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To the Members of the Public Works and Gang Reduction Committee:

On behalf of UCLA School of Law's David J. Epstein Program in Public Interest Law and Policy we submit this letter and supporting research on behalf of law students from the *Problem Solving in the Public Interest Law Seminar* that we co-taught this fall. This seminar focused on public interest lawyering through a close analysis of case studies and the discussion of recurring issues in public interest practice. Students in this seminar completed individual and group paper projects that addressed real-world problems and incorporated the modes of advocacy studied in the course. Seven law students from the seminar completed four projects that focused on sidewalk vending in Los Angeles. We are submitting this letter and the final reports on behalf of these students as public record for the hearing today. We hope that you will find their research findings useful as you move forward to consider and adopt a citywide program to legalize sidewalk vending.

REPORTS ON SIDEWALK VENDING IN LOS ANGELES FROM UCLA SCHOOL OF LAW'S DAVID J. EPSTEIN PROGRAM IN PUBLIC INTEREST LAW AND POLICY

A. Problems with Excessive Fines and Fees Associated with Street Vending by Viviana Arcia

This report relies on interviews with advocates and vendors to document the mounting debt burden imposed on low-income vendors in Los Angeles. The author finds that illegal vending tickets can reach nearly \$500, plus additional civil penalties when vendors are unable to afford the amount. Vendors receiving these tickets, and volunteer attorneys representing them, also identified a range of procedural violations with how vending cases are handled in court. Finally, the report raises the serious concern that sidewalk vending is also misdemeanor that can result in arrest, leading to incarceration and deportation for immigrant vendors.

B. Formalizing an Informal Economy: Street Vendors in the San Fernando Valley by Daysi Alonzo, Adrian Hernandez, Kyle Peters, and Estephania Villalpando

This report, which is based on a survey of vendors in the San Fernando Valley, documents the lived realities of a community of street vendors who live on the margins of the formal economy and face a variety of obstacles due to the criminalization of vending in the city. These barriers include the severity

of fines and fees, lack of access to traditional economic markets, and harassment by police. Finally, every vendor surveyed overwhelmingly favored the legalization of vending in Los Angeles.

C. Debunking the Myth of a Link Between Street Vending and Crime Rate in the City of Los Angeles by Katherine Yang

Using raw data from the official website of the City of Los Angeles, this empirical report debunks the myth that sidewalk vending increases crime rates. Specifically, the author finds no statistically significant increase in significant crimes in areas where there is a high concentration of sidewalk vending pre-December 2014 and post-December 2014, the month and year where the Los Angeles Police Department began decreasing enforcement activity and citation against sidewalk vendors. The report concludes that active enforcement of the existing sidewalk vending prohibition does not correspond to effective crime control.

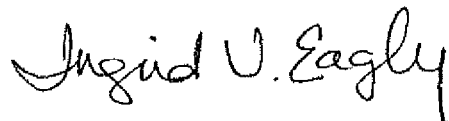
D. Developing A Micro-Lending Plan to Support the Street Vendors of Los Angeles
by Kimberly Phan

This report focuses on a project aimed at providing a micro-lending plan for the street vendors in Los Angeles, as well as a proposal for the City of Los Angeles to implement a micro-lending program for small business entrepreneurs. It proposes a two-prong micro-lending solution that would (1) create an organization for sidewalk vendors to establish a micro-lending fund and (2) create a city-wide micro-lending institute for small business entrepreneurs.

If you have any questions, please contact Victor Narro at 213-480-4154, ext. 209, or email him at vnarro@irle.ucla.edu.

Thank you very much for your time and attention.

Sincerely,



Ingrid V. Eagly
Professor of Law
UCLA School of Law



Victor Narro
Project Director, UCLA Labor Center
Lecturer in Law, UCLA School of Law

PROBLEM SOLVING IN THE PUBLIC INTEREST SEMINAR FINAL PAPER

To: Professor Eagly
From: Viviana Arcia
Date: December 8th, 2016
Re: Excessive Fines and Fees Associated with Street Vending in Los Angeles

I. Introduction

Los Angeles is home to thousands of street vendors who sell food, clothes, and merchandise on the city's sidewalks and parks. Vendors provide a convenient and low-cost service to their customers while the income received from the sales give vendors an opportunity to earn wages to support themselves and their families.¹ Street vending provides significant economic benefits to low-wage workers who have been excluded from the traditional market economy due to factors such as their immigration status, educational attainment, and language barriers. Many street vendors are monolingual-Spanish speakers and undocumented, thereby facing limited lawful employment prospects in the United States (U.S.). Street vending allows street vendors to support their families and pay for housing; generates significant economic revenue that benefits customers, brick-and-mortar suppliers, and the regional economy; and helps bring fresh produce to areas characterized as "food deserts" with few sources of healthy food options. Although street vendors make, on average, about \$10,098 in revenue every year, street vendors in the aggregate bring in over half a billion dollars to the regional economy.²

¹ See Ruben Vives, *Street Vendors on Figueroa Street: An Entrepreneurial Spirit Rises from the Depths of Poverty*, L.A. Times, April 14, 2016, available at <http://www.latimes.com/local/california/la-me-la-street-vendors-20160414-story.html>.

² Yvonne Yen Liu et al., *Sidewalk Stimulus, Economic Roundtable* (2015).

Despite these benefits, Los Angeles is currently the only major city in the U.S. that criminalizes street vending. Sidewalk vending can be prosecuted as a misdemeanor, infraction, or administrative citation.³ As a result of this criminalization, the City of Los Angeles, in conjunction with entities like the Los Angeles Police Department (LAPD) and the Fashion District Business Improvement District (BID), has engaged in an organized effort to harass street vendors, illegally confiscate their property and not return it, throw away vendors' property, ticket vendors and give them exorbitant fines, and sometimes bring criminal charges against vendors. In 2014, police issued nearly 900 citations to vendors selling goods on city sidewalks.⁴ The maximum fine for sidewalk vending is \$1,000.⁵ However, street vending tickets are subject to additional fees and penalty assessments which are several times the base fine. As a result, a vendor sentenced to pay an \$80 fine can owe over \$480 after fees and assessments are added.⁶ If the vendor fails to pay the entire fee on time, an additional \$300 civil penalty is added.⁷ According to advocates, these additional fees and assessments are not clearly explained to street vendors in court, and many times street vendors will plead guilty to their tickets because judges will not inform them of the total amount of fines they must pay, which includes penalty assessments.

The criminalization of street vending can have disastrous consequences for vendors. Vendors face the risk of arrest and misdemeanor prosecution, punishable for up to six months.⁸ In addition, various negative immigration consequences can befall

³ Memorandum to City Attorney Mike Feuer (2016).

⁴ Report from Board of Police Commissioners, December 17, 2013, available at http://clkrep.lacity.org/onlinedocs/2013/13-1092_rpt_bpc_12-17-13.pdf (indicating that the LAPD issued 889 citations in 2012).

⁵ Los Angeles Municipal Code § 11.00(m).

⁶ Memorandum to City Attorney Mike Feuer (2016).

⁷ Cal. Penal Code § 1214.1(a).

⁸ LAMC § 11.00(m).

undocumented vendors as a result of vending tickets. Noncitizens who are arrested or incarcerated face immigration detainers that make them subject to being detained by Immigration and Customs Enforcement (ICE).⁹ A conviction can be grounds for removal from the U.S.¹⁰ Moreover, a misdemeanor conviction can make undocumented individuals ineligible for DACA, thereby making them unable to receive work authorization.¹¹ Misdemeanor convictions can also make noncitizens subject to the “crime involving moral turpitude” inadmissibility and deportability grounds and ineligible for immigration benefits that require “good moral character.”¹² In addition, the high fees and fines incurred by vendors can rise to the thousands of dollars. For many vendors already struggling to earn a living wage, these high fees and fines can push them further into poverty. For example, vendors with unpaid fees and fines are often afraid to apply for a driver’s license. This can lead to additional criminal charges for failing to appear in court or driving without a license. The fine and fees for failing to appear in court can reach hundreds of dollars which, when added vendors’ existing unpaid fines and fees, contributes to the cycle of poverty and criminalization of low-income workers.

II. Litigating Excessive Fines and Fees

Litigation has proven to be a successful strategic tool aimed at establishing street vendors’ constitutional rights. Several foundational cases have shaped how lawyers advocate on behalf of street vendors.

⁹ See *Immigration Detainers: A Comprehensive Look*, American Immigration Council (February 17, 2010), <https://www.americanimmigrationcouncil.org/research/immigration-detainers-comprehensive-look>.

¹⁰ See “Policies for the Apprehension, Detention and Removal of Undocumented Immigrants,” Memorandum from Jeh Charles Johnson, Secretary of Homeland Security, Nov. 20, 2014.

¹¹ *Consideration of Deferred Action for Childhood Arrivals Process Frequently Asked Questions*, USCIS (October 27, 2015), <https://www.uscis.gov/humanitarian/consideration-deferred-action-childhood-arrivals-process/frequently-asked-questions#criminal%20convictions>.

¹² See INA § 212(a)(2)(A)(i)(I), INA § 237(a)(2)(A)(i)(I), INA § 316(a)(3).

In *United States v. Jacobsen*, the U.S. Supreme Court recognized a protected possessory interest in contraband. The Court held that, “a seizure lawful at its inception can nevertheless violate the Fourth Amendment because its manner of execution unreasonably infringes possessory interests.”¹³ As a result, seizures of vendors’ property by entities like the police is subject to the Fourth Amendment’s reasonableness requirement. More recently, there was *Lavan v. City of Los Angeles*, in which nine homeless individuals living in the Skid Row neighborhood of Los Angeles charged that the City of Los Angeles violated their Fourth and Fourteenth Amendment rights by seizing and immediately destroying their unabandoned personal possessions.¹⁴ The Ninth Circuit held that the Fourth and Fourteenth Amendments protect homeless persons from government seizure and summary destruction of their unabandoned personal property and that, “[b]ecause homeless persons’ unabandoned possessions are ‘property’ within the meaning of the Fourteenth Amendment, the City must comport with the requirements of the Fourteenth Amendment’s due process clause if it wishes to take and destroy them.”¹⁵ As a result of *Lavan*, due process requires entities like the LAPD to take reasonable steps to give notice that vendors’ property has been taken so that the vendor can use available remedies for its return.

Unfortunately, even after *Lavan*, the LAPD engaged in a concerted effort to either destroy vendors’ property or confiscate that property without a receipt or effective means of return. The destruction and confiscation of vendors’ property is a violation of the Fourth and Fourteenth Amendments. It is also a violation of the LAPD’s policy regarding storage of confiscated property and procedures mandating a receipt for

¹³ *United States v. Jacobsen*, 466 U.S. 109 (1984).

¹⁴ *Lavan v. City of Los Angeles*, 693 F.3d 1022 (9th Cir. 2012).

¹⁵ *Id.* at 1032.

property that is placed in storage.¹⁶ As a result, in *Aureliano Santiago et al v. City of Los Angeles et al* named plaintiff Aureliano Santiago and the Union Popular de Vendedores Ambulantes sued the City of Los Angeles in federal court, claiming their carts and other belongings had been improperly seized and destroyed and argued that the practice was unconstitutional under the Fourth and Fourteenth Amendments.¹⁷ Lawyers from groups including the Legal Aid Foundation of Los Angeles, the ACLU Foundation of Southern California, and the National Lawyers Guild argued that the LAPD and BID's practice violates the right to due process and to be free from unreasonable seizures.¹⁸ Plaintiffs' counsel argued that vendors had no way to challenge the punishment or get their property back before it is thrown away.¹⁹ As of November 2016, plaintiffs' counsel and the LAPD/BID were in settlement negotiations.

III. Public Policy Initiatives

In recent years, several reports have been released by a consortium of organizations across California examining the effects of excessive fees and fines in traffic courts. In 2015, the report titled "Not Just a Ferguson Problem: How Traffic Courts Drive Inequality in California," chronicled the ways in which low-income Californians and persons of color are disproportionately impacted by state court traffic rules and procedures that often result in a loss of driver's licenses.²⁰ According to the report, "over

¹⁶ *National Lawyers Guild Report: The LAPD's Illegal Confiscation and Destruction of Street Vendor Merchandise and Property*, Los Angeles Chapter of the National Lawyers Guild (2014).

¹⁷ *Aureliano Santiago et al. v. City of Los Angeles and Fashion District Business Improvement District* (2015).

¹⁸ See Emily Alpert Reyes, *Sidewalk vendors sue L.A., say city seized their carts and belongings*, L.A. Times, October 29, 2015, available at <http://www.latimes.com/local/lanow/la-me-ln-street-vendors-cart-seizure-lawsuit-20151028-story.html>.

¹⁹ *Id.*

²⁰ See *Not Just a Ferguson Problem: How Traffic Courts Drive Inequality in California* (2015), available at <http://www.lccr.com/wp-content/uploads/Not-Just-a-Ferguson-Problem-How-Traffic-Courts-Drive-Inequality-in-California-4.20.15.pdf>.

four million Californians do not have valid driver's licenses because they cannot afford to pay traffic fines and fees. These suspensions make it harder for people to get and keep jobs, further impeding their ability to pay their debt. They harm credit ratings. They raise public safety concerns. Ultimately they keep people in long cycles of poverty that are difficult, if not impossible to overcome."²¹

In 2016, the report titled, "Stopped, Fined, Arrested: Racial Bias in Policing and Traffic Courts in California," revealed dramatic racial disparities in driver's license suspensions and arrests related to unpaid traffic fines and fees.²² According to the report, previous research on racial bias in policing shows that Black and Latino/a people are more likely to be stopped and searched by police, but less likely to be found with contraband or doing something illegal.²³ The report revealed that rates of driver's license suspensions due to failure to appear or failure to pay are directly correlated with poverty and race.²⁴ The highest suspension rates are found in the poorest neighborhoods and neighborhoods with higher percentages of Black or Latino/a residents.²⁵ In addition, the data showed that Black and Latino/a drivers are disproportionately arrested for driving with a suspended license and for warrants for failure to appear or pay a traffic ticket.²⁶ In contrast, the report found that white drivers are disproportionately not arrested.²⁷

Faced with the failed policy of criminalizing and fining poverty-stricken street vendors, city leaders have begun to initiate public policy proposals and initiatives in order

²¹ *Not Just a Ferguson Problem: How Traffic Courts Drive Inequality in California* (2015), available at <http://www.lccr.com/wp-content/uploads/Not-Just-a-Ferguson-Problem-How-Traffic-Courts-Drive-Inequality-in-California-4.20.15.pdf>.

²² See *Stopped, Fined, Arrested: Racial Bias in Policing and Traffic Courts in California* (2016), available at <http://ebclc.org/backontheroad/problem/>.

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

to address the ban on street vending. In November 2013, several Los Angeles City Council members introduced a motion to recommend regulations legalizing street vending.²⁸ The City Council is now developing a program that will allow street vendors to sell their merchandise and products legally. However, until the City Council passes this initiative, other city officials have established alternative policies aimed at lessening the negative impact of the ban on street vending.

In June 2015, lawmakers enacted a statewide amnesty program for old traffic tickets and infraction citations.²⁹ The amnesty program was created in order to help individuals “in violation of a court-ordered obligation because of unpaid traffic bail or fines.”³⁰ The program reduces the fines on old infraction citations by up to 80% for low-income individuals and waives the \$300 civil assessment fee.³¹ When signing the bill, California Governor Jerry Brown detailed the entrenched cycle of poverty and criminalization based on unpaid fees and fines, describing the process as “a hellhole of desperation” and looked to the amnesty program as a beginning to large-scale reforms.³² Unfortunately, the amnesty program has proven to be limited in scope and does not help many street vendors. Eligibility is limited to citations due on or before January 1st, 2013. Many vendors who have tried to use the amnesty program have discovered that they do not qualify for it because their tickets fall outside of the required time period.

The Judicial Council of California recently tried to address the issue of excessive court fines and fees and the amnesty program. In October 2015, the Judicial

²⁸ See Council File 13-1493, available at <https://cityclerk.lacity.org/lacityclerkconnect/index.cfm?fa=ccfi.viewrecord&cfnumber=13-1493>.

²⁹ Cal. Vehicle Code § 42008.8 (Jun. 24, 2015).

³⁰ *Id.*

³¹ Memorandum to City Attorney Mike Feuer (2016).

³² *Id.*

Council established the Traffic Tickets/Infraction Amnesty Program Guidelines.³³

However, as various legal services organizations have found, current practices in the amnesty program implementation are inconsistent with the law. For example, they have discovered that courthouse staff and GC Services (The Los Angeles Superior Court's collection agency) maintain that an infraction ticket for selling food from a cart on the sidewalk is not eligible for amnesty.³⁴ Courthouse staff insist that "pedestrian violations," such as sidewalk vending, are excluded from the ticket amnesty program.³⁵ This refusal to allow street vendors to benefit from the amnesty program directly conflicts with Vehicle Code 42008.8(g) which, according to the Judicial Council guidelines, provides that "[a]ll traffic and nontraffic infraction violations... are eligible for the amnesty program."³⁶ Refusing to process "pedestrian violations," such as street vending, as eligible for amnesty disproportionately affects street vendors who are unable to pay the high fines associated with these infractions.

In response to these and other issues regarding street vendors, on May 6th, 2016, a coalition of several legal services organizations sent a memorandum addressed to Los Angeles City Attorney Mike Feuer outlining the legal authority for the City Attorney to exercise prosecutorial discretion on behalf of street vendors.³⁷ The memorandum called on the City Attorney to publicly commit to not pursuing any misdemeanor sidewalk vending prosecutions or failure to appear prosecutions for sidewalk vending

³³ Letter to Sherri Carter, Executive Officer of the Superior Court, regarding concerns with traffic ticket amnesty program implementation (2015).

³⁴ Letter to Sherri Carter, Executive Officer of the Superior Court, regarding concerns with traffic ticket amnesty program implementation (2015).

