

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: April 9, 2025

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer *Malaiika Billups* for

Subject: **INNOVATION FUND RECOMMENDATION – TURNING WASTE INTO WEALTH: INVESTING IN THE CIRCULAR ECONOMY**

RECOMMENDATION

The Office of the City Administrative Officer recommends that this committee note and file this report.

SUMMARY

The Innovation and Performance Commission (IPC) approved funding in the amount of \$200,000 from the Innovation Fund (IF) for the Bureau of Sanitation (LASAN) Turning Waste into Wealth: Investing in the Circular Economy pilot project. As with all IPC recommendations, this report presents the proposal that LASAN submitted and the IPC approved, along with the information necessary to implement the idea as presented. However, since all IPC items are discretionary expenditures, in deference to the extraordinary budget constraints outlined in the Third (Mid-Year) Financial Status Report, this Office does not recommend funding the proposal as presented at this time.

SUMMARY OF PROPOSAL

The following is a summary of LASAN's Innovation Fund proposal, including the department's estimate of the benefits and costs of implementing the proposal:

LASAN is seeking to leverage Recycling Market Development Zone (RMDZ), an economic program run by CalRecycle, which aims to promote businesses using recycled materials in their manufacturing in an effort to build the circular economy by fueling new businesses, expanding existing ones, creating jobs, and diverting waste from landfills. LASAN defines "circular economy" as: the reduction of waste by keeping materials and products in circulation for as long as possible and designing products to be more durable, reusable, and repairable. The traditional "linear economy" adheres to a production and consumption model that is unsustainable. LASAN administers the local City of Los Angeles zone of the RMDZ program and has recently expanded business support opportunities by debuting a prototype microfunding initiative that has received statewide attention. This pilot will expand this RMDZ prototype program into a multi-phase pilot program to invest in the City's circular economy and to make the City of Los Angeles more livable and sustainable – through seed funding for local businesses.

Through implementation of this pilot, LASAN anticipates a return-on-investment that includes the following:

- The program helps expand reuse, repair, and recycling capacity in the City.
- Participant businesses are encouraged to scale up their manufacturing of recycled- and reused-content products within the City, raising the possibility of increased business tax revenue.
- Demonstrates to local businesses that the City supports efforts to test new, innovative approaches to creating recycled-content products. This will in turn encourage businesses to relocate to or remain in Los Angeles instead of considering neighboring cities and establish the City of LA as a hub for green innovation and manufacturing.
- Creates a database to connect local businesses that produce recycled feedstock with businesses that utilize that feedstock. This will help build the circular economy within the City of Los Angeles.
- Opens the door to potential synergies between the RMDZ program and other City programs and initiatives in an effort to reach the City's zero waste goals.

LASAN initiated a prototype phase of this pilot, using \$14,000 provided through CalRecycle. The prototype phase funded seven "extra-small" projects to test out new approaches assisting small businesses in using recycled materials in their manufacturing. LASAN awarded small amounts of CalRecycle-reimbursed funding ranging from \$700–\$3,000 to four Los Angeles-based businesses. Businesses were recruited through a streamlined application process by engaging directly via social media and business networks. This pilot will provide five \$15,000 awards for small-sized projects and three \$30,000 awards for medium projects.

This pilot has been broken into two phases. Phase I will expand seed funding opportunities to previous applicants that did not receive funding through the prototype period, more businesses, and increase awards available to recipients. Phase II includes research for market gaps and target seed funding to underserved businesses that show potential for growth. The phasing of this pilot allows LASAN to expand and build on findings from each round, connecting more businesses with local suppliers and manufacturers of recycled content products. The pilot is anticipated to run for two years.

The IPC recommended \$200,000 for the Bureau of Sanitation – Turning Waste into Wealth: Investing in the Circular Economy. The funds will be used as follows:

- \$75,000 in funding dedicated for small-sized projects (five projects at ~\$15k each)
- \$90,000 in funding dedicated for medium-sized projects (three projects at ~\$30k each)
- \$35,000 in funding for administration and outreach

\$200,000 Total Funding

If the item is approved by this Committee, LASAN should return to the IPC, present any changes to the scope of work and provide updates to the IPC.

FISCAL IMPACT STATEMENT

The recommendation to note and file this report will have no financial impact.

If the Council approves an allocation of \$200,000 to LASAN for the “Turning Waste into Wealth: Investing in the Circular Economy” project, it would reduce the remaining Innovation Fund Balance, which is currently \$2,768,922.75. Savings from the Innovation Fund Balance may be used to address the current city-wide financial crisis and the overspending in the 2024-2025 fiscal year. Additionally, funding this program may incur unfunded and ongoing costs.

FINANCIAL POLICIES STATEMENT

The recommendation in this report complies with the City’s Financial Policies.

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