

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

November 27, 2012

Framework for Funding Affordable Housing and Economic Development Initiatives

When redevelopment agencies were in full operation across the County of Los Angeles (the County), approximately \$500 million of property tax revenue was set aside annually to promote economic development and affordable housing within portions of 70 cities and the County’s unincorporated areas. However, in December 2011, the commitment of local funds to support such activities was abruptly halted as Governor Brown called for the dissolution of redevelopment agencies statewide in an attempt to balance the State’s budget, an action that was ultimately upheld by the State’s Legislature and Supreme Court.

While the activities of redevelopment agencies are still winding down, the incremental return of property taxes to the taxing entities, including to the County, creates a timely opportunity for the Board of Supervisors (the Board) to strategize how to effectively target resources to accomplish the significant objectives that redevelopment agencies were originally created to address.

To date, the County of Los Angeles has received approximately \$88 million in residual funds as a result of the dissolution of redevelopment agencies throughout the County. Last October, the Board allocated \$11 million to support the development of countywide affordable housing projects, leaving approximately \$77 million in reserves. An additional \$125 million is expected by January 2013, after the third round of “Recognized Obligation Payment Schedules” from former redevelopment agencies receives final approval from the State of California’s Department of Finance. Thus, the Auditor-Controller has estimated that a sum of over \$200 million will be available by early next year.

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The annual ongoing amounts that will return to the County thereafter are uncertain, as the process of winding down the activities of the former redevelopment agencies requires the disposition of assets and payment of various debts and other outstanding obligations.

Nevertheless, it is timely for the Board to develop a framework under which to allocate the property tax revenues that are now returning to the General Fund. It would be a lost opportunity to merely backfill County departments who have faced curtailments in recent years, or set aside this funding for programmatic expansions or enhancements. This funding was intended to promote economic development, to expand job creation opportunities, to shelter the most vulnerable members of our population and to address blight – all challenges that still require steadfast resolve, diligence and County financial commitments.

The Board should develop an approach, with input from stakeholders and the public, which continues to invest residual funds to address these core needs. Funding should be allocated in a manner that inspires integration and enhanced government services, relies on evidenced-based strategies, promotes transparency and accountability and leverages other funding sources when feasible.

The attached proposal suggests investments within the following domains:

- Development of Affordable Housing
- Funding for Infrastructure Development to Support Inter-Agency Collaboration and Efficiency
- Grants to Cities to Support Economic Development and Blight Mitigation Projects
- Support for Small Business Development
- Support for Regional Economic Development
- Seed Funding for Transit Oriented Development
- Angel Funding to Support Local Biotech Enterprises
- Funding for General County Operations

This proposed framework is merely a beginning and requires further deliberation. The public deserves an opportunity to thoughtfully provide input.

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I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

Direct the Chief Executive Officer, in coordination with the Community Development Commission, and other appropriate departments, to review and report back in 45 days on the policy goals noted in the attached Affordable Housing and Economic Development Framework, including a report on funding sources currently available and recommendations on a potential implementation strategy.

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Affordable Housing and Economic Development Framework

1. Development of Affordable Housing

- The largest share of former redevelopment money should be used to subsidize affordable housing.
- Funds should be allocated Countywide, but otherwise consistent with the methods used previously through the City of Industry Notice of Funding Availability process.
- Specific populations to target include the homeless, veterans, transitional aged foster youth and those with special needs.
- The CDC should administer this program, given their successful track record of managing affordable housing projects.

2. Funding for Infrastructure Development to Support Inter-Agency Collaboration and Efficiency

- This funding should be used to support the cost-efficient co-location of County departments and agencies to obtain operating efficiencies, cost savings and enhanced customer service as a result of coordinated service delivery at consolidated locations.
- Funding should also be used to support the development of private and non-profit businesses that provide supportive services to, or synergies with, the County's most significant public assets (e.g. hospital campuses).

3. Grants to Cities to Support Economic Development and Blight Mitigation Projects

- Consistent with Supervisor Knabe's October 23, 2012 motion, funding should be granted to cities, on a competitive basis, that would allow them to proceed with projects that remove blight which were interrupted, or cancelled, as a result of the dissolution of redevelopment.

4. Support for Small Business Development

- A small portion of the funds should be allocated to enhance or supplement existing County and CDC-sponsored programs to support small business development, including:
 - i. Façade improvements
 - ii. Technical assistance
 - iii. Small Business Bond Financing
 - iv. Other programs, as determined through a stakeholder input process

5. Support for Regional Economic Development

- A small portion of the funds should be allocated for international business recruitment, competitiveness, and large scale economic development in Los Angeles County, including regional cluster development and sector-based economic development strategies.
- An entity should be retained, with clear benchmarks and objectives for attracting businesses to the region from across America and abroad.
- Other jurisdictions, including the City of Los Angeles and other cities, should be encouraged to join this region-wide effort.

6. Seed Funding for Transit Oriented Development

- A small amount (e.g., \$5 million per year) of funding should be allocated to match MTA's commitment to a Transit Oriented Development (TOD) fund for projects in Los Angeles County that meet TOD criteria.
- Seed funding should be awarded to local developers and CBOs through a competitive bid process for land acquisition, co-investment capital, and pre-development costs.
- As a pilot program, one TOD site could be identified in each Supervisorial District.
- Should the pilot be successful, additional funds could be allocated on a routine basis.
- This fund should be managed by an independent funds manager.

7. Angel Funding to Support Local Biotech Enterprises

- A small amount of funding (e.g., \$3 million per year), should be allocated, on a competitive basis, to support emerging biotech, green tech and other related business ventures that are committed to locating in Los Angeles County and hiring local workers.
- This fund should be managed by an independent funds manager.

8. Funding for General County Operations

- In recent years, the County's budget has relied on one-time funding for ongoing operating needs. In order to realistically address the County's ongoing budget obligations, it would be prudent to set aside a portion of the funds to reduce the County's current reliance on one-time funds and mitigate potential future shortfalls in the County's General Fund budget.
- The amount of funds in this category should be reassessed based on the amount of available property tax revenue annually.