³⁵ *Id.*

³⁶ *Statewide Traffic Tickets/Infractions Amnesty Program Guidelines August 2015*, 3. Available at <http://www.courts.ca.gov/partners/documents/re-amnesty2015-Amnesty-Program-Guidelines.pdf>.

³⁷ Memorandum to City Attorney Mike Feuer (2016).

citations; request dismissal of misdemeanor and infraction sidewalk vending citations pursuant to Penal Code Section 1385 for defendants who will suffer a significant financial hardship if required to pay the fines; and dismiss administrative (ACE) citations for sidewalk vending for defendants who will suffer a significant financial hardship if required to pay the fines.³⁸ It remains to be seen what, if any, effect the memorandum will have on the citation and prosecution of street vendors.

IV. Advocacy Strategy

In order to more fully comprehend the scope of excessive fines and fees associated with street vending, I proposed devising and conducting a survey on fines and fees associated with street vending in Los Angeles and compiling the results in a report to be given to Los Angeles City Attorney Mike Feuer and the Judicial Council of California. My goal was to survey street vendors in Los Angeles in order to determine the impact of excessive fees and fines and the amnesty program on their lives. The survey would examine three areas: the types of fees and fines imposed on street vendors, their ability or inability to pay and the resulting consequences, and their experiences with the amnesty program.

A. Community Organizing

In order to participate in the survey, street vendors would need to be organized. In order to do this, I used community organizing, one of the modes of advocacy discussed in the Problem Solving in the Public Interest Seminar. Having participated in the National Lawyers Guild Street Vendor Clinic as a 1L student, I developed a relationship with Cynthia Anderson-Barker, a civil rights attorney intimately involved with the campaign to legalize street vending in Los Angeles. She assisted in

³⁸ Memorandum to City Attorney Mike Feuer (2016).

reaching out to her network of street vendors and helped recruit street vendors in Los Angeles, primarily those working in the MacArthur Park/downtown Los Angeles area, for the purpose of conducting the survey. In order to increase participation in the survey, I was able to make an announcement regarding the survey during a large meeting of street vendors at the UCLA Downtown Labor Center. I distributed the survey to these vendors and encouraged them to attend the survey meetings being planned. The survey was conducted during two separate street vendor meetings. The first meeting comprised of street vendors who work in the Fashion District for the purpose of gathering video evidence for current street vendor litigation. The second meeting was a monthly general body meeting of street vendors lead by Juan Joel. The street vendors who organized both meetings allowed us to use part of their meetings in order to conduct the survey.

B. The Survey

The survey focused on three areas: the types of fees and fines imposed on street vendors, their ability or inability to pay and the resulting consequences, and their experiences with the amnesty program.

The first section of the survey, Types of Fees and Fines Imposed on Street Vendors, had the following questions:

- Have you ever been given a ticket for street vending?
- Please list the most recent dates you got a ticket.
- Who gave you the ticket (i.e. Los Angeles Police Department, Sheriff's Department, or _____)?
- How much was the ticket(s) when you first got it?

The second section, Ability or Inability to Pay and the Resulting Consequences, was much more detailed and sought to ask the vendors about their interactions with the courthouse clerks, whether they decided to pay or contest their ticket, their interactions with the judge, any payment plans/community service offered in lieu of paying the ticket, and any penalty assessments and other negative consequences of

the ticket. This section's questions were divided into two parts. The first part sought to capture the vendor's interaction with the judge if they decided to contest their ticket. More specifically, it sought to inquire whether the judge informed the vendor of the total amount of penalty assessments, the option of community service, and if the judge allowed the vendor an opportunity to explain their ability to pay the ticket. The questions included:

- If you decided to fight your most recent ticket(s), how many times did you have to go to court in order to fight the ticket(s)?
- If you saw a judge, did the judge tell you what the total fine would be plus any extra charges (penalty assessments)?
- If the judge had told you what the total fine would be, would you have said not guilty and tried to fight the ticket because you could not afford the ticket?
- Instead of paying a fine did the judge or court tell you that you could do community service to work off the fine? Did the judge ever offer you a payment plan?
- Did the judge ever ask you or give you an opportunity to explain why it would be difficult for you to pay the ticket? If so, what happened? Did the judge reduce the fine?

The second part of this section focused on the peripheral consequences of not being able to pay the fees and fines associated with tickets. The questions included:

- Were you able to pay the total fees/fines?
- If not, what happened as a result of not paying the fees/fines?
- Have you ever been arrested because you could not pay fees/fines from street vending?
- Have you ever had your driver's license taken away because you could not pay fees/fines from street vending? If so, did you get your license back?
- Were you given any Notices from the court that explained what could happen if you didn't pay the ticket? How many? Did you understand what the Notices said?
- How has knowing that you have unpaid fees and fines from street vending affected your life?

The last section of the survey asked the vendors about their experiences with the amnesty program. The questions included:

- Have you heard about the Traffic Tickets/Infraction amnesty program?
- Have you heard that street vendors are not allowed to apply for the amnesty program?
- If you applied for it, what was the response?
- Were you told by the clerk at the courthouse that you did not qualify because:
 1. Tickets for street vending don't qualify for amnesty?

2. You were ineligible for amnesty because your tickets were too recent?

V. Preliminary Findings

Because the survey is very detailed and time-intensive, I was not able to survey as many street vendors as I had hoped. In the end, I got about three detailed accounts of issues with vending fines and fees and around eleven more vendors who are willing to speak to advocates in greater detail if the survey continues. Given the intensive nature of the survey, the project will have to be ongoing in order to get statistically significant results. However, conducting such a survey is paramount to the campaign to legalize street vending. Surveying more street vendors will allow greater exposure of the wide array of substantive and procedure-based claims related to vending fines and fees, many of which will likely not be known to advocates. One possibility is to have the survey be continued by students in next year's Problem Solving in the Public Interest Seminar. Because we experienced difficulty having vendors attend survey meetings, one option is to survey vendors while they vend, particularly in MacArthur Park and other downtown Los Angeles areas. Another option would be to coordinate court-watching sessions in which students monitor how judges are adjudicating vending tickets. For example, students could monitor whether judges inform vendors of added penalty assessments, whether financial hardship inquiries are being made by judges, whether community service is offered by judges as an alternative to paying for the ticket, and whether community service is denied by judges after vendors request it and if the judges provide any reasons for the denial. However, although the sample size was small, there were some preliminary findings, some of which confirmed what advocates have already known and some findings which were new to advocates and warrant further attention and follow-up. The most significant findings were:

- Tickets are not in the court system by the time the street vendor goes to court to pay the ticket/get an arraignment date, causing the street vendor to go to court several times

When a street vendor receives a ticket, the ticket includes an arraignment date at which time the vendor is required to go to the courthouse. However, an arraignment does not actually occur on this date. Instead, the vendor goes to the clerk's office and decides whether they would like to pay the fine or contest their ticket in court. However, we discovered that tickets are not in the system by the date of arraignment shown on the ticket. One vendor, Clara, informed us that she had to go to the courthouse four times in order to check on the status of her street vending ticket because each time she went to court her ticket was not in the system and she was told to return to court to check on the status of the ticket. At one point, she was told by the clerk's office that she had the option to call a number in order to check if her ticket was in the system. However, when she called the number she was given, the call was not answered. This is an obviously problematic practice given that for many vendors, continuing to return to court in order to check the status of their ticket is a significant hassle. Many street vendors depend on the income they receive from vending and this income is sacrificed when they have to stop vending and go to the courthouse in order to check on the status of their ticket. This is an unreasonable burden for many vendors and warrants that a more streamlined process be put in place so that vendors are summoned to court only if their ticket is already in the system.

- Judges fail to inform street vendors of penalty assessments

From conversations with vendors while conducting the surveys, they confirmed that judges continue failing to let vendors know the total dollar amount of penalty assessments. This means that a judge will tell a vendor that they can plead guilty

and pay a relatively small fine, but once vendors go to the clerk's window to pay, penalty assessments are added which can make the total fee more than five times the original fee. Clara told us that she appeared in front of a judge as a result of a vending ticket. The judge told her that the fine would be \$50, which she agreed to pay. However, when she got to the clerk's window, she was told that the fine would be \$340 with penalty assessments. Another vendor, Bustino, reported that a judge told him that the fine for a vending ticket would be \$140. However, when he went to the clerk to pay, he discovered that penalty assessments had made the fine \$385. The failure to inform vendors of the exact amount they must pay is misleading and burdensome. Not only is it procedurally unfair, but it burdens a class of people who, for the most part, are low-income and do not have the means to pay hundreds of dollars in fines that add up due to the ban on street vending.

- Judges are not making inquiries into street vendors' ability to pay the fines and fines associated with their tickets

The vendors we spoke to told us that judges fail to make inquiries into their financial circumstances and, as a result, they are often forced to pay exorbitant fines and fees that take a heavy financial toll on their lives. Clara told us that although she tries to pay the full amount of all of her tickets for fear of being arrested if she doesn't, doing so leaves her without money. Given that the typical street vendor makes a little over \$10,000 a year, having to pay for a ticket that, on average, costs several hundreds of dollars after penalty assessments is a severe burden on street vendors. This issue could be remedied if only judges took the time to inquire about vendors' financial circumstances and offered alternative methods of payment like community service, payment plans, and extensions without cost.

- Community service is not offered/given to street vendors as a way to pay off their ticket

Multiple vendors complained that judges will refuse to give them community service as an alternative way to pay off their fine.³⁹ According to Clara, she asked a judge for community service when she appeared in court for a street vending ticket. However, the judge refused to grant her community service and told her that she had the ability to pay the ticket given her occupation as a street vendor. Clearly, the judge's response was severely inadequate and indicative of the capricious nature of judicial determinations. Rather than objectively examining Clara's financial standing and evaluating whether community service might be appropriate in her circumstance, the judge instead made a seemingly arbitrary determination based on Clara's street vendor identity. Bustino similarly requested community service, but the judge did not grant his request. Edgar, another street vendor, reported dressing up for court after he received a vending ticket. When Edgar asked for community service, the judge denied his request and told him that considering the way he was dressed, it seemed like he could pay the ticket and was not eligible for community service.

- If community service is given, street vendors are required to pay a fee in order to do community service

Even if judges grant community service to vendors, some street vendors report having to pay a substantial fee to the private company that administers the community service program in order to complete their community service requirement. In addition, some vendors report that the debt reduction they receive from the community service is sometimes credited at less than the minimum wage per hour of work. Data on court-

³⁹ Cal. Penal Code § 1205.3.

ordered community service reveals that “some debtors perform many hundreds of hours of unpaid labor, the equivalent of several months of full-time work.”⁴⁰ Street vendors are predominantly low-wage workers who depend on the hours they work vending in order to maintain a livelihood. Vendors cannot afford to spend dozens and even hundreds of hours out of work while doing community service if the community service will not conform to minimum wage requirements and help significantly reduce their court-imposed debt. In addition, community service should be offered to street vendors without any additional payment requirements.

- Street vendors who ask for payment extensions are required to pay at least \$35 in order to receive the extension

Bustino reported that even when he was granted community service, he still had difficulty paying his street vending ticket. As a result, he requested two extensions, each one costing him \$35.

VI. Devising a Public Policy Strategy

These and other unfair practices captured by the survey must be exposed to the Judicial Council and the City Attorney’s Office, given that these entities largely control how street vending fines and fees are addressed by the court system. The report I will prepare to the City Attorney and the Judicial Council will document the unfair practices associated with street vending fees and fines and call for an array of possible public policy-centered solutions. Moreover, the current political climate can make the City Attorney and the Judicial Council more amenable to reforms to the fines and fees system and thus increase the chances of implementing the recommendations given in the report. For example, in late November 2016, the Los Angeles City Council declared that

⁴⁰ See Noah Zatz et al., *Get to Work or Go to Jail: Workplace Rights Under Threat* 7 (2016).

its delayed plan to legalize street vending in Los Angeles would be taken up at a public hearing in December 2016 due to concerns that misdemeanor penalties for vending could make undocumented vendors at risk for deportation following the inauguration of President-elect Donald Trump.⁴¹ While this is a significant victory for the vending legalization movement, the City Council is still recommending a graduated penalty structure that includes fines and fees for vendors without a permit or those who violate the conditions of the permit.⁴² Because of this proposed penalty structure, the report will be imperative, and perhaps more likely to succeed, because it will illuminate the procedural deficiencies that will continue to exist if the vending legalization includes fines and fees as a penalty.

In addition, any public policy strategy regarding street vending in Los Angeles must be coalitional in nature. As such, several organizations throughout Los Angeles might support the project and lend their names to the report given their past and current advocacy on behalf of street vendors. These include the Los Angeles chapter of the National Lawyers Guild, the Western Center on Law & Poverty, Public Counsel, and a New Way of Life Reentry Project. These organizations have also been involved in public policy-centered advocacy efforts regarding excessive court fees and fines. For example, the Western Center on Law & Poverty and a New Way of Life Reentry Project submitted a memorandum in 2015 to Carolyn Kuhl, the Presiding Judge of the Superior Court of Los Angeles regarding illegal procedures in the court's administration of infraction

⁴¹ See Elizabeth Hsing-Huei Chou, *LA City Council to discuss plan to legalize sidewalk vending next month*, Los Angeles Daily News, November 22, 2016, available at <http://www.dailynews.com/government-and-politics/2016/11/22/la-city-council-to-discuss-plan-to-legalize-sidewalk-vending-next-month>.

⁴² See Joe Buscaino and Curren D. Price, Jr.'s Letter to the Los Angeles City Council, regarding CF 13-1493 – Sidewalk Vending Policy (2016).

tickets.⁴³ Similarly, National Lawyers Guild, the Western Center on Law & Poverty, Public Counsel, and a New Way of Life Reentry Project authored a letter in 2015 to Sherri Carter, Executive Officer of the Superior Court of Los Angeles, regarding concerns with the implementation of the traffic ticket amnesty program.⁴⁴

Although the survey would need to be administered to a greater number of street vendors in order to yield statistically significant results, it is telling that even with the few vendors we spoke to, several unfair practices were discovered. As a result of these practices, the report to the City Attorney and the Judicial Council will include the following recommendations and demands:

- The City Attorney should exercise prosecutorial discretion and dismiss street vending tickets if these tickets are not in the system by the date of arraignment listed on the ticket.
- The Judicial Council should establish procedural rules that require judges hearing street vending fines and fees cases to inform street vendors of the total amount of penalty assessments that may be added to their original ticket if they plead guilty. If these rules are not followed, the added penalty assessments should be removed from the total fine to be paid by the street vendor. The street vendor should only be responsible for the amount that they agreed to pay in court.
- The Judicial Council should establish procedural rules mandating that judges make a good-faith inquiry into street vendors' ability to pay the fees and fines incurred as a result of vending tickets and, when possible, offer alternative methods of payment.

⁴³ Letter to Carolyn Kuhl, Presiding Judge of the Superior Court, regarding illegal procedures concerning the court's administration of infraction tickets (2015).

⁴⁴ Letter to Sherri Carter, Executive Officer of the Superior Court, regarding concerns with traffic ticket amnesty program implementation (2015).

- Community service should be offered as an alternative to payment of vending fines and fees. The Judicial Council should encourage judges to offer community service when vendors report financial hardship that will make it difficult, if not impossible, for them to pay their ticket.
- Community service should conform to minimum wage requirements in order to significantly reduce vendors' court-imposed debt. The Judicial Council should create mechanisms to monitor the private company that administers court-ordered community service to make sure that community service is conforming to minimum wage requirements. In addition, community service should be offered to street vendors without any payment requirements.
- Payment extensions should be given to street vendors without any additional payment requirements.
- The Judicial Council should develop procedures and monitoring efforts to make sure that courthouse staff's advice to vendors is consistent with the law. Courthouse staff should inform street vendors of their potential options for addressing their tickets, including applying for the amnesty program, community service, and fighting their ticket in court.
- The amnesty program will be effective from October 1, 2015, through March 31, 2017. The State of California and the Judicial Council should extend the amnesty program and expand its scope to include more street vendors who could be eligible for the program. Having an amnesty program that is wider in scope is imperative given that many street vendors have old fines and fees that they have been unable to pay due to the program's eligibility cut-off to citations due on or before January 1st, 2013.

- In addition to the procedural safeguards provided by a possible amnesty program extension, the City Attorney also has the authority to provide relief to vendors who continue to have old fines and fees that they have been unable to pay. Under Penal Code Section 1385, the court will consider dismissing a charge in the furtherance of justice upon an application filed by the prosecuting attorney.⁴⁵ The City Attorney should dismiss street vending misdemeanor and infraction citations pursuant to Penal Code Section 1385 for vendors who attest that they will suffer a significant financial hardship if required to pay the fees and fines.

VII. Conclusion

Street vendors are embedded into the social, cultural, and economic fabric of Los Angeles. Vendors provide a myriad of benefits to communities throughout the city. However, because of the structural limitations of the U.S. economic and immigration system, most of these vendors are excluded from the formal economy and are wholly dependent on the revenue from their vending in order to provide for themselves and their loved ones. Rather than further criminalizing vendors' livelihoods, the Los Angeles City Attorney and the Judicial Council of California both have the authority and prosecutorial discretion to ease many of the hardships currently faced by street vendors as a result of excessive fees and fines associated with vending. It is my hope that my project will help the City Attorney and the Judicial Council use this authority and discretion to provide relief to vendors and ensure that procedural safeguards are in place when vendors come into contact with the legal system. By taking the steps outlined above, the City Attorney and the Judicial Council can pave the way for these hard-working individuals to step out of

⁴⁵ Cal. Penal Code § 1385(a).

the shadows and ease their financial burdens so that they can enter the formal economy. By ensuring procedural due process and providing relief to vendors, the City Attorney and the Judicial Council can help end the cycle of poverty and criminalization of low-income workers in Los Angeles.

