabilities, damages and losses arising from Work performed by Contractor, including work performed by any and all subcontractors, material-men, laborers and any other person, firm or corporation furnishing or supplying work, services, materials, or supplies in connection with the work under this COVENANT and arising from the condition of the OWNER'S Property existing on the date of commencement of work under this COVENANT, and from any claims, liabilities, damages, and losses for workers' compensation arising from the performance of the work under this COVENANT by the Contractor or any subcontractor. It is understood that the employees of the Contractor are not agents or employees of the COMMISSION, Housing Authority or the County. PROPERTY OWNER further releases and holds harmless the COMMISSION from all liability for any actions taken in connection with hazardous materials or substances or from any occurrence relating to relocation during abatement of hazardous materials or substances presently on the Property, including those discovered on the Property during the course of the Work.

18. **Indemnity Provision; Recording.** The PROPERTY OWNER hereto agrees to indemnify, defend, and hold harmless the COMMISSION, the Housing Authority, the County, their elected and appointed officers, employees, and agents from any and all claims, liabilities, damages and losses arising from any unauthorized modifications to the Work or other act to reduce its effectiveness by PROPERTY OWNER, its tenants, and/or any agents of PROPERTY OWNER.

    The parties to this COVENANT agree that this COVENANT shall be executed and properly recorded at the Los Angeles County Registrar-Recorder's Office upon execution of this COVENANT. PROPERTY OWNER acknowledges and agrees that this COVENANT shall be binding on all subsequent property owners. PROPERTY OWNER agrees that in the event that this Property is ever sold, the PROPERTY OWNER shall disclose to such buyer the terms and conditions of this COVENANT and provide the buyer with a copy of this COVENANT.

19. **PROPERTY OWNER'S Responsibility for Safeguarding Valuable.** During the construction period, the PROPERTY OWNER and its tenants agree to be responsible for safeguarding all valuables and merchandise of the PROPERTY OWNER and its tenants.

20. **Access and Retention of Records.** The PROPERTY OWNER hereby agrees to maintain or make available for a period of five (5) years, to the COMMISSION, the granting agency or any other duly authorized representative and upon reasonable request, records disclosing the amount of Grant funds received by the PROPERTY OWNER and disposition of such funds.

21. **Covenants and Conditions.** The PROPERTY OWNER understands that the Work is being funded with County General funds and agrees to perform all of the following conditions:
    a.) PROPERTY OWNER further agrees not to increase the current rent/average utility costs for a period of one year after rehabilitation has commenced more than Consumer Price Index (generally 3% to 5%).
    b.) PROPERTY OWNER agrees to provide current copies of Monthly Rental or Lease Covenants to the COMMISSION.

22. **Notices.** Notices provided for in this COVENANT shall be in writing and shall be addressed to the person intended to receive the same, at the following address:

COMMISSION: Community Development Commission
700 W. Main Street
Alhambra CA 91801
Attn.: Cordé Carrillo, Director
Economic and Housing Development Division

PROPERTY OWNER: _____
_____
_____

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Notices addressed as provided above shall be deemed delivered three (3) business days after mailed by U.S. Mail or when delivered in person with written acknowledgement of receipt thereof. The COMMISSION and the PROPERTY OWNER may designate a different address or addresses for notices to be sent by giving written notice of such change of address to all other parties entitled to receive notices.

23. Special Power of Attorney. If more than one person holds a share of the title to the OWNER'S Property, a special Power of Attorney may be signed by one or more title holders which shall designate one person to act on behalf of those title holders signing the Special Power of Attorney during all phases of the Program.

24. Severability. In the event that any provision herein contained is held to be invalid, void, or illegal by any court of competent jurisdiction, the same shall be deemed severable from the remainder of this COVENANT and shall in no way affect, impair or invalidate any other provision contained herein. If any such provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent of the scope or breadth permitted by law.

25. Interpretation. No provision of this COVENANT is to be interpreted for or against either party because that party or that party's legal representative drafted such provision, but this COVENANT is to be construed as if drafted by both parties hereto.

26. Waiver. No breach of any provision hereof can be waived unless in writing. Waiver of any one breach of any provision shall not be deemed to be a waiver of any breach of the same or any other provision hereof.

27. Advertising. PROPERTY OWNER shall grant permission to the COMMISSION to advertise by use of construction signs during and after the completion of construction not to exceed 30 days.

28. Entire Covenant. This COVENANT, with the attached Exhibits, constitutes the entire understanding and Covenant of the parties. No variations, modifications, or changes hereto shall be binding upon any party hereto unless set forth in a document duly executed by or on behalf of all parties. All prior negotiations, representations and/or contracts between the parties relative to the subject matters hereof shall be superseded hereby and have no further force and effect.

29. Counterparts. This COVENANT may be executed in several counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute and be one and the same instrument.

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SIGNATURES

IN WITNESS WHEREOF, the PROPERTY OWNER and the COMMISSION have executed this COVENANT through their duly authorized officers.

APPROVED AS TO FORM:

MARY C. WICKHAM
COUNTY COUNSEL

By:_____
Deputy

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES

By:_____
CORDE D. CARRILLO, DIRECTOR

PROPERTY OWNER(S)

By:_____
Signature

_____
Print Name

By:_____
Signature

_____
Print Name

By:_____
Signature

_____
Print Name

By:_____
Signature

_____
Print Name

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy or validity of that document.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)

On _____before me, _____Notary Public in and for the State of California, County of Los Angeles personally appeared _____who proved known to me on basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Signature _____ NOTARY SEAL

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OVERVIEW OF STATE PROGRAMS

ASSEMBLY BILL 2 – Community Revitalization and Investment Authority (CRIA)

SENATE BILL 628 – Enhanced Infrastructure Financing District (EIFD)

SENATE BILL 714 – Capital Investment Incentive Program (CIIP)

INTRODUCTION

On October 20, 2015, the Board of Supervisors (BOS) approved a revised motion as submitted by Supervisors Ridley-Thomas and Solis, which focused on specific economic development initiatives for the County, including the use of State programs.

The motion authorized the Executive Director of the Community Development Commission (CDC) to evaluate the potential applicability, feasibility, and fiscal and budgetary impacts of the County utilizing the provisions of three (3) economic development programs approved by the State Legislature: Assembly Bill 2 (AB 2), Community Revitalization and Investment Authority; Senate Bill 628 (SB 628), Enhanced Infrastructure Financing Districts; and Senate Bill 718 (SB 718), Capital Investment Incentive Program.

Each of the three types of economic and community development financing opportunities has its advantages and disadvantages, as outlined in this report.

In June 2015, the Board adopted a resolution that established the Capital Investment Incentive Program in Los Angeles County, which allows for certain manufacturers to qualify for property tax abatement and tax credits for qualified wages with an initial investment in real and personal property of $150 million. The Board has approved capital incentive payments for two businesses in the County: Lockheed Martin Corporation in Palmdale and Weber Metals in Long Beach. Future CIIP requests will be brought before the Board for consideration on a case-by-case basis.

Tax increment financing, as provided through the passage of Assembly Bill 2 and Senate Bill 628, is not a new tool to the County to assist in economic and community development of unincorporated areas. However, these new tools are not expected to generate the level of tax increment revenues that former redevelopment agencies experienced. While CRIAs and EIFDs have not been formed in any jurisdiction[1] in the State and information regarding the best practices of CRIAs and EIFDs is unavailable, it may be useful for the Board to consider these potential revenue sources as it determines how to best meet the needs of the County and its citizens.

