

CITY OF LOS ANGELES

CALIFORNIA

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The Honorable Eric Garcetti
Mayor, City of Los Angeles
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Attention: Heleen Ramirez,
Legislative Coordinator

Los Angeles City Council
Economic Development and Jobs
Committee
c/o City Clerk
Room 395, City Hall

TRANSMITTAL: REPORT BACK ON THE ECONOMIC AND WORKFORCE DEVELOPMENT DEPARTMENT (EWDD) REQUEST FOR AUTHORITY TO RELEASE THE LOS ANGELES BUSINESSSOURCE CENTER OPERATORS REQUEST FOR PROPOSALS

SUMMARY

On March 23, 2021, the Economic Development and Jobs Committee (EDJC) considered the recommendations included in the EWDD report dated March 8, 2021, requesting authority to release a Request for Proposals (RFP) for the Los Angeles BusinessSource Center (BSC) Operators. At the conclusion of the meeting, the EDJC instructed EWDD to reevaluate the recommendations contained in the report to ensure an equitable program that addresses the needs of underserved communities, and report back within 30 days.

EWDD re-assessed the proposed BusinessSource Center (BSC) locations and funding levels based on the needs assessment conducted as part of the RFP. As a result of the EDJC directive and further analysis, EWDD is recommending actions in this report back transmittal to achieve more equitable access to BSCs and services across the City. The recommendations direct dollars to BSCs in under-resourced communities as defined in the needs assessment report.

RECOMMENDATIONS

The General Manager of the Economic and Workforce Development Department (EWDD) respectfully requests that the City Council, subject to the approval of the Mayor as required:

1. REVIEW and APPROVE EWDD recommended number of BSC Operators and funding levels as proposed in this transmittal for the Los Angeles BusinessSource Center (LABSC) RFP; and
2. AUTHORIZE the General Manager of EWDD to prepare and release a Request for Proposals (RFP) for the Los Angeles BusinessSource Center (LABSC) Operators, subject to City Attorney review as to form and legality; and submit recommendations to the City Council and Mayor for BSC operator selection and contract authority for the contract term of January 1, 2022 to June 30, 2022, with the option to renew for up to two (2) additional, one (1) year terms.

FISCAL IMPACT STATEMENT

Funding for the BSC System is proposed at \$6,500,000, utilizing Community Development Block Grant (CDBG) funds, with no impact on the General Fund.

BACKGROUND

The most notable revision from EWDD's original report dated March 8, 2021, is the proposed creation of an additional service area and adding a new location to the BSC system. The new service area was achieved by separating the existing Southeast Los Angeles/Watts area into two different regions. The needs assessment performed by EWDD as part of the RFP revealed that the existing Southeast Los Angeles/Watts area is the area with the greatest concentrated need. Adding an additional BSC to this area will ensure a more equitable distribution of funds and make additional resources available to this under-served community. The creation of an additional Center means the BSC System will now be comprised of ten (10) centers instead of the previously proposed nine (9) centers.

EWDD also proposes funding to offset the mandatory set-aside of \$50,000 for payment of Centralized Services as outlined in the RFP. Centralized Services include legal and credit services provided by contractors identified by EWDD. In this report back, we are requesting that baseline funding for BSCs be at \$575,000 per center.

EWDD's reevaluation addresses the equitable distribution of funds by providing an additional \$150,000 to the five (5) service areas that scored 30 points and above on the Needs Assessment (Southeast LA, Watts, East Los Angeles, Pico/Union, and South LA). RFP proposers will determine the best use of additional funds based on the needs of the communities they intend to serve. Flexibility in the use of funds will discourage a cookie-cutter approach and allow operators to tailor services to meet the needs of their clients, such as bringing on additional staff, programming for area-specific industries, and/or having alternate/satellite locations. This proposal will provide funding for ten (10) locations, with increased funding for five of the 10 locations.

DISCUSSION

The previous EWDD report dated March 8, 2021, proposed funding nine (9) BusinessSource Centers at \$550,000 each or \$4,950,000 systemwide. At the time, level funding was selected due to the uncertainty of the availability of additional Community Development Block Grant funding. At the direction of the Economic Development and Jobs Committee, EWDD revisited select recommendations and used the needs-based assessment developed as part of the BSC RFP as a guide in the distribution of BSC allocations with the understanding that additional funds would be considered with the revised proposal.

