

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: March 30, 2022

To: Honorable City Council
c/o City Clerk, Room 395, City Hall
Attention: Honorable Mike Bonin, Chair, Transportation Committee

From: Seleta J. Reynolds, General Manager 
Department of Transportation

Subject: **L.A. AL FRESCO GRANT PROGRAM UPDATE**

SUMMARY

In response to the direction in Council File (CF) 20-1074, this report presents the Los Angeles Department of Transportation's (LADOT) recommendations to establish the L.A. Al Fresco grant program with contractual services funding appropriated in the Fiscal Year (FY) 2022 budget. This report describes the criteria for equitable fund distribution, the estimated number of participating businesses, the allowable fund uses, the method for fund distribution, and the estimated timeline for the program launch.

RECOMMENDATION

That the City Council APPROVE LADOT's recommended eligibility criteria and process for selecting and prioritizing locations for funding through the contractual services provided for in the FY 2022 budget.

BACKGROUND

LADOT received \$1,614,791 in the FY 2022 budget to create grant opportunities for restaurants in under-invested neighborhoods to set up permanent curbside dining areas.

In September 2021, LADOT and the Bureau of Engineering (BOE) presented a joint report on the recommended permitting process for a permanent outdoor dining program in the public right of way. At that time, Council directed LADOT to report back with an update on how to establish the grant program.

DISCUSSION

The L.A. Al Fresco program served as a critical lifeline to businesses since the program's launch in May 2020. Over 2,700 restaurants benefitted from the program to date. LADOT assisted 191 businesses to set up curbside dining areas on the street by providing safety equipment at no cost to the businesses. In a recent survey of curbside dining participants, 81% of businesses report they would have closed permanently without the outdoor dining provided by the L.A. Al Fresco program. Though the safety equipment that delineates the dining area is free of cost, businesses are responsible for providing tables and chairs, furnishings, and decorations that fit their operational needs and identity, which may still

pose a financial burden to the business as they recover from the pandemic. The goal of the grant program is to provide more comprehensive relief to the small businesses that have suffered negative economic impacts due to the pandemic.

The Economic Workforce Development Department (EWDD) typically administers grant programs that provide funds directly to businesses. EWDD currently manages the Comeback Checks program that distributes funding to small businesses to recover from the pandemic, and their department has dedicated contractors that assist with in-person application assistance and administration of the program. LADOT does not have the same expertise and resources in distributing grant funding but will use EWDD's programs as a model.

Funding Source

The General Fund will provide the funding and appropriation for the grant program. Due to the nature of the program and anticipated outcomes, this program is also eligible for American Rescue Plan (ARPA) funds the City received. The grant program is in line with the statutory use options of these federal funds, as it responds to the public health emergency or its negative economic impacts by providing assistance to small businesses and impacted industries. If the City reports this program under its ARPA eligible projects, LADOT must ensure the grant program abides by the U.S. Treasury's guidelines.

Rules & Requirements

The following section describes LADOT's recommendations for defining equity criteria, use of funds, grant allocation amounts, and disbursement method. This section also describes any federal requirements for ARPA-eligible projects.

Equity Criteria

Throughout the pandemic, LADOT prioritized L.A. Al Fresco program resources for those businesses in *COVID-Impacted Neighborhoods*. LADOT's research established a boundary by combining two datasets: disadvantaged neighborhoods (bottom 20% scoring neighborhoods) according to the Healthy Places Index created by the Public Health Alliance of Southern California; and neighborhoods where 30% or more of all COVID-related job losses were in the Food Service & Accommodation sector, provided by the City Administrative Office (CAO). These datasets allowed LADOT to deploy equipment and resources in areas of greatest demonstrated need. In a post-pandemic program, LADOT identified new datasets to continue distributing grant funding equitably without relying on COVID-specific information.

The budget allocation specifies grant beneficiaries as businesses in low-income neighborhoods, which required LADOT to programmatically define low income. An Area Median Income at or below 80% is the standard for low-income designation. However, to broaden the range of eligibility, LADOT also recommends including those businesses in historically disadvantaged neighborhoods as defined by the California Environmental Protection Agency's dataset of the top 25% disadvantaged communities in CalEnviroScreen 3.0.

