

**TRANSMITTAL**

To:  
**THE COUNCIL**

Date: SEP 07 2011

From:  
**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**

 (Matt Karatz)

**ANTONIO R. VILLARAIGOSA**  
Mayor

# CITY OF LOS ANGELES

CALIFORNIA

RICHARD L. BENBOW  
GENERAL MANAGER



ANTONIO VILLARAIGOSA  
MAYOR

COMMUNITY DEVELOPMENT  
DEPARTMENT

1200 W. 7<sup>TH</sup> STREET  
LOS ANGELES, CA 90017

August 10, 2011

Council File No. 10-1901  
Council Districts: All  
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The Honorable Antonio R. Villaraigosa  
Mayor, City of Los Angeles  
Room 303, City Hall

Attention: Pamela Finley, Legislative Coordinator

## **COMMITTEE TRANSMITTAL: FUNDING RECOMMENDATIONS FOR THE LOS ANGELES BUSINESSOURCE CENTER SYSTEM (LABSCS) FOR PROGRAM YEARS 2011-2016**

### **ACTION REQUESTED**

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

### **RECOMMENDATIONS**

The General Manager of CDD respectfully requests that the Mayor and City Council:

1. APPROVE the results of the Los Angeles BusinessSource Center System (LABSCS) Request for Proposals (RFP), as indicated in the report.
2. AUTHORIZE the General Manager, CDD, or designee, to negotiate and execute agreements with the five agencies selected to become service providers for the LABSCS, with funding not to exceed \$250,000 for the first six months, commencing October 1, 2011 through March 31, 2012, with an option to extend for up to four additional one-year terms at the City's sole discretion and contingent upon availability of funds, contractor performance and continued compliance with applicable laws; subject to the review and approval of the Office of the City Attorney as to form and legality.
3. REPROGRAM \$168,119 in Community Development Block Grant (CDBG) funds in the 37th Program Year Housing and Community Development Consolidated Plan (Con Plan), CF 10-2440, from Line 53 ICON Business Outreach Program to Line 52 Business Source Program.

4. REPROGRAM \$392,740 in CDBG funds in the 37th Program Year Con Plan (CF 10-2440) from Line 68 CDD Section 108 Debt Service to Line 52 Business Source Program.
5. AUTHORIZE the General Manager, CDD, or designee, to prepare, post for public comment and submit to the U.S. Department of Housing and Urban Development, a substantial amendment to the 37<sup>th</sup> PY Consolidated Plan to implement the reprogramming.
6. AUTHORIZE the City Controller to:
  - a. Establish new account and transfer appropriations within the Community Development Trust Fund No. 424 as follows:

	<u>Account</u>	<u>Title</u>	<u>Amount</u>
From:	22H241	CDD Section 108	\$392,740
	22H244	ICON	168,119
To:	22H622	LA BusinessSource-Reprogramming <b>TOTAL</b>	<b>\$560,859</b>

- b. Expend funds in amount not to exceed \$1,500,000 within the Community Development Trust Fund No. 424 as follows:

	<u>Account</u>	<u>Title</u>	<u>Amount</u>
	22H622	LA BusinessSource-Reprogramming	\$560,859
	22H243	LA BusinessSource	939,141
		<b>TOTAL</b>	<b>\$1,500,000</b>

7. AUTHORIZE the General Manager, CDD, or his designee to prepare Controller instructions needed to implement actions approved by the Council and Mayor on matters presented in or deriving from this transmittal, and/or make technical adjustments that may be required with this action, subject to the approval of the City Administrative Officer; and instruct the Controller to implement the instructions.

## SUMMARY

On March 18, 2011, the City Council, with the concurrence of the Mayor (CF No. 10-1901), authorized the General Manager of the CDD to release an RFP for the new Los Angeles BusinessSource Center System and instructed CDD to report back with the results of the RFP and to seek approval to execute contracts. Based on the RFP evaluation process, five service providers that received the highest scores for each of the service areas are being recommended for funding to operate six BusinessSource centers.

