

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: March 18, 2016

CAO File No. 0220-01024-2753

Council File No. 10-1901

Council District: Various

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer

*MS*  
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Reference: Economic and Workforce Development Department Transmittal dated February 24, 2016

Subject: **LOS ANGELES BUSINESSSOURCE CENTERS (LABSC) SYSTEM OPERATOR  
REQUEST FOR PROPOSALS (RFP) FINAL RECOMMENDATIONS**

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### SUMMARY

In a Transmittal dated February 24, 2016 (C.F. 10-1901), the Economic and Workforce Development Department (EWDD) requests Mayor and Council approval of the results of a Request for Proposal (RFP) issued on September 21, 2015 for the Los Angeles BusinessSource Center (LABSC) System. EWDD requests authority to negotiate with five service providers to operate business centers in nine service areas throughout the City, with one provider operating three centers, two providers operating two centers each, and two providers operating one center each. The contractors recommended by EWDD are listed in the Attachment to this Report. The proposed total contract amount is \$4,500,000 (\$500,000 per contract for each center). The funding source is Community Development Block Grant (CDBG) funds which are included in the Mayor's proposed 42<sup>nd</sup> Program Year (2016-17) Housing and Community Development Consolidated Plan (PY 42 Consolidated Plan) (C.F. 15-1041), currently pending in Housing Committee. EWDD states that as stated in the RFP, any additional funds received beyond base level funding will be allocated among BusinessSource Centers according to demand for services. In this effort, EWDD states that the Department will request the assistance of the Office of Finance to identify data describing the characteristics and distribution of new businesses in the City and will use this data, coupled with performance data reported by the LABSC regarding the needs of businesses served, to report back to Council and Mayor regarding distribution of any additional funds above the current funding level.

This Office recommends approval of the results of the RFP included in the Attachment and authority for EWDD to negotiate and execute contractual agreements with the recommended agencies to provide services in the nine service areas, subject to compliance with the City's contracting policies, availability of grant funds and approval of the City Attorney as to form and legality. If any additional funds are received for the LABSC System beyond the base funding of \$4,500,000 of CDBG funds, this Office recommends for EWDD to report to Council and Mayor for approval of acceptance and allocation of the additional funds.

## **BACKGROUND**

The EWDD has operated the LABSC System since 2011, and the current service provider contracts expire on March 31, 2016. On September 16, 2015, Council approved a Report from the Economic Development Committee (C.F. 10-1901), relative to a Transmittal from EWDD dated September 4, 2015, which authorized EWDD to release an RFP to procure contract operators for the LABSC for up to a five year period beginning April 1, 2016, and directed the Department to submit recommendations regarding contractor selections and description of data to be used for determination of allocations if additional funding is received.

The EWDD states that the goal of the LABSC System is to continue and increase the availability and array of business services available in Los Angeles. The system model focuses on Microenterprise Prestartups (entrepreneurs), Microenterprise Startups (new owners), and Operating Small Businesses (current owners). Microenterprise Prestartups are prospective new business owners, especially low and moderate-income City residents. Microenterprise Startups are owners of businesses with five or fewer employees, one of whom owns the enterprise, with a net operating income of less than \$200,000. Operating Businesses are either growing or established business, and are offered assistance and training for continued development and expansion.

The EWDD indicates the LABSC System aims to provide business expansion, development of goods and services in underserved communities, and job creation/retention for the target population. The centers offer participants consulting services on an array of entrepreneurial needs, information regarding tax incentives and credits, small business financing options, and business training.

## **DISCUSSION**

### Request for Proposals Process

The 2015 LABSC RFP included the following system changes in evaluating proposals:

- New requirement that bidders be certified as a Community Development Financial Institution (CDFI), be in the process of becoming certified as a CDFI or provide evidence of a formal relationship with a CDFI, for greater access to capital for LABSC clients;
- Five bonus points for commitment to provide services at an alternate location (without adding to required hours of operation) in order to incentivize a broader geographical range of services across LABSC service areas; and,
- Five bonus points for cash leverage (commitment); one bonus point for every \$100,000 in cash leverage identified in the bidder's leverage narrative to maximize cash commitment to the LABSC.

The RFP's three narrative components and their respective point values are described below:

Narrative	Points
<b>Demonstrated Ability</b> <ul style="list-style-type: none"> <li>History of Demonstrated Effectiveness</li> <li>Proposer's Operational Experience, Past Outcomes and Customer Experience</li> </ul>	35
<b>Program Design and Approach</b> <ul style="list-style-type: none"> <li>Staffing, Program Administration and Center Operations                             <ul style="list-style-type: none"> <li><b>Bonus Points: awarded for alternate location location with need based justification for BusinessSource Center Services in the area selected</b></li> </ul> </li> <li>Proposer's Administrative Capabilities</li> <li>Service Delivery Plan and Goals</li> <li>Business Services currently available in the targeted community and how program will supplement these services</li> <li>Criteria used to evaluate project's effectiveness</li> <li>Outcomes proposed for Microenterprise and Operating Businesses</li> </ul>	45 (0 or 5 bonus points)
<b>Fiscal Operations</b> <ul style="list-style-type: none"> <li>Fiscal Operations Narrative</li> <li>Resources Development</li> <li>Budget                             <ul style="list-style-type: none"> <li><b>Bonus Points: awarded for each \$100,000 cash match</b></li> </ul> </li> <li>Fiscal Management</li> <li>Fiscal Requirements</li> </ul>	20 (1-5 bonus points)