Formalizing an Informal Economy

Street Vendors in the San Fernando Valley

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Abstract

The practice of street vending—the sale of both food and goods from carts or moveable stalls on the sidewalk—is a widely legal and regulated economic activity in major cities across the country. However, Los Angeles remains a notorious holdout. Despite a failed program in the 1990s to establish specialized “vending districts” across the city, the Los Angeles City Council has remained staunchly opposed to either the legalization or decriminalization of street vending. The result of this is that those who engage in vending—mostly low-income immigrants and people of color—are faced with high fines and the deprivation of their property. In the past several years, a coalition of community organizations has come together to organize vendors and advocate for a new framework in which vendors would be able to sell their products legally. In response to political opposition from city council members in the San Fernando Valley, this survey seeks to more fully explore the demographics of a specific community in which street vending is prevalent as well as the vendors themselves. Additionally, we discuss best practices for formalizing informal economic activity and frameworks that have proposed ways in which to do this.

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I. SURVEY OF STREET VENDORS IN THE SAN FERNANDO VALLEY

A. Summary of Survey Data

This project was undertaken by current second year students at the UCLA School of Law, with the goal of contributing to the renewed effort to legalize street vending in Los Angeles. After extensive discussions with attorneys and organizers at the forefront of the legalization movement, we developed a plan to survey street vendors throughout Los Angeles County's San Fernando Valley.

Over the course of several weeks, the group surveyed twelve vendors located in several neighborhoods throughout the San Fernando Valley and within Los Angeles City Council Districts 6 and 7.¹ Within these districts, much like other parts of the city, vendors frequent diverse locations, including churches, parks and residential communities. We focused our efforts on several locations, including sidewalks outside of St. Elisabeth's Roman Catholic Church in Van Nuys, street corners near Mary Immaculate Catholic Church and School on the border of Pacoima and Arleta, Richie Valens Park in Pacoima and Hansen Dam Park and Recreation Center in Lakeview Terrace. Every vendor identified him or herself as Latina/o and indicated Mexico as their country of birth. Additionally, vendors reported that they usually made little profit from their sidewalk business and often struggled to offset their costs of operation on a weekly basis. These recurrent themes made it apparent that the San Fernando Valley is home to a community of street vendors who live on the margins of the formal economy and face a variety of obstacles intersecting immigration status, access to traditional economic markets, and the criminal justice system. Lastly, every vendor who was surveyed overwhelmingly favored

¹ PUBLIC WORKS' BUREAU OF ENGINEERING, COUNCIL DISTRICT 6 MAP, LOS ANGELES CITY COUNCIL (2011), http://navigatela.lacity.org/common/mapgallery/pdf/council_districts/CD6_8.5_11.pdf; PUBLIC WORKS' BUREAU OF ENGINEERING, COUNCIL DISTRICT 7 MAP, LOS ANGELES CITY COUNCIL (2011), http://navigatela.lacity.org/common/mapgallery/pdf/council_districts/CD7_8.5_11.pdf.

legalization and many vendors played a proactive role within the legalization movement, often attending meetings with organizers and city hall officials. Despite their initiative, however, vendors expressed frustration with the lack of progress made thus far concerning the legalization of street vending.

B. Methodology

The overall methodological approach we employed for analyzing the issue of street vending in Los Angeles City Council Districts 6 and 7 was a mixed method approach, employing both qualitative and quantitative models. The mixed method approach was ideally suited for our overall research question, since our aim is twofold: (1) to document and quantify the presence of street vendors in L.A. City Council Districts 6 and 7; and (2) to record data related to the vendors' practices and preferences in order to assess best practices for transitioning to a formal economy, in the event that street vending becomes legalized. To be sure, we faced various limitations in accomplishing these goals. Most significantly, the timeframe for completing this research project—which included researching the issue, meeting with attorneys and organizers aligned with the movement, drafting and editing our survey questionnaire, and conducting interviews in the field—was limited to a single academic semester, or approximately four months. As a result, our interviews with vendors were conducted over the course of four weekends. Additionally, the field work itself was limited by a number of constraints. Our relatively recent introduction to the campaign meant that our knowledge of vendor locations, operating hours, and most importantly, familiarity with vendors themselves, was fairly limited. Through trial and error and word of mouth, we were able to discern the key locations and times for locating vendors. Unsurprisingly, however, we faced some difficulty convincing vendors to grant us interviews and participate in our survey. Ultimately, through repeated interactions and

explanations of our purpose, we were eventually able to develop a level of trust with several vendors.

The specific method of data collection we used was a short survey developed jointly by our group. The survey, developed with the above mentioned goals in mind, is divided into four primary sections: Demographics, Occupational Information, Law Enforcement and Legalization. The Demographics section addressed basic vendor information, including name, age, race and country of origin. The Occupational Information section documented the type of service provided by the vendor, whether vending served as a primary source of income, the hours spent vending per week and weekly earnings gained from their business. The Law Enforcement section was concerned with vendors' interactions with law enforcement, including tickets they received and confiscations of property. Lastly, the Legalization section was designed to gauge the vendors' interest in legalizing street vending and their preferences for preserving their vending areas should permits be required.

C. Key Findings

With regard to vendor demographics, perhaps the most apparent trend we observed was the overwhelming prevalence of female vendors throughout the San Fernando Valley. Of the twelve vendors we surveyed, nine identified as female. These demographics are consistent with research indicating that the majority of street vendors in urban areas are female.² Female vendors face additional challenges compared to their male counterparts, including child-care responsibilities and increased harassment from local businesses, law enforcement, and gangs.³ The prevalence of female vendors in the Valley was particularly significant to our project, in

² Skye Allmang, *Supporting Female Vendors in Los Angeles*, CENTER FOR THE STUDY OF WOMEN POLICY BRIEF 20 (2015), <http://csw.pre.ss.ucla.edu/wp-content/uploads/sites/35/2015/10/CSWPolicyBrief20.pdf>.

³ *Id.*

light of the resistance to legalization from some City Council members, including Councilmember Nury Martinez (Dist. 6).⁴ As the only woman serving on the City Council, and the first Latina to serve in over a quarter of a century, Councilmember Martinez counts empowerment of girls and women among her key issues.⁵ We view street vending as an opportunity for Councilmember Martinez to fulfill one of her principal issues and empower a large segment of constituents throughout her district. The female vendors we encountered in Councilmember Martinez's district were resilient and entrepreneurial. However, due to the current regime of criminalization and stigmatization of vending, many of these women remain marginalized, vulnerable, and financially burdened.

Furthermore, perhaps the most striking trend identified by our survey was the pervasive nature of economic sanctions and confiscations reported by vendors. Every vendor surveyed indicated that law enforcement had confiscated their equipment at least once due to their violation of vending laws. Additionally, every vendor indicated that they had been subjected to economic sanctions in the form of ticketing, with approximately 42 percent of vendors indicating that they had been ticketed at least three times. Vendors reported that ticket amounts ranged anywhere from \$250 to \$500.

Arguably more disruptive than the project of routine ticketing employed by law enforcement, however, was the practice of recurrent property confiscations. Illustrating the prevalence of these confiscations, 75 percent of vendors reported that they had experienced property confiscations, almost exclusively by city officials. However, documenting the frequency of these confiscations proved more difficult. The majority of vendors who reported

⁴ Kevin Walker, *Disappointment for L.A. Street Vendors*, ANNENBERG MEDIA CENTER, (Oct. 28, 2015, 4:23 PM), <http://www.neontommy.com/news/2015/10/disappointment-la-street-vendors>

⁵ *Issues*, L.A. COUNCILWOMAN NURY MARTINEZ, <http://www.nury-martinez.com/issues> (last visited Dec. 8, 2016).

confiscations stated that they had been subjected to the practice so routinely, that that they had simply lost count of the number of times their property had been taken. Of the vendors who were able to provide numbers, the findings were especially revealing. Two vendors indicated that their property had been confiscated a total of four times. Another vendor stated that her property had been confiscated six times. And astonishingly, two vendors surveyed outside of Mary Immaculate Catholic Church and School indicated that their goods and equipment have been confiscated over ten times. No vendor reported being given a receipt or voucher by city officials in order to reclaim their property. Ultimately, our aim is to synthesize these findings with information regarding informal economies and possible legalization frameworks in order to determine the best practices for transitioning to a formal economy.

II. CHARACTERISTICS OF INFORMAL ECONOMIES

A. Introduction

In conducting our survey of street vendors principally located in Pacoima we have attempted to not only capture a snapshot of a neighborhood situated in a politically important municipal district but also to demonstrate how representative Pacoima is generally of robust informal economies. By documenting the similarities between Pacoima and other areas where informal economies operate as a means to fill gaps in employment and low wages, we hope to indicate the important role that street vending plays in the local economy—both formal and informal—and the economic potential boon that legalization might have for vendors and residents alike.

B. Common Characteristics of Informal Economies

The literature on the characteristics and demographics of informal economies in the United States indicates that many of these communities share core traits that define them. Chief among these common characteristics are population density, income, race and ethnicity, language isolation, ancestral homogeneity, family size, immigration status, and location.⁶ The confluence of these traits are crucial to the growth in informal economies in many large urban centers throughout the country. It will be essential to understand the ways in which these traits intersect with one another in order to begin to consider policy proposals that advance schemes to formalize these informal economies.

⁶ James Bliesner and Mirile Rabinowitz Bussell, Ph.D., *The Informal Economy in City Heights*, 24 (August, 2013), http://www.cityheightscdc.org/wp-content/uploads/The-Informal-Economy-in-City-Heights_Final-Version_August-26-2013.pdf.

While informal economies exist in rural and urban communities alike, regional differences shape the forms and functions of these economies.⁷ For instances, certain forms of informal economic activity are concentrated in urban areas that rely on the increased demand for specialized services and the ancillary activities that support them.⁸ This is most clearly evidenced by the manufacturing and construction industries' use of informal work where there is high demand for low-wage, unskilled labor.⁹ However, informal economic activities such as street vending are often reproduced within the immigrant-heavy communities that are home to many in the informal economy itself.¹⁰

Primarily, informal economies draw workers from, and are reproduced within, low-income communities. While some informal work takes place further afield from where those who participate in informal economies live in order to supplement the formal economy, other such work is meant to benefit and be utilized by those who participate in informal economies. The concentration of informal economies in urban spaces makes them more accessible to those with fewer resources to compete in more affluent communities.¹¹ Thus, products and services are often cheaper in informal economies, providing low-income individuals a market they might not otherwise have access to. Moreover, the need for low-cost products and services that these communities provide are not always available from the larger, formal economy.¹²

Accordingly, these low-income communities are often denser on average than other areas. This is reflected by larger than average households where several generations of family

⁷ *Id.* at 25.

⁸ *Id.*

⁹ *Id.*

¹⁰ Christian Zolniski, *The Informal Economy in an Advanced Industrialized Society: Mexican Immigrant Labor in Silicon Valley*, 103 *YALE L.J.* 2305, 2323 (1993-1994).

¹¹ Jan L. Losby, et al., *Informal Economy Literature Review*, 22 (Dec. 2002), http://www.kingslow-assoc.com/images/Informal_Economy_Lit_Review.pdf.

¹² *Id.* (suggesting that this is the result of actual unavailability [e.g., formal markets might not carry specialty food products sought by low-income, immigrant communities], cost, and geographic proximity to the formal economy.).

members might all live together.¹³ In part, this is due to both cultural preferences for multigenerational households as well as economic necessity, produced by low wages and lack of access to capital, due in part to immigration status. Informal activities often involve a division of labor along generational lines and among family members within the same household.¹⁴ This division is frequently a necessary component of informal activity that relies on a combination of physicality, experience, institutional knowledge, and logistics.

Language—and more specifically, limited English proficiency—is also a key indicator of informal economic activity.¹⁵ This might be partially due to the more limited communicative abilities these individuals possess, which narrowly circumscribes the economic interactions they are able to have to those with whom they share a common language.¹⁶ Related to language, race, ethnicity, and immigration are also highly correlative with informal activity.¹⁷ Large American cities with thriving informal economies are also highly populated with new non-white immigrant groups who use the informal economy as a transitional mechanism for adapting to the new formal economy.¹⁸ Other research suggests that engagement with the informal economy is more of a way of coping with the poverty that many new immigrants face and that the insular nature of informal economies only creates and reinforces poverty.¹⁹

C. Pacoima is Characteristic of Informal Economies

As demonstrated *supra*, research indicates that the character of most informal economies throughout urban areas in the United States tends to be most robust in low-income areas with

¹³ Ziolniski, *supra* note 10 at 2323.

¹⁴ *Id.*

¹⁵ Bliesner, *supra* note 6 at 25.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.* See also Losby et al., *supra* note 11.

¹⁹ Ziolinski, *supra* note 10 at 2305.

high rates of unemployment.²⁰ Additionally, immigrant-heavy communities are also highly correlated with informal economic activity. The demographic profile of Pacoima presented in this section contains many of the key indicators of an informal economy hub.

Pacoima is located in the far northern part of the San Fernando Valley region of Los Angeles. It covers an area of 7.14 square miles and has a population of over 81,000 people.²¹ With an average household size of 4.3 people,²² Pacoima is a particularly dense neighborhood, both in comparison to Los Angeles and the nation as a whole.²³ Uncharacteristic of informal economies, Pacoima has a lower-than-average percentage of renters in comparison to Los Angeles as a whole (43.5 percent²⁴ to 52 percent²⁵, respectively). However, fewer low-income families might feel the need to rent in Pacoima since the median home sale price was \$239,500²⁶ compared to \$488,714 for the city.²⁷ The median household income in Pacoima was about \$48,700, which is about average for the city.²⁸

²⁰ Bliesner, *supra* note 6.

²¹ *Mapping L.A., San Fernando Valley, Pacoima*, L.A. TIMES, <http://maps.latimes.com/neighborhoods/neighborhood/pacoima/> (last visited Nov. 19, 2016).

²² *Mapping L.A., Rankings, Household Size*, L.A. TIMES, <http://maps.latimes.com/neighborhoods/household-size/neighborhood/list/#pacoima> (last visited Nov. 19, 2016) (stating that in a ranking of household size by neighborhood, Pacoima ranked ninth among Los Angeles's 272 neighborhoods and first in the San Fernando Valley).

²³ *QuickFacts, Los Angeles County, California*, UNITED STATES CENSUS BUREAU, <http://www.census.gov/quickfacts/table/LFE305214/06037> (last visited Nov. 19, 2016) (stating that the average household size in Los Angeles is 2.85 people). *Cf. Households and Families: 2010 Census Briefs*, UNITED STATES CENSUS BUREAU, <https://www.census.gov/prod/cen2010/briefs/c2010br-14.pdf> (last visited Nov. 19, 2016) (stating that the average household size in the United States is 2.58 persons).

²⁴ *Mapping L.A., Rankings, Renters*, L.A. TIMES, <http://maps.latimes.com/neighborhoods/renters/neighborhood/list/> (last visited Nov. 19, 2016).

²⁵ Adrian Glick Kudler, *Los Angeles Has the Highest Percentage of Renters in the US*, L.A. CURBED, <http://la.curbed.com/2013/12/10/10165952/los-angeles-has-the-highest-percentage-of-renters-in-the-us-1> (last visited Nov. 19, 2016).

²⁶ *Pacoima, Demographics*, POINT 2 HOMES, <http://www.point2homes.com/US/Neighborhood/CA/Los-Angeles/Pacoima-Demographics.html> (last visited Nov. 19, 2016).

²⁷ *Los Angeles, Demographics*, POINT 2 HOMES, <http://www.point2homes.com/US/Neighborhood/CA/Los-Angeles-Demographics.html> (last visited Nov. 19, 2016).

²⁸ *Pacoima, Median Household Income*, CITY-DATA.COM, [http://www.city-data.com/neighborhood/Pacoima-Pacoima-CA.html#mapOSM?mapOSM\[zl\]=13&mapOSM\[c1\]=34.264452081712676&mapOSM\[c2\]=-118.39313507080077&mapOSM\[s\]=income3&mapOSM\[fs\]=false&mapOSM\[pop\]=42](http://www.city-data.com/neighborhood/Pacoima-Pacoima-CA.html#mapOSM?mapOSM[zl]=13&mapOSM[c1]=34.264452081712676&mapOSM[c2]=-118.39313507080077&mapOSM[s]=income3&mapOSM[fs]=false&mapOSM[pop]=42) (last visited Nov. 19, 2016).

Looking at race and ethnicity, according to census data, non-Hispanic whites make up 4.6²⁹ percent of Pacoima, which is significantly lower than the city as a whole, which is 29.4 percent white.³⁰ African Americans comprise 7.2 percent of the population in Pacoima, a little below average for the city total of 9.8 percent. Asians, representing 10.7 percent of the population of Los Angeles, represent only 1.9 percent of Pacoima. Lastly, Latinos account for 85.6 percent of the Pacoima population. This is significantly higher than the city total of 47.5 percent. The vast majority of Latinos in Pacoima—82.7 percent—trace their ancestry to Mexico.³¹

Corresponding to the high percentage of Latinos in Pacoima, Spanish is spoken in nearly 90 percent of households.³² Pacoima also has high levels of linguistic isolation. Figures show that only about 10 percent of households speak English at home,³³ and the percentage of individuals who speak English not well or not at all is over 27 percent.³⁴ Relatedly, 47.1 percent of Pacoima residents are foreign born, which is high relative to Los Angeles generally, 37.4 percent of which are foreign born.³⁵

The areas of linguistic isolation, which is substantially uniform throughout Pacoima, roughly correspond with statistics representing concentrations of immigrant groups with lower

²⁹ *Mapping L.A., San Fernando Valley, Pacoima, supra* note 16 (all Pacoima-specific percentages regarding race and ethnicity *infra* are taken from this source).

³⁰ *QuickFacts, Los Angeles County, California, supra* (all Los Angeles-specific percentages regarding race and ethnicity *infra* are taken from this source).

³¹ *Mapping L.A., San Fernando Valley, Pacoima, supra*.

