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.

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.

We found that EDD believes the incentives in Council Policy 900-12, which has not been updated since 2001, are outdated and should be modernized, and based on information provided by EDD and recent trends in economic development, we believe this is likely the case.