## FISCAL IMPACT

The LABSCS funding recommendations do not impact the City's General Fund. The LABSCS operates under the Housing and Community Development Consolidated Plan program year

basis (April 1 through March 31) and is funded through the CDBG awarded from the Department of Housing and Urban Development (HUD).

## **BACKGROUND**

In a transmittal dated November 23, 2010, the CDD submitted the proposed redesign of the existing small business assistance program (commonly known as the LABAP) into a citywide delivery system branded as the *LA BusinessSource Center System*. In the same transmittal, CDD requested authority to release an RFP containing the new features and components of the LABSCS.

## **LABSCS SERVICES**

The goal of the LABSCS is to substantially increase the availability and array of business services in Los Angeles using a cost-efficient and program-effective model. LABSCS will allow small businesses to grow and remain competitive within the city as well as provide support for startup ventures in launching viable businesses. This new business assistance model will focus on the following business target populations: Pre-startups (Entrepreneurs), Startups (Microenterprise owners), and Operating Businesses (Retail/Service and Small Businesses).

The Pre-startups (Entrepreneur) component will provide critical support to business startups and to prospective new business owners, focusing on existing small businesses operated by low and moderate-income clientele living in the city. The Startups (Microenterprise) component will focus on owners of businesses with five or fewer employees that have net operating income of less than \$200,000. This focus is particularly important as the majority of the businesses within the city may be categorized as small, and historically many such businesses fail in the first one to two years of operation. The survival and growth of such businesses is vital to the ongoing economic vigor of the city.

The Operating Business (Retail/Service and Small Businesses) component will focus on providing assistance to growing companies within certain targeted business sectors and on retail and service businesses that plan to establish a business or have an existing business located in commercial corridors of Los Angeles. These Operating Businesses will be able to access services suited to their particular needs. The program services will be designed to assist growing companies in the City to enhance their economic viability, increase revenues and increase operational performance. The targeted growth industry sectors include:

- Biotechnology
- Entertainment
- Healthcare
- International Trade & Logistics
- Manufacturing Value Chains
- Professional & Business Services
- Hospitality/Tourism
- Green/Clean Sector
- Construction

The expected outcomes of this component will be increased revenues, business expansion, and job creation and retention. Services provided to the customers include customized technical assistance specific to the industry and the particular business being assisted.

## REQUEST FOR PROPOSALS

Following authorization granted by the Mayor and City Council, the CDD's Planning, Research, and Evaluation Division released an RFP on April 8, 2011. An RFP bidders' conference was held on April 26, 2011 at CDD's main office. Approximately 36 representatives attended the conference. In addition to the RFP conference, technical assistance was provided by posting answers on CDD's website to questions submitted. The deadline to respond to the RFP was May 20, 2011.

## RFP REVIEW PROCESS

A total of 16 proposals were received. Out of the 16 proposals, two were submitted late (and therefore not reviewed) and two agencies submitted proposals for more than one geographic area. A total of five teams, consisting of two to three experts from private and public economic development and financial institutions, reviewed the proposals. Each team was assigned to review a specific geographic area. The raters participated in an orientation meeting to provide an overview of the RFP, reviewed the scoring criteria, and signed the Conflict of Interest / Non-Disclosure Statement. The teams reviewed and evaluated the proposals based upon the criteria established in the RFP and used an RFP rating tool provided by CDD. Each rater scored the proposals individually and later discussed their individual scores with the rest of team to collectively arrive at a consensus for the final score. All proposals were pre-screened to assess if the agencies met the minimum eligibility requirements as listed in the RFP checklist. The pre-screening assessment revealed that all agencies met the minimum eligibility requirements.

