



LOS ANGELES ECONOMY & JOBS COMMITTEE

Building a World-Class City for the 21st Century

RECOMMENDATIONS FOR JOB GROWTH AND A STRONGER ECONOMY IN LOS ANGELES



JANUARY 2008

THE LA ECONOMY

Los Angeles, the nation's second largest city, has a vibrant culture, a diverse population and a strong economy. The city is a leader in a number of important areas. It is the largest manufacturing center in the United States, a major financial and professional services center, the nation's largest retail market, home to one of the world's most important seaports and busiest airports and the entertainment and cultural capital of the United States. The city also houses extraordinary centers of higher education, medical research and care, apparel, tourism, manufacturing and design, technology and biotechnology, goods movement and more.

Yet, for all of this economic activity, since its peak employment in 1995 the City of Los Angeles has declined by almost 30,000 jobs. In the past 17 years, Los Angeles has lost a net of 106,446 manufacturing jobs, a large majority of which were in the aerospace and high tech industries. Manufacturing jobs continue to be on a steady decline.

Los Angeles Economy & Jobs Committee

Under Mayor Antonio Villaraigosa's leadership, the City has addressed a number of issues that directly influence economic development. Among them are public safety, affordable housing, education and transportation. To further the City's efforts to nurture the economy and attract and retain new, quality jobs, the Mayor created the *Los Angeles Economy and Jobs Committee* (LAEJC).

The privately funded, 26-member committee is comprised of independent business, labor, academic and non-profit leaders from the greater metropolitan area. It is chaired by Russell Goldsmith, chairman and chief executive officer of City National Bank. The committee is solely responsible for the content of this report. For more information on the committee and its members, please visit www.laejc.org.

The committee was asked to examine the city's business climate, growth industries, regulatory environment and other factors that influence economic development and quality job growth in Los Angeles and to produce a set of recommendations that would help shape and improve the city's economic and workforce development policies in environmentally sensitive ways.

Job creation and economic development strategies are especially important today, in light of a slowing economy and declining government revenues. Gov. Arnold Schwarzenegger has declared a "fiscal emergency" and

proposed deep reductions in state government spending to offset an expected budget deficit of up to \$14.5 billion. Los Angeles Mayor Antonio Villaraigosa also has called on city departments to reduce spending to make up for a shortfall of at least \$243 million for the fiscal year that starts July 1, 2008. Swift enactment of the committee's recommendations would help the city to build upon its strengths, address its weaknesses and capitalize on its long-term economic and job growth opportunities.

ACKNOWLEDGEMENTS

The Los Angeles Economy & Jobs Committee is grateful to the many people who contributed to this report. They include Mayor Villaraigosa and his staff, as well as other city officials and department managers, business leaders, economic development agencies, labor organizations and academic leaders. Their expertise and understanding of city government were invaluable to the development of the committee's recommendations. This privately funded committee is solely responsible for the contents of this report.

The Committee's complete report and list of recommendations can be found at www.laejc.org.

THE RECOMMENDATIONS

After 15 months of work, the Los Angeles Economy and Jobs Committee has produced a wide-ranging set of 100 recommended steps the City of Los Angeles can take to nurture and grow its economy and jobs. In its effort to investigate obstacles to economic growth and job creation, the committee took a comprehensive look at the Los Angeles business climate, identifying critical needs and prioritizing opportunities for growth.

The committee's report contains 100 specific recommendations aimed at creating more jobs and building a stronger economy in Los Angeles. Its top three priorities involve key publicly-owned facilities that are significant to the city's economic success. They include:

LOS ANGELES INTERNATIONAL AIRPORT

Modernizing Los Angeles International Airport by expanding runway capacity and significantly improving domestic and international terminals: Domestic flight activity at LAX is down 10 percent since September 11, 2001, while all other major U.S. airports have seen increased travel. Los Angeles has experienced an 11 percent decline in international visitors in the past six years. International travelers spend more money than domestic visitors when visiting a U.S. city. One daily transoceanic flight represents \$623 million annually in regional economic output and sustains more than 3,120 jobs in Los Angeles. In the committee's opinion, modernizing and expanding LAX, the region's largest and most active airport, to be fully competitive with the best airports of the 21st century should be among the City's top economic priorities.

