

**ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083**

**FOR A LOAN AGREEMENT
BY AND BETWEEN
CITY OF LOS ANGELES
AND
TECHSHOP LOS ANGELES, LLC**

Pursuant to Government Code Section 53083, the City of Los Angeles must hold a noticed public hearing and, prior the public hearing, provide all of the following information in written form and available to the public and through the City's website, regarding a proposed economic development subsidy to the provided by the City pursuant to a Loan Agreement by and between the City of Los Angeles and TechShop Los Angeles, LLC ("Agreement"). The date of the public hearing will be published in the City Council agenda.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regards to the Agreement. This report shall remain available to the public and posted on the City's website until the end date of the economic development subsidy as further described in Section 2 below.

1. Beneficiary name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.

The agreement is with TechShop Los Angeles, LLC who will benefit from the economic development subsidy. TechShop, Inc. is the parent company.

TechShop Los Angeles, LLC
1933 South Broadway
Los Angeles, CA 90001

TechShop, Inc.
300 South 2nd Street
San Jose, CA 95113

2. The start and end dates and schedule, if applicable, for the economic development subsidy.

If the loan agreement is approved, the start date of the economic development subsidy will be in April 2015. The loan term is for ten years from the date of execution and should be fully repaid by May 2025.

3A. Description of the economic development subsidy.

TechShop Los Angeles will be the first scaled workshop and prototyping studio to open in Southern California. Up to \$1.7 million in Community Development Block Grant funds will be used for start-up operating expenses, engineering and

architect costs, and the purchasing of equipment, software and other eligible costs which will allow entrepreneurs affordable access to fabrication and prototyping technology.

TechShop Los Angeles will partner with the City's BusinessSource Centers, WorkSource Centers, educational institutions and corporations to recruit a diverse membership representing the many ethnicities and creative interests that comprise the City of Los Angeles.

The City's investment in TechShop Los Angeles will provide a total of 540 one-year memberships within a five year period and training credit of \$350 for each awarded one-year membership, which will equate to approximately 5 classes to income-qualifying individuals, veterans and microenterprises. Memberships can be renewed for a second year, upon Economic and Workforce Development Department (EWDD) review and approval of progress and or demonstration that the membership business has been launched or stabilized. This investment represents an opportunity for the City to potentially create 540 new business enterprises and provide new wealth, knowledge and jobs in our communities.

Additionally, TechShop Los Angeles anticipates creating at least 20 new living wage full-time positions on site within the first two years and potentially up to 30 during the term of the loan. The majority of the jobs are semi-skilled positions and more than fifty-one percent of the positions will be made available to low and moderate-income persons.

3B. Proposed economic subsidy to the project and/or projected revenue losses to the City of Los Angeles.

The \$1,700,000 will be structured into two financial instruments. The primary will be a traditional loan of \$700,000 that will carry a 4.5% interest rate for a term of 10 years, fully amortized. The second will be a service repayment conditional loan of \$1,000,000 that will be forgiven over five-years subject to meeting milestone requirements, which include: 1) initiating a total of 540 one-year memberships for a five year period; 2) provide training credit of \$350 for each awarded one-year membership, which will equate to approximately 5 classes; 3) meeting annual reporting requirements; and 4) successfully tracking members for at least one year after their membership expires.

4. A statement of the public purposes for the economic development subsidy.

On May 7, 2014, the City Council adopted the 40th Program Year Housing and Community Development Consolidated Plan. The plan included \$3 million for newly established Economic Development Investment Fund established to leverage private sector investment in under-served communities and create jobs. On May 15, 2015, the EWDD reported to the Economic Development Committee on its intended uses for these funds. All expenditures are intended to increase

the city’s tax base revenue and create employment opportunities for local residents. This will be the EWDD’s first major investment of the funds and in recognition of the limited funding available within the City for economic development, EWDD has thoughtfully underwritten this project. The proposed deal structure will allow EWDD to make a critical investment that will create new jobs and new businesses in the City and allow for investment returns to be circulated into new projects in the future.

5. The projected tax revenue to the local agency as a result of the economic development subsidy.

The City anticipates that TechShop Los Angeles will produce net new revenues through increased sales, utility user and business tax revenues, as follows:

Estimated Net Present Value of Utility User Tax Revenue (Revenue to City of Los Angeles)	\$68,000
Estimated Net Present Value of Sales Tax Revenue (1% portion of taxable sales to City of Los Angeles)	\$11,000
Estimated Net Present Value of Business Tax Revenue (Revenue to City of Los Angeles)	\$10,000

6. The estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

The City anticipates that the establishment of TechShop Los Angeles will result in the creation of approximately 540 individual/entrepreneurs, 30 permanent living wage jobs, and 15 construction jobs.