³² *Pacoima, Residents Speaking Spanish at Home*, CITY-DATA.COM, [http://www.city-data.com/neighborhood/Pacoima-Pacoima-CA.html#mapOSM?mapOSM\[zl\]=13&mapOSM\[c1\]=34.264452081712676&mapOSM\[c2\]=-118.39313507080077&mapOSM\[s\]=races55&mapOSM\[fs\]=false&mapOSM\[pop\]=42](http://www.city-data.com/neighborhood/Pacoima-Pacoima-CA.html#mapOSM?mapOSM[zl]=13&mapOSM[c1]=34.264452081712676&mapOSM[c2]=-118.39313507080077&mapOSM[s]=races55&mapOSM[fs]=false&mapOSM[pop]=42) (last visited Nov. 19, 2016).

³³ *Pacoima, Residents Speaking English at Home*, CITY-DATA.COM, [http://www.city-data.com/neighborhood/Pacoima-Pacoima-CA.html#mapOSM?mapOSM\[zl\]=13&mapOSM\[c1\]=34.264452081712676&mapOSM\[c2\]=-118.39313507080077&mapOSM\[s\]=races51&mapOSM\[fs\]=false&mapOSM\[pop\]=42](http://www.city-data.com/neighborhood/Pacoima-Pacoima-CA.html#mapOSM?mapOSM[zl]=13&mapOSM[c1]=34.264452081712676&mapOSM[c2]=-118.39313507080077&mapOSM[s]=races51&mapOSM[fs]=false&mapOSM[pop]=42) (last visited Nov. 19, 2016).

³⁴ *Id.*

³⁵ *Los Angeles, CA, Foreign-born population*, CENSUS REPORTER, <https://censusreporter.org/profiles/16000US0644000-los-angeles-ca/>

income levels. This confluence of factors, in addition to cultural familiarity with the informal economic practices from Mexico suggest that participation in the informal economy might be necessary in order to sustain economic self-sufficiency.³⁶

D. Conclusion

By demonstrating that Pacoima shares many of the characteristics that define the informal economy, we hope to apply the literature that examines the costs of informality as well as the benefits of formalization to both those engaged in informal activity and those who participate in the larger economy. Street vending, as a paradigmatic instantiation of the informal economy, is a firmly rooted economic activity throughout Pacoima, as well as most of Los Angeles. Considering some of the barriers to formalization set out in the following section will aid in illuminating how the key findings of our field research with Pacoima street vendors can be applied to best practices in the literature on formalizing economies through a legal framework.

³⁶ Bliesner, *supra* note 6.

III. BEST PRACTICES FOR FORMALIZING STREET VENDING

A. Introduction

Since researchers began studying it in any seriously academic fashion beginning in the mid-1970s, the informal economy has spawned a growing literature that continues to wrestle with myriad theoretical and practical issues germane both to its study and to policy initiatives aimed at fostering its growth as well as formalizing it through legal regimes.³⁷ While much research has been dedicated to studying those informal economies most prevalent in the developing world, a growing body of literature has begun to engage with street vendors, day laborers, immigrant work, and street artists, among others, located both within and beside the highly formalized and regulated economies of cities here in the United States.³⁸

This portion of the paper surveys research on efforts to formalize informal economies in order to present some of the best practices for effectuating this process in such a way that effectively regulates the practice while retaining benefits for those engaged in the practice and not subjecting workers to inordinately high costs that are sometimes associated with formalization. Throughout this paper we propose that when implementing legislation to legalize street vending, legislators must take into consideration the practicalities of formalizing an informal economy. They must consider the culture and demographics of street vendors, their backgrounds, and the financial burdens that street vendors face in both a formal and informal context. If we are to make street vending legal, we must do so in a way that allows vendors to continue making a living without creating overly-burdensome legal, regulatory, or economic barriers that will leave them with no other choice but to continue to sell informally, the way they

³⁷ Jamie Alderslade, John Talmage, and Yusef Freeman, *Measuring the Informal Economy – One Neighborhood at a Time*, THE BROOKINGS INSTITUTION METROPOLITAN POLICY PROGRAM (2006).

³⁸ *Id.*

have done for so long.

B. Barriers to Formalization

Among the biggest barriers to formalizing an informal economy such as street vending is the stigmatization that comes with the aspect of illegality of the street vending business.³⁹ As a form of entrepreneurship that is illegal, vendors do not have the access to capital, resources, or the social support that have allowed other formal businesses to be successful and stable. Formalizing the informal economy of street vending using systems that work not just theoretically but in practice, will lead to a more robust economy that will shed the vendors of the stigmatization that street vending currently holds while simultaneously helping these entrepreneurs grow their businesses.⁴⁰

First, it is important to note that we cannot impose unreasonable and heavy costs on street vendors for accessing a permit system, paying taxes, issuing licenses, and obtaining or maintain the required equipment to sell legally. The street vendors we surveyed in the city of Pacoima expressed to us their strained financial resources. Both through testimonials from vendors we surveyed as well as the academic literature, it became clear that many street vendors can just barely break even after an entire day's work.⁴¹ Imposing heavy costs on vendors would create a

³⁹ See Gregg W. Kettles, *Regulating Vending in the Sidewalk Commons*, 77 TEMP. L. REV. 1, 43 (2004) (“By continuing the broad prohibition on sidewalk vending and allowing it to take place only in districts approved by local storefront merchants, the city accorded respect or esteem to those who operate storefront business and their patrons. On the other hand, by creating a process by which legal vending districts may be established if neighbors approve, the city likewise accorded dignity to the vendors.”); see also Regina Austin, *“An Honest Living”: Street Vendors, Municipal Regulations and the Black Public Sphere*, 103 YALE L.J. 2119, 2130 (1994) (“just because an enterprise is small, informal, and illegal, does not mean that it is not valuable or that it should be disparate.”).

⁴⁰ Bliesner, *supra* note 6, at 43 (noting that if the city recognizes an informal economy such as street vending it could lead mainstream lending institutions to recognize and provide capital for these business, increasing street vendor’s ability to succeed.)

⁴¹ Kettles, *supra* note 39 at 22 (explaining that vendors “are not vending to get rich [they] are vending to survive”); see also Bliesner & Bussell (“people typically engage in informal economic activity out of ‘need not greed’.”

barrier to legalizing this informal economy.⁴² The costs associated with obtaining permits, meeting overly-regulatory health and safety regulations, and requiring transportation to pre-approved vending zones might become overwhelming for low-income entrepreneurs who are unable to afford such expenses.⁴³

C. Best Practices

Not only do street vendors typically make very small profits, if any, but they lack access to the financial resources that would allow them to maintain and grow their business in a world where street vending is legalized. We must therefore create programs that will provide financial assistance for street vendors in the city of Los Angeles. Without this support, it will be nearly impossible for street vendors to get the equipment that will be necessary to run their business successfully and to meet the standards that the city requires. Through our conversations with street vendors in Pacoima, we came to learn that many of them started their business with little to no capital. They often times start their business with supermarket shopping carts, working their way up as they are able to gain some revenue from their sales. Asking them to purchase new equipment that will meet city standards will not be feasible without financial support.⁴⁴

Financial support is important to street vending not only to allow vendors to maintain their current businesses, but to afford them an opportunity to grow their small-scale businesses

⁴² Bliesner, *supra* note 6 at 48 (Noting that many street vendors “utilize the informal economy as a form of subsistence”); *see also* Betsy Cummings, *Easing the Transition: Proposing a Supranational Body to Facilitate Formalizing Economies*, 118 W. VA. L. REV. 1247, 1265 (2015) (“Even where a regulation is efficiently designed to accommodate entrepreneurship, it’s administration may prove to be a hassle, dissuading those wishing to formalize from doing so.”).

⁴³ *See* Bliesner, *supra* note 6 at 31 (arguing that there are significant challenges in place in cities like San Diego where “vendors must complete a thorough application. When submitting a solicitor application, each vendor must also provide a completed police permit application and business addendum, a copy of the Business Tax Certificate obtained from the City Treasurer’s Office, a complete Live Scan Fingerprints, a \$104.00 investigation fee, a \$54.00 regulatory fee, and a photo ID card that costs \$15. For vendors intending to sell food items, a health permit must also be obtained.”).

⁴⁴ Bliesner, *supra* note 6 at 44, (arguing that street vendors face “poor financial literacy, poor facilities, lack of bank branches and access to small business loans.”)

into a more lucrative enterprise, and possibly even give them the chance to own a storefront location, effectively fully formalizing them. Many street vendors we spoke to had hopes that one day they would be able to open their own business.⁴⁵ For them, street vending is a means of survival, but with financial resources, it can become a stable source of revenue.

In addition, if street vending is to be successful, the city should not restrict the locations where vendors will be allowed to vend. Contrary to the belief of many, street vendors do not seek to locate close to storefront merchants, but instead, “vendors tend to locate in places where potential customers have a custom of buying from vendors, and selling the products they want.”⁴⁶ Like other businesses, big and small, street vending is a business, and vendors look to sell in locations where there is demand for their products they are selling. As a result, street vendors tend to locate themselves in places where there is a large presence of their own community and where there is a demand for their products.⁴⁷ Restricting the locations where they can sell might lead to arbitrary location assignments where street vending might not be lucrative and will not provide vendors with the level of revenue needed to continue operating their business.

Furthermore, when conducting our survey in Pacoima, all of the vendors we spoke to expressed a desire to continue vending in the locations where they are currently established and have been vending for many years. While some switch locations based on the day of the week, others remain in the same location every day, but regardless, they are consistently in the same

⁴⁵ See Austin, *supra* note 39, at 2127 (“one justification for black street vending is that it is a step on the road to more successful formal black business. Vending operations are said to be embryonic businesses that allow blacks to acquire the skills and resources that it takes to operate at a fixed location.”).

⁴⁶ Kettles, *supra* note 39, at 41; *Id.* at 42 (vendors tend to sell products that are typical of their own culture and they tend to move to locations where there is an interest for their goods or services. In this way, not only do street vendors increase their profits, but the community is less likely to put in complaints with the police and the city.)

⁴⁷ See Austin, *supra* note 39, at 2124 (“Black vendors also succeed by catering to the specialized demands of black consumers. Black vendors are purveyors of black culture. Shoppers purchase from vendors “ethnic products” that the shoppers may be unable to find anywhere else.”).

location on certain days of the week. This has allowed street vendors to develop a customer base as well as a familiarity with the community preferences and schedules. Customers know where to find street vendors, and what types of products to expect in the places where they are located. If street vendors are left at the mercy of the city to decide where they can vend, or are required to seek permission from actors such as storefronts, and other interested parties, street vending will not be viable as a legalized practice.⁴⁸

Not only have vendors developed a customer base over time, but they understand their neighborhoods and feel comfortable and safe in their current locations—not to mention, their presence makes streets safer.⁴⁹ We found that all of the street vendors with whom we spoke that were selling in the same location, knew one another and had formed a community with each other.⁵⁰ This sense of community is an important aspect of street vending that we cannot dismiss when legalizing the practice. We must consider not just the economic benefits of street vending, but the social and cultural importance that street vending provides to our communities, giving dignity to those who vend in the streets of our city.⁵¹

⁴⁸ Kettles, *supra* note 39, at 12 (Requiring a vendor to get a permit by asking storefront merchants whether they agree with vendors near their locations creates a “burdensome regulation” making it difficult for street vendors to obtain permits.).

⁴⁹ See Jane Jacobs, *The Death and Life of Great American Cities* 35 (1961) (“[T]here must be eyes upon the street, eyes belonging to those we might call the natural proprietors of the street. The buildings on a street equipped to handle strangers and to insure the safety of both residents and strangers, must be oriented to the street. They cannot turn their backs or blank sides on it and leave it blind... [T]he sidewalk must have users on it fairly continuously, both to add to the number of effective eyes on the street and to induce the people in buildings along the street to watch the sidewalks in sufficient numbers. Nobody enjoys sitting on a stoop or looking out a window at an empty street. Almost nobody does such a thing. Large numbers of people entertain themselves, off and on, by watching street activity.”).

⁵⁰ *Id.* (“Beyond the benefits of the merchandise itself, street vending creates performance space for intellectual debates, spiritual communion, and the pursuit of the pleasures of shopping.”); see also Bliesner, *supra* note 6 at 30 (“In order to survive in the fruit vending business, vendors rely heavily on their social networks, which result in the formation of a common identity.”).

⁵¹ See Austin, *supra* note 39, at 2124-25.

IV. STREET VENDING ORDINANCE

A. Introduction

In addition to the assessment of our survey findings and the best practices used to formalize informal economies, it is important to consider the legalization framework and models that may inform a renewed Los Angeles City Council street vending ordinance.

B. Street Vending Policy Framework

On December 2, 2014, members of the City Council Economic Development Committee considered and approved a sidewalk vending policy framework proposed by the city's Chief Legislative Analyst (CLA).⁵² The CLA's framework distinguishes the permit process for merchandise and food vendors, and also establishes education, location advice, and outreach and technical assistance as a priority.⁵³ Both merchandise and food vendors would be responsible for obtaining liability insurance, receiving a state seller's permit, registering to be taxed for their business, and paying for any applicable permit fees.⁵⁴ Lastly, the framework also outlines the difference between sidewalk and park permits, which would be issued by the Department of Public Works and Department of Parks and Recreation, respectively.⁵⁵ The City Council's next step is to develop specific policy details and procedures to be adapted onto one of the three models that have been proposed to legalize street vending.

⁵² SHARON M. TSO, REPORT OF THE CHIEF LEGISLATIVE ANALYST: SIDEWALK VENDING 1, (2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_rpt_CLA_10-22-2015.pdf. See also Staff, *Framework Approved for Legal Street Vending in Los Angeles*, ABC7.COM (Dec. 2, 2014), <http://abc7.com/news/framework-approved-for-legal-street-vending-in-los-angeles-/419661/>.

⁵³ SHARON M. TSO, REPORT OF THE CHIEF LEGISLATIVE ANALYST: ATTACHMENTS 7-9 6, (2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_misc_attach_7-9.pdf [hereinafter ATTACHMENTS 7-9].

⁵⁴ *Id.*

⁵⁵ *Id.*

C. Street Vending Models

On October 21, 2015, a third CLA Street Vending Report was submitted to both the City Council's Economic Development Committee and Public Works and Gang Reduction Committee. In addition to the approved framework, three models for legalizing street vending were outlined in the Report.⁵⁶

i. Model 1: Street Vending Status Quo

Model 1 creates an opt-in system and stems out of Municipal Code Section 42.00(m), which allows for the establishment of special sidewalk vending districts but keeps street vending illegal everywhere else under Municipal Code Section 42.00(b).⁵⁷ It advocates for heightened enforcement measures through the increase of penalties and fines, as well as in the presence of street services investigators and police officers.⁵⁸ Model 1 also proposes the use of outreach and education to discourage sidewalk vending.⁵⁹

Because of its opt-in feature, Model 1 is strongly supported by brick and mortar businesses, which view street vendors as competitors.⁶⁰ However, after mapping the location of street vendors and their proximity to brick and mortar retailers and restaurants in Los Angeles, the Economic Roundtable found that brick and mortar stores “were more likely to experience job growth” when in proximity to street vendors.⁶¹ Also, counter to the appeal of the opt-in system,

⁵⁶ *Id.* at 5.

⁵⁷ See Establishment and Regulation of Special Sidewalk Vending Districts, L.A., CAL., MUN. CODE § 42.00(m) (2015); Street Vending Prohibited, L.A., CAL., MUN. CODE § 42.00(b) (2015).

⁵⁸ See SHARON M. TSO, REPORT OF THE CHIEF LEGISLATIVE ANALYST: ATTACHMENT 4 19, (2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_misc_attach_4.pdf [hereinafter ATTACHMENT 4].

⁵⁹ *Id.*

⁶⁰ Julie Ha, *Street Vending District Opens on MacArthur Park Sidewalks*, L.A. TIMES, (June 21, 1999), <http://articles.latimes.com/1999/jun/21/local/me-48718>. See also City News Service, *Los Angeles Looking at Legalizing Street Vending*, L.A. DAILY NEWS, (Oct. 27, 2015, 6:56 AM), <http://www.dailynews.com/government-and-politics/20151027/los-angeles-looking-at-legalizing-street-vending>. (explaining that business owners “view vendors as having an unfair competitive advantage due to their lower operating expenses”).

⁶¹ ECONOMIC ROUNDTABLE, IMPACT OF STREET VENDORS ON BRICK AND MORTARS 1 (2015), https://economicrt.org/wp-content/uploads/2015/02/LAStreetVendors_SFValleyFactSheet_02-17-15_v2.pdf. But see Norm Langer, *Here's*

special sidewalk vending districts “create a ‘black market’ of rogue vendors who [compete] with the legal vendors” and brick and mortar businesses.⁶²

This tension between sanctioned and unsanctioned vendors is best highlighted in the City Council’s attempt to control illegal street vending through its 1994 Special Sidewalk Vending District Ordinance.⁶³ Using Model 1, the City Council created the first legal sidewalk vending district at MacArthur Park in 1999, five years after the ordinance was passed.⁶⁴ While the ordinance proposed to establish a total of eight special vending districts, the pilot special vending district at MacArthur Park ended in 2005 and no others were created.⁶⁵ Failure of the vending district was attributed to high city fees, inadequate funding, and lack of enforcement.⁶⁶ Lack of enforcement was the largest hindrance to maintaining the special vending district. While vendors inside the park paid high fees to operate and abide by the city’s strict rules, unlicensed vendors outside the park remained unregulated and “sold their products with little fear of being ticketed or shut down, [thereby] undercutting the permitted vendors.”⁶⁷

How We Get a Real Deal on Street Vending, L.A. TIMES, (Nov. 25, 2015, 12:00 PM), <http://www.latimes.com/opinion/livable-city/la-ol-street-vending-langers-20151125-story.html> (claiming that street vendors drive off customers and are cause for decrease in business). See generally YVONNE YEN LIU, ET. AL., SIDEWALK STIMULUS: ECONOMIC AND GEOGRAPHIC IMPACT OF LOS ANGELES STREET VENDORS, ECONOMIC ROUNDTABLE 9-14 (2015), <https://economicrt.org/publication/sidewalk-stimulus/> (detailing the study of three locations to assess the impact of street vendors on retail stores and restaurants).