A. COMMUNITY REVITALIZATION AND INVESTMENT AUTHORITY (CRIA)

On September 22, 2015, the Governor approved AB 2 (Alejo and Garcia); this bill authorizes the creation of a new entity at the local level called a Community Revitalization Investment Authority (CRIA), which provides a redevelopment option for the most disadvantaged communities in our state. Because the legislation only became effective January 1, 2016, no revitalization areas have been formed anywhere in the state.

[1] The city of Los Angeles is one of the few jurisdictions that has explored the use of EIFDs. The city has proposed the creation of an EIFD to revitalize miles of the Los Angeles River, but has yet to form one.

1. **Purpose**

AB 2 authorizes the use of tax increment financing to improve infrastructure, assist businesses, and support affordable housing in disadvantaged communities. The bill authorizes local governments that satisfy specific conditions to create Community Revitalization and Investment Authorities (CRIAs) and sets out the procedures for the adoption of Community Revitalization and Investment Plans for the purpose of carrying out specified community economic development activities in designated areas. CRIAs would not provide a new revenue source for the County, but rather provide a significantly scaled-down version of former redevelopment agencies that were dissolved in 2011.

2. **Location**

A CRIA can be created in two geographic locations:

a. Areas where not less than 80% of the land contains census tracts or census block groups that meet both of the following:

   i. An annual median household income that is less than 80% of the statewide annual median income; and

   ii. Three of the four following conditions:
      1. Non-seasonal unemployment at least 3% higher than the statewide average.
      2. Crime rates are at least 5% higher than the statewide median.
      3. Deteriorated structures or inadequate infrastructure.
      4. Deteriorated commercial or residential structures.

b. A former military base that is principally characterized by deteriorated or inadequate infrastructure or structures.

3. **Powers and Duties**

A CRIA is a public agency separate from the city, county or city and county that created it. It is deemed to be an “agency” for purposes of receiving property tax increment pursuant to Article XVI, Section 16(b) of the Constitution. Tax increment financing is revenue generated from increased property values and new development after a “base year” is established.

Any taxing entity within the area, except for school districts, community college districts and the County Office of Education, may choose to allocate some or all of its share of its property tax revenues to the CRIA. Local agencies that agree to participate in the CRIA and contribute tax increment must adopt a resolution to that effect. The CRIA may issue bonds backed by property tax increment revenues.

A CRIA's key powers and duties mirror those of former redevelopment agencies and consist of the following:

- Provide funding for the rehabilitation, upgrade or construction of infrastructure.
- Provide low- and moderate-income housing.
- Assist businesses for industrial and manufacturing uses, subject to specific exceptions.
- Remediate brownfields or clean up hazardous waste.
- Provide seismic retrofits of existing buildings.
- Purchase, lease, and transfer real property, including the use of eminent domain.
- Borrow and accept funds or assistance from the state or federal government.
- Issue bonds and incur debt.
- Make loans or grants for rehabilitation or retrofitting of buildings in the area.

4. Prohibited Activities

CRIAs are prohibited from providing assistance to: 1) automobile dealerships on previously undeveloped land; 2) developments of five acres or more that were not previously developed for urban use, except if the principal permitted use is office, hotel, manufacturing or industrial; and 3) gaming or gambling uses.

5. Eligibility

A city, county or city and county may form or participate in a CRIA provided that its Successor Agency has received a Finding of Completion from the State Department of Finance and has complied with all orders of the Controller. In addition, any combination of a city, county, city and county, and special district may form a CRIA through a joint powers agreement.

The County, acting as Successor Agency to the former County Redevelopment Agency, has met these conditions.

6. Governing Body

For a CRIA created by a city, county, or city and county, the governing body shall consist of three (3) members of the city council or board of supervisors and two (2) members of the public who live or work within the area.

For a CRIA created through a joint powers agreement (including city-county joint project areas), the governing body shall consist of a majority of the members from the legislative bodies of the public agencies that created the authority and a minimum of two (2) members of the public who live or work within the area.

7. Community Revitalization and Investment Area Plan (Plan)

A CRIA must adopt a Plan that guides its revitalization programs and authorizes the receipt and expenditure of property tax increment revenues. The Plan must include:

- The principal goals and objectives of the CRIA.
- A description of the deteriorated or inadequate infrastructure in the revitalization area and a program to repair, rehabilitate and/or upgrade such facilities.
- Housing program.
- A program to remedy or remove hazardous materials.
- A program to provide funding for or otherwise facilitate the economic revitalization of the area.
- A fiscal analysis setting forth projected receipt of revenues and expenses over a five year planning horizon.
- Time limits to establish loans, advances and indebtedness and fulfill all the CRIA's housing obligations.
- Statutory limits including a 30-year time limit on establishing debt, a 45-year time limit for plan effectiveness and a 45-year time limit on the repayment of debt.

8. Plan Adoption Procedure

The Plan must be adopted over a series of three (3) public hearings, held at least 30 days apart. The first public hearing is to hear comments. The second public hearing is to consider additional comments and modify or reject the plan. The third and final public hearing is to conduct a protest proceeding where the CRIA Board considers the written and oral protests. If over 50% of the combined number of property owners <u>and</u> residents protest, proceedings to adopt the Plan must terminate. If 25% to 50% of the combined property owners and residents protest, an election on whether to adopt the Plan must be called. The Plan will only be rejected if a majority of the property owners and residents vote against the Plan. If less than 25% of the property owners and residents file protests, then the Plan can be adopted at the third hearing by ordinance.

9. Affordable Housing

The following affordable housing requirements apply to a CRIA:

- A minimum of 25% of the property tax increment revenues must be used to increase, improve and preserve the community's supply of low- and moderate-income housing.
- All housing assisted with property tax increment funds must remain affordable for 55 years for rental units and 45 years for owner-occupied units.
- Housing funds must be spent proportionally on low, very low, and moderate income housing.

- A CRIA may transfer its housing responsibilities to its Housing Authority if it determines that combining funding streams will reduce administrative costs or expedites the construction of affordable housing.
- Replacement of housing destroyed or removed within the area must be replaced within two years.
- The number of housing units occupied by extremely low, very low, and low income households at the time the Plan is adopted may not be reduced during the effective period of the Plan.
- If relocation is required, the CRIA must comply with the State's relocation law.

10. Accountability

An annual report and annual independent financial audit is required. Every 10 years the CRIA must conduct a protest proceeding to consider objections from property owners and residents regarding the continuing work of the Authority. A majority protest (greater than 50% of owners and residents) means no additional work can be undertaken pursuant to the Plan, but the Authority can complete projects underway, repay existing indebtedness, and fulfill existing housing obligations. If between 25% and 50% protest, then an election is called to determine whether the CRIA should continue with its work.

11. Applicability / Feasibility

As mentioned above, certain conditions must exist in order to create a revitalization area. Staff has conducted a preliminary analysis of areas for consideration in the unincorporated County. The following communities met the main criterion (annual median household income is less than 80 percent of the state average): East Los Angeles / City Terrace, South San Gabriel, South El Monte, Walnut Park, Florence-Graham, Lennox, West Athens, Westmont, West Rancho Dominguez, Willowbrook, San Fernando, Hacienda Heights, Rowland Heights, Santa Fe Springs, Whittier, Palmdale and Quartz Hill.

These census tracts were mapped using Geographic Information Systems (GIS) and the crime rate[2] and unemployment rate criteria were overlaid (see Attachment C). The table below identifies the census tracts that may potentially be eligible by meeting two of the four criteria. The acreage shown below only includes territory within the unincorporated County.

[2] Crime rate is not fully defined in the legislation. For this analysis, property crime and violent crime was applied separately and compared to the state property and violent per capita crime rates.

