



## REAL ESTATE

### Overview

The City owns a diversified portfolio of assets including office, mixed-use, commercial, industrial, single-family, multi-family properties and vacant land located throughout the State of California as well as in the states of Arizona and Nevada. The City is an owner, operator, developer and consumer of real estate, however the City has been unable to provide a comprehensive listing of its real estate assets which impeded the City's ability to strategically leverage its portfolio to further its operational or economic goals.

The goal of the O-Team reform effort is to elevate the City's its expertise on real estate management by employing skilled professionals to manage and optimize the performance of the City's real estate portfolio, driving a standard of excellence and operational efficiency. The O-Team recommends the Mayor establish a Center of Real Estate Excellence & Innovation to serve as the City's centralized real estate authority; staffed with professionals that would employ best in class strategies in the management, leasing, development and real estate financing.

The first phase to establishing the center for real estate excellence is to launch a strategic arm of the Los Angeles Development Fund which will be used on leveraging publicly owned land and property for mixed-use housing, economic development purposes or open space requires proactive and innovative ideas to meet the challenges and demands of the diverse market. The strategic arm would interface with private sector, non-profit sector, and the philanthropic community; as well as policymakers to implement and execute short-term and long-term legacy projects.

### Long Term Goals

- To move the City towards utilizing real estate data analytics to derive insights and empower the City to make faster and more informed real estate decisions.
- To challenge the City to manage its real estate holdings as a valuable portfolio that can be leveraged in a coordinated and strategic way to support municipal, civic and economic development initiatives.
- To increase transparency around real estate for internal, external and industry stakeholders.
- To implement industry best practices in facility management to improve the financial and functional performance of City facilities.
- To leverage City-owned property to increase revenue for the City.
- To institute a model of using City-owned property for community development and quality mixed income housing.

### Short Term Goals (by June 30)

- To increase the City's business intelligence around real estate through implementation of AssetWorks.
- Launch public facing portal through [gsd.lacity.org](http://gsd.lacity.org).
- Raise the expectations of City real estate staff by establishing a professional development training series for City staff.
- Develop a proactive asset management strategy and outline proposed framework to restructure LADF.

- On-Board DCA, EWDD, DOT, RAP and LAPL, Council Districts, Mayor’s Office, CAO, and CLA to ePP/AssetWorks.
- Implement an adopt-a-lot program through GSD.
- Design performance scorecard to analyze the performance of city-owned assets.
- Outline the process to update the City real estate classifications with the Personnel department and pilot a new hiring process.

### Accomplishments to Date

- Engaged internal and external stakeholders on the real estate reform’s efforts including but not limited to DWP, EWDD, HCID, Harbor Dept., Dan Rosenfeld, Morlin Asset Management Company, Rising Realty, Kilroy Realty, the Watt Companies, NBC Universal Real Estate Division, Metro Development Division and New York City Economic Development Corporation.
- Facilitated increased collaboration across City departments.
- Accelerated the procurement for permanent citywide asset management solution.
- Creation of City’s 1st comprehensive inventory of real estate holdings.
- Partnered with Cornell University’s Applied Statistics Master’s Program, which resulted in data-driven, decision-making models on how to prioritize assets.
- Engaged community and private sector partners and cultivated industry relationships with BOMA and ULI.
- Pepperdine Capstone Project on creative financing models.
- Launched a Capstone Project with Columbia University School of International and Public Affairs to perform analysis and strategic implementation of the Los Angeles Development Fund.
- Presented the new asset management system to all 15 Council Members and their offices.
- Partnered with UCLA Ziman Center of Real Estate for an asset management roundtable with CEOs from affordable housing, development and financing institutions.
- Lead implementation of interim asset management platform eProperty Plus to manage cleansed data.
- Assisted HCID secure assistance through the National Resource Network, a program through President Obama’s Strong Cities, Strong Communities Initiative to evaluate their real estate operations.
- On-boarded CAO, EWDD and LADOT to ePP.
- Secured \$2.5M in funding to implement City’s permanent asset management system in FY 16-17 Budget.
- Served on the Mayor’s Affordable Housing Task Force, Homelessness Initiative.
- Expanded ePP access to Council Districts.
- Conducted site tours and facilitated best practices discussions with the Watt Companies, Watt Plaza/ABM Property Management Team and Rising Realty.
- Launched a directed research project with the USC Price School and City Housing and Community Investment Department around leveraging city-owned land to support affordable housing efforts. The students will present their final presentation on Saturday, April 1, 2017 at 10:00 a.m. at Lewis Hall on the campus of USC.
- Developed and hosted a Performance Based Building Coalition - contractors, developers, infrastructure funds, banks, governors, mayors, associations - to facilitate the use of private investment in the construction, renovation, and replacement of our nation's aging and run down public buildings.