⁶² City News Service, *supra* note 60 (quoting Mike Dennis, spokesman for the Los Angeles Street Vending Campaign).

⁶³ Ha, *supra* note 60.

⁶⁴ *Id.*

⁶⁵ Hugo Sarmiento, *The Spatial Politics of Street Vending in Los Angeles*, 19 UCLA Inst. for Research on Labor and Emp’t: Research & Policy Brief 1, 7 (2015), <http://www.irlu.ucla.edu/publications/documents/ResearchBrief19.pdf>.

⁶⁶ Walker, *supra* note 4; Daniel Ross, *What Legalizing Street Vending Could Do for L.A.’s Local Economy*, YES! MAGAZINE, (Feb. 23, 2016), <http://www.yesmagazine.org/commonomics/what-legalizing-street-vending-could-do-for-las-local-economy-20160223>.

⁶⁷ Langer, *supra* note 61. See also Leslie Berenstein Rojas, *As LA Contemplates Legal Street Vending, A Look at Other Local Policies*, 89.3 KPCC, (June 16, 2015), <http://www.scpr.org/news/2015/06/16/52369/as-la-contemplates-legal-street-vending-a-look-at/>.

To improve the probability of Model 1’s success a second time around, the model now advocates for increased enforcement vis-à-vis heightened penalties, fines, and officer presence.⁶⁸ However, increased enforcement will not directly lead to the successful implementation of special vending districts. Instead, increased enforcement is likely to contribute to the over-criminalization of street vendors, many of whom are “impoverished immigrants trying to get an economic foothold” by gaining the status as “law-abiding businesspeople.”⁶⁹ Thus, the City Council should refrain from legalizing its 50,000 street vendors by attempting to establish special vending districts a second time.⁷⁰

ii. Model 2: Citywide Street Vending

Model 2 calls for citywide legalized sidewalk vending.⁷¹ Lacking specifics, this approach requires the development of general regulations and procedures, such as guidelines about the application and fee process for individual locations throughout Los Angeles, as well as the

⁶⁸ ATTACHMENT 4, *supra* note 58.

⁶⁹ Emily Alpert Reyes, *Should L.A. Legalize Street Vendors? Stakes Are High for Shop Owners*, L.A. TIMES, (Sept. 25, 2015, 2:00 AM), <http://www.latimes.com/local/cityhall/la-me-street-vending-battle-20150925-story.html>; Pui-Yee Yu, *City of Angels Criminalizes Sidewalk Vendors*, LA PROGRESSIVE, (Apr. 10, 2015), <https://www.laprogressive.com/la-criminalizes-street-vendors/>. See also Leslie Berenstein Rojas, *Vendors Ask Cops to Limit Who They Issue Citations To*, 89.3 KPPC, (Apr. 1, 2015), <http://www.scpr.org/blogs/multiamerican/2015/04/01/18011/vendors-ask-cops-to-limit-who-they-issue-citations/> (noting that street vendors are the “poorest of the poor” whose citations “run from \$300 to \$500”); Emily Alpert Reyes, *L.A. Lawmakers Vote to Reinstate Ban on Park and Beach Vending*, L.A. TIMES, (June 16, 2015, 8:34 PM), <http://www.latimes.com/local/lanow/la-me-ln-park-street-vending-20150616-story.html> (quoting Councilman Gil Cedillo’s stance that street vending should not carry a penalty that bans undocumented street vendors from obtaining citizenship). See generally GREGORY BONETT ET. AL., CRIMINALIZING THE SIDEWALK, UCLA SCHOOL OF LAW CRIMINAL DEF. CLINIC 6-10 (Ingrid Eagly & Julie Cramer eds., 2015), <https://maxcdn1.laprogressive.com/wp-content/uploads/2015/04/Criminalizing-the-Sidewalk.pdf> (stating that criminalizing street vending does not advance the city’s stated goals of reducing crime, preventing business competition, and enhancing public safety).

⁷⁰ Los Angeles Street Vending Campaign, <http://www.streetvendorsforla.org/> (last visited Dec. 3, 2016) (stating that the Bureau of Street Services estimates that Los Angeles has 50,000 street vendors).

⁷¹ ATTACHMENT 4, *supra* note 58 at 20. See also Independent Wire Services, *Council Delays Implementing Street Vendor Plan*, LA INDEPENDENT, (Nov. 6, 2015), <http://laindependent.com/council-delays-implementing-street-vendor-plan/> (stating that citywide vending would include “rules regulating but allowing the businesses equally in all areas”).

enforcement policies of the program. Once detailed regulations and procedures are available, Model 2 would designate specific locations for street vending on city sidewalks and parks.⁷²

The citywide premise of Model 2 is the system that most closely aligns to the goals of the Los Angeles Street Vendors Campaign (“LASVC”), which advocates for a path of legalization that “takes into consideration the needs of the [street vendor] community.”⁷³ The LASVC contends that citywide street vending legalization would help vendors earn an honest living and allow the City to support existing small businesses.⁷⁴ Also, given how ubiquitous street vending is in Los Angeles, Model 2 is preferred because “designated vending zones . . . [are] more more expensive and more difficult to enforce than a citywide model.”⁷⁵ Although “[c]ities with a lot of vending, which [Los Angeles] has, tend to lean toward a citywide model[,]” the most difficult part about using Model 2 to legalize street vending will be for the City to achieve a balance between the interests of street vendors and established business owners.⁷⁶

iii. Model 3: Community-Driven Model

Model 3 is a hybrid system between Models 1 and 2; it calls for citywide legalized street vending but also allows some areas to opt-out.⁷⁷ Communities throughout the City would individually submit sidewalk vending proposals for the City Council’s approval.⁷⁸ Upon reviewing the proposal, the City Council would determine what type of program would be implemented in that specific community.⁷⁹ The City Council could choose to implement any one

⁷² *Id.*

⁷³ East LA Community Corporation, *Legalize Street Vending Campaign*, http://www.elacc.org/legalize_street_vending_campaign (last visited Dec. 3, 2016).

⁷⁴ The Los Angeles Street Vendor Campaign, <http://streetvendorcampaign.blogspot.com/> (last visited Dec. 3, 2016).

⁷⁵ Ross, *supra* note 66. (quoting Rudy Espinoza, executive director of the Leadership for Urban Renewal Network).

⁷⁶ *Id.* (quoting Mark Vallianatos, policy director of the Urban and Environmental Policy Institute at Occidental College).

⁷⁷ ATTACHMENTS 7-9, *supra* note 53.

⁷⁸ ATTACHMENT 4, *supra* note 58 at 21.

⁷⁹ *Id.*

of the following program options: designating locations anywhere in the city upon approval, designating specific zones, creating traveling markets in food deserts, establishing inner-city markets near high pedestrian traffic areas, or choosing parks as sites for street vending.⁸⁰

Economic Development Committee Chair Curren Price (Dist. 9) has expressed his support for this hybrid model.⁸¹ The LASVC will likely support the citywide legalization features of Model 3, but will likely take issue with arbitrary opt-out methods the model makes available. While the LASVC is open to supporting a comprehensive street vending ordinance that provides for local flexibility and sensible vending location regulations, it also asserts that ordinances that are overly restrictive “have the unintended effect of discouraging compliance.”⁸² Thus, limitations on street vending “should only be done to support the safety of pedestrians as well as the reasonable protection of small businesses.”⁸³

D. LASVC Policy Proposal

Although the approved CLA framework operates as a guide for the next stage of developing an administrative, enforcement, and implementation plan, the specific policy details need to be established to move forward with the legalization of street vending. At the last Committee hearing in October 2015, Councilwoman Nury Martinez requested that the CLA and

⁸⁰ *Id.*

⁸¹ Independent Wire Services, *supra* note 71 (“Committee Chair Curren Price proposed going with [the] third ‘hybrid’ system”).

⁸² Berenstein Rojas, *supra* note 67 (quoting Doug Smith from Public Counsel).

⁸³ Press Release, The Los Angeles Street Vendor Campaign, Press Statement: LA Street Vendor Campaign on the City’s Move to Permit Street Vendors (Nov. 22, 2016), <http://www.streetvendorsforla.org/>. See also Establishment and Regulation of Special Sidewalk Vending Districts, Los Angeles, California, Municipal Code § 42.00(m)(8) (“the Board, for good cause, may adopt such other rules and regulations for the district as would promote the public health, welfare and safety”).

other city departments provide further information about the three proposed models because she did not feel sufficiently informed to choose one to apply onto the approved framework.⁸⁴

Because City Council members view the framework as more conceptual than practical as it currently stands, the LASVC developed a policy proposal that articulates the more “nuanced policy details that will ensure a fair, inclusive and successful sidewalk vending permit program for Los Angeles.”⁸⁵ The detailed policy language of the LASVC proposal, premised on the implementation of Model 2, addresses and builds on the concepts included in the CLA framework.⁸⁶ More specifically, the LASVC policy proposal directly responds to Councilwoman Martinez’s request for additional data and specific language that expands on what street vending legalization could actually look like.⁸⁷

E. Conclusion

The LASVC policy proposal, taken in conjunction with both the best practices of formalizing economies and survey responses of street vendors in the San Fernando Valley, places the Economic Development Committee and Public Works and Gang Reduction

⁸⁴ See City News Service, *supra* note 60. See also Walker, *supra* note 4 (noting that street vending advocates were disappointed and frustrated about the slow progress and delay of the vending ordinance that had already been lingering in the Economic Development Committee for two years).

⁸⁵ THE LOS ANGELES STREET VENDING CAMPAIGN, CLA FRAMEWORK WITH LASVC MODEL POLICY LANGUAGE, [https://d3n8a8pro7vhm.cloudfront.net/elacc/pages/277/attachments/original/1454549718/CLA_Framework_with_LASVC_model_policy_language_\(2\).pdf?1454549718](https://d3n8a8pro7vhm.cloudfront.net/elacc/pages/277/attachments/original/1454549718/CLA_Framework_with_LASVC_model_policy_language_(2).pdf?1454549718) [hereinafter “CLA FRAMEWORK”].

⁸⁶ Compare ATTACHMENTS 7-9, *supra* note 53 (outlining the distinction between merchandise and food vendors, as well as the distinction between legalized sidewalk and park locations, and the importance of technical assistance, education, and outreach), with CLA FRAMEWORK, *supra* note 85 (providing detailed policy language for merchandise and food vendors, as well as for sidewalk and park locations, and for technical assistance, education, and outreach), and THE LOS ANGELES STREET VENDING CAMPAIGN, LASVC Ordinance One-Page (2015), https://d3n8a8pro7vhm.cloudfront.net/elacc/pages/277/attachments/original/1454549848/LASVC_ordinance_one_pager_9-29-15.pdf?1454549848 (establishing policy language for the following core elements of the ordinance: 1. A citywide permit system; 2. Common sense restrictions on when, where, and how vending happens; 3. Permitting requirements to protect health and safety; 4. Create healthy food cart designations with incentives; 5. Technical assistance, education and outreach; and 6. Responsible and humane enforcement).

⁸⁷ See Walker, *supra* note 4 (noting that the Economic Development Committee requested “more information about issues such as counterfeit sellers, enforcement and where possible vending could and should be allowed” and that “[d]uring the meeting, Councilwoman Nury Martinez expressed frustration . . . about the report’s lack of specifics about how a legal street vending program would work”).

Committee in the most favorable position to approve a model of legalization and put a reworked street vending ordinance up for a vote before the full fifteen-member City Council.

Katherine Yang

December 9, 2016

Law 541 Problem Solving in the Public Interest Seminar

**Debunking the Myth of a Link
Between Street Vending and Crime Rate in the City of Los Angeles**

I. Introduction

Los Angeles is home to around 50,000 street vendors¹ who collectively generate around \$500 million dollars in revenue every year, most of which goes back into the local economy in order to purchase goods and services so that the vendors can continue to operate their carts.² Vendors sell items like fresh fruit, tacos, hot dogs, or pastries, articles of clothing, and other common household goods like electronics or gardening tools.³ Thus they provide valuable and convenient services for local patrons as well as economic stimulus for the local economy.

However, their contributions have not received legal recognition. The City's municipal code prohibits vending in the City's sidewalks, streets, and alleyways⁴, and although it theoretically authorizes the creation of Special Sidewalk Vending Districts⁵, only one such district was ever

¹ Sharon M. Tso, City of Los Angeles Sidewalk Vending Status Report, Report of the Chief Legislative Analyst, (Nov. 2014), http://clkrep.lacity.org/onlinedocs/2013/13-1493_rpt_cla_11-26-14.pdf.

² Yvonne Yen Liu, Patrick Burns, and Daniel Flaming, *Sidewalk Stimulus: Economic and Geographic Impact of Los Angeles Street Vendors*, ECONOMIC ROUNDTABLE (June 22, 2015), <https://economicrt.org/publication/sidewalk-stimulus/>.

³ City of Los Angeles: Sidewalk Vending Fact Sheet (last accessed Nov. 1, 2016), <http://sidewalkvending.lacity.org/documents/English/Sidewalk%20Vending%20Fact%20Sheet.pdf>.

⁴ L.A., CAL., MUN. CODE § 42.00(b) (2015).

⁵ L.A., CAL., MUN. CODE § 42.00(m) (2015).

created in MacArthur Park, which has since become defunct without any funding ever allocated for additional districts.⁶ This makes the vending prohibition de facto citywide without exception. It is classified as a criminal misdemeanor and may carry penalties of up to \$1,000 in fines, jail sentence of up to six months, or both.⁷

The prohibition results in negative consequences for all parties involved. An individual vendor is estimated to generate about \$10,000 in revenue per year⁸, which means that it is a source of bare minimum, subsistence-level income for someone who is struggling to make a living for herself and her family, is likely unable to find higher-earning careers, and may face homelessness as the only other alternative.⁹ Patrons of street vendors, who are likely to be members of local communities, enjoy the convenience of products and services provided by their local vendors enough to help generate a \$500 million annual revenue, but the restriction on vending also limits their access to the products and services they seek.¹⁰ Finally, the city is at a disadvantage too. Without legal recognition, there is also no legal regulation, which means the

⁶ Gerry F. Miller, City of Los Angeles Sidewalk Vending Policy, Report of the Chief Legislative Analyst, (May 2014). http://clkrep.lacity.org/online/docs/2013/13-1493_rpt_cla_5-13-14.pdf.

⁷ L.A., CAL., MUN. CODE § 42.00(b) (2015).

⁸ Liu et al., *supra* note 2.

⁹ Gregory Bonett, P. Scott Chandler, Kevin Whitfield, and Pui-Yee Yu, *Criminalizing the Sidewalk: Why the Los Angeles City Attorney's Office Should Take Action to Reform the Unjust Treatment of Low-Income Sidewalk Vendors*, (Apr. 2015), <http://webshare.law.ucla.edu/Communications/Criminalizing%20the%20Sidewalk%20-%20A%20Report%20by%20the%20UCLA%20Criminal%20Defense%20Clinic%20-%20April%202015.pdf> (describing the story of Rosa Calderon, a L.A. street vendor who received seven citations for vending on the sidewalk and tried to complain about how the Vending Unit police officers of the Central Division Police Station had treated her, only for the Commanding Officer of the police station to tell her that she should beg on the streets rather than vend for a living.)

¹⁰ Liu et al., *supra* note 2 (describing the story of Carmen Fuentes, a 75-year-old retired factory worker living in Boyle Heights who relies on her local street vendor, Sylvia, for fresh produce due to the lack of any nearby grocery stores. Enforcement against Sylvia has made it difficult for Carmen to replenish her produce supply since Sylvia is unable to make her typical route through the neighborhood and stop by Carmen's home, or when Carmen does find Sylvia only to realize that the police have confiscated her produce).

City hemorrhages lost sales taxes and other fees from a half-billion-dollar local industry every year.¹¹ To add salt to the injury, the Los Angeles Police Department (LAPD) and the Bureau of Street Services (BSS) are the two agencies responsible for enforcing the prohibition¹², which means that the City not only loses taxes and fees, but also has to foot the additional bill for enforcement against individual vendors.¹³

Members of the L.A. City Council have recognized the problem with continued marginalization of street vendors and have motioned for the creation of a program that would allow legal vending throughout the city.¹⁴ In response, the Office of the Chief Legislative Analyst held community meetings with both supporters and opponents of sidewalk vending legalization so that they could express their concerns about implementing and enforcing such a program.¹⁵ A number of neighborhood councils in the City have also submitted Community Impact Statements (CIS) in response to the motion to legalize, with opinions ranging from unanimously opposed to unanimously supportive.¹⁶ In general, opposing concerns included potential hygiene and trash disposal concerns relating to food vendors, potential impact of

¹¹ Liu et. al., *supra* note 2 (stating that a *minimum* of \$33 million in direct sales taxes are lost due to the lack of legalization and resulting regulation).

¹² Sharon M. Tso, City of Los Angeles Sidewalk Vending, Report of the Chief Legislative Analyst, (Oct. 2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_rpt_CLA_10-22-2015.pdf.

¹³ Bonett et. al., *supra* note 9. (At the trial of Rosa Calderon, a street vendor cited for selling Christmas ornaments on the sidewalk, a LAPD officer from the Central Division's Vending Unit testified that "his entire position was dedicated to ticketing sidewalk vendors. In other words, directly reflecting the broken windows approach, police in this "Vending Unit" consume themselves with ticketing vendors in lieu of other activities, such as preventing violent crime.")

¹⁴ Tso, *supra* note 1.

¹⁵ *Id.*; Tso, *supra* note 12.

¹⁶ For a list of all CIS for review, see Appendix A: Community Impact Statements.

vending on surrounding business owners, and criminal activities relating to vendors.¹⁷ This report will focus specifically on the last issue.