TABLE 1 – POTENTIAL AREAS FOR CONSIDERATION				
Location / Census Tracts[1] **Annual Median Income < 80 % of State Average**	**Property Crime Rate > 5% of State Rate**	**Violent Crime Rate > 5% of State Rate**	**Unemployment Rate > 3% of State Rate**	**Size in Acres[2]**
First District				
East Los Angeles / City Terrace				
Census Tract 5303.02	X		X	208
Census Tract 5304.00 (partial)			X	174
Census Tract 5306.01	X			140
Census Tract 5306.02	X	X		168
Census Tract 5309.02	X		X	128
Census Tract 5311.01	X		X	170
Census Tract 5311.02	X	X	X	121
Census Tract 5315.03			X	292
Census Tract 5315.04	X		X	121
Census Tract 5316.02	X	X		112
Census Tract 5317.02	X	X		165
Census Tract 5318.00	X	X	X	151
Census Tract 5319.01	X	X		192
Census Tract 5319.02	X	X		167
Second District				
Athens – Westmont				
Census Tract 6001.00	X		X	183
Census Tract 6002.02	X		X	207
Rancho Dominguez				
Census Tract 5433.05 (partial)			X	1,718
Willowbrook				
Census Tract 5406.00	X	X		234
Census Tract 5407.00	X		X	282

[1] The Census Tracts identified in this table represent a portion of the Census Tracts depicted in the maps. These Census Tracts meet two of the four criteria required per the legislation.

[2] Only the unincorporated acreage of the census tracts are depicted.

Sources: State Department of Justice – Office of the Attorney General, Crime in California Report (2014)
Los Angeles County Sheriff's Patrol Station Report (2014)
State Employment Development Department (2014)

These areas would need to be further analyzed to determine if they meet the additional criteria of deteriorated infrastructure and/or structures, which are required to form the revitalization area.

CRIA areas can include property in a former redevelopment project area so long as the adopted plan for the revitalization area acknowledges that the tax increment payable to the CRIA is subordinate to the pre-existing enforceable obligations of the Successor Agency. The County's Successor Agency has no existing debt and has received a Finding of Completion with the State Controller, thus it meets the conditions of the program.

In the event the Board considers forming a joint CRIA with an adjoining city that includes former redevelopment project areas, it must subordinate its tax increment to the existing debt and enforceable obligations associated with the wind-down of the former Redevelopment Agencies. In some cases, the obligations of the former agencies are significant and require the use of most or all of the tax increment in the near term.

12. Analysis

CRIAs can be a useful economic tool for several communities in the unincorporated County. However, there are a number of formation and implementation concerns that need to be fully considered, as discussed below.

- Size and Composition of the CRIA Area – The primary requirement for establishing a CRIA is based on income thresholds in census tracts. An examination of the identified qualifying areas reveals that the census tracts are largely comprised of residential land uses. One valuable redevelopment lesson was that predominantly residential project areas do not produce enough tax increment to pay for the costs of the project area, including the set-aside portion for affordable housing. Tax increment generated by commercial and industrial developments is essential to maximize the tax increment revenues, including the housing set-aside.

- Revenues – The exclusion of school districts from participating in a CRIA is significant as they represent approximately 50 percent of property tax increment. Unlike former redevelopment agencies that received most of the tax increment revenue share from taxing entities, CRIAs only receive the tax increment revenue share from those entities that agree to forego their portion of property tax revenue, and those agencies can contribute less than their full share of tax increment to the CRIA. It is unlikely that other taxing entities would consent to give up their share of tax increment to a CRIA, unless it is in support of a shared goal and project. Even if a participating taxing entity voluntarily agrees to forfeit their share of property tax revenue, it may choose to rescind or modify its share of property taxes at any time (with 60 days written notice to the Auditor-Controller), which would result in varying and unpredictable revenues over the life of the Plan. Further compounding the revenue stream is the fact that the County is not on

the Teeter Plan. The Teeter Plan is a method for distributing taxes which guarantees that participating agencies receive 100 percent of levied taxes as opposed to the actual amount of taxes collected. Without the Teeter Plan, local taxing entities, including the County, would have to wait for taxpayers to remit payments; in cases of total default, it can take the Tax Collector years to recover defaulted property taxes through tax sales, which may not recover the total amounts past due, thus affecting the CRIA's ability to effectively implement its plan. In the event the Board creates revitalization areas and passes through the County's portion of property tax revenues, the CRIA would best be served by a long-term commitment of funds (i.e., designating the County's portion of property tax revenues for the duration of the revitalization area).

CRIAs also face a long lag time for tax increment to be generated from new development. Outlays associated with the formation of a CRIA, including initial investigations, establishing an Authority, and preparing and adopting a plan (including elections), can be costly.

Another lesson learned from redevelopment was that the success of many project areas depended on the private development within the area, through actions such as public private partnerships, land assembly, infrastructure improvements, and site enhancements. While these tools can be used by CRIAs, the challenge will depend upon the availability of tax increment revenues.

- Boundaries / Mergers – Unlike former redevelopment project areas or Enhanced Infrastructure Financing Districts, CRIAs cannot include non-contiguous areas. Additionally, mergers of areas are not permitted.

- Community Support / Protest Hearings – Adopting a CRIA requires many steps and could be difficult to accomplish, depending on the level of community support. The CRIA must be considered at three public hearings held 30 days apart. If more than 50 percent of the property owners and residents of the designated area object to its formation, then it cannot proceed. If protests are filed by 25 percent and 50 percent of the combined number of property owners and residents in the designated area, the plan adoption procedures require an election to be called within 90 days. In addition, every 10 years a protest hearing is required that may result in a termination of the plan by vote of the property owners and residents.

- Former Redevelopment Agencies – Adopting a CRIA in a former redevelopment project area will present challenges. In addition to potentially limiting the amount of tax increment available, the Auditor-Controller has indicated that tax increment in former redevelopment

project areas are no longer calculated at the project area level. All property tax revenues for former redevelopment project areas flow through the "waterfall" of dissolution, meaning that all enforceable obligations of the former agency are aggregated for all project areas. If there are funds remaining after the payment of the obligations, those residual revenues are distributed to affected taxing entities. Thus, it will be difficult to assign residual revenues to new CRIA areas that overlap former redevelopment project areas.

B. ENHANCED INFRASTRUCTURE FINANCING DISTRICTS (EIFDS)

On September 29, 2014, Governor Brown approved Senate Bill 628 (Beall), which authorized the creation of a new governmental entity called an Enhanced Infrastructure Financing District (EIFD). An EIFD may be created within a city or county to finance public infrastructure, public facilities, or other specific projects of community-wide significance that benefit the district or surrounding community. In 2015, refinements were made through Assembly Bill 313 (Atkins) that provided important clean-up to the EIFD legislation.

1. Purpose

EIFDs can be created within a city or a county to finance a broad range of infrastructure development and community revitalization, which includes the purchase, construction, expansion, improvement, or seismic retrofit of any real or tangible property with a useful life of 15 years or greater.

2. Location

Due to the fact that a wide range of infrastructure projects that can be financed under this program, EIFDs can be created anywhere there is a need. EIFD boundaries should be large enough to capture sufficient tax increment. However, careful consideration must be given for the projects and properties involved, as a link must be established between the beneficiaries and payers of the projects.

3. Powers and Duties

EIFDs are able to finance projects, including, but not limited to, the following:

- Highways, interchanges, ramps, bridges, arterial streets, and parking and transit facilities.
- Sewage treatment, water reclamation plants, and interceptor pipes.
- Facilities for the transfer and disposal of solid waste, including transfer stations and vehicles.
- Facilities for the collection and treatment of water for urban uses.

