

TRANSMITTAL

To: **THE COUNCIL**

Date: **03/08/21**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCETTI
Mayor

CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL
GENERAL MANAGER



ERIC GARCETTI
MAYOR

**ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT**

1200 W. 7TH STREET
LOS ANGELES, CA 90017

March 2, 2021

Council File:
Council District: All
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Heleen Ramirez, Legislative Coordinator

TRANSMITTAL: REQUEST FOR AUTHORITY TO RELEASE THE LOS ANGELES BUSINESSSOURCE CENTER OPERATORS REQUEST FOR PROPOSALS

The General Manager of the Economic and Workforce Development Department (EWDD) respectfully requests that your office review and approve this transmittal and forward to the City Council for further consideration.

SUMMARY

EWDD is requesting authorization to release the BSC RFP in March 2021, upon approval of the City Council and Mayor. The BSC Program was last procured in 2015 through a process that resulted in the establishment of nine (9) non-profit and for-profit managed centers located throughout the City. Since its inception, the BSC program has functioned as a performance-driven system providing various levels of assistance to eligible, for-profit microenterprises and small businesses operating in the City of Los Angeles or to aspiring entrepreneurs who reside in the City of Los Angeles.

EWDD considers that the BSC System requires successful proposers to be funded at \$550,000 each. Centers will be located based on the need of the proposed service area and funding availability. A total of \$4,950,000 is required to fund nine (9) BSCs at \$550,000 each. This is the minimum amount required so that BSC operators can provide a menu of services to effectively and efficiently assist businesses.

To ensure that the BSC program and corresponding contracts begin effective October 1, 2021, EWDD estimates that the RFP process will be completed by September 2021. This time frame will align with the approval of the Program Year 47 Consolidated Plan budget, through which CDBG funds from the U.S. Department of Housing and Urban

Development (HUD) are allocated. CDBG funds will continue to serve as the primary source of funding for the BSC Program.

RECOMMENDATIONS

AUTHORIZE the General Manager of EWDD to prepare and release a Request for Proposals (RFP) for the BusinessSource Center (BSC) 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 funding for the contract term of September 1, 2021 to June 30, 2022, with the option to renew for up to two (2) additional, one (1) year terms.

FISCAL IMPACT STATEMENT

The BSC Program is funded with Community Development Block Grant (CDBG) funds. Therefore, there will be no impact on the General Fund since the BSC Program is expected to be fully funded by CDBG.

BACKGROUND

In 2012, the Mayor and City Council authorized the establishment of the BSC Program in an effort to revitalize the local economy by providing services and resources to help business owners launch viable businesses, grow revenue streams, and remain competitive in the City. The BSC system replaced the former Los Angeles Business Assistance Program (LABAP), which had been in operation since 1999.

The BSC Program has been a critical resource for business owners. The following are select accomplishments over the last two program years, demonstrating the positive impact that BSCs have on the business community:

- A total of \$53 million in new business loans were packaged and approved
- Approximately 337 new businesses were established
- Approximately 1,800 jobs were created or retained
- Over 1,300 businesses were assisted in addressing COVID-19 related matters during the current pandemic

Operators for the BSC Program were last procured in 2015. In efforts to increase efficiency, promote service standardization, and ensure that BSC services are of high quality and at the most cost-effective price, it is necessary to re-procure the BSC system through an RFP process.

In preparation for the BSC re-procurement, and to improve the efficiency of the delivery of services, in 2019, EWDD conducted surveys of businesses, met with current BSC operators, and completed a cost-benefit analysis and service area assessment.

Three unique surveys were sent to approximately 2,700 businesses and other stakeholders, including a Customer Satisfaction Survey, a Brand Awareness Survey, and a current BSC Staff Feedback Survey. The Customer Satisfaction Survey was sent to clients who used BSC services in the prior three years. The Brand Awareness Survey

was sent to chambers of commerce, business improvement districts (BIDs), and other trade associations. The BSC Staff Feedback Survey was sent to staff of current BSC operators.