1. Increase capacity and improve safety at Tom Bradley International Terminal (staying within established cap levels)
2. Significantly improve and expedite the arrival experience at LAX
3. Take advantage of the airport's revenue-generating capacity by making more extensive and effective use of retail stores and advertising
4. Compete more aggressively for international carriers
5. Partner with Los Angeles World Airports and the airline industry to modernize LAX and improve the customer's experience
6. Maximize safety and operational efficiencies at LAX
7. Advocate comprehensive reform of federal travel regulations and policies to encourage more international visitors

PORT OF LOS ANGELES

Expanding the Port of Los Angeles while taking steps to protect the environment: The Port of Los Angeles, the busiest in the U.S., is a critical component of the economy here and across the nation. Container imports coming through the Port of Los Angeles have tripled since 1995. Each year, the Los Angeles/Long Beach port complex handles \$305 billion in trade and contributes \$28 billion in state and local tax revenue. The two ports also generate an estimated 500,000 jobs in the region. But the ports are headed for a potentially severe crisis of capacity. Using conservative estimates of growth, research indicates that the ports' rail-loading capacity could be exceeded by the year 2010. The ports must expand to accommodate this growth and continue to yield tremendous economic benefits for the city. This growth must take into account the added challenges of increased traffic congestion and air emissions. The committee felt strongly: there can be no growth without green and no green without growth.

8. Support increased goods movement capacity by expediting green growth projects within the port
9. Support the development of near-dock intermodal facilities
10. Support voluntary emission reduction initiatives in addition to those proposed by the State of California
11. Better utilize the Community Redevelopment Agency in port areas to develop additional land for port related activities
12. Seek alternative funding for infrastructure development
13. Create a long-term growth plan for the Port of Los Angeles
14. Establish the Los Angeles/Long Beach Ports as pioneers in green growth

VISION SOUTH LOS ANGELES

Revitalizing low-income communities with new approaches to job creation, housing and community development: The City owns 187 acres of public housing land strategically located within a three-mile radius in South Los Angeles. When large areas of a city are economically distressed, the entire economy suffers and opportunities are missed. Companies are reluctant to make new business investments in struggling neighborhoods unless they can count on a safe environment and a skilled, dependable workforce. The city can reap major social and economic rewards by sparking new job creation and making the neighborhoods safer for residents and visitors.

15. Apply smart growth (“Build LA”) principles to bring more jobs, housing, open space and community participation to residents of South Los Angeles
16. Create a joint powers authority (JPA) to redevelop city-owned housing projects
17. Apply for Hope VI federal housing funding
18. Adopt a “parcel-to-parcel” program that requires the development of distressed land in exchange for development rights of more desirable projects
19. Arrange mayor-led tours of potential development sites
20. Encourage use of New Markets Tax Credits

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WORKFORCE DEVELOPMENT

Improving coordination of regional workforce development system and resources: Labor is one of the key determinants in most companies’ location and expansion decisions. Research shows that the lack of a trained workforce is the biggest human resource issue facing Los Angeles-based companies. The committee believes that the City must make a strong commitment to ensuring its long-term competitiveness by reforming the workforce development system.

21. Facilitate the creation of a regional workforce development system to include the LA Unified School District and the LA Community College District
22. Improve coordination of the funds available for workforce training and coordinate workforce development activities throughout all city departments
23. Direct the City’s Workforce Investment Board to analyze employment growth trends and use the findings to establish workforce development strategy and priorities
24. Redefine the Workforce Investment Board’s role by placing its focus on policy and strategy formulation, quality control, marketing and resource coordination
25. Press for changes to state laws that currently restrict access to funds for local workforce training
26. Create an inventory map/matrix of workforce training
27. Complete a gap analysis of workforce training programs

EIGHT SECTOR STRATEGIES

Promoting eight growth sectors that are vital to LA’s economy: The committee identified eight key growth sectors that are critical to the success of the local economy. Each one generates a significant number of jobs in the city—jobs that present a greater opportunity for Los Angeles and that could be diminished if these industry sectors do not receive more ongoing attention and support. These eight sectors are: higher education, entertainment, creative industries, logistics/goods movement, technology, tourism/hospitality, manufacturing and international trade. The committee believes Los Angeles should build upon these remarkable economic strengths.