- Flood control levees and dams, retention basins, and drainage channels.
- Public facilities such as child care facilities, libraries, parks, recreational facilities and open space.
- Brownfield restoration and other environmental mitigation.
- The development of projects on a former military base, provided that the projects are consistent with the military base authority reuse plan and are approved by the military base reuse authority, if applicable.
- The repayment of the transfer of funds to a military base reuse authority pursuant to Section 67851 that occurs on or after the creation of the district.
- The acquisition, construction or rehabilitation of housing for low- and moderate-income households for rent or purchase. Mixed-income housing developments are allowable, but the EIFD may only finance the units that are restricted to low- or moderate-income households and on site facilities for child care, after-school care, and social services that are integrally linked to the tenants of the income restricted units.
- Acquisition, construction, or repair of industrial structures for private use.
- Transit priority projects as defined in Section 21155 of the Public Resources Code, which are located within a transit priority project area.
- Projects that implement a Sustainable Communities Strategy that have been determined by the Southern California Association of Governments to achieve greenhouse gas emission reduction targets.

EIFDs can finance the purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of property associated with the projects listed above, or the planning and design work associated with the purchase, construction, expansion or rehabilitation of the property. The facilities do not need to be physically located within the boundaries of the district. However, any facilities financed outside of the district must have a tangible connection to the work of the district, as detailed in the infrastructure financing plan adopted pursuant to Section 53398.69.

4. Prohibited Activities

An EIFD may not finance routine maintenance, repair work, the costs of ongoing operations, or provision of services of any kind.

5. Eligibility

SB 628 provides that a city or county that created a redevelopment agency many not create an EIFD or participate on the Public Finance Authority (see Governing Body below) until each of the following has occurred:

- The jurisdiction's Successor Agency has received a Finding of Completion from the State Department of Finance (DOF).
- The jurisdiction certifies to the DOF that no former redevelopment agency assets are the subject of litigation involving the state, where the jurisdiction or its Successor Agency are named plaintiff, or have been or will be used to benefit any efforts on an EIFD until the legal process has concluded.
- The State Controller has completed its review of the Successor Agency's asset transfers after January 1, 2011, pursuant to Section 34167.5.
- The Successor Agency has complied with the findings and orders of the State Controller stemming from the review of assets.

If an EIFD is created within a former redevelopment project area, property tax revenues generated from the project area must first be used for payment of the Successor Agency's enforceable obligations prior to funding EIFD projects.

The County has received a Finding of Completion, is not involved in litigation over redevelopment assets, and has complied with the State Controller's findings and orders.

6. Governing Body

In order to establish an EIFD, the legislative body of the city or county would need to establish a Public Finance Authority (PFA), consisting of three (3) members from the legislative body of the participating affected taxing entity, plus two (2) members of the general public. If more than one taxing entity agrees to participate in the EIFD, then the majority of the body must be members of the legislative bodies of the taxing entities, with at least two (2) public members.

After adopting a resolution of intent to form an EIFD, the PFA, instead of the legislative body, performs the duties related to the preparation, proposal and adoption of the Infrastructure Financing Plan and the adoption of the formation of the district.

7. Infrastructure Financing Plan

The Infrastructure Financing Plan must include the following:

- A map and legal description of the EIFD.
- A description of the projects and financial assistance that is proposed within the EIFD.

- A description addressing relocation assistance requirements if any low- or moderate-income units will be destroyed due to EIFD activities or financing.
- A financing section that specifies:
  - The maximum amount of incremental tax revenues each participating entity proposes to dedicate to the EIFD.
  - Revenue projections.
  - A plan for financing the projects.
  - A limit on the total revenues that will be allocated to the EIFD.
  - A date the EIFD will cease to exist and when tax allocations to the district will end. This date can be up to 45 years from the approval date for issuing bonds.
  - A fiscal analysis of potential impacts on the city, county or other taxing entities.

Prior to approving an Infrastructure Financing Plan, a public hearing is required to hear comments from landowners within the proposed district, taxing entities and members of the public.

8. Plan Adoption

Once the Infrastructure Financing Plan is completed and circulated, it must be approved by the affected taxing entities. School districts, community college districts, and the County Office of Education may not participate in the EIFD. The PFA approves the EIFD and Infrastructure Financing Plan by majority vote; formation of the EIFD does not require a vote of qualified electors. A resolution approving the use of property tax increment is required for each participating taxing entity after the public hearing.

9. Affordable Housing

If housing within the EIFD will be removed or destroyed because of private development or a public project initiated by the PFA, then the Infrastructure Financing Plan must include a plan to replace the units: 1) on a one-for-one basis if they were occupied by low- or moderate-income households, or 2) on a one-for-four basis if they were not occupied by low- or moderate-income households. Relocation benefits must also be paid to displaced tenants. In addition, all replacement units must be available within two years of the units' destruction. Replacement dwelling units constructed or rehabilitated must remain available at designated affordable rents for 55 years for rental properties or remain available at affordable resale prices for 45 years for owner-occupied units.

10. Financing

EIFDs are able to combine tax increment financing with other permitted funding sources, including property tax revenue distributed to a city, county or special district after payment of its Successor Agency debt and Mello-Roos funds.

The PFA may issue bonds payable from property tax increment from the district with 55 percent voter approval of either voters or landowners within the district.

A city, county or special district that contains territory within the district may loan funds to the EIFD to fund the activities described in the Infrastructure Financing Plan at the California State Treasurer Local Agency Investment Fund interest rate in effect at the time of the loan.

EIFDs can enter into reimbursement agreements with developers as an alternative to conventional or bond financing.

11. Analysis

EIFDs may be the most useful tool for the County. EIFDs are easier to establish than CRIAs because they can be created in any area of the County regardless of criteria such as income, crime rates or unemployment rates. However, there must be a nexus between the facilities financed by the district and those who pay for the improvements. Other considerations include the following:

- Flexibility of Revenue Streams – EIFDs are able to combine tax increment financing with other permitted funding sources, including property taxes local agencies receive in lieu of former Vehicle License Fee revenue, assessment districts (i.e., Mello-Roos Community Facilities, Landscaping and Lighting Maintenance Districts, and other special districts), and loans from public agencies (which must be repaid at the California State Treasurer Local Agency Investment Fund interest rate in effect at the time of the loan).

- Lower Threshold for Voter Approval – EIFDs have greater flexibility and benefit over its predecessor, Infrastructure Financing Districts (IFDs), since no voter approval is required to establish the district. Voter approval is required to issue bonds in EIFDS; however, only 55 percent voter approval is required compared to the two-thirds for IFDs. The requirement for voter approval could be problematic if it is required for multiple bond issuances.

- Broader Array of Public Projects – Traditional IFDs could only fund "public capital facilities," but EIFDs include the provision to finance "other specific projects of community wide significance" including

facilities that are not physically located in the district so long as they have a tangible connection to the district and provide significant benefits to it.

- Polanco Act – EIFDs can use powers granted by a specified statute that allows the district to remedy or remove releases of hazardous substances, which was previously reserved for redevelopment agencies.

C. CAPITAL INVESTMENT INCENTIVE PROGRAM (CIIP)

The Capital Investment Incentive Program (CIIP) became effective on May 26, 1999. It is a State program which allows Qualifying Manufacturing Facilities (QMFs) that meet certain criteria to be eligible to receive property tax rebates for up to 15 consecutive years.