Responses to survey questions revealed that 84.1% of respondents found BSC services helpful. Of the numerous services BSC's provide, respondents identified workshops as the most used service at 59.4%, one-on-one client consulting at 39.1%, and business plan assistance at 36.7%. Respondents to the survey suggested improving the BSCs by expanding the diversity of speakers and instructors (different generations, genders, and backgrounds), provide workshops at various levels (i.e., beginner, intermediate, or advance), offering workshops in different languages, adding staff with specialized knowledge, greater outreach to business owners who need assistance, and ability to complete and submit business certifications on-site. The results of the surveys have informed recommendations included in this report.

BSC PROGRAM

The BSC Program provides various levels of assistance to eligible, for-profit microenterprises, and small businesses operating in the City of Los Angeles, and aspiring entrepreneurs who reside in the City. The goal of the BSC RFP is to select operators that will provide an array of services to new and existing business owners through planning, access to capital, stabilization, and resiliency leading to a stronger local economy.

The BSC system will provide services to businesses within the City of Los Angeles and will target two business types:

- Microenterprises: Five or less (W-2) employees, including the owner(s).
- Small Businesses: 6 to 500 employees with annual gross sales not exceeding \$7,500,000 as defined by the Small Business Administration.

The expected outcomes for these target populations are new businesses, business retention, and business expansion for the development of needed goods and services in underserved communities, and job creation/retention to benefit individuals with low incomes.

Locations and Hours of Operation

Currently, the BSC system consists of nine (9) strategic locations throughout the City. Under the BSC RFP, the selected operators will be required to have at least one main office site. The operators may seek to establish optional satellite locations within the service area that are co-located with existing partners such as WorkSource Centers, incubators, and/or public facilities such as libraries. Co-location will promote resource leveraging and synergy across other existing delivery systems.

The BSC operators will be required to provide a minimum of forty-five (45) hours of services every week during the duration of the contract. In addition, the city is requesting that operators develop a flexible schedule that offers services during evening hours and on Saturdays at least once per month, making these much-needed services more available and accessible to the business community.

Language Capacity

Each BSC will be required to have language capacity based on service area demographics, with each BSC offering services in at least two languages.

Core and Leveraged Services

The BSC will be a key component to implementing an economic recovery strategy that ensures that small businesses have the resources that they need to navigate the negative on-going impacts of the COVID-19 pandemic and develop a resiliency plan for future economic shocks. A holistic approach to starting, stabilizing, and expanding businesses requires business services, fiscal support, access to capital, technology services, and legal assistance. Delivery of these services is essential to the well-being of businesses in the City, and the BSC system must adapt to the changing economic environment.

The BSC service delivery system will require each of the selected BSCs to provide a menu of core services that will focus on general business services, financial services, and access to capital. However, to maximize the efficacy of the BSC system additional services that promote the growth, stability, and success of businesses, will be provided with a combination of leveraging services and centralizing the delivery of other support.

Table 1 below outlines the required Core and Leveraged services, and also identifies services that will be Centralized.

Table 1

| REQUIRED CORE SERVICES | |
|-------------------------------|--|
| General Business Services | <ul style="list-style-type: none"> • Business Needs Assessment • SWOT Analysis • Business Planning • Business Courses • Business Compliance Requirements • Marketing/Social Media • License and Permits • Entrepreneur Services • One-on-One Coaching |
| Financial Services | <ul style="list-style-type: none"> • Business Finance Courses • Procurement • Financial Analysis • Credit Counseling (CENTRALIZED SERVICE) |
| Access to Capital | <ul style="list-style-type: none"> • Loan Packaging • Lenders Criteria (Direct and Indirect Lending) • Income and Cash Flow Evaluation • Cash Flow Management |
| Technology | <ul style="list-style-type: none"> • Cybersecurity • Website Optimization • Payment and Financial Solutions (CENTRALIZED SERVICE) |

| | |
|--|---|
| Legal Services (CENTRALIZED SERVICE) | <ul style="list-style-type: none"> • Leases and Property Management • Appropriate Business Structure • Contract Preparation and Review |
| RECOMMENDED LEVERAGED SERVICES | |
| Technology and Digital | <ul style="list-style-type: none"> • Website Development and Management |
| Financial Services | <ul style="list-style-type: none"> • Business Tax Preparation Support • Disaster Resiliency |

CORE SERVICES

General Business Services

BSC operators will provide free business services to clients in the form of one-on-one consulting, webinars, and/or other appropriate methods. BSCs will collaborate with community partners and contractors to provide specialized services.