### **PROCUREMENT**

The core challenge facing the City’s procurement practices is the lack of structural leadership driving integrated metrics, performance, and leveraging scale. Although the City’s commodities are centralized within the General Services Department—representing just \$436 million of more than \$8.2 billion annually spent—Los Angeles is the only of the nation’s five largest cities that lacks a centralized, strategic procurement process. The impact is evidenced across the entire value chain and directly influences the resources required and spend to buy goods and services across a complex, multi-faceted organization, with fast-paced, innovative purchasing needs.

Departmental operations are not aligned to execute best practices and or leverage scale, leaving a misalignment in staffing skills to drive the majority of the process to identify, contract, and procure. Prospective vendors have no central point of entry into the City's processes. For vendors who make it through the City's bidding process, interface with expert panels will only occur after the City has drafted the RFP for the product they believe they need.

While private enterprises train and designate buyers and purchasing agents to lead procuring and supplying their organizations with the best, most innovative products, inputs, and services, the City's decentralization prevents cross-departmental vertical excellence. Performance metrics, accountability, and timeline goals are non-existent across the City's departments; thus creating the environment for a 432-day contracting process with built-in higher pricing to be the City's operational norm.

The O-Team has analyzed the City's procurement practices, formulated solutions, and is implementing the leadership, technology and data related reform measures needed to pursue procurement excellence.

### Long Term Goals

- Increase Supplier Diversity (Improve certification process)
- Reduce Contracting Timeline
- Increase Cost Savings
- Increase Clarity and Transparency Around Processes
- Increase Competition
- Increase Local Suppliers and Local Spend
- Increase Internal Collaboration (i.e. Department Contract Coordinators and procurement leadership)
- Increase Access to Resources and Training

### Short Term Goals (By June 30)

- Establish Procurement Leadership (Office of Procurement headed by CPO)
- Advance MWBEs (Database, increase procurements, MWBE cert process improvements)
- Complete Citywide Analysis of Contract Compliance
- Implement Software/Tech Tool to Analyze City Spend
- Continued Support of a Procure to Pay System Strategy (roll out is July 1, 2017)

### Accomplishments to Date

- Researched and interviewed various cities and agencies to determine the City is 20 years behind in establishing strategic procurement leadership.
- Established baseline of the City's procurement spending, contracts, timelines, forms and processes, supplier diversity assistance programs, training and staff, and technology infrastructure (\$8.2 billion).
- Aided in ensuring funding for and played key role in the redesign of BAVN.
- Identified procure to pay system gaps in the new Financial Management System (to launch July 1, 2017).
- Facilitated SmartProcure implementation for GSD's commodities ordering operations (\$436 million annually) to improve pricing and vendor identification and trained staff.
- Working with Manett Phelps, assessed the legal structure of the City's procurement functions and thresholds, reviewing options to establish procurement leadership and update the City's contract thresholds.
- Secured a Innovation Fellow from the Harvard Kennedy School of Government Performance Lab. The fellow or possibly fellows will serve on site in the City for one year to support the new chief procurement officer pro bono.

## WELLNESS & SAFETY PROGRAM

A City-wide wellness and safety program that reduces costs and mitigates risk via infrastructure for ongoing accountability, tracking, and response to workforce injury and illness.

City employees filed 7,106 workforce injury claims in FY14-15, costing the City more than \$223 million in workers' compensation expenditures. The direct costs of workforce injuries comprise roughly 70 percent of citywide liability claims. Our workforce injury rate—18 claims per 100 employees—far exceeds comparable local, state, and national benchmarks. These costs impose an unsustainable burden on the City's budget, undermining the City's ability to provide superior public service and to achieve fiscal and operational sustainability.

At the current rate of growth, workforce injuries are projected to cost the City more than \$300 million annually by 2025. In addition to impacting the General Fund, the human capital costs are impeding the City's ability to provide services at desired levels. Nowhere are these human capital costs more evident than at the LAPD. Police injuries prohibit approximately 1,860 officers each day from performing regular duties. This fact was discussed at the recent Public Safety Committee meeting as one of the reasons for rising crime in the City. Over the last three years, roughly 60 percent of the police force took leave for a workplace injury. Injury-related absences cause the LAPD to suffer from short-staffing and disruption across divisions, rising salary continuation costs, and an over-dependence on overtime.

The O-Team has studied the City's existing wellness and safety operations, conducting over 70 meetings and interviews with City safety staff, risk managers, General Managers, and line supervisors and workers. We mapped existing efforts and assigned roles and responsibilities for every step and task in the injury cycle. To date, the O-Team has worked with Personnel, LAPD, LAFD, GSD, Rec and Parks, DOT, Board of Public Works Departments, the Port, and LAWA. We have worked in consultation and secured support from the offices of the City Attorney, Controller, CAO, and City Council (via legislative motion sponsored by David Ryu and Mitch O'Farrell).