1. Purpose

The California Government Code Section 51298 enables the governing body of a city, county, or city and county, by a majority of its legislative body to establish a CIIP. The legislative body may approve an "investment incentive" to QMFs upon a written request by the business for up to 15 consecutive fiscal years. The request must include a detailed description of the investment being contemplated, and specify the number and types of jobs being created. The jurisdiction can participate by making an annual payment of 75 percent of the property taxes generated by the new investment.

2. Requirements

QMFs must meet the following criteria:

- Initial investment, in real and personal property, of $150 million.
- Be located within the jurisdiction of the city, county, or city and county to which the request is made for payment of CIIP amounts.
- Is described in North American Industry Classification System (NAICS) Codes 3364 and 3359, Aerospace Product and Parts Manufacturing and Other Electrical Equipment and Component Manufacturing, respectively. Alternative energy producing companies engaged in the manufacturing of parts or components related to the production of electricity using solar, wind, biomass, hydropower or geothermal resources was added in July 2010.

The CIIP code requires that an agreement between the approving jurisdiction and the business be approved by the governing body.

3. Additional State of California Incentives

On July 10, 2014, Governor Brown approved Assembly Bill 2389, which contains provisions that could provide up to $420 million in State wage credits to certain aerospace manufacturers. An income tax credit of 17.5 percent of qualified wages paid or incurred to qualified full-time employees.

On August 15, 2014, Senate Bill 718 was passed that expanded the definition of qualified aerospace manufacturers to include both prime and subcontractors.

4. Analysis

The CIIP is a generous incentive program, but is intended to target a small segment of manufacturing businesses in the State. A single manufacturer must provide a significant investment at its site ($150 million), and commit to hiring new employees over the term of the program. The County has approved capital incentive payments for two (2) businesses in the County: 1) the Lockheed Martin Corporation in Palmdale, and 2) Weber Metals in Long Beach. Also, the tax revenues available to CIIP is subordinate to the existing debt and enforceable obligations of the Successor Agency if the CIIP project site is located in a former redevelopment project area.

The CIIP legislation has a sunset date of January 1, 2018.

D. CONCLUSION AND RECOMMENDATIONS

The three programs discussed above can be useful tools to the County, depending on the overarching goals and types of projects the Board envisions. The CIIP, however, is unique and very few manufacturers would meet the program requirements for eligibility.

CRIAs and EIFDs both have merits and challenges. CRIAs may be more difficult to establish, however, the issuance of bonds does not require voter approval. EIFDs are much easier to establish, as they may be created in any area of the County, regardless of criteria such as income, crime rates and unemployment rates. The reality of these two programs is that it may take significant time to generate sufficient tax increment revenue to initiate projects, regardless of type (i.e., affordable housing, infrastructure, or rehabilitation of structures). The application of CRIAs or EIFDs largely depends on the ultimate goals and types of projects and programs the Board desires.

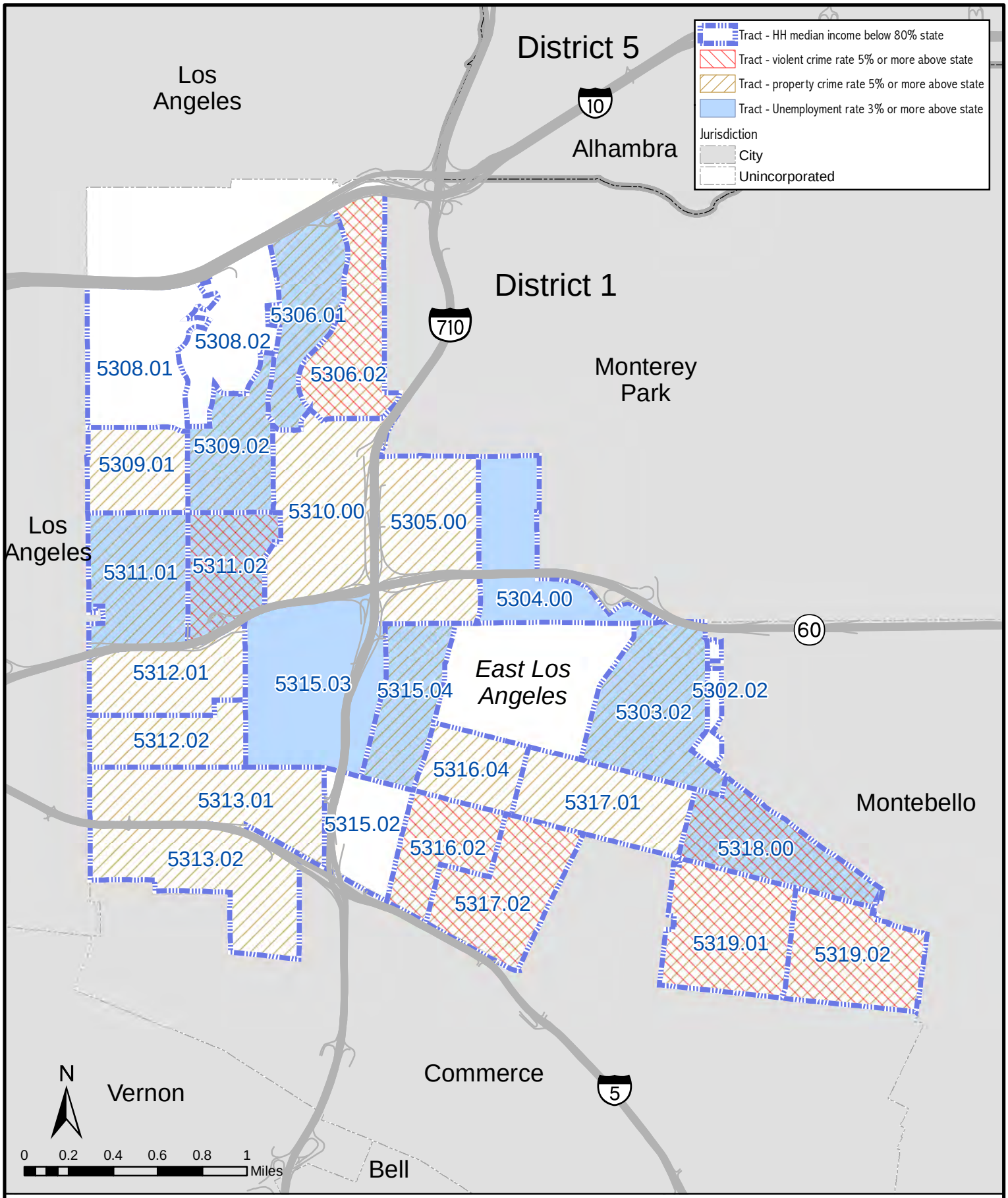
A side-by-side comparison of the similarities and differences of the three programs are illustrated in the table below.