- **Business Needs Assessment**
Assessment to identify services and interventions appropriate for the stage and needs of that specific business. Services will be tailored to the needs of the business to achieve optimum outcomes.
- **SWOT Analysis**
Teach the strategic planning method structured on four elements of concern - strengths, weaknesses, opportunities, and threats.
- **Business Planning**
Assistance in preparing a business plan that identifies and analyzes economic, technical, and financial feasibility. This includes succession planning for legacy businesses, in efforts to preserve the economic fabric of communities.
- **Business Courses**
Business courses that teach entrepreneurs and small business owners the skills needed to reach business goals in business planning, business plan development, e-commerce, cybersecurity training, business forecasting, business insurance options, financial controls, marketing, and market assessment.
- **Business Compliance Requirements**
Assistance with compliance with business regulatory requirements. Provide technical assistance to comply with new regulations necessary for the continuation of the business.
- **Marketing/Social Media**
Support with building business brand and providing social media tools to market and promote the business. Technical assistance to conduct a market assessment and marketing plan. Introduction to social media platforms customers use every

day like Facebook and Instagram and selling products on online marketplaces like Amazon and eBay.

- **Licensing and Permits**

Assistance to ensure that proper local, state, and federal business registration processes, permits, licenses, and certifications are obtained to operate a business legally in the City.

- **Entrepreneur Services**

Coaching and support to help entrepreneurs overcome barriers and unlock their company's full potential.

- **One-on-One Coaching**

Continued business coaching from BSC staff will ensure businesses have the support they need as they navigate changes in business trends and regulatory requirements. BSC staff will work with businesses to build resilience and adapt to changes in the economy. BSCs will work towards building collaborations between clients. One approach is for seasoned clients to mentor other clients whenever possible.

Financial Services

BSCs will conduct a fiscal check-up to assess needs and develop objectives to promote growth, productivity, and revenue for small businesses through improvements to their business financial administration. Services will include financial analysis to determine how to assist businesses in growth and stabilization periods.

Access to Capital

Capital is critical for small business success. Without adequate financing, through microloans and/or commercial lending, most entrepreneurs cannot start new businesses or grow their existing companies. When small businesses can access adequate financing, they create jobs. Access to working capital can help an expanding business pay for new employees, office space, materials, equipment, marketing, and more. Lack of financing can cause businesses to reduce the number of employees and fail to meet the demand for goods or services.

BSCs will help clients with financial analysis, loan packaging, and matching lenders criteria. BSCs will implement strategies to strengthen credit scores, cash flow, and income, debt ratios, among other aspects of the business to improve their opportunities for securing loans.

Technology

BSC operators will provide technology-related services including upgrades that can enable businesses to sell products and services, capture other markets, and expand their reach. Services for existing online businesses and businesses moving to e-commerce.

CENTRALIZED SERVICES

One major enhancement to the BSC system under the proposed RFP is the utilization of some centralized services. To streamline frequently used services and for economies of scale, services of payment and financial solutions, credit counseling, and legal services are proposed to be centralized and accessed across the BSC system. BSC operators will be required to collaborate with community partners procured by the City that will provide these centralized services. Costs for these centralized services is estimated at \$50,000 and must be part of the proposed budget included in the response to the BSC RFP.

- **Payment and Financial Solutions**

Services to set up an online store for mobile use to allow customers to shop from anywhere. Information and benefits of one point of sale system. Point of sale system will allow review and management of inventory, sales, payments, and analytics. Integration with professional accounting tools like QuickBooks.

- **Centralized Credit Counseling**

Assistance for personal credit report review, building, and correcting business credit. Information and advice on how to protect against predatory lending practices, including how to identify, avoid, and report predatory lending.

- **Legal Services**

A vital component of conducting business are legal services. The BSC operators will be tasked to leverage services from community partners to provide legal consultation for lease negotiations, appropriate business structure, and contract preparation and review.

LEVERAGED SERVICES

BSCs will be asked to provide leveraged services. This will encourage the centers to expand their pool of resources and solidify partnerships. There will be some flexibility to meet the leverage requirement. For example, centers can collaborate with community partners to obtain office space and count this towards their leverage requirement or arrange to have consultants and other partners donate their time for training.

