



Board Report

File #: 2019-0712, File Type: Motion / Motion Response

Agenda Number: 39.

CONSTRUCTION COMMITTEE OCTOBER 17, 2019

SUBJECT: METRO BUSINESS SOLUTION CENTER (BSC)

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. RECEIVING AND FILING the status update and assessment of the Pilot Crenshaw/LAX Business Solution Center (BSC) and an analysis for the expansion of the BSC from a pilot to permanent program for all upcoming light rail projects in the Measure M pipeline; and
- B. AUTHORIZING the Chief Executive Officer to transition the Metro Business Solution Center from a pilot to a permanent program and expand the program to all upcoming light rail projects in the Measure M pipeline.

ISSUE

Metro's Board of Directors (Board) issued Motion 38.1 on June 27, 2019 (Attachment A) that authorized the Chief Executive Officer (CEO) to transition the pilot Metro Business Solution Center to a permanent program and expand the program to all upcoming light rail transit projects in the Measure M pipeline inclusive of the "Four Pillar Projects" identified as part of the "Twenty-eight by '28" Initiative. As highlighted by the Board, the light rail transit projects will bring high-quality transportation options to communities throughout Los Angeles County. However, during construction, the local small business communities will likely experience construction impacts that may hinder their daily operations.

In accordance to the Board's Motion, the Receive and File Report provides a status update and assessment of the Pilot Crenshaw/LAX Business Solution Center and an analysis for the expansion of the Business Solution Center (BSC) from a pilot to permanent program for all upcoming light rail projects in the Measure M pipeline.

BACKGROUND

Recognizing the importance of supporting small businesses during construction as vital to ensure economic sustainability of communities, Metro's Board of Directors issued Motion 79 (Attachment B)

on July 24, 2014 that authorized the CEO to establish the Pilot Crenshaw/LAX Transit Project BSC to provide hands-on case management services and business assistance to small businesses along the Crenshaw Corridor between 48th and 60th Streets during the term of the Crenshaw/LAX Transit Line Project. Furthermore, in recognition of construction impacts to small businesses outside of the original boundary of 48th and 60th Street, Metro expanded the BSC to provide an increased level of support services to all businesses along the Crenshaw/ LAX Corridor. The BSC, which has been operational for nearly five years, continues to provide direct hands-on technical assistance to small and micro businesses within the Crenshaw and Inglewood communities impacted by the transit rail construction. As of September 2019, more than 300 small businesses have been supported by Metro's BSC.

DISCUSSION

The program model for Metro's Pilot BSC was developed through the framework outlined in a July 2014 analysis, "Recommendations for a Pilot Metro Business Solutions Center," developed by Estalano LeSar Perez Advisors, LLP, and through the recommendations as outlined in Board Motion 79. The early implementation of the BSC focused on providing business assistance including expert business advice, technical assistance and other resources for businesses in the target area of Crenshaw Boulevard from 48th - 60th Street based on construction activity of the at-grade portion of the transit rail project. The BSC program model and the scope of services has evolved throughout the operations of the center; and Metro staff has gained many lessons learned, insights into the effects of construction impacts on small businesses, and the type of technical and support services that help businesses sustain during the period of impact.

This report provides a status update on the BSC, including a high-level assessment based on the current program model, and an analysis for the expansion of the BSC for Measure M light rail projects with focus on the "Four Pillar Projects." Additionally, the report provides an overview of the "Metro Pilot Business Solutions Center Expansion Analysis (Report)" developed by Chen Ryan Associates.

I. Crenshaw/LAX Business Solution Center Assessment

In response to the construction impacts that businesses within the Crenshaw and Inglewood communities were experiencing during the early stages of Crenshaw/LAX Transit Project, Metro contracted the professional services of Del Richardson and Associates, Inc (DRA) to serve as the program administrator to operationalize the BSC along the Crenshaw Corridor. Metro implemented the BSC through the soft-launch in December 2014 followed by the formal launch in February 2015. The mission of the BSC is to enhance the capacity of impacted small businesses to sustain through disruptions caused by construction and ultimately to take advantage of opportunities arising from the completion of the Crenshaw/LAX Transit Project. The active construction along the Crenshaw/LAX alignment not only resulted in the need to provide services immediately upon program soft-launch, but it also created a demand for services to be provided to businesses outside of the identified target area effected by the ongoing and phased construction activities that heavily centered around construction of the underground stations which began first. Thus, a comprehensive program assessment was conducted in 2016 and through the information, observations and lessons learned, as well as the realization that more than 60% of small businesses seeking support services were

outside of the predefined BSC target area, Metro staff made enhancements to the program model for the expansion of services. The expanded program model afforded Metro and the program administrator the opportunity to provide one-on-one client services and targeted outreach for small businesses along the