28. Create industry roundtables to formulate specific and extensive plans

Higher Education

29. Facilitate the growth of local universities by expediting their development permits
30. Urge the federal government to modify H1B visa rules for graduating college students seeking full-time employment in Los Angeles
31. Create a stronger partnership between higher education institutions and WorkSource employment centers run by the city and county

Entertainment

32. Provide clear and explicit direction to all City general managers, reminding them that City policy encourages local film production and expeditious permitting
33. Waive film-production rental fees at all city-owned locations
34. Make tax credits and other incentives available to entertainment and technology companies through targeted and repackaged enterprise zones
35. Encourage the creation of a 10 percent state income tax credit for the entertainment industry for film and television productions that complete at least 75% of their stage work in the state
36. Provide a modest tax credit for film production completed within the City of Los Angeles
37. Campaign for stronger worldwide enforcement of U.S. anti-piracy laws
38. Develop an education campaign aimed at helping the general public to better understand and appreciate the economic contributions of the entertainment industry

Creative Industries

39. Integrate arts and culture and creative industries more frequently into the Mayor's message and city policies
40. Promote the importance of arts education in K-12 and higher education
41. Support the Department of Cultural Affairs' grants program by restoring the agency's 1 percent share of LA's transit occupancy tax
42. Promote local art, theater and cultural events through an allotment of free advertising space at LAX
43. Include LA's cultural assets in economic development efforts
44. Ease restrictions limiting the number of streetlight banner ads that cultural organizations can use to market events

45. Support "Creative LA," an organization that promotes the economic contributions made by creative industries ranging from apparel and furniture design to movie animation and computer software
46. Integrate arts and culture with other civic priorities
47. Introduce a new creativity zone in downtown Los Angeles – one that promotes entrepreneurship, provides a mix of live/work space and offers technical assistance services to residents

Apparel & Design

48. Support the creation of an "LA Fashion Park" to further establish the city's dominance of the world's apparel and design industry
49. Clearly inform apparel industry professionals that they must apply for both a city business license and a state manufacturing license

Logistics/Goods movement

50. Develop and implement a job-training strategy to address anticipated employment growth of the logistics/goods movement industry
51. Improve port and airport infrastructure
52. Create dedicated truck lanes on several of the region's freeways (I-15, SR-60 and I-710)
53. Secure more state and federal support for LA's goods movements/logistics infrastructure

Technology/Biotechnology

54. Use city agencies to promote technology growth
55. Partner with local universities to keep tech start-up firms local
56. Lobby for federal research funding related to technology
57. Arrange a roundtable discussion of experts, leaders and venture capitalists to develop further plans to grow the biotech industry
58. Identify an additional location for building a biotech/medical device hub in West LA
59. Facilitate development of USC's biomed campus and urge LA County to support its development
60. Direct the Mayor's Business Team to seek government and private-sector biotech funding
61. Publicly announce the launch of a life sciences initiative

LA'S BUSINESS CLIMATE

Strengthening LA's business climate: While often designed to protect the consumer and improve the community as a whole, aggressive government regulation and bureaucracy not only can damage a city's reputation as job friendly but also can unreasonably impede companies that are actually doing business and providing jobs in the city. Currently, the City of Los Angeles is perceived by many as having a difficult business climate.