- **Website Development and Management**

Website development and creation for businesses without an online presence. E-commerce audits of existing websites to identify opportunities for improvement. Optimize business websites by connecting small businesses to create and design services including photographers, web designers, among others.

- **Business Tax Preparation Support**

Business owners need to understand their federal, state, and local tax requirements. BSC operators will be asked to work with community partners for assistance with tax questions and preparation.

- **Disaster Resiliency**

BSC RFP TERMS

Contract Term

Successful proposers will be funded for an initial 9-month period starting October 1, 2021 to June 30, 2022 with the option to renew for two (2) additional one-year periods. The purpose of the proposed two-year option is to allow for continuity of services under the program. However, before the annual renewal, EWDD will conduct an assessment to evaluate performance, compliance, changes in business and program needs, and other pertinent risks/value factors.

Renewal or extension of the contract term will be contingent upon the availability of funds, evaluation of the contractor's performance, and the contractor's continuing compliance with applicable federal, state, and local government laws and regulations.

Eligible Proposers

Community-based organizations, nonprofit organizations, Community Development Financial Institutions (CDFI), Small Business Development Centers (SBDC) institutions of higher education, government agencies, private for-profit organizations, chambers of commerce, or other business and labor organizations, with a minimum of three years (within the last five years) of experience in providing comparable services, will be eligible to apply. Eligibility criteria will be further defined in the RFP document.

Funding Level

EWDD conducted a cost-benefit analysis to assess the cost of funding the BSC Program. Funding is recommended, based on solicited services, in the amount of \$4,950,000 for nine (9) BSCs.

Successful proposers will be funded at \$550,000 per center, which includes \$50,000 set aside for the Centralized Services subject to the approval of CDBG funding in the Program Year (PY) 47 Consolidated Plan, and thereafter. Additionally, the RFP will require BSC operators to provide leverage in the amount of \$200,000 per center, including in-kind services.

Number of BSC Locations

The number of BSCs to be funded is contingent upon the amount of CDBG resources that are available at the time funding recommendations are prepared. Priority will be given to funding BSCs in the service areas identified as having the greatest need (Attachment A). The requested funding level of \$4,725,000 in CDBG funds would allow nine (9) centers to be funded in PY 47. In the event that funding is not available, there will be a reduction in the number of centers.

Proposed Service Areas

EWDD conducted a service area assessment to redefine BSC target service areas. After taking into consideration the City's poverty rate, existing small businesses, persons in low- and moderate-income households, Opportunity Zones, Promise Zones, and the

target areas addressed in the Citywide Economic Development Strategy (CEDS), it was determined that nine service areas are needed for the BSC System.

Data considered in determining the greatest need among the proposed service areas were from the following sources: 2013-2017 American Community Survey Five Year Estimates, total businesses with an active Business Tax Registration Certificate (BTRC) with the Office of Finance using data from the City’s Open Data portal as of May 15, 2020, persons in low- and moderate-income households using data from 2011-2015 American Community Survey Five Year Estimates per U.S. Department of Housing and Urban Development (HUD)’s Community Planning and Development (CPD) Notice 19-02, established opportunity zones, and the target areas addressed in the CEDS.

Below is a list ranking proposed services areas, with number 1 representing the area identified as having the greatest need, based on the indicators derived from the aforementioned sources.