These two datasets together will provide a broader list of eligible neighborhoods (45 total) compared to the previously used *COVID-Impacted Neighborhoods* (35 total). The eligibility boundary includes new areas such as Van Nuys, North Hollywood, Atwater Village, Echo Park, Mid City, and Los Feliz, which

have many existing Curbside Dining Areas (Figure 1). This eligibility boundary includes 60 existing Curbside Dining Areas (38%) that would be eligible to apply.

Additionally, ARPA guidelines require that grant recipients must be a small business with 500 employees or fewer. Verification of a recipient's status as a small business will be a required reporting item to the Treasury.

Eligible Use of Funds

ARPA allows funding for storefront and facade improvements. LADOT recommends offering grants to businesses seeking to establish new outdoor dining areas, as well as existing businesses who seek to modify or redesign their dining area. Eligible materials will include tables and chairs, shade coverings, decorations, decking, and structures that meet City requirements. While LADOT hopes the grant funding will solicit broader interest and participation in the program, this funding can also greatly assist existing businesses. LADOT is currently drafting the design guidelines and requirements for the permanent in-street dining program and will specify allowable structures, equipment, and materials. Once finalized, existing businesses could apply for a grant to use the funding to make modifications compliant with new guidance, or to further improve the identity and operation of their dining area.

Businesses expressed significant interest in modifying dining areas once they have more certainty about the future of the program. In November 2021, LADOT surveyed L.A. Al Fresco participants with curbside dining areas to better understand the outcomes of the temporary program, the level of interest in a permanent program, and the investment participants have made into their current curbside dining areas. Seventy-four percent (74%) of survey respondents said they would modify their dining areas in a permanent program, which includes those that would make minor adjustments (47%) and those that seek to redesign their dining area (26%).

Allocation Amount

To date, LADOT paid for and installed equipment to establish outdoor dining areas, and businesses provided their own furnishings. To determine an amount of money that would sufficiently assist businesses to build their own outdoor dining areas, LADOT researched outdoor dining area costs. Some companies offer pre-built options that range from \$6,000 to \$22,000. In most cases, outdoor dining areas are custom-built by contractors per the specification of the client, such as those built in San Pedro. Many curbside dining areas across the City use furnishings built from plywood sheeting, a material that is not weather resistant nor intended for long-term use.

In LADOT's survey of curbside dining participants, 50% of respondents report spending over \$10,000 on their dining area, and 21% have spent over \$20,000. Based on both LADOT's research and the survey results, the Department recommends allocating up to \$25,000 per business. This will allow businesses to purchase or build furnishings with sturdier materials, if desired. Businesses may opt to request any dollar amount less than \$25,000. At this allocation, the \$1,614,791 budget will support at least 64 businesses.

Distribution of Funds

The Treasury does not require a certain payment structure for grant beneficiaries, such as providing funds in advance or reimbursing expenditures. EWDD's Comeback Checks Program provides payment in

advance with an approved application and a business expense plan, and the City enters into a contract with each business to ensure they abide by City requirements and the approved expense plan. Advanced payment will require post-installation auditing from LADOT but is the preferred payment method for businesses. A reimbursement model requires a business to pay for dining area installations and improvements before receiving financial assistance, which can be overly burdensome for small businesses.

Timeline

The grant program will allow businesses to establish permanent outdoor dining areas, and will be coordinated with the launch of the permanent L.A. Al Fresco program. The City recently extended the temporary use authorizations to expire on June 30, 2022, though Council authorized the program to continue up to six months after the emergency order ends. As described in previous reports in CD 20-1074, a permanent Al Fresco program requires several policy changes that impact multiple City departments.

The grant program's launch will be most effective at the beginning of the transition period between the temporary and permanent programs in order to aid businesses in making any required modifications to their dining area before they obtain an R-Permit.

The Treasury requires ARPA funds be obligated by the end of the Calendar Year 2024. The CAO's Office confirmed that LADOT can request the reappropriation of these funds in the FY 2023 budget, which will allow LADOT to continue the grant program into the next fiscal year if necessary.

FINANCIAL IMPACT

The FY 2022 Budget identified and appropriated \$1,614,791 in the General Fund to launch the grant program. LADOT is not requesting additional funding or staff at this time in order to launch the program.

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Figure 1: L.A. Al Fresco Grant Program Eligibility Boundary