First, EWDD took a second look at the needs assessment report to re-assess the BSC Service Areas. The result of the reassessment led to separating the Southeast LA/Watts Service area into two service areas, thereby creating ten (10) service areas with corresponding Centers. The shift in BSC geography places a greater emphasis on bringing resources to underserved communities with higher concentrations of poverty and highest need for economic investment.

The indicators considered in the service area assessment are the City's poverty rates, existing businesses with active Business Tax Registration Certificates (BTRC), persons in low- and moderate-income households, Opportunity Zones, Promise Zones, and the target areas addressed in the Citywide Economic Development Strategy (CEDS). The methodology to determine the greatest need was based on a point system method comparing all the regions and distributed points accordingly Attachment A.

The revised needs assessment results (illustrated below) produced the following ranking with 1 assigned to the area with the greatest need:

Region	Points distributed based on greatest need with ten the maximum and one the minimum				Economic Development Areas		Total (50 points max)	Ranking
	% Low/Mod Residents	% Living in Poverty	% of Opportunity Zones	# of Businesses in area	Target Area in the CEDS?	In a Promise Zone?		
Southeast Los Angeles	10	10	7	7	5	5	44	1
Watts	9	9	10	10	5	0	43	2
East Los Angeles	8	6	9	9	5	0	37	3
Pico Union/ Westlake	7	8	8	2	5	5	35	4
South Los Angeles	6	7	4	6	5	5	33	5
Harbor	1	5	3	8	5	0	22	6
North Valley	4	4	2	5	5	0	20	7
Hollywood	5	3	5	1	5	0	19	8
South Valley	3	2	6	3	0	5	19	8
West Valley	2	1	1	4	0	0	8	10

EWDD staff reviewed the cost-benefit analysis for the original proposal of \$550,000 in funding for each BSC. Upon further review and analysis of the demand for services, EWDD recommends baseline funding each Center at \$575,000. The additional funding

will help offset the BSCs allocation for payment of Centralized Services as outlined in the RFP. Centralized Services include legal and credit services provided by contractors identified by EWDD.

Proposed Funding Justification

EWDD recommends ten (10) Centers at \$575,000 each, with an additional \$150,000 to five (5) Centers in areas of high need (Southeast LA, Watts, East Los Angeles, Pico/Union, and South LA) that scored 30 points and above on the Needs Assessment, with these 5 centers receiving a total of \$725,000 per Center. Proposers will have the flexibility to determine if the area needs additional staff, enhanced services or alternate/satellite locations. In addition, all Centers will be required to leverage partnerships and establish a presence in disadvantaged neighborhoods.

A breakdown of the proposed funding levels for each BSC under is provided below:

Service Area	Original Budget	Proposed Budget	Additional Funding	Individual BSC Budget
Southeast Los Angeles		\$575,000	\$150,000	\$725,000
Watts	\$550,000	\$575,000	\$150,000	\$725,000
East Los Angeles	\$550,000	\$575,000	\$150,000	\$725,000
Pico Union / Westlake	\$550,000	\$575,000	\$150,000	\$725,000
South Los Angeles	\$550,000	\$575,000	\$150,000	\$725,000
Harbor	\$550,000	\$575,000		\$575,000
North Valley	\$550,000	\$575,000		\$575,000
Hollywood	\$550,000	\$575,000		\$575,000
South Valley	\$550,000	\$575,000		\$575,000
West Valley	\$550,000	\$575,000		\$575,000
System Total	\$4,950,000	\$5,750,00	\$750,000	\$6,500,000

EWDD's recommendation captures a greater service distribution Citywide. Additional funding for 5 Centers can reach more businesses, providing greater equity to areas with greater need. Flexibility in funding will allow Operators to establish alternate locations or satellite locations. Operators can work with other partners and stakeholders in identifying and running satellite and alternate locations across the service area.

Additionally, post COVID-19 pandemic, individuals may be more comfortable using Zoom and other virtual modes to communicate with one another. Center staff will be available remotely and in person, especially to meet with clients one-on-one who may not have access to computers, email, or may not be well versed in technology.