| BSC Service Area | Neighborhoods | Council Districts |
|--------------------------------|---|--------------------------|
| 1. Watts/Southeast Los Angeles | Watts, Green Meadows, Broadway-Manchester, Florence, South Park, Historic South Central, Central-Alameda | 8, 9,15 |
| 2. East Los Angeles | Lincoln Heights, Boyle Heights, El Sereno | 1, 14 |
| 3. Pico Union/ Westlake | Pico Union, Westlake, Downtown, Chinatown, Echo Park, Rampart Village, Koreatown, Harvard Heights | 1, 4, 13, 14 |
| 4. South Los Angeles | West Adams, Jefferson Park, Adams-Normandie, University Park, Baldwin Hills/Crenshaw, Leimert Park, Exposition Park, Vermont Square, Hyde Park, Chesterfield Square, Harvard Park, Vermont-Slauson, Manchester Square, Vermont Knolls, Gramercy Park, Vermont Vista | 8, 9, 10 |
| 5. Harbor | Harbor Gateway, Harbor City, Wilmington, San Pedro | 15 |
| 6. South Valley | Van Nuys, Valley Glen, North Hollywood, Sherman Oaks, Valley Village, Studio City, Toluca Lake | 2, 4, 6 |
| 7. North Valley | Sylmar, Mission Hills, North Hills, Panorama City, Arleta, Pacoima, Lake View Terrace, Hansen Dam, Sun Valley, Shadow Hills, Sunland, Tujunga | 6, 7 |
| 8. Hollywood | Hollywood, East Hollywood, Los Feliz, Silver Lake, Fairfax, Hancock Park, Larchmont, Windsor Square, Mid-Wilshire, Koreatown, Harvard Heights, Arlington Heights, Mid-City | 4, 5,10,13 |
| 9. West Valley | Northridge, North Hills, Reseda, Lake Balboa, Tarzana, Encino, Sepulveda Basin, Canoga Park, Winnetka, Porter Ranch, Granada Hills | 3, 5, 6, 12 |

Eligible organizations may propose to serve a maximum of two service areas. Individual proposals must be submitted for each proposed service area.

BSC Office Space Requirements

The BSC program is a service area-based model and as such, it is critical that each BSC be strategically located and of adequate size. All centers will consist of a main office and optional satellite locations. Each BSC main office will have a minimum of 2,500 sq. ft. with both a classroom and office space for confidential discussions, and with adequate parking accommodations. The proposers will be encouraged to co-locate the satellite

office space within WorkSource, YouthSource, or FamilySource centers, local libraries, incubators, or council district offices. All program-affiliated buildings must be compliant with Americans with Disabilities Act (ADA) standards.

As a result of the COVID-19 pandemic, the provision of BSC services quickly shifted from in-office to remote. To ensure continuity of services, BSC Operators will be required to have the capacity to provide services remotely in addition to the above office location requirements.

Accountability for Performance Outcomes

The BSC Program will continue to be focused on accountability and transparency with weekly reports, quarterly monitoring visits, and annual performance evaluations, based on a balanced scorecard approach that measures outputs and outcomes. All program activities from registration through exit will be electronically recorded in an automated database prescribed by the City. Timely and accurate reporting of all activities will be a priority. Currently, the City requires the use of the Salesforce system. However, this is subject to change.

Evaluation Criteria

EWDD will select a team of proposal raters to review and score each complete and fully responsive proposal received by the RFP submission deadline. Proposals will be determined eligible for review and scoring based on the responsiveness and factuality or verifiability of the proposal documentation and information. A minimum score of 70 is required to be considered for funding. Proposals will be evaluated based on the following categories and may include consideration of any or all of the listed factors at the City's sole discretion.

- Demonstrated Ability - 20 points
- Program Design - 45 points
- Facility Location and Suitability - 10 points
- Cost Reasonableness, Leveraged Resources and Financial Viability - 25 points

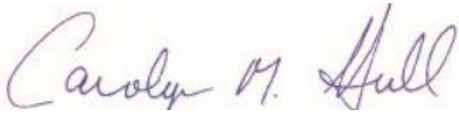
Charter Section 1022

On December 9, 2019, EWDD requested a determination from the Personnel Department, based on the provisions of Charter Section 1022, that the City does not have sufficient staff to perform the required services sought under this RFP; the determination from the Personnel Department was confirmed on December 23, 2019.

CONCLUSION

Authority to release the RFP to select BSC Operators is critical to allow for the implementation of the BSC System. EWDD projects that the BSC Program will continue to be a successful tool to provide businesses comprehensive and diversified services for job creation/retention and business stabilization. Small businesses are the lifeblood of Los Angeles and the nation, and as such, need to be supported. The BSC Program will

fill an important need in providing technical assistance and support to the business community in our City.

A handwritten signature in blue ink that reads "Carolyn M. Hull". The signature is written in a cursive style with a large initial 'C'.

CAROLYN M. HULL
General Manager

CH:FJ:DH:JR: RP

ATTACHMENT A: Justification for New BusinessSource Center Service Areas