COMPARISON OF ECONOMIC DEVELOPMENT PROGRAMS			
	CRIA	EIFD	CIIP
FORMATION			
Statutory Authority	Gov't Code §§ 53369-53369.49	Gov't Code §§ 53398.50-53398.88	Gov't Code § 51298
Socioeconomic Requirements	Yes	No	No
Non-Contiguous Boundaries	No	Yes	No
Separate Authority and Governing Body	Yes	Yes	No
Can be Formed Jointly	Yes	Yes	No
Noticed Public Hearing	Yes	Yes	Yes
Plan Preparation	Yes	Yes	No
Finding of Completion (Successor Agency)	Yes	Yes	No
Governing Body	If single jurisdiction: 3 members from legislative body and 2 members from the general public If multiple participating entities: majority of each entities' governing bodies and 2 members from the general public	If single jurisdiction: 3 members from legislative body and 2 members from the general public If multiple participating entities: majority of each entities' governing bodies and 2 members from the general public	N/A
Public Agency Vote	Simple Majority	Simple Majority	Simple Majority
Voter Approval for Formation	Yes	No	No
POWERS			
Tax Increment Financing	Yes	Yes	No
Voluntary Tax Entity Participation	Yes	Yes	No
Land Acquisition	Yes	Yes	No

COMPARISON OF ECONOMIC DEVELOPMENT PROGRAMS			
	CRIA	EIFD	CIIP
Eminent Domain	Yes	No	No
Environmental Remediation	Yes	Yes	No
Affordable Housing	Yes	Yes	No
Private Commercial Rehabilitation	Yes	Yes	Yes
FINANCING			
Tax Increment to District	All or portion of consenting agencies' share as designated in plan	All or portion of consenting agencies' share as designated in plan	N/A
Issuance of Bonds	Yes	Yes	N/A
Public Vote for Bond Issuance	No	Yes	N/A
Term	Up to 45 years receipt of taxes to repay debt	Up to 45 years from issuance of bonds or loans	Up to 15 years
Relationship to Successor Agency Debt	Subordinate to Successor Agency's enforceable obligations	Subordinate to Successor Agency's enforceable obligations	Subordinate to Successor Agency's enforceable obligations
Affordable Housing	Yes	Yes	N/A
Funding of Improvements Outside of District Boundaries	No	Yes	N/A
SPECIAL REQUIREMENTS			
Mandatory Expenditure for Affordable Housing	Yes	No	N/A
Replacement Housing	Yes	Yes	N/A
Relocation	Yes	Yes	N/A
Prevailing Wages	Depends on form of assistance	Depends on form of assistance	No

ATTACHMENT C

POTENTIAL AREAS FOR THE COMMUNITY REVITALIZATION AND INVESTMENT AUTHORITY

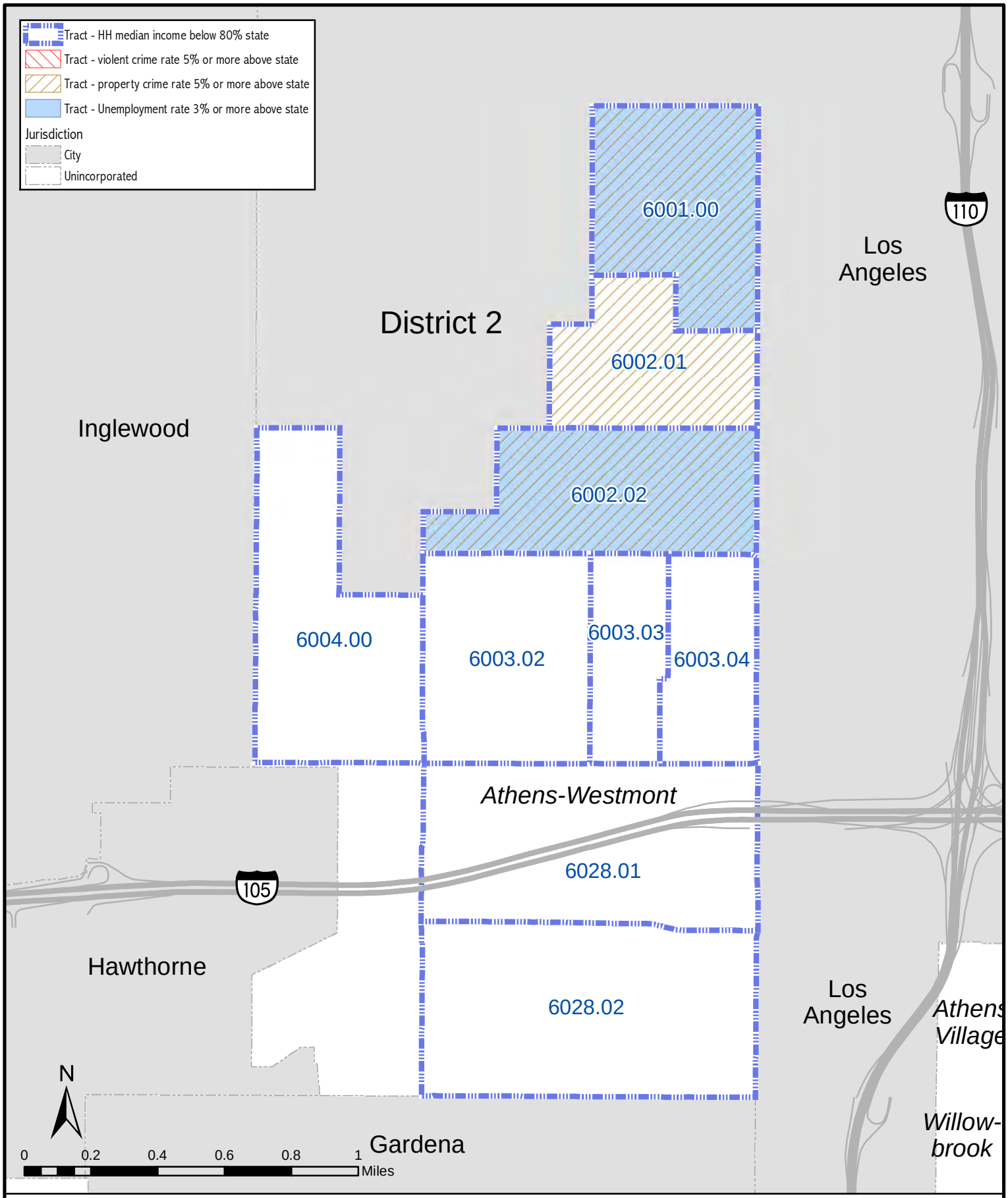


Community Development Commission of the County of Los Angeles

Qualifying Census Tracts for CRIA
First Supervisorial District

East Los Angeles

File: J:\CDC Projects\Los Angeles County rev 1.mxd
Printing Date: Wednesday, July 13, 2011
Prepared By: Michael Chong