II. Issue

Opposition against vending legalization includes concerns about various kinds of criminal activities, such as the attraction of gang activity and extortion by gangs.¹⁸ The LAPD officer who testified at Rosa Calderon's trial, for example, said that 79-year-old Calderon could attract gang members to the neighborhood if she sold Christmas ornaments on the sidewalk.¹⁹ In their CIS, two neighborhood councils raised the concern of traffic hazards from vehicles that park illegally in order to purchase goods from vendors.²⁰ One neighborhood council also cited potential safety hazards from children running across the street to reach vendors.^{21,22} In general, the concept is similar to the "broken windows" theory, which promotes zero-tolerance policing for petty maintenance ordinances based on the assumption that when a broken window is left unrepaired, soon the rest of the windows will become broken too.²³

However, the efficacy of prosecuting vendors in order to reduce crime is doubtful. For example, in 2014 the Economic Roundtable conducted a spatial analysis of three neighborhoods

¹⁷ Tso, *supra* note 1.

¹⁸ *Id.*; City of Los Angeles: Presentation on Sidewalk Vending (June 18, 2015), <http://sidewalkvending.lacity.org/documents/English/Sidewalk%20Vending%20PowerPoint%208.pdf>.

¹⁹ Bonett et. al., *supra* note 9.

²⁰ Community Impact Statement, Harbor Gateway North Neighborhood Council (July 15, 2014), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_7-15-14.pdf; Community Impact Statement, Studio City Neighborhood Council (Sept. 22, 2014), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_9-22-14.pdf

²¹ Studio City, *supra* note 20.

²² But see also Community Impact Statement, Historic Highland Park Neighborhood Council (July 29, 2014), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_7-29-14.pdf (supporting street vending as a "vital part" of the community with "multiple benefits" including "active public spaces that keep eyes on the street to make our communities safer").

²³ Bonett et. al., *supra* note 9.

in L.A. and found that vendor presence did not statistically correlate with violent crime incidents.²⁴ This raises the question of whether enforcement against street vendors has had any significant impact on crime rates throughout L.A. as a whole.

On December 3, 2014, members of the National Lawyers Guild met with LAPD Chief Charles Beck to discuss civil rights violations in LAPD's enforcement of the no-vending policy, after which the LAPD's enforcement priorities shifted to crimes other than vending.²⁵ This provided an excellent opportunity to examine the effect on crime rate before and after the decision to shift enforcement priorities. If street vending really does attract all kinds of crimes, then the easing of enforcement against vendors post-December 2014 should result in a corresponding increase in crimes throughout the city.

To test this hypothesis using statistical analysis, the null hypothesis is that in a comparison of the pre-December 2014 and post-December 2014 time periods, there is no statistically significant increase in crime rate.

III. Data

All raw data used in this study are directly from the City's official website. Specifically, they are the Crime and Collision Raw Data sets for calendar years 2014 and 2015.²⁶ Each data set contains daily records of crime incidents in the City that can be classified by the date reported and by LAPD geographical divisions. The 2014 data set contains 243,397 total incidence reports from January 1, 2014 to December 31, 2014, of which the month of December 2014 will be

²⁴ Liu et. al., *supra* note 2.

²⁵ Interview with Victor Narro, Project Director, UCLA Labor Center, in Los Angeles, Cal. (Oct. 20, 2016).

²⁶ LAPD Crime and Collision Raw Data for 2014, (last accessed Nov. 1, 2016) <https://data.lacity.org/A-Safe-City/LAPD-Crime-and-Collision-Raw-Data-for-2014/azy9-n2gp>; LAPD Crime and Collision Raw Data for 2015, (last accessed Nov. 1, 2016) <https://data.lacity.org/A-Safe-City/LAPD-Crime-and-Collision-Raw-Data-for-2015/ttiz-7an8>.

excluded as explained further in the Methodology. The 2015 data set contains 228,018 total incidence reports from January 1, 2015 to December 3, 2015, of which the three days in December 2015 will be excluded as explained further in the Methodology.

For the purposes of this study, 14 of the geographical divisions were identified as areas known to be high in vending activity.²⁷ They are: 77th Street, Central, Foothill, Harbor, Hollenbeck, Hollywood, North Hollywood, Newton, Northeast, Olympic, Rampart, Van Nuys, West Valley, and Wilshire.

Additionally, in 2014, 88% of street vending citations issued by the LAPD were concentrated in four divisions: Central, Newton, Rampart, and Hollywood.²⁸ These are also included in the 14 divisions of interest.

IV. Methodology²⁹

The crime incident data does not indicate whether vendors were involved or not. In addition, the testimony of the LAPD officer in the trial of Rosa Calderon and the concerns raised in the CIS of Harbor Gateway North and Studio City neighborhood councils indicate that the variety of crimes that opponents of legalization might attribute to vendors tends to be broad³⁰. Therefore, all crime incident reports were included in this study without any exclusion by type.

December 2014 is excluded from the data set because this is the month during which the watershed moment occurs. The two symmetrical groups of data used for comparison are the pre-

²⁷ Narro, *supra* note 23.

²⁸ Presentation, *supra* note 18.

²⁹ For step-by-step details, see Appendix B: Step-by-Step Procedure; for a general overview of t-tests, see also Stata Annotated Output T-test (last accessed Dec. 2, 2016) http://www.ats.ucla.edu/stat/stata/output/ttest_output.htm.

³⁰ Bonett, *supra* note 9; Harbor Gateway North, *supra* note 20; Studio City, *supra* note 20.

December 2014 period (pre-period), ranging from January to November 2014, and the post-December 2014 period (post-period), ranging from January to November 2015.

There are three choices for the type of statistical test to run: paired t-test, independent t-test with equal variance, and independent t-test with unequal variance. The paired t-test is best when the before-and-after comparison is performed on the same group of experimental subjects. The independent t-test is used when the groups used for before-and-after comparison do not involve the same subjects. The choice of using an independent t-test with equal or unequal variance requires the preliminary use of a f-test, which is used to measure whether the variance in the two groups being compared is equal or unequal. In this case, because populations in general and vendor locations in particular tend to be fluid, the independent t-test is chosen as the better choice. The variance is individually determined for each geographical division using the f-test, followed by the corresponding independent t-test with either equal or unequal variance depending on the f-test result.

The t-test models a normal distribution, something like the bell curve, and the farther the t-score result falls from the mean of the distribution, the more statistically significant it is. Here, the p-value is set to the standard value of 0.05, so that a t-score will be considered statistically significant if it falls in the extreme 5% of the distribution curve.

T-tests can also be run as one-tailed or two-tailed. The two-tailed t-test takes into account the possibility that the direction of change may be in either direction, and thus halves the 5% p-value into two 2.5% tails on either end of the distribution curve. The one-tailed t-test assumes that the direction of change can only be in a single direction, and in effect makes it easier to find statistical significance. Here, given the lack of prior empirical research to rule out the possibility of change in either direction and the conflicting opinions of L.A. neighborhood councils that

believe vending may either help attract or reduce crime³¹, the t-score results will be included for both one-tailed and two-tailed t-tests.

Tests are run for each of the fourteen divisions identified as high in vending activity, which also include the four divisions that were identified as containing 88% of vending citations from the LAPD in 2014. In addition, tests are run using the monthly averages of incident reports for the fourteen divisions combined (14-division average), as well as using monthly averages for the four divisions combined (4-division average). All calculations are performed in Microsoft Excel.

V. Results³²

Both the results for the 14-division average and the 4-division average indicate that there was no statistically significant change, when measured in both directions using the two-tailed t-test and also when measured in a single direction for increase only using the one-tailed t-test, in the number of crime incident reports between the pre-period and post-period (because t-score values were lower than both t critical two-tailed and t critical one-tailed values).

For individual divisions, there was no statistically significant change, under both the two-tailed and one-tailed t-tests, in the number of crime incident reports between the pre-period and post-period for the following 11 divisions: 77th Street, Foothill, Hollywood, North Hollywood, Northeast, Olympic, Rampart, Van Nuys, West Valley, and Wilshire.

There was no statistically significant change when measured bi-directionally using the two-tailed t-test, but there was statistically significant change when measured uni-directionally for increase only using the one-tailed t-test, in the following two divisions: Harbor, Hollenbeck.

³¹ Harbor Gateway North, *supra* note 20; Studio City, *supra* note 20; Historic Highland Park, *supra* note 22.

³² See Appendix C: Results for detailed figures.

There was statistically significant change, when measured using two-tailed and one-tailed t-tests, for the following one division: Central.

VI. Discussion

The null hypothesis stands after performing all analyses. There is no statistically significant change under the two-tailed t-test and also no statistically significant increase in crime rate under the more lenient one-tailed -test across the 14 divisions known to be high in vendor activity based on the 14-division average, and also across the 4 divisions that contained most of the vending citations issued by the LAPD in 2014, based on the 4-division average. The same applies for most of the individual divisions. Among the 14 divisions, only two divisions – Harbor and Hollenbeck – show the possibility of statistically significant increase, and even then only when the more lenient one-tailed t-test is applied. Among both the 14 divisions and the 4 divisions, only one division – Central – shows the possibility of statistically significant change and of increase.

There are two possible reasons for error in a statistical study that deserve discussion. Firstly, the presence of confounding variables can obfuscate the results, by either creating or masking the appearance of significant results. Secondly, the sample size may be too small to provide meaningful statistical results.

In this case, the comparison hinges on a time difference – pre-December 2014 and post-December 2014. There is no manipulation of other variables. The subjects used also span all vendor-active areas in L.A. Thus, in order to mask a significant change in crime rate in the post-period, any confounding variables must also occur during the month of December 2014 and continue to exert its effect throughout the post-period used in this study, and it must also cover at least the same geographical areas used in this study. Furthermore, there is no sample size issue

at all because the data sets are not small samples taken from the greater whole, but rather are directly reflect the city's actual data.

An additional consideration, not taken into account within the scope of this study but likely to weigh in favor if it were, is that shifting priorities in enforcement necessarily means more LAPD forces freed from the task of enforcing the vending ban in order to pursue enforcement of other crimes, which would be expected to result in increased crime incident reports. The fact that any changes in crime rate nevertheless were not significant for the most part may indicate that an increase in vending activity corresponds with a decrease in crimes, and thus helped offset the expected increase due to the extra availability of LAPD manpower³³. This would be an interesting topic for further study.

For purposes of setting a citywide policy on street vending, the results of the 14-division average and the 4-division average are the most relevant. Together they indicate that active enforcement of the vending prohibition does not correspond to effective crime control and that vending activity does not correspond with significant change in crime rate.

VII. Conclusion

Based on these results, the hypothetical link between street vending activity and criminal activity is debunked. Efforts to reduce criminal activity in L.A. are wasted when spent on street vendors. Given the advantages of legalizing street vending and the disadvantages of maintaining the status quo, it would benefit all parties involved – the vendors, the public, and the City – to complete the legalization program as soon as possible.

³³ See also Historic Highland Park, *supra* note 22.

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Appendix A: Community Impact Statements

Community Impact Statement, Arleta Neighborhood Council (Dec. 29, 2015),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_CIS_12-29-15.pdf

Community Impact Statement, Arroyo Seco Neighborhood Council (May 8, 2014),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_5-8-14.pdf

Community Impact Statement, Chatsworth Neighborhood Council (Sept. 25, 2015),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_9-25-2015.pdf

Community Impact Statement, Central Alameda Neighborhood Council (Apr. 2, 2015),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_4-2-15.pdf

Community Impact Statement, Downtown Los Angeles Neighborhood Council (Sept. 9, 2014),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_9-9-14.pdf

Community Impact Statement, Greater Echo Park Elysian Neighborhood Council (Sept. 5, 2014),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_misc_9-5-14.pdf

Community Impact Statement, Harbor Gateway North Neighborhood Council (July 15, 2014),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_7-15-14.pdf

Community Impact Statement, Historic Highland Park Neighborhood Council (July 18, 2015),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_7-18-15.pdf

Community Impact Statement, Historic Highland Park Neighborhood Council (July 29, 2014),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_7-29-14.pdf

Community Impact Statement, Hollywood United Neighborhood Council (Aug. 18, 2015),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_08-18-15.pdf

Community Impact Statement, Hollywood Hills West Neighborhood Council (June 2, 2015),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_6-2-15.pdf

Community Impact Statement, Lake Balboa Neighborhood Council (Feb. 15, 2015),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_2-15-15.pdf

Community Impact Statement, Los Feliz Neighborhood Council (Aug. 24, 2014),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_8-24-14.pdf

Community Impact Statement, Mar Vista Neighborhood Council (Nov. 19, 2014),
http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_11-19-14.pdf

Community Impact Statement, Mid-Town North Hollywood Neighborhood Council (July 31, 2014), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_7-31-14.pdf

Community Impact Statement, Northridge East Neighborhood Council (Aug. 23, 2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_8-23-15.pdf

Community Impact Statement, Porter Ranch Neighborhood Council (July 6, 2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_7-6-15.pdf

Community Impact Statement, Studio City Neighborhood Council (Sept. 22, 2014), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_9-22-14.pdf

Community Impact Statement, United Neighborhoods of the Historic Arlington Heights Neighborhood Council (Aug. 20, 2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_8-20-15.pdf

Community Impact Statement, Van Nuys Neighborhood Council (Aug. 29, 2014), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_8-29-14.pdf

Community Impact Statement, West Adams Neighborhood Council (Mar. 4, 2016), http://clkrep.lacity.org/onlinedocs/2013/13-1493_CIS_3-4-16.pdf

Community Impact Statement, West Los Angeles Neighborhood Council (June 26, 2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_6-26-15.pdf

Community Impact Statement, West Los Angeles Sawtelle Neighborhood Council (Aug. 17, 2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_8-17-15.pdf

Community Impact Statement, Westside Neighborhood Council (Aug. 18, 2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_8-18-15.pdf

Community Impact Statement, Westwood Neighborhood Council (Mar. 2, 2015), http://clkrep.lacity.org/onlinedocs/2013/13-1493_cis_3-2-15.pdf

Appendix B: Step-by-Step Procedure

1. Locate and download the following data sets in CSV for Excel format at <https://data.lacity.org>: LAPD Crime and Collision Raw Data for 2015, LAPD Crime and Collision Raw Data for 2014.
2. Open each data set in Microsoft Excel and sort by LAPD divisions in alphabetical order with a secondary sort by date.
3. List the cell numbers for the first and last incident of each month for each division in a new Excel spreadsheet, labeled by division and date. Note: only use data for January to November 2014 and for January to November 2015, and only for the following 14 divisions known to be high in vendor activity: 77th Street, Central, Foothill, Harbor, Hollenbeck, Hollywood, North Hollywood, Northeast, Olympic, Rampart, Van Nuys, West Valley, and Wilshire.
4. Use the cell numbers to calculate the number of incidents per month for each division.
5. Use Excel's built-in function to calculate the number of incidents per month averaged across all divisions, for all 14 divisions and again for the 4 divisions known to contain 88% of the LAPD's citations for vending activity in 2014 (Central, Hollywood, Newton, and Rampart).
6. Use the Data Analysis function in Excel to run F-tests for each division and for both the 14-division average and the 4-division average, using the pre-December 2014 data and the post-December 2014 data as the two groups for comparison. To get accurate F-test results in Excel, make sure that variable 1 is the one with the higher amount of variance. Reverse the order of variables and re-run the F-test if needed.

7. Note whether any of the F-values are higher than the F critical values – these sets will require independent t-tests with unequal variance. Sets where the F value is less than the F critical value will require independent t-tests with equal variance.
8. Use the Data Analysis function to run independent t-tests with either equal or unequal variance depending on the F-test results, for each division, the 14-division average, and the 4-division average.
9. Note whether any of the t-stats have an absolute value higher than either the t critical one-tailed or the t critical two-tailed. An absolute value higher than the t critical one tailed value means that the null hypothesis has failed under the one-tailed t-test. An absolute value higher than the t critical two tailed value means that the null hypothesis has failed under the two-tailed t-test.