On September 21, 2015, EWDD issued the RFP, listing it on the City's contracts website Los Angeles Business Assistance Virtual Network (BAVN) and on EWDD's website. A bidders meeting was convened on October 6, 2015. EWDD extended the RFP response deadline by one week to November 9, 2015 in order to ensure all respondents had sufficient time to meet City Business Inclusion Program outreach requirements. A total of seven bidders submitted 15 proposals to operate LABSC in the nine service areas by the due date. Two proposals were incomplete and therefore not evaluated. All eligible respondents were notified of their scores in writing on December 4, 2015. The appeals period was opened on December 4, and the appeals process was completed on February 8, 2016.

Evaluation of the eligible proposals was conducted by four teams of two to three third-party volunteer evaluators. EWDD states that evaluators were recruited for expertise in business assistance and finance. Prior to rating proposals, evaluators were briefed on the LABSC RFP process and trained to use a scoring tool developed by EWDD based on the narrative criteria outlined in the RFP. Evaluators rated all eligible proposals' narrative responses, except the Fiscal Management and Fiscal Requirements portions of the Fiscal Operations narrative, which were rated by EWDD Financial Management Division staff. The Attachment to this Report contains the recommended contractors for each of the nine service areas based on the final scores for all eligible proposals.

Upon receiving their final scores, three bidders, Valley Economic Development Center (VEDC), Vermont Slauson Economic Development Center (VSEDC), and Barrio Planners, Incorporated (BPI), submitted appeals by the submission deadline of December 11, 2015. EWDD conducted three appeal hearings on

Tuesday, December 22, 2015. The Appeals Board was comprised of the General Manager of EWDD, the General Manager of the Housing and Community Investment Department of Los Angeles, and one representative from the Workforce Development Board. The Appeals Board upheld EWDD staff recommendations for two of the appeals - VEDC and VSEDC. The Appeals Board voted to remand three of BPI's appeal items to EWDD staff for re-evaluation. EWDD staff reconvened the original Review Team on January 11, 2016 to re-review three portions of BPI's proposal. The Review Team completed its re-evaluation and maintained the original scores. On January 15, 2015, BPI was notified of these results. On January 20, 2016, BPI was granted access to review the Review Team's re-evaluation comments. Subsequently, on January 22, 2016, Barrio Planners, Inc. submitted a second appeal within the submission deadline of January 22, 2016.

The Appeals Board heard BPI's second appeal on Friday, January 29, 2016. The Appeals Board reconvened on Monday, February 8, 2016 and voted to deny BPI's appeal and uphold the outcome of the re-review.

Pursuant to Los Angeles City Charter Section 1022, the Personnel Department determined that there are no City employees with the expertise to perform the required work.

## **RECOMMENDATIONS**

That the Council, subject to the approval of the Mayor:

1. Approve the results of the 2015 Los Angeles BusinessSource Center (LABSC) Request for Proposals issued in September 2015 to implement the LABSC System as recommended in the Attachment to this Report;
2. Authorize and instruct the General Manager of the Economic and Workforce Development Department (EWDD), or designee to:
  - a. Negotiate and execute agreements with the program operators for the service areas as listed in the Attachment to this Report, with funding not to exceed \$500,000 in Community Development Block Grant (CDBG) funds per individual contract, for a term of 12 months effective April 1, 2016 through March 31, 2017, with an option to extend for four additional 12-month periods, subject to review by the City Attorney as to form and legality, compliance with City contracting requirements and federal grant guidelines, and contingent on available grant funding; and
  - b. Report to Mayor and Council for acceptance and allocation approval of any additional funds that are received for the LABSC beyond the base level of funding of \$4,500,000 in CDBG funds;
3. Authorize and instruct the Controller, subject to availability of approved grant funding, to expend funds within the Community Development Trust Fund 424 Account 22N586, LA's BusinessSource, in an amount not to exceed \$4,500,000; and

4. Authorize the General Manager, EWDD, or designee, to prepare Controller instructions and/or make any technical adjustments consistent with Council and Mayor action on this Report, subject to approval of the City Administrative Officer, and authorize and instruct the Controller to implement those instructions.

#### **FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. Funding consists of \$4,500,000 in Community Development Block Grant funds which is included in the Mayor's proposed 42<sup>nd</sup> Program Year (2016-17) Housing and Community Development Consolidated Plan (C.F. 15-1041), currently pending in Housing Committee.

*MAS:SAM:02160061*

Attachment