Through this process, we have identified areas where immediate action is critical to improve the City's safety and wellness efforts, with a focus on rigorous and standardized data capture and analysis, centralizing and streamlining safety and wellness efforts, and improving accountability and oversight. The O-Team's initiatives will align the City's efforts with best practice and put the City on a path toward operational excellence.

### Long Term Goals

- Reduce Workplace Injuries
- Reduce Costs (claims, litigation)
- Safely Return Employees to Work After Injury
- Advance Culture of Wellness and Safety
- Implement City-Wide Wellness and Safety Policies
- Establish Employee-Centric Wellness Program
- Institutionalize and expand data-driven approach to Wellness and Safety
- Increase ability of workforce to serve Angelenos
- Finalizing a scope of work for an academic project with the L.A. Fire Department and the Big Data Class at Cal State LA. The Big Data Class will analyze the length of firefighter leaves based on injury types with additional analysis of surgery and medical costs.
- Working with LAPD Risk Assessment Unit and the Personnel department to discuss process improvements for workers compensation claims and incorporating more user centered design to ensure adequate use of technology to capture data for insights and analysis.

## Short Term Goals (By June 30)

- Hold inaugural meeting of Mayor's Risk Reduction Cabinet
- Implement Riskconnect
- Integrate Claims Rate per 100 Employees into Mayor's Dashboard
- Complete High-Cost Claim Profile Analysis
- Digitize Accident Investigation Forms (w/ Personnel)
- Pilot a Method of Tracking employees out on leave (w/ Personnel and LAFD)
- Develop a Plan to Operationalize a Citywide Job Bank (w/ Personnel)

## Accomplishments to Date

- L.A. Mayor Eric Garcetti has signed Executive Order No. 18 to create a Chief Risk Management Officer in every department and office, the creation of a Mayor's Risk Reduction Cabinet, that will include the City Attorney and President of the City Council (or their designee) and the creation of a Chief Safety and Wellness Officer for each department and office and the use of data and technology to create a monthly dashboard to track progress in the management of injuries.
- O-Team presented to the Health, Mental Health and Education Committee on the initiatives that the Personnel Department is implementing to improve citywide Wellness and Safety.
- Supported buildout of Citywide safety team, housed in the Personnel Dept., to ensure best practice safety efforts throughout the City (Filled vacant safety administrator position and added two safety engineers).
- Benchmarked City-wide Claim Rate.
- Conducted in-depth injury analysis of Top 8 WC-related cost-producing departments and presented insights to departmental leadership.
- Created template for digitized Accident Investigation forms for RMIS integration.
- Integrated risk management strategies into annual GM performance reviews.
- Secured Wellness Fuse Fellow to develop a City-wide wellness program. The fellow is currently working within Personnel to build out the program.
- Expanded injury cause options in iVos (Fitness/Training, Lack of training or skill, Unsafe condition/act, Equipment use (unsafe or lack of), Failure to follow procedures/protocols, Use of force incident, Traffic accident, Repetitive work, Work environment/exposure).

## **Mayor's Cup**

The Mayor's Cup was created by the Operation Innovation Team to develop a competitive environment for young entrepreneurs at L.A. universities to pitch innovative solutions for tackling the city's biggest challenges. Competitors were asked to develop ideas to address one of two issues: growing L.A.'s economy and civic engagement in neighborhoods.

More than 100 teams applied, with the top five competing in the finals. Key partners in this year-long effort include the L.A. City Partners, Lloyd Greif Center for Entrepreneurial Studies at the USC Marshall School of Business, USC Marshall School of Business, the Center for Entrepreneurship and Innovation at California State University- Los Angeles, the Fred Kiesner Center for Entrepreneurship at Loyola Marymount University, Startup UCLA, FuturizeX at UCLA, Cross Campus, the Mayor's Fund for Los Angeles, Mitú Network, AmplifyLA, Hacker Fund, Make in LA, LADWP La Kretz Innovation Campus, Hexlab MakerSpace, Nava College Prep Academy, Swipe Out Hunger, LegalZoom, Bixel Exchange, Indie Desk, Startup DTLA, Two Bit Circus, Crush Industries.

Cal State Los Angeles won the top prize at the inaugural Mayor's Cup in 2016. The team was comprised of undergraduates from Cal State L.A. and their winning idea was the creation of a traveling small business resource center, which could deliver mentorship opportunities and pathways to capital to underserved,

underrepresented, and under-connected small business owners. Cal State L.A.'s Small Business Strong team will claim a \$25,000 prize and will work with the Mayor's Operations Innovation Team for eight weeks to prototype their idea.

We are in the process of putting together the 2017 Mayor's Cup and please let Charles Hirschhorn or myself know if you would like to be involved in any way - sponsorship, in-kind, student teams, etc.