The proposals were reviewed, scored, and ranked according to the following categories:

EVALUATION CRITERIA	POINTS
<p><b><u>Demonstrated Ability</u></b></p> <ul style="list-style-type: none"> <li>• This includes history of demonstrated effectiveness</li> <li>• Operating experience, past outcomes and customer satisfaction</li> </ul>	20
<p><b><u>Program Design and Approach</u></b></p> <ul style="list-style-type: none"> <li>• This includes staffing, program administration and center operation</li> <li>• Proposer's administrative capabilities</li> <li>• Service delivery plan and goals</li> <li>• Business services available</li> <li>• Project evaluation</li> </ul>	55
<p><b><u>Fiscal Operations</u></b></p> <ul style="list-style-type: none"> <li>• This includes resource allocation and development</li> <li>• Fiscal management and requirements</li> </ul>	25
<b>TOTAL</b>	<b>100</b>

**RELEASE OF FUNDING RECOMMENDATIONS**

Based on the review of the proposals submitted, CDD is recommending establishing six centers in diverse geographical areas, and a funding allocation of up to \$250,000 for each center, for a total of \$1,500,000 for the first six months and up to \$500,000 per annum in the next four years.

<b>Recommended Agency</b>	<b>Targeted Service Area</b>	<b>Number of Centers</b>	<b>Funding Amount Up to:</b>
Pacific Asian Consortium Employment (PACE)	Central West	1	\$250,000
Pacific Asian Consortium Employment (PACE)	East Los Angeles	1	\$250,000
Vermont Slauson Economic Development Corporation	South Los Angeles	1	\$250,000
Initiating Change in Our Neighborhoods Community Development Corp. (ICON)	North San Fernando Valley	1	\$250,000
Valley Economic Development Center, Inc. (VEDC)	South San Fernando Valley	1	\$250,000
Managed Career Solutions, Inc.	Harbor/San Pedro/Wilmington	1	\$250,000
<b>TOTAL</b>		<b>6</b>	<b>\$1,500,000</b>

The following funding identifies the source of funds for the proposed \$1.5 million award.

<b>Source of Funds</b>	<b>Amount</b>
Year 37 Consolidated Plan Line Item No. 52 Business Source Program	\$939,141
Reprogram 50% of Year 37 Consolidated Plan Line Item No. 53 ICON Business Outreach Program	\$168,119
Reprogram Year 37 Consolidated Plan Line Item No. 68 Section 108 Debt Service	\$392,740
<b>Total</b>	<b>\$1,500,000</b>

**APPEALS**

On July 19, 2011, applicants were notified of their RFP results and funding status. The funding notification letter indicated the RFP scores for all the agencies competing for the same geographic area, the appeals process, and an opportunity to hear raters' comments.

Subsequently, on July 25, 2011, the CDD met with the following agencies that requested to review their score and hear the raters' comments:

- Barrio Planners, Inc.
- Build Rehabilitation Industries
- FAME Assistance Corporation
- Little Tokyo Service Center
- Los Angeles Southwest College
- Managed Career Solutions, Inc.

Proposers wishing to file an appeal were informed to hand-deliver the appeal in writing to the attention of the Assistant General Manager by 5:00 p.m. by July 26, 2011. Proposers were also informed that they could not include any new information that was not submitted with the original proposal. Consequently, the Department received appeals from:

- Century Business and Development Corporation
- Barrio Planners, Inc.
- FAME Assistance Corp.

#### **APPEALS BOARD ACTION**

On July 28, 2011, the Commission on Community and Family Services (CCFS) Appeals Board convened and heard the concerns raised by the appellants. With the exception of Century Business and Development Corporation, which did not attend the appeals hearing, each appellant was provided an opportunity to speak and present its case, followed by the Department's response. At the conclusion of the appeals hearing, the Appeals Board upheld the Department's recommendation and denied the appeal of Barrio Planners, Inc. The Appeals Board for FAME Assistance Corp. has been continued to hear additional information from CDD staff relative to the scoring details applied to the fiscal requirements category of the RFP. Immediately following the completion of the appeals hearing, CDD will forward the results to the full CCFS for further discussions.

Please note that due to time constraints to execute the LABSCS contracts by October 1, the RFP funding recommendations are being transmitted concurrently to the CCFS and the Mayor's Office.



RICHARD L. BENBOW  
General Manager

RLB:MC:JO:JRM:MA