Appendix C: Results

Test results for 14-division average:

14-DIVISION AVERAGE
F-Test Two-Sample for Variances

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	1104.568	1054.477
Variance	8417.651	4121.556
Observations	11	11
df	10	10
F	2.042348	
P(F<=f) one-tail	0.137817	
F Critical one-tail	2.978237	

14-DIVISION AVERAGE
t-Test: Two-Sample Assuming Equal Variances

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	1104.568	1054.477
Variance	8417.651	4121.556
Observations	11	11
Pooled Variance	6269.603	
Hypothesized Mean Difference	0	
df	20	
t Stat	1.483612	
P(T<=t) one-tail	0.07675	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.153501	
t Critical two-tail	2.085963	

Test results for 4-division average:

4-DIVISION AVERAGE
F-Test Two-Sample for Variances

	<i>Variable 1</i>	<i>Variable 2</i>
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Mean	938.3182	895.3636
Variance	5984.601	4267.205
Observations	11	11
df	10	10
F	1.402464	
P(F<=f) one-tail	0.301391	
F Critical one-tail	2.978237	

4-DIVISION AVERAGE

t-Test: Two-Sample Assuming Equal Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	938.3182	895.3636
Variance	5984.601	4267.205
Observations	11	11
Pooled Variance	5125.903	
Hypothesized Mean Difference	0	
df	20	
t Stat	1.407036	
P(T<=t) one-tail	0.087384	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.174767	
t Critical two-tail	2.085963	

Test results for 77th Street Division:

77TH ST

F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	1385.091	1398.273
Variance	16625.29	15216.82
Observations	11	11
df	10	10
F	1.09256	
P(F<=f) one-tail	0.445714	
F Critical one-tail	2.978237	

77TH ST

t-Test: Two-Sample Assuming Equal Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	1398.273	1385.091
Variance	15216.82	16625.29
Observations	11	11
Pooled Variance	15921.05	
Hypothesized Mean Difference	0	
df	20	
t Stat	0.245003	
P(T<=t) one-tail	0.404475	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.808951	
t Critical two-tail	2.085963	

Test results for Central Division:

CENTRAL

F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	973.0909	848.3636
Variance	5505.691	4941.655
Observations	11	11
df	10	10
F	1.114139	
P(F<=f) one-tail	0.433826	
F Critical one-tail	2.978237	

CENTRAL

t-Test: Two-Sample Assuming Equal Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	848.3636	973.0909
Variance	4941.655	5505.691
Observations	11	11
Pooled Variance	5223.673	
Hypothesized Mean Difference	0	
df	20	

t Stat	-4.0472
P(T<=t) one-tail	0.000315
t Critical one-tail	1.724718
P(T<=t) two-tail	0.00063
t Critical two-tail	2.085963

Test results for Foothill Division:

FOOTHILL

F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	716.6364	728.5455
Variance	6877.855	3864.473
Observations	11	11
df	10	10
F	1.779765	
P(F<=f) one-tail	0.188579	
F Critical one-tail	2.978237	

FOOTHILL

t-Test: Two-Sample Assuming Equal Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	728.5455	716.6364
Variance	3864.473	6877.855
Observations	11	11
Pooled Variance	5371.164	
Hypothesized Mean Difference	0	
df	20	
t Stat	0.381088	
P(T<=t) one-tail	0.353578	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.707156	
t Critical two-tail	2.085963	

Test results for Harbor Division:

HARBOR

F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	830.0909	887.7273
Variance	5341.091	4399.418
Observations	11	11
df	10	10
F	1.214045	
P(F<=f) one-tail	0.382513	
F Critical one-tail	2.978237	

HARBOR

t-Test: Two-Sample Assuming Equal Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	830.0909	887.7273
Variance	5341.091	4399.418
Observations	11	11
Pooled Variance	4870.255	
Hypothesized Mean Difference	0	
df	20	
t Stat	-1.93688	
P(T<=t) one-tail	0.033508	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.067016	
t Critical two-tail	2.085963	

Test results for Hollenbeck Division:

HOLLENBECK

F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	775.1818	718.3636
Variance	6018.164	5030.055
Observations	11	11
df	10	10
F	1.196441	
P(F<=f) one-tail	0.391117	

F Critical one-tail 2.978237

HOLLENBECK

t-Test: Two-Sample Assuming Equal Variances

	<i>Variable</i>	<i>Variable</i>
	<i>1</i>	<i>2</i>
Mean	718.3636	775.1818
Variance	5030.055	6018.164
Observations	11	11
Pooled Variance	5524.109	
Hypothesized Mean Difference	0	
df	20	
t Stat	-1.79282	
P(T<=t) one-tail	0.04407	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.08814	
t Critical two-tail	2.085963	

Test results for Hollywood Division:

HOLLYWOOD

F-Test Two-Sample for Variances

	<i>Variable</i>	<i>Variable</i>
	<i>1</i>	<i>2</i>
Mean	947.4545	906.8182
Variance	8942.073	2124.364
Observations	11	11
df	10	10
F	4.209295	
P(F<=f) one-tail	0.016459	
F Critical one-tail	2.978237	

HOLLYWOOD

t-Test: Two-Sample Assuming Unequal Variances

	<i>Variable</i>	<i>Variable</i>
	<i>1</i>	<i>2</i>
Mean	947.4545	906.8182
Variance	8942.073	2124.364
Observations	11	11

Hypothesized Mean Difference	0
df	14
t Stat	1.281172
P(T<=t) one-tail	0.110474
t Critical one-tail	1.76131
P(T<=t) two-tail	0.220949
t Critical two-tail	2.144787

Test results for North Hollywood Division:

N HOLLYWOOD

F-Test Two-Sample for Variances

	Variable 1	Variable 2
Mean	1105.636	1070.818
Variance	12920.65	5545.164
Observations	11	11
df	10	10
F	2.330076	
P(F<=f) one-tail	0.099169	
F Critical one-tail	2.978237	

N HOLLYWOOD

t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
Mean	1070.818	1105.636
Variance	5545.164	12920.65
Observations	11	11
Pooled Variance	9232.909	
Hypothesized Mean Difference	0	
df	20	
t Stat	-0.8498	
P(T<=t) one-tail	0.202747	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.405493	
t Critical two-tail	2.085963	

Test results for Newton Division:

NEWTON

F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	959.6364	952.0909
Variance	11186.85	8243.691
Observations	11	11
df	10	10
F	1.35702	
P(F<=f) one-tail	0.319205	
F Critical one-tail	2.978237	

NEWTON

t-Test: Two-Sample Assuming Equal Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	959.6364	952.0909
Variance	11186.85	8243.691
Observations	11	11
Pooled Variance	9715.273	
Hypothesized Mean Difference	0	
df	20	
t Stat	0.179531	
P(T<=t) one-tail	0.429664	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.859327	
t Critical two-tail	2.085963	

Test results for Northeast Division:

NORTHEAST

F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	979.9091	995.1818
Variance	15370.49	6743.764
Observations	11	11

df	10	10
F	2.279216	
P(F<=f) one-tail	0.104989	
F Critical one-tail	2.978237	

NORTHEAST

t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
Mean	995.1818	979.9091
Variance	6743.764	15370.49
Observations	11	11
Pooled Variance	11057.13	
Hypothesized Mean Difference	0	
df	20	
t Stat	0.340625	
P(T<=t) one-tail	0.368469	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.736938	
t Critical two-tail	2.085963	

Test results for Olympic Division:

OLYMPIC

F-Test Two-Sample for Variances

	Variable 1	Variable 2
Mean	978.9091	977.0909
Variance	8573.691	6527.891
Observations	11	11
df	10	10
F	1.313394	
P(F<=f) one-tail	0.337321	
F Critical one-tail	2.978237	

OLYMPIC

t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
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Mean	978.9091	977.0909
Variance	8573.691	6527.891
Observations	11	11
Pooled Variance	7550.791	
Hypothesized Mean Difference	0	
df	20	
t Stat	0.049071	
P(T<=t) one-tail	0.480675	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.96135	
t Critical two-tail	2.085963	

Test results for Rampart Division:

RAMPART
F-Test Two-Sample for Variances

	Variable 1	Variable 2
Mean	880.6364	866.6364
Variance	7622.255	4800.255
Observations	11	11
df	10	10
F	1.587885	
P(F<=f) one-tail	0.238838	
F Critical one-tail	2.978237	

t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
Mean	880.6364	866.6364
Variance	7622.255	4800.255
Observations	11	11
Pooled Variance	6211.255	
Hypothesized Mean Difference	0	
df	20	
t Stat	0.4166	
P(T<=t) one-tail	0.340704	
t Critical one-tail	1.724718	

P(T<=t) two-tail	0.681408
t Critical two-tail	2.085963

Test results for Van Nuys Division:

VAN NUYS
F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	1015.636	988.8182
Variance	12298.05	3532.564
Observations	11	11
df	10	10
F	3.48134	
P(F<=f) one-tail	0.030897	
F Critical one-tail	2.978237	

VAN NUYS
t-Test: Two-Sample Assuming Unequal Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
Mean	988.8182	1015.636
Variance	3532.564	12298.05
Observations	11	11
Hypothesized Mean Difference	0	
df	15	
t Stat	-0.70693	
P(T<=t) one-tail	0.245223	
t Critical one-tail	1.75305	
P(T<=t) two-tail	0.490447	
t Critical two-tail	2.13145	

Test results for West Valley Division:

WEST VALLEY
F-Test Two-Sample for Variances

	<i>Variable</i> <i>1</i>	<i>Variable</i> <i>2</i>
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Mean	852.1818	865.5455
Variance	10771.16	4902.473
Observations	11	11
df	10	10
F	2.197088	
P(F<=f) one-tail	0.115237	
F Critical one-tail	2.978237	

WEST VALLEY

t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
Mean	865.5455	852.1818
Variance	4902.473	10771.16
Observations	11	11
Pooled Variance	7836.818	
Hypothesized Mean Difference	0	
df	20	
t Stat	0.354027	
P(T<=t) one-tail	0.363512	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.727024	
t Critical two-tail	2.085963	

Test results for Wilshire Division:

WILSHIRE

F-Test Two-Sample for Variances

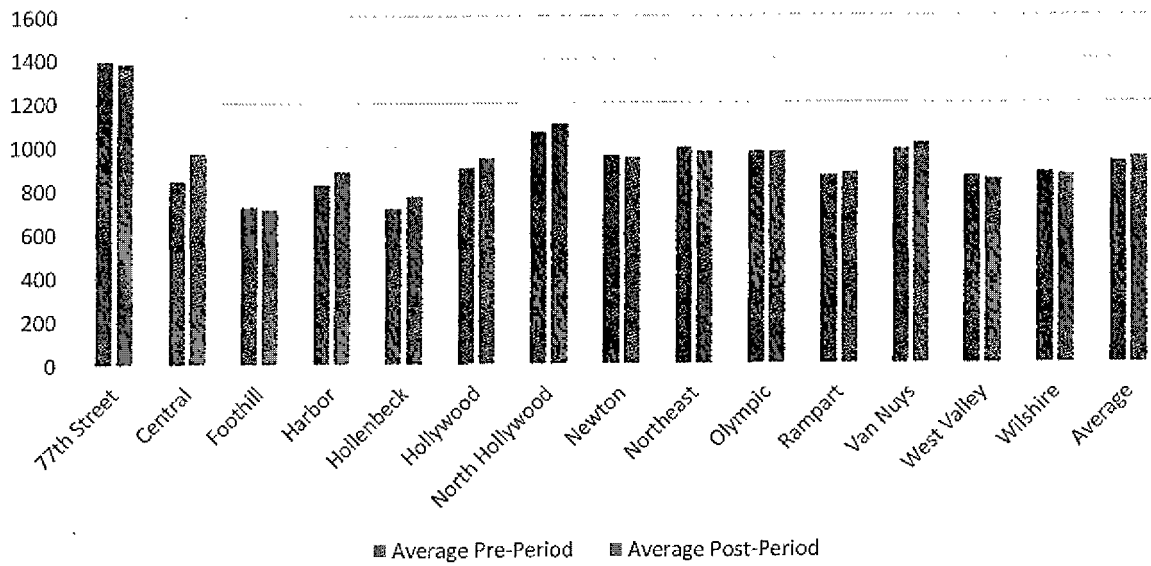
	Variable 1	Variable 2
Mean	873.1818	880.9091
Variance	6681.164	2879.091
Observations	11	11
df	10	10
F	2.320581	
P(F<=f) one-tail	0.100226	
F Critical one-tail	2.978237	

WILSHIRE

t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
Mean	880.9091	873.1818
Variance	2879.091	6681.164
Observations	11	11
Pooled Variance	4780.127	
Hypothesized Mean Difference	0	
df	20	
t Stat	0.262113	
P(T<=t) one-tail	0.397958	
t Critical one-tail	1.724718	
P(T<=t) two-tail	0.795915	
t Critical two-tail	2.085963	

Visual Comparison of Pre-Period and Post-Period Averages
by Division



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Developing A Micro-Lending Plan to Support the Street Vendors of Los Angeles

Introduction

There is a widespread disparity in the ability of minorities to obtain small business financing in contrast to their white counterparts.¹ According to the 2016 Small Business Administration (“SBA”) weekly report, only 5% of the loans approved at the SBA go to Latinos, 2% go to African Americans while 57% of the loans go to whites.² While it is true that there are fewer Latino and African American applicants, a number of studies and surveys show that minorities are discouraged from applying for financing and obtaining loans.³ Furthermore, the wealth inequality between white families and Latino and African American families plays a major role in the ability of minorities to obtain financing because they are less credit-worthy as both lower earners and the amount of assets they have. According to the U.S. Census Bureau, the median white households have assets of \$111,146, median Hispanic households have \$8,348

¹ Alicia Robb & Marin Consulting, LLC., *Access to Capital Among Young Firms, Minority-owned Firms, Women-owned firms, and High-tech Firms* 13 (2013), [https://www.sba.gov/sites/default/files/files/rs403tot\(2\).pdf](https://www.sba.gov/sites/default/files/files/rs403tot(2).pdf).

² SBA, SBA LENDING STATISTICS FOR MAJOR PROGRAMS AS OF (11-04-2016), <https://www.sba.gov/sites/default/files/aboutsbaarticle/SBA-7a-and-504-Gross-Loan-Approval-Volume-as-of-April-29.pdf>.

³ Robb & Consulting, LLC., *supra* note 1 at 3 (discussing the data found by KFS Microdata that Blacks/Hispanics do not apply for loans for fear of rejection 38.8% of the time while whites do not apply for fear of rejection 15.2% of the time).

and median African American households have \$7,113.⁴ The intersection of wealth and class⁵ reinforces the status quo and presents major political and economic problems for the future of the country when groups of people are excluded from accessing avenues toward wealth, such as financing for small businesses.⁶ Because minorities often do not have the initial capital or sufficient collateral (such as automobiles, insurance policies, real estate, etc.)⁷ to secure a loan, their applications are considered “high-risk.” As a result of their risk status, financial institutions are reluctant to extend loans or credit. Consequently, minorities often have to look for alternative means of financing, often at high interest rates and unfavorable terms.⁸ Providing feasible financing programs for minority small business entrepreneurs is a vital component of any approach designed to alleviate wealth disparities and to support minority communities, which will ultimately strengthen the regional economy of the city and of the nation.

⁴ Laura Shin, *The Racial Wealth Gap: Why A Typical White Household Has 16 Times the Wealth of a Black One*, *FORBES* (Mar. 26, 2015, 8:00 AM) <http://www.forbes.com/sites/laurashin/2015/03/26/the-racial-wealth-gap-why-a-typical-white-household-has-16-times-the-wealth-of-a-black-one/#9cf7e1a6c5bc>.

⁵ William M. Wiecek, *Structural Racism and the Law in America Today: An Introduction*, 100 *KY.L.J.* 1, 17 (2012) (discussing “intersectionality” the linkage between race, class and gender and how this produces enforcing forms of domination/subordination resulting in a “systematic inequality across lines of color, ethnicity, religious affiliation, sex and wealth”); Kimberle Crenshaw, *Mapping the Margins: Intersectionality, Identity, Politics, and Violence Against Women of Color*, 43 *STAN.L.REV.* 1241, 1299 (1991).

⁶ Chad Brooks, *Racism Impacts Small Business Loan Applications*, *BUS. NEWS DAILY* (May 30, 2014, 7:33AM), <http://www.businessnewsdaily.com/6507-racial-discrimination-prevalent-financing.html>.

⁷ Justin Pritchard, *Collateral Loans: What is Collateral and How does it work*, *THE BALANCE* (Sep. 25, 2016), <https://www.thebalance.com/collateral-loans-315195>.

⁸ Nicholas Gebelt, *Bankruptcy: What's In Your Wallet? It's A Loan Shark*, *LEX BLOG*, (APR. 24, 2013), <http://www.southerncaliforniabankruptcylawblog.com/2013/04/24/bankruptcy-whats-in-your-wallet-its-a-loan-shark/> (discussing that interest rates from loan sharks can reach up to 500% per year and is legal under *Marquette Nat'l Bank v. First of Omaha Serv. Corp.*, 439 U.S. at 299 (1978)).

This paper focuses on a project aimed at providing a micro-lending plan for the street vendors in Los Angeles, as well as a proposal for the city of Los Angeles to implement a micro-lending program for small business entrepreneurs. Part one will provide the historical background and analyze the extent of the lending disparity problem along with discussing the current micro-lending models. Part two will propose a two-prong micro-lending solution that advocates: 1) creating a trade association of street vendors and 2) establishing a micro-lending fund provided for members as well as a proposed city-wide micro-lending institute for small business entrepreneurs. Part three will identify the challenges, strategies, and tactics that will be used to further these plans.

I. Nature of the Problem and Current Micro-Financing Models

a. Requirements for Micro-loans from Traditional Sources of Finance

For the past 30 years, many community organizers, lawyers, and advocates have worked tirelessly to legalize street vending on Los Angeles' city sidewalks. The legalization of street vending is inevitable but the question remains: After legalization, how will current street vendors find the financing they need to pay for businesses licenses and expenses? In addition, the financing program must also promote new entry into the street vending business so that no one will be excluded on the basis of financial difficulties alone. The barrier to getting traditional sources of loans such as those available through the SBA is that most street vendors are illegal immigrants who do not have established tax returns or credit scores. For example, the SBA 7(m) microloan, which is processed and serviced by non-profit micro-lending intermediaries from all over the country, has requirements such as evidence of high-credit scores, tax returns, pay stubs,

and sometimes collateral with interest rates ranging from 8%-13%.⁹ Government loans from the SBA are also only typically available to U.S. citizens or permanent residents.¹⁰ The application materials make clear that the SBA gives significant consideration to the legal status possessed by applicants.¹¹ Big banks are not in the business of micro-financing because there is not a lot of money to be made on these loans.¹² Instead, the banks process government-backed loans through non-profit micro-lending intermediaries that have the same onerous requirements as the SBA itself. Loans from government and private entities are not an option for street vendors because of the high-bar credit-worthiness requirements. Even less legitimate means of securing funding such as “loan sharks” or other high-risk funding sources are not an option because of the ridiculously high interest rates. Once street vending becomes legalized, street vendors will need money for business licenses, vendor carts, maintenance and inventory. Therefore, the objective of this project is to create a feasible, self-sustaining micro-lending plan for street vendors by drawing inspiration from a variety of current micro-financing models while creating a plan catered to the needs of street vendors. In addition, a major goal of this project is to present a practical and concrete proposal to the city of Los Angeles to encourage city officials to someday implement a micro-financing program for small business entrepreneurs with the hopes of strengthening and supporting the regional economy.

⁹ SBA, *Loan Application Checklist*, <https://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs/general-small-business-loans-7a/7a-loan-application-checklist>.

¹⁰ SOUTHEAST ASIAN COMMUNITY CENTER, <http://www.seaccusa.org/> (I had the opportunity to interview Victor C., Director of Business Finance, who says that they have the same requirements as the SBA and that they cannot lend to illegal immigrants because of fear of deportation and also because it is a government loan).

¹¹ SBA, *Special Considerations*, <https://www.sba.gov/offices/headquarters/oca/resources/13024> (“*Legal aliens* are eligible; however, consideration is given to the type of status possessed (e.g., resident, lawful temporary resident, etc.) in determining the degree of risk relating to the continuity of the applicant’s business. Excessive risk may be offset by full collateralization.”).