PERFORMANCE METRICS

The Economic Development and Jobs Committee instructed EWDD to elaborate on any new performance metrics and outreach strategies that would be part of the RFP.

Performance Metrics are a critical tool to measure and enhance the LABSC program Citywide. Measurable goals will be set and LABSC operators will be responsible for

documenting results manually and electronically in an automated database prescribed by the City.

Historically, metrics collected have focused on clients enrolled, loans packaged, businesses launched, and jobs created and retained. With this new RFP, there is an opportunity to expand the metrics collected to ensure businesses are provided with vital and comprehensive services leading to sustainability.

The estimated outcome for the first Program Year for the entire system will be as follows:

Service Results	Minimum Expected Outcome
New Businesses Outreached	3,000
Total # of New Clients Enrolled	1,000
Total # of Events & Trainings Hosted	360
Loans Packaged	450
Economic Impact	Minimum Expected Outcome
Jobs Created or Retained	900
New Businesses Launched	240
Total Capital Infusion	\$17,500,000*
Increase Business Net Profit by 5%	250

*Estimate based on past performance

Three new metrics are being introduced with the new RFP: New Businesses Outreached, Total Capital Infusion, and Increase Business Net Profit by 5%. These new measures will allow EWDD to track economic indicators which are essential in the post COVID-19 financial landscape citywide.

Performance goals will be higher for areas with additional funding with an emphasis on the new recommended metrics.

New Businesses Outreached will emphasize promoting the LABSC system awareness and engaging new clients. Operators will be required to canvass their service area to introduce services to businesses unfamiliar with LABSC system. *Total Capital Infusion* relates to loans, grants, and access to lines of credit. Capturing this data allows EWDD to track who and what areas are benefitting from these services and where services can be targeted to. Emphasis will be placed on assisting businesses in underserved neighborhoods and populations.

To address sustainability, the new *Increase Business Net Profit by 5%* metric was incorporated to increase business net profit by 5%. Using tools such as Profitability Assessment, Debt Schedule, and an analysis of Cost of Goods Sold (COGS) will lead to increasing the profitable net margin. All LABSC goals, existing and new, are designed to build and strengthen individual businesses who in turn create a more sustainable, resilient, and livable City.

MARKETING STRATEGY

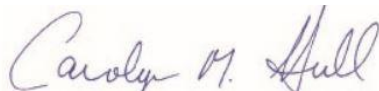
EWDD will develop a citywide marketing strategy to promote and advertise the services provided by the BSCs. Centers will utilize several outreach modes such as social media platforms, website, direct mail, email marketing, newsletter, print advertising, public relations, event marketing, television, and radio. EWDD will also make use of video conferencing and other interactive techniques to reach target populations including language diversity. Marketing tools will be made more appealing to businesses by adding video testimonials on website and social media outlets. EWDD will also engage the Jobs and Economic Development Incentive (JEDI) program in disseminating information on BSC services.

One key element of the outreach strategy is to implement a consistent image of the BSC program in joint effort with operators. BSC branding will highlight the innovative system and services by promoting a uniformed message to capture business audience to include micro-enterprises, small, and large businesses. Marketing will take a Citywide approach so that all businesses are made aware of BSC services.

EWDD will also collaborate with City partners such as the Mayor's Office and Council District offices for endorsement at BSC Grand Openings. Partnerships with the Mayor's Office LA Optimized program and others will be strengthened and expanded upon. Services will also be publicized through the quarterly EWDD Systems Regional Meetings, and joint networking events and mixers will be organized to inform the public of the free services available at the BusinessSource Centers.

CONCLUSION

EWDD developed a proposal to work towards a prosperous and equitable City. The re-envisioned BSC Program seeks to route additional resources to historically underserved areas. Authority to release the RFP to select BSC Operators is critical to the continuation of the BSC System. Now more than ever there is an urgent need to meet the needs of businesses recovering from the effect of COVID-19 on the economy. The BSC Program will continue to be a successful tool in providing businesses comprehensive and diversified services for job creation/retention and business start-up and stabilization.



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FJ:DH:JDR:RP

Attachment A: Justification for New BusinessSource Center Services Areas
Revised