



Highlights

Why OCA Did This Study

In accordance with the Office of the City Auditor's Fiscal Year 2017 Audit Work Plan, we conducted a performance audit of the Economic Development Department's Business and Industry Incentives Program.

The objectives of our audit were to determine the effectiveness of outreach, incentives offered, and opportunities to improve incentives provided by the Economic Development Department's Business and Industry Incentive Program.

What OCA Recommends

OCA made 10 recommendations to improve the program. Key recommendations include:

- EDD should implement a more embracing outreach program to ensure businesses in older, underserved communities have an opportunity to pursue BII incentives.
- EDD should fully implement its case management system to track businesses receiving incentives and the incentives received.
- EDD should develop policies outlining the required analysis for all potential incentives, which is scaled based on the size of the incentive provided. EDD should also require agreements for businesses receiving more valuable incentives.
- EDD should confer with industries targeted by the Economic Development Strategy and update the BII to reflect what incentives provide the greatest impact in meeting the City's economic development goals.

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City of San Diego, Office of
the City Auditor

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Economic Development's Business and Industry Incentives Program

Significant Improvements in Outreach, Tracking, and Evaluation are Needed to Ensure That Incentives are Distributed Appropriately and More Equitably

What OCA Found

The City of San Diego (City) has a variety of economic development goals. The City Council created the Business and Industry Incentives Program (BII) to provide a range of incentives to businesses that promote economic development within the City. We made a total of 10 recommendations for the Economic Development Department (EDD) to improve BII program outreach, tracking, and evaluation.

Finding 1: A More Robust Outreach Program is Needed to Advertise the Incentives Available through the Business and Industry Incentives Program and Ensure Program Benefits are More Equitably Distributed Across the City.

We found a comprehensive outreach program is needed to ensure that businesses that can generate the greatest benefit to the City are aware of the program and seek to use it. In addition, we found that very few businesses in older, underserved areas of the City have received BII incentives.

Finding 2: The BII has not Maintained Adequate Records of Businesses that Have Requested Incentives through the BII, or the Incentives that were Provided.

We found EDD had no tracking system, had no internal policies or procedures on what information should be collected from businesses receiving BII incentives, and did not consistently document what businesses received assistance under the BII.

Finding 3: The BII Collects Minimal Information from Most Businesses Requesting Incentives, and Performs Incomplete Document Analysis Justifying Why Incentives Were Granted.

We found EDD had no internal policies to perform or document analysis showing how beneficiaries met BII eligibility criteria or any anticipated benefits the City would receive. As a result, EDD could not demonstrate that many incentives were justified.



Finding 4: EDD Does not Require Agreements Outlining Benefits the City should Receive From the Vast Majority of Businesses that Receive Incentives, and Does Not Conduct Any Monitoring to Evaluate the Overall Effectiveness of the BII.

We found EDD only enters into agreements with businesses receiving financial incentives, and does not require recipients of other types of incentives to provide any information on business performance after the incentive is awarded. Therefore, EDD does not have sufficient information, and does not measure the BII's overall performance.

Finding 5: Council Policy 900-12 Should be Updated to Reflect Current Economic Trends and Strategy.

We found that EDD believes the incentives in Council Policy 900-12, which has not been updated since 2001, are outdated and should be modernized, and based on information provided by EDD and recent trends in economic development, we believe this is likely the case.

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