¹² *Id.*

b. Current Micro-Financing Models

i. Street Vendor Project in New York: The Push Cart Fund

The Street Vendor Project (“SVP”) is a coalition of approximately 1,800 street vendors organized at the grass-roots level to advance the interests of local street vendors in New York, where there are currently around 10,000 street vendors.¹³ Street vendors who choose to become a member of the SVP pay a yearly membership fee of \$100 and get benefits like credit-score-building trainings, legal help with municipal summonses, appeals, license renewals and most importantly: access to loans.¹⁴ The SVP itself administers a micro-lending program called the “Pushcart Fund.”¹⁵ The average loan from the fund is worth about \$1500, with interest rates of 10%.¹⁶ The maximum loan amount is \$2000.¹⁷ The Pushcart Fund has available funds of about \$30,000 to lend to its members.¹⁸ The Pushcart Fund does not have the same burdensome requirements like traditional loans because it is member-driven.¹⁹ For example, the fund does not evaluate credit scores, tax returns or citizenship status.²⁰ Rather, its sole requirement is SVP membership and participation in organizing street vendor events to gain more rights and publicity for street vendors.²¹ Some issues currently facing the SVP is overcoming the existing caps on businesses licenses that have been in existence since the 1980s.²² These caps have

¹³ STREET VENDOR PROJECT, <http://streetvendor.org/> (last visited Dec. 9, 2016).

¹⁴ STREET VENDOR PROJECT, <http://streetvendor.org/campaigns/pushcart> (last visited Dec. 9, 2016).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² STREET VENDOR CAMPAIGN, *Support Lifting the Caps on Vending Licenses and Permits*, CHANGE.ORG, https://www.change.org/p/bill-de-blasio-support-lifting-the-caps-on-vending-licenses-and-permits?just_created=true.

prevented many poor minorities from obtaining licenses, creating an inevitable prevalence of illegal street vending and subjecting an already impoverished population to excessive legal costs and ultimately a lack of earning capacity.²³ Consequently, membership fees are used to fund litigation and organizing as well as providing loans. In these respects, the SVP acts somewhat like a union for the street vendors.

ii. Leadership for Urban Renewal Network: The (Re)store Fund and Semi'a Fund

The Leadership for Urban Renewal Network (LURN) currently has two micro-finance loans specifically for the street vendors in the city of Los Angeles.²⁴ The (Re)store Fund is an equity fund where LURN provides the initial funding for a particular vendor and then takes a share/interest in the business.²⁵ Several advantages is that if the business is a success, LURN will be able to make a profit and be able to support other future businesses. A disadvantage, however, is that LURN has to put up the initial capital and could lose a significant amount of time and money if a business it funds is not a success. Another fund administered through LURN, the Semi'a Fund, is a microloan fund that provides loans ranging from \$500-\$25,000 at an interest rate of 5-8%.²⁶

These two programs have similar characteristics of the SVP, namely, applicants are not denied consideration for a loan based on their citizenship status, unlike the traditional forms of financing. LURN interviews and considers the character of the applicant by looking at how they treat their family members and/or their business partners. For example, applicants might be

²³ *Id.*

²⁴ LEADERSHIP FOR URBAN RENEWAL NETWORK, <http://lurnetwork.org/> (last visited Dec. 9, 2016).

²⁵ *Id.*

²⁶ *Id.*

asked whether they care for elders or whether they have existing debt to others sharing in their business enterprise and if so whether that debt is current. These criteria are intended to elicit the reliability and loan-worthiness of an applicant based on alternate but relevant factors rather than presenting an absolute bar to funding based on unobtainable requirements. Currently LURN has six vendors that they are supporting and they hold monthly training meetings with the vendors. LURN has \$140,000 to fund both programs. LURN borrows the money it offers vendors from Wells Fargo at a 3.5% interest rate. One downside to the LURN funding arrangement is that LURN is obligated to pay Wells Fargo, the money it borrows on behalf of applicants back, exposing it to risk should a borrower default. These two programs could be strengthened if borrowers were able to put up some kind of collateral in order to protect LURN from any potential losses.

iii. Grameen Bank and Lending Circle Models

The Grameen Bank in Bangladesh was founded by Mohammad Yunis in 1983 and revolutionized the world of micro-financing by not requiring any collateral, loaning mostly to poor women in rural areas, achieving high repayment rates and becoming a billion-dollar company.²⁷ The bank's model works by loaning money to groups of five people who hold each other accountable for repaying the loan thus creating a collective and shared responsibility.²⁸ Interest rates range from 20-25%.²⁹ Over the years there have been many controversies regarding the Grameen Bank and its effectiveness in alleviating poverty and empowering

²⁷ GRAMEEN BANK, <http://www.grameen.com/introduction/> (last visited Dec. 9, 2016).

²⁸ *Id.*

²⁹ *Id.*

women.³⁰ Opponents argue that the Grameen Bank is simply capitalizing on an untapped and vulnerable market—the rural poor.³¹ In addition, some critics report a lack of transparency in the data, especially considering the reported and questionable repayment rates of 97% which could misrepresent a higher level of indebtedness in an already strained population.³² Despite the current controversy, though, the Grameen Bank serves as an important tool and model for micro-finance, if for no other reason than it is based on a social ideal of building others up through a communal sense of responsibility to the well-being of others in a shared environment.

One other prevalent micro-finance model within minority communities are “lending circles.”³³ Lending circles are built on trust in groups of closely associated individuals and depend on six to ten participants that are formed either with trusted friends and/or family members.³⁴ The participants decide on how much the group loan will be. For example, if the group loan is \$1000 and there are ten members, each member will pay \$100 a month for 10 months. Each month, one person from the group is able to borrow \$1000 that comes from the contributions of \$100 that everyone makes. Every month the opportunity to borrow rotates to a different member until all the members have a chance to borrow \$1000. The money comes entirely from the participants. There are non-profit organizations that facilitate these lending circles to help members build their credit scores by reporting the monthly payments paid to the credit bureaus. The problem with lending circles is that it is sometimes difficult in lower income communities to find six to ten participants able to contribute a regular sum and it can be

³⁰ Evaristus Mainsah, Schuler R. Heuer, Aprajita Kalra & Qiulin Zhang, *Grameen Bank: Taking Capitalism to the Poor*, CHAZEN WEB J. INT’L BUS. (2004)

https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/848/Grameen_Bank_v04.pdf.

³¹ *Id.*

³² *Id.*

³³ MISSION ASSET FUND, <http://missionassetfund.org/lending-circles/> (last visited Dec. 9, 2016).

³⁴ *Id.*

problematic if one person decides to take the \$1000 and then not contribute to the monthly payments for the rest of the months.

iv. City of Chicago Microlending Institute

In 2012, the Mayor of Chicago launched the Chicago Microlending Institute (“CMI”), which provided a revolving loan fund of \$2 million dollars for micro-lenders in the city to make loans to small business entrepreneurs.³⁵ In the four years since CMI was implemented, the number of micro-lenders have tripled, 255 loans have been approved, and 1,008 jobs were created/retained.³⁶ The average interest rate is 13.4 % with average loan sizes of \$10,000 and loan terms of 24 months.³⁷ This approach is innovative and it is the first in the nation of its kind, funded in partnership with Chicago’s City Treasurer.³⁸ Women or minority businesses receive over 90% of the loans showing that it an effective mechanism for reaching the targeted demographic.³⁹ However, one obstacle with the CMI is that the requirements for the loans from its non-profit micro-lender counterparts are strict.⁴⁰ For example, the non-profit Chicago Neighborhood Initiatives Micro Finance Group has requirements like evidence of bank statements, legal permanent residency, profit and loss statements, 2 years of tax returns or business tax returns and interest rates range from 7.75% to as high as 18%.⁴¹ Despite these burdensome requirements, other cities could benefit by the concept of directly supporting small

³⁵ CITY OF CHICAGO, *Chicago Microlending Institute Update: Four Years Of Progress*, <https://www.cityofchicago.org/content/dam/city/depts/bacp/Small%20Business%20Center/microlendingrpt.pdf>.

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ CHICAGO NEIGHBORHOOD INITIATIVES MICRO FINANCE GROUP, <http://cnimfg.org/apply/loan-application-checklist-forms/> (last visited Dec. 9, 2016).

⁴¹ *Id.*

business entrepreneurs and by being committed to community development and expanding economic opportunities for low-income communities by providing access to financial products and services which would have otherwise not been available.

II. Micro-lending Solution

a. Street Vendor Trade Association

My micro-lending solution would be for street vendors to create a 501(c)(6) trade association of street vendors called for the time being, the Street Vendor Trade Association. Creating a 501(c)(6) would have the added benefit of allowing members to engage in political activities and lobby for their rights in contrast to a 501(c)(1), which cannot.⁴² The 501(c)(6) structure would also exempt the organization from federal income and California income taxes.⁴³ Contributions to a 501(c)(6) are not tax deductible but the membership dues may be deductible as a business expense.⁴⁴ The main requirement is that the organization must disclose the percentage of the membership dues that are used for lobbying.⁴⁵ In addition to the disclosure requirement, the organization's activities must be devoted to improving business conditions and show that the interests of the trade will be advanced through its efforts.⁴⁶ To satisfy exemption status, the organization must receive meaningful membership support.⁴⁷

⁴² NATIONAL BUSINESS ASSOCIATION, *Comparison of 501(c)(3) and 504(c)(4) and 506(c)(6)* <https://www.nbaa.org/advocacy/regional/library/structure-templates/501c3-4-6-comparison-SA.pdf>.

⁴³ IRS, *Exemption Requirements: Business League*, <https://www.irs.gov/charities-non-profits/other-non-profits/requirements-for-exemption-business-league> (last visited Dec. 9, 2016).

⁴⁴ IRS, <https://www.irs.gov/charities-non-profits/proxy-tax-tax-exempt-organization-fails-to-notify-members-that-dues-are-non-deductible-lobbying-political-expenditures> (last visited Dec. 9, 2016).

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*

From the economic round table report, there are around 50,000 street vendors in the city of Angeles.⁴⁸ The goal would be to get 2,000 members in the street vendor trade association, which is a feasible and reasonable number considering that the SVP in New York has 1800 active members even though there are only 10,000 total street vendors in New York, representing almost 20% of the street vendor population. In addition, the SVP charges its members \$100 per year. My proposal would be to have the membership fees set at a more manageable fee of \$25 a year, promoting greater membership and generating about \$50,000 a year (\$25 x 2000 members) to run the trade association and fund the microloan program for members. The yearly interest rate would be 5% and the loans could be repaid within 1-3 years. If, hypothetically, the entire \$50,000 was used to fund the loan at 5%, the trade association would have a revenue of \$2,500 a year that could be used to make more loans or fund the trade association. If there is a profit, membership fees can be returned to members and it would not violate the requirements of the IRS rules for classifying a non-profit.⁴⁹

The requirements I propose for loan approval criterion is that the applicant would have to be an active member of the Street Vendor Trade Association. An active member would be defined as someone who goes to the organizing events and campaigns as well as attends the monthly trade association meetings. The requirements for the loan would similar to LURN's requirements in that there would be a holistic approach in interviewing the applicant and reviewing their application. An additional requirement for approving a loan would be that applicants would be tasked with identifying two members from the trade association to serve as a

⁴⁸ Yvonne Yen Liu, *Impact of Street Vendors on Brick and Mortars*, ECONOMIC ROUNDTABLE (Feb. 19, 2015) <https://economicrt.org/blog/impact-of-street-vendors-on-brick-and-mortars/>.

⁴⁹ IRS, <https://www.irs.gov/charities-non-profits/other-non-profits/inurement-and-benefits-to-members-business-leagues-trade-associations> (last visited Dec. 9, 2016).

reference and vouch for the applicant. This requirement is modeled after the Grameen Bank and lending circles. This requirement would promote the community building aspects of this model and would encourage applicants to be actively involved in the street vending community. The most important qualities of creating a trade association is to encourage street vendors to become self-sufficient and self-sustaining while encouraging new entrants into the street vending community countering social apathy and a decreases in public interest funding.⁵⁰

b. Los Angeles Micro-Lending Institute

The second part of my proposal is to develop a city-wide micro-lending program for small business entrepreneurs. The micro-lending program is modeled after the CMI in Chicago. A micro-lending program is vital to provide a resource and support from the city for small businesses to grow and thrive and strengthen the regional economy. The city could work with a variety of non-profit micro-lenders like LURN. In Chicago, the number of non-profit micro-lender institutions have tripled.⁵¹ LURN is already screening applicants and having borrowers go through the loan application and documents to get approved for their loans. To make this approach a success, the city would need to provide the financial backing and a revolving fund like the city of Chicago, which has a revolving loan fund of 2 million dollars for micro-lending.⁵² City-backed funding would take the burden off of LURN to provide the financing for the loans since they are currently borrowing money from Wells Fargo. In addition, LURN could be designated as a Community Development Financial Institute (CDFI) that would be backed by the

⁵⁰ Gary Bellow, *Steady Work: A Practitioner's Reflections on Political Lawyering*, 31 HARV. C.R.-C.L. L. REV. 297, 306 (1996).

⁵¹ See *supra* note 40.

⁵² *Id.*

U.S. Department of Treasury.⁵³ By becoming a CDFI, LURN would be able to receive more government funds and grants to help expand the financial resources and services offered for low-income communities.⁵⁴ The citywide micro-lending program would help expand non-profit micro-lenders like LURN and help entrepreneurs get the loans that they would otherwise not have received from traditional financial institutions like a bank.

III. Strategies to Further and Promote the Micro-Lending Proposal

a. Community Organizing

Community organizing will be vital for the success of the Street Vendor Trade Association and the implementation of a city-wide micro-lending program. However, from my limited experience working on the Los Angeles Street Vendor Campaign, I can already see the age-old tensions between community members and community organizers and lawyers⁵⁵ that have existed since the beginning of movements for social justice and the fight for systematic change. I attended the “Legalizing Street Vending Rally” on November 2nd, 2016, protesting the criminalization of street vending. Street vendor organizations were present with their own banners and posters. One of the street vendors had to leave and was having trouble finding a replacement to hold the organization’s banner. No one wanted to hold the banner because they said it wasn’t their organization. I ended up having to hold the banner. It was a great experience for me because instead of being the outsider looking in I felt like I became a part of the movement and rally. I enjoyed meeting a woman named Guadalupe who was holding the other side of the banner with me. There was a bit of a language barrier but I learned that she sold

⁵³COMMUNITY DEV. FIN. INST. FUND, *CDFI Program*, <https://www.cdfifund.gov/programs-training/Programs/cdfi-program/Pages/default.aspx> (last visited De. 9, 2016).

⁵⁴ *Id.*

⁵⁵ See generally Betty Hung, *Essay—Law and Organizing from the Perspective of Organizers: Finding a Shared Theory of Social Change*, 1 L.A. PUB. INT. L.J. 1, 30 (2009).

tamales and corn. I felt that we had a common goal and objective and that we were united by it. Of course, the stakes are much higher for Guadalupe than for me because her livelihood is at risk. As a future public interest lawyer, I have learned that my contribution is most meaningful if I recognize the places where there is oppression for others and also recognize the places where I enjoy privilege in order to understand other's frustrations, hurt, pain, conflict and anger.

The activist and community organizer, Mia Mingus, urges that we need to start making change with each other first because non-profit organizations and campaigns are imploding from the inside, stating: ⁵⁶

Activists are burning out or being traumatized by the very movements that seek to end trauma. Instead of coalitions there are turf wars fighting for grants that barely pays the bills. How can people from the outside treat us with respect if we cannot even treat each other with respect. We need to form relationships that are strong enough to go up against the state and systems of oppression. We need to think of long term relationships not short term relationship any systematic change requires us to work together to do it.⁵⁷

The support and cooperation between street vendors is vital for the creation of the Street Vendor Trade Association and for success of the microloan program. The more members there are in the Street Vendor Trade Association, the more money there is for the microloan program. Street vendors, community organizers and lawyers will need to come together for the long term and not the short term. It is only together and with each other that a successful street vendor trade association could be formed.

b. Policy Advocacy

To implement a city-wide micro-lending program, I agree that community members, organizers and lawyers need to have relations with “power holders.”⁵⁸ Gary Bellow encourages

⁵⁶ Mia Mingus, *Speech 2012 5th Annual Queer & Asian Conference*, YOUTUBE (APR. 29, 2012), <https://www.youtube.com/watch?v=n7aXgrXfGHI&t=905s>.

⁵⁷ *Id.*

⁵⁸ Bellow, *supra* note 50 at 304.

those advocating for social change to communicate with “power holders” like judges, legislators, city council members, opposing counsel, etc.⁵⁹ In order for my proposal to succeed there needs to be the support from both the Los Angeles City Council and mayor. The micro-lending program in Chicago was actually implemented by the mayor of Chicago, Rahm Emmanuel, who first learned of the idea when he served in the Clinton administration.⁶⁰ The micro-lending program in Chicago has been a success and can serve as a model for the city of Los Angeles’ micro-lending program. There needs to be a strong community support, public education, and advocacy to advance the program and convince the mayor and city council of Los Angeles that there is a need for micro-financing for small business entrepreneurs.

Conclusion

In the face of growing social apathy and decreases in funding, it is vital for street vendors to become self-sufficient. By drawing from a variety of micro-lending models, the best avenue for street vendors is to create a Street Vendor Trade Association. Monthly meetings could promote a robust street vending community. The membership fees would be used to fund the microloan program for street vendor members and new entrants. The excess money would be used to publicize events, workshops and training on credit building, taxes, business licenses and lobbying. Community members, community leaders and organizers, and lawyers will all need to work together understanding that we are all interdependent and interconnected. Together we can effect great systematic changes and policies to better our communities.

⁵⁹ *Id.*

⁶⁰ Nancy Harty, *City Marks Milestone for Chicago Microlending Institute*, CBS LOCAL (Apr. 24, 2016, 3:18PM) <http://chicago.cbslocal.com/2016/04/24/city-marks-milestone-for-chicago-microlending-institute/>.