62. Continue to gradually lower gross receipts tax
63. Fund economic development staffing and fill positions when vacant
64. Increase technical assistance for small and medium businesses
65. Support the reinstatement of the Regional Business Assistance Network to provide services to small and medium businesses
66. Reposition the Department of Water and Power's role in economic development activities to be more responsive to business needs
67. Make greater use of Industrial Development Bonds as a retention and expansion tool
68. Increase communication between the manufacturing community and the City
69. Send welcome letters to all new businesses in Los Angeles
70. Create a customer service program for all city employees in order to improve service and responsiveness to legitimate business and labor requests
71. Revamp the City's Web site to make it user-friendly and useful for LA businesses and prospective businesses
72. Create a marketing brochure for the City of Los Angeles for business marketing
73. Work with local economic development organizations to market Los Angeles to existing and relocating businesses
74. Facilitate local development by convening regular meetings of city officials, developers and real estate brokers
75. Ask the mayor to regularly and forcefully advocate economic development and job creation in Los Angeles
76. Post to the City's Web site a list of all public Wi-Fi locations in Los Angeles

BUILDING DEVELOPMENT REFORM

Streamlining the city's building permit process:

The City, in a variety of ways, stifles development with bureaucratic processes that increase the time and expense of new development and redevelopment projects.

77. Implement all recommendations made by the Development Reform Committee chaired by Dan Garcia in 1995
78. Update the city's 61-year-old zoning codes
79. Update all of the city's community plans to provide clear and specific rules and regulations for development
80. Adopt an economic prosperity element for inclusion in the City's general plan to provide comprehensive and cohesive citywide economic and land use policies
81. Use the "Development Services Cabinet" as a vehicle to increase interdepartmental communication and customer response to the business community.
82. Reinstatement of the Development Industry Advisory Council in order to provide city staff with a better understanding of the development community's needs

LAND USE DEVELOPMENT

Preserving an adequate supply of land designated for manufacturing and creative industries:

Each year, Los Angeles loses manufacturing jobs due to the lack of available industrial land and a vacancy rate for existing industrial facilities that is below 2 percent. Research shows that industrial redevelopment creates four times as many jobs and six times the wage base of a retail center.

83. Require at least 8 percent of all land in the City of Los Angeles to remain zoned for industrial use
84. Include in the Los Angeles River Revitalization Master Plan a balanced mix of open space, industrial, commercial and residential uses
85. Support the smart growth of the NBC Universal Development Project

STATE AND FEDERAL FAIR SHARE

Securing LA's fair share of state and federal government funds, benefits and services: The City of Los Angeles is being shortchanged by both Sacramento and Washington, D.C. Each year, Californians pay over \$50 billion more in federal taxes than they receive in government support, placing California 45th in the nation on a per capita basis. Additionally, Los Angeles too often fails to receive its fair share of state funding, which harms the city's ability to grow its economy and create more state and local tax revenue.

86. More aggressively compete for and secure LA's fair share of state funds, benefits and services through a team effort by officeholders at the city, county and state levels
87. Lead a team effort to obtain California's federal fair share
88. Raise awareness of federal funding inequities
89. Raise awareness of state funding inequities
90. Obtain more state funding for the Ports of Los Angeles/Long Beach and LA International Airport
91. Obtain more federal funding for low-income housing
92. Create additional state incentives for the entertainment industry

CITY CHARTER AND GOVERNMENT REFORM

Enacting further charter reform to enhance the representation and accountability of city government:

Next year marks the 10-year anniversary of LA's charter reform legislation, which requires the City to issue a report assessing the impact that reform changes have had on the City's governing process.

93. Create a charter reform commission in 2008 – and every 10 years after that – to recommend ways of making city government more productive, efficient, representative and accountable
94. Create an Economic Development Department consolidating all city economic development activities into one division
95. Require city departments to address issues identified in audits conducted by the Controller and to follow up with reports to the Mayor
96. Require an “economic impact” report prior to the adoption of any ordinance that would significantly affect business, the economy and jobs in Los Angeles
97. Mayor should issue an Executive Directive to all departments to implement a “Buy LA” program to increase city patronage of LA-based businesses
98. Create a “centralized grant unit” within the Chief Administrative Officer's office to monitor the implementation of city grants
99. Encourage memorandums of understanding between city departments with responsibilities for the same projects
100. Create a viable alternative to reward productive employees and consider a merit bonus program for exempt city employees as an option

The committee's report contains 100 specific recommendations aimed at creating more jobs and building a stronger economy in Los Angeles.

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