

GENERAL EXEMPTION, ECONOMIC DEVELOPMENT COMMITTEE REPORT and ORDINANCE FIRST CONSIDERATION relative to establishing a Local Business Enterprise and Local Small Business Program for Los Angeles World Airport's (LAWA) procurement of goods, equipment and services when the contract involves an expenditure in excess of \$150,000.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. ADOPT the Board of Airport Commissioners' (Board) April 21, 2016 determination that the proposed action, as detailed in Resolution No. 25948, attached to the Council file, is exempt under the California Environmental Quality Act (CEQA) as provided in Article II Section 2(m) of the Los Angeles City CEQA Guidelines.
2. APPROVE the LAWA Resolution No. 259948 which was approved by the Board on April 21, 2016 to establish a Local Business Enterprise and Local Small Business Program for LAWA procurement of goods, equipment and services, including design and construction, when the contract involves an expenditure in excess of \$150,000.
3. PRESENT and ADOPT the accompanying ORDINANCE, dated September 1, 2016, to add Article 23 to Division 10 of the Los Angeles Administrative Code to establish a Local Business Enterprise and Local Small Business Program for LAWA procurement of goods, equipment and services, including design and construction, when the contract involves an expenditure in excess of \$150,000.
4. REQUEST the LAWA, with the assistance of the City Attorney, to report with guidelines for legal liability mitigation for the Local Business Enterprise and Local Small Business Program.
5. REQUEST the LAWA to:
 - a. Report in one year in regard to the status of the Local Business Enterprise and Local Small Business Program.
 - b. Report in regard to the impacts of preferences given to local and small businesses for the past four years.

Fiscal Impact Statement: None submitted by the City Attorney nor the Board. Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

(Also referred to the Innovation, Grants, Technology, Commerce, and Trade Committee; Ad Hoc on Comprehensive Job Creation Plan Committee waived consideration of the above matter)

Summary:

On September 13, 2016, your Committee considered September 2, 2016 Board, and LAWA reports, a September 1, 2016 City Attorney report, September 1, 2016 Ordinance, and Resolution No. 25948 relative to establishing the Local Small Business Program for the LAWA's procurement of goods, equipment and services when the contract involves an expenditure in excess of \$150,000. According to the LAWA, the City and its Proprietary Departments, such as LAWA, have a proprietary interest in leveraging, to the greatest extent possible, the money it spends yearly contracting with private firms for goods, equipment and services to and for the benefit of the City and its residents.

The City and LAWA have a proprietary interest in leveling the playing field among those entities competing for LAWA contracts, to assure the greatest level of competition possible, to decrease local unemployment, and to increase its revenues. Significant benefits are associated with local business preference programs and small business preference programs. These include an increase in local jobs and expenditures in the local private sector. Preference programs in other jurisdictions have been successful where the business conditions approximate the conditions currently being experienced in the Los Angeles area.

Historically, many of the larger cities within the County, especially the City of Los Angeles itself, have experienced labor costs that are among the highest in the nation. Los Angeles area labor costs are higher than the hourly wages in competing neighboring states. Also, business space costs in the Los Angeles metropolitan area are even more costly than comparable space in other counties and states. On a national level, Los Angeles is one of the two most expensive metropolitan areas in the western United States in which to do business as a result of the local tax and fee structure. Finally, all corporations in California are subject to a corporate tax that is among the highest in the nation. These conditions create a very expensive climate in which local businesses must compete and thus, the cost of doing business in Los Angeles is significantly higher than in other cities.

This heightened cost of doing business has an especially significant impact on local small businesses, which often operate with smaller profit margins and fewer financial resources to offset business costs. Local businesses and local small businesses confront cost structures that are weighted much heavier, in terms of labor and costs of doing business, than competitive firms that are located in outlying counties or other states. The LAWA Ordinance provides a narrowly tailored preference program that is fashioned to encourage businesses to compete for LAWA contracting opportunities, to locate operations in the City, and to encourage existing local businesses and local small businesses to refrain from relocating to different, less expensive areas.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend concurring with the September 6, 2016 action of the Innovation, Grants, Technology, Commerce, and Trade Committee to approve the LAWA's proposed Local Business Enterprise and Local Small Business Program. Additionally, the Committee moved to recommend requesting the LAWA to: report in one year in regard to the status of the Local Business Enterprise and Local Small Business Program and the impacts of preferences given to local and small businesses for the past four years. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PRICE:	YES
CEDILLO:	YES
HARRIS-DAWSON:	YES
KREKORIAN:	YES
O'FARRELL:	YES

ARL
9/13/16

-NOT OFFICIAL UNTIL COUNCIL ACTS-