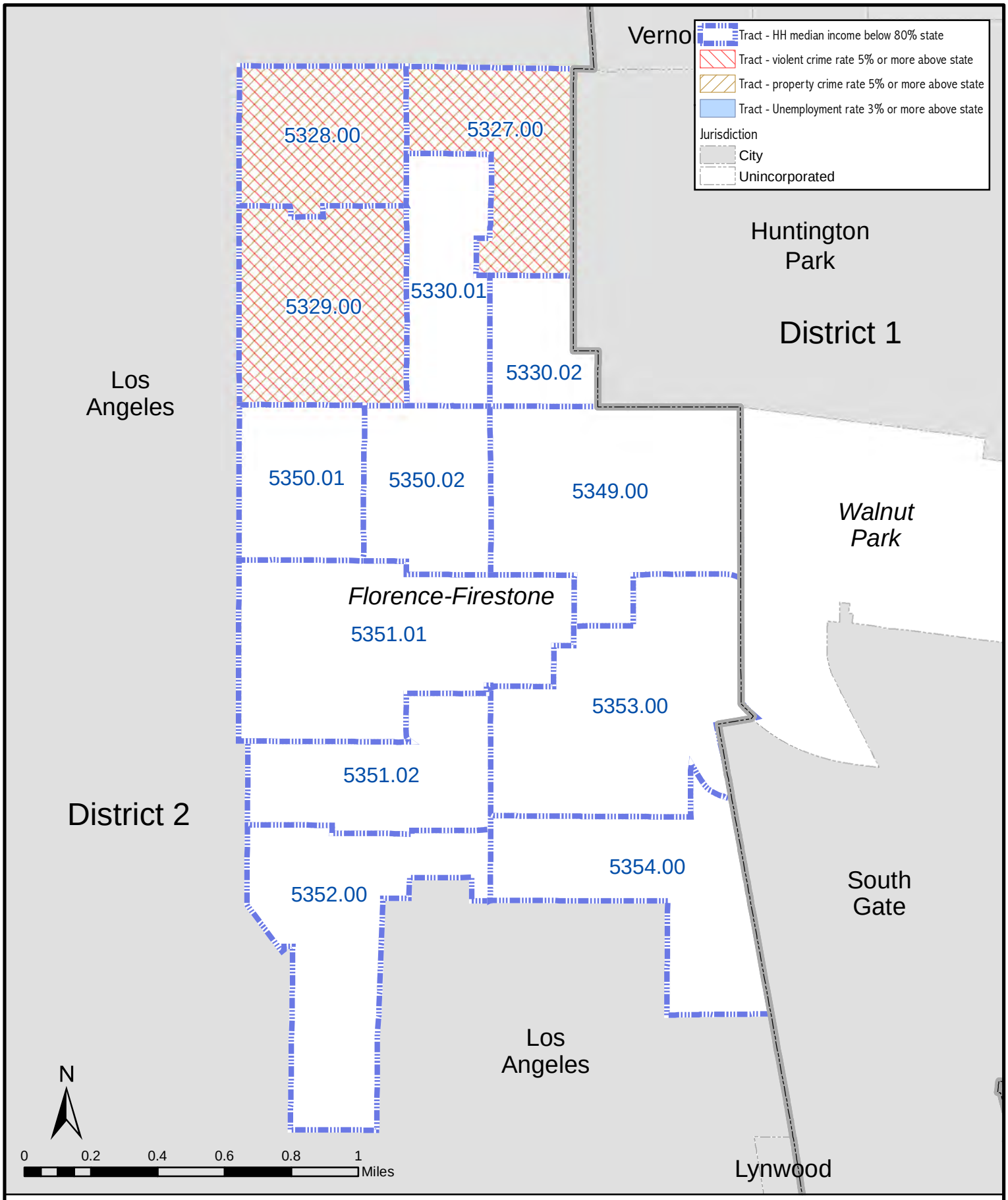


Community Development Commission of the County of Los Angeles

Qualifying Census Tracts for CRIA
Second Supervisorial District

Athens-Westmont

File: J:\CDC Projects\Los Angeles County rev 1.mxd
Printing Date: Wednesday, July 13, 2011
Prepared By: Michael Chong



Community Development Commission of the County of Los Angeles

Qualifying Census Tracts for CRIA
Second Supervisorial District

Florence-Firestone

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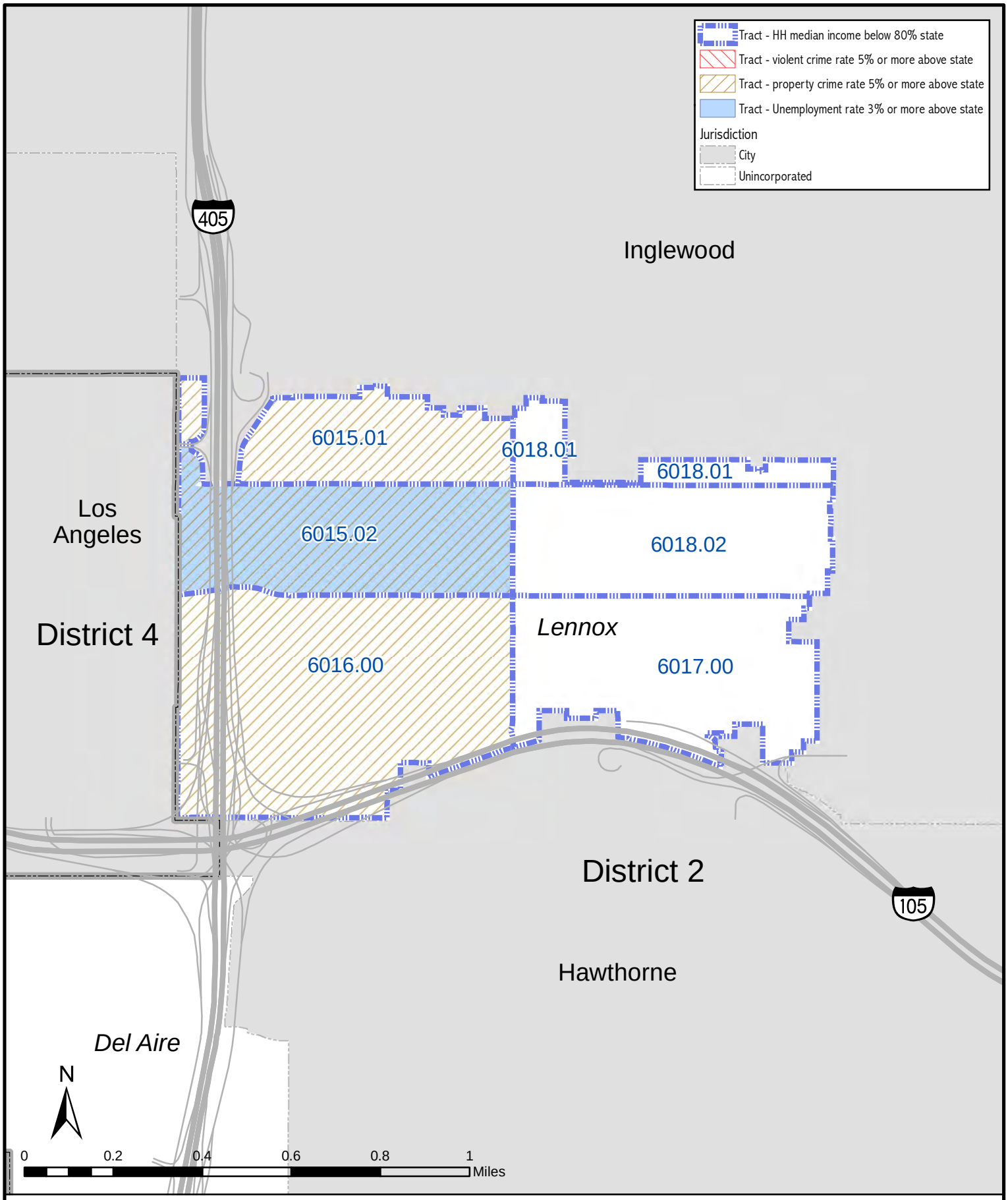
Printing Date: Wednesday, July 13, 2011
Prepared By: Michael Chong



Community Development Commission of the County of Los Angeles

Qualifying Census Tracts for CRIA
Second Supervisorial District

Lennox

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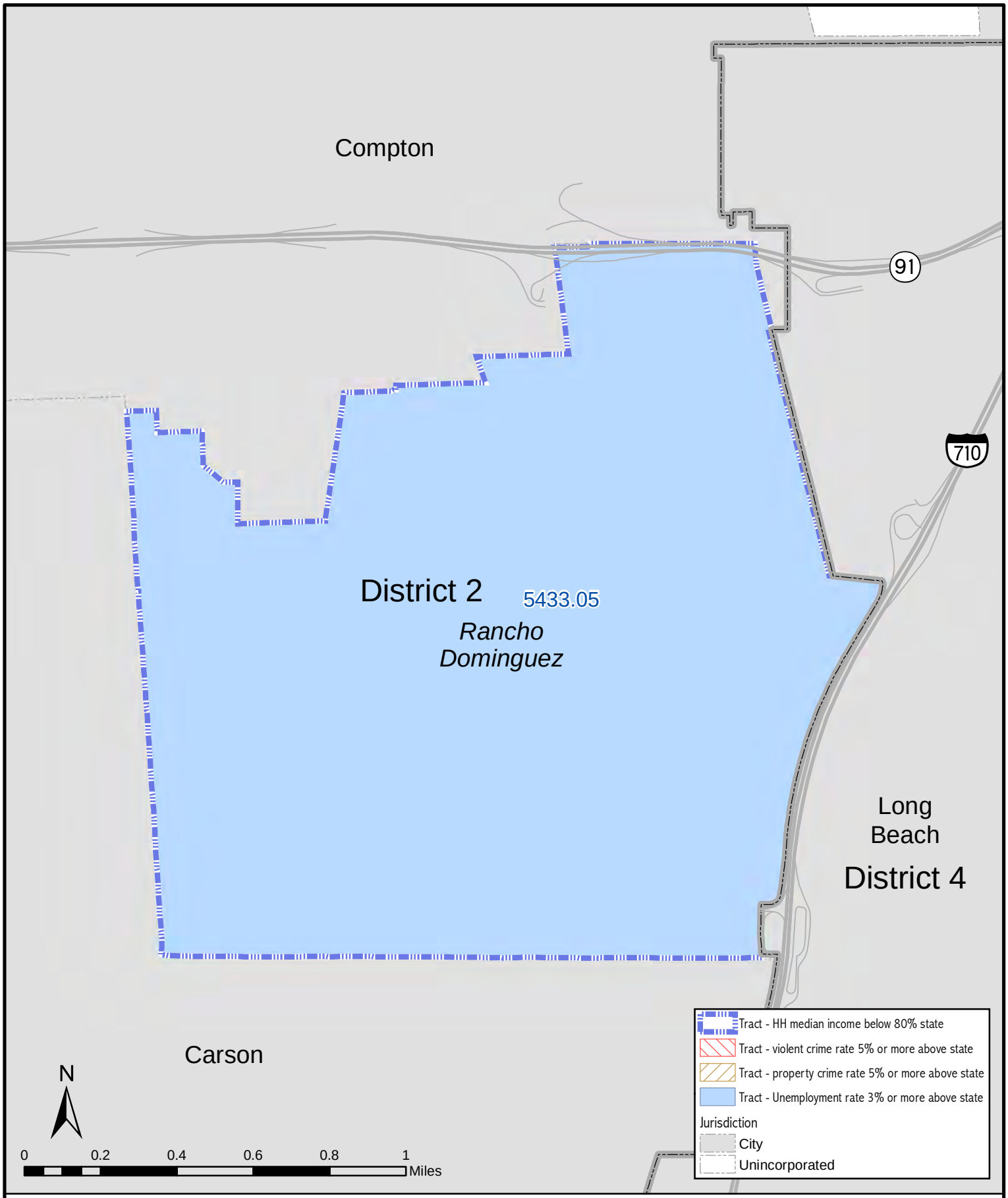
Prepared By: Michael Chong

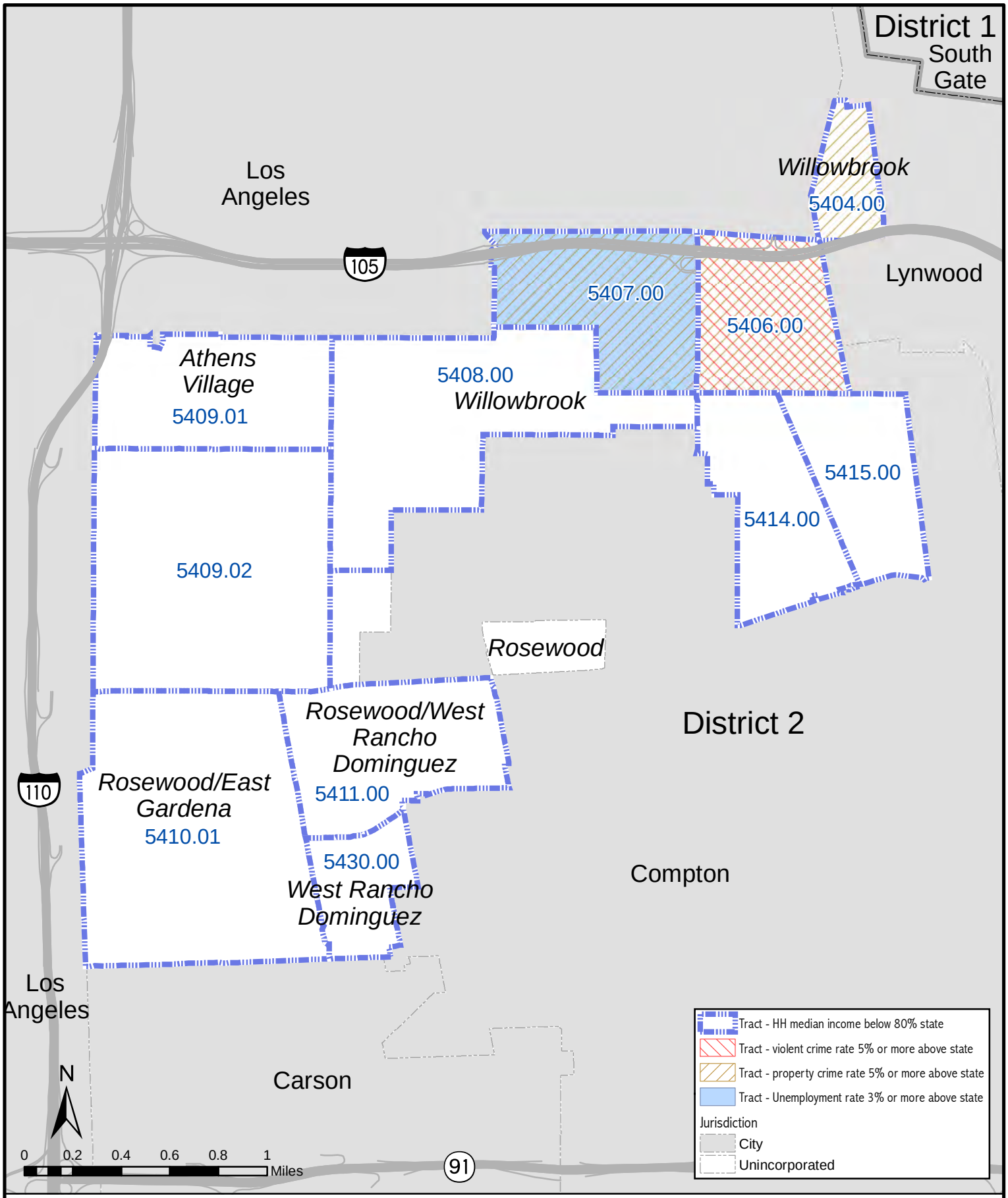


Community Development Commission of the County of Los Angeles

Qualifying Census Tracts for CRIA
Second Supervisorial District

Rancho Dominguez

File: J:\CDC Projects\Los Angeles County rev 1.mxd
Printing Date: Wednesday, July 13, 2011
Prepared By: Michael Chong



Community Development Commission of the County of Los Angeles

Qualifying Census Tracts for CRIA
2nd Supervisorial District

Willowbrook - West Rancho Dominguez

File: J:\CDC Projects\Los Angeles County rev 1.mxd
Printing Date: Wednesday, July 13, 2011
Prepared By: Michael Chong