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# A Poor Fit for Los Angeles OP-ED: Incentives for South Gate clothing company to relocate should be killed by L.A.'s jobs czar

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# A Poor Fit for Los Angeles

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**By PETER DREIER**

How will Austin Beutner, L.A.'s new jobs czar, carry out his mandate to make the city more "business friendly"? Mayor Antonio Villaraigosa has given him a large portfolio. About half of all municipal departments –including the port, the airport, the Department of Water and Power, the Convention Center, Planning, Housing, and the Community Redevelopment Agency (CRA) – will report to the former investment banker. The direction he takes could shape the city's future.

Within the city, however, people disagree about what constitutes a healthy business climate. Business groups want Beutner to entice private investment by reducing fees, streamlining government approvals, slashing regulations, and offering tax breaks and subsidies. Labor, community and environmental activists argue that a healthy business climate means attracting and investing in growth industries that pay living wages, are tied to the region, provide workers with opportunities for advancement, and reduce pollution and energy use.

Los Angeles now has more sweatshops, pollution and homeless people than any other American city. Economic development policy needs to serve broad public goals – shared prosperity, not dead-end jobs that widen the city's economic divide.

An early test of Beutner's approach will be how he handles a burgeoning controversy that has divided the CRA board. The staff recommended spending several million dollars to lure a small garment factory from South Gate to South Los Angeles. Councilwoman Jan Perry is a big fan of the project, but the CRA board is split.

In question is a proposal to give away – for free – two industrial buildings on a 47,500-square-foot site that the city bought for $2.7 million in 2007. The company, Pacific Center Place, a real estate firm, plans to repair the buildings and clean up the site, where Goodyear once had a manufacturing plant. It then intends to rent the space to D&J Sportswear, so D&J can move its clothing factory from South Gate. To sweeten the deal, the city wants to provide about $3 million in 10-year low-interest loans.

D&J would be required to provide 30 jobs in the first two years, and 74 jobs in the fifth year. The deal calls for half of those jobs to pay the city's living wage – currently $10.30 per hour plus $1.25 per hour in health benefits. In exchange for D&J meeting the jobs target, the city would wipe out $750,000 of the loans. The other jobs could pay as little as $8 per hour – below the poverty level. There's also no provision that D&J provide full-time jobs.

The CRA board members who oppose the plan believe that it is a ridiculous use of taxpayer dollars. They're right, for three reasons:

• First, stealing jobs from a nearby city isn't economic development. It may lower L.A.'s jobless rate by a tiny bit, but it will increase South Gate's unemployment rate, and make little difference in the overall number of jobs in L.A. County. In fact, some of the South Gate factory's current workers may wind up with the jobs in the L.A. plant.

• Second, the last thing South Los Angeles needs are more dead-end, poverty-level jobs that offer little room for advancement. If the city is going to subsidize a for-profit corporation to bring jobs to South Los Angeles, shouldn't it get a bigger bang for the buck? Garment manufacturing is notorious for its sweatshop conditions. Small sewing shops frequently shut down or move. Why subsidize a low-wage employer that won't generate enough business taxes to offset the city subsidies, much less pay for the municipal services? Why not try to attract a business in a growing industry that creates "green" jobs that pay decent wages?

• Third, why rush into a lousy deal when, with a bit of patience and entrepreneurship, the CRA could possibly get a better deal in terms of attracting an employer in an industry with more growth potential and better jobs? Why doesn't the city hold a bidding process to see if any companies might be interested in buying and paying for the site?

**Living wage**

Meanwhile, the CRA staff has provided little information about Sam Eshaghian, Pacific Center Place's owner. Why is Eshaghian being required to invest only about $200,000 of his own money in this multimillion-dollar transaction? Does Eshaghian, who owns a garment manufacturing company called ECED, also own D&J? Will Eshaghian really just be renting the property to another one of his own firms, D&J? If so, is he wearing two hats in this deal to circumvent the city's living-wage policy? If the city maintained ownership of the buildings, fixed them up and leased them directly to D&J – rather than giving it away to a middleman – the garment firm would have to pay all its employees a living wage.

Either way, what is D&J's track record as an employer – has it complied with laws regarding wages, working conditions and environmental practices?

Hopefully, Beutner understands that this kind of piecemeal give-away makes no sense as part of a coherent economic development strategy.

As Villaraigosa has said on many occasions, Los Angeles needs a high-road approach to economic development. This vision redefines a "healthy business climate" as one in which the city's future economic prosperity can be widely shared, lifting families out of poverty and rebuilding the city's middle class.

The CRA's proposed deal accomplishes none of those objectives. As one of his first acts in his new position, Beutner should tell the agency to kill this deal and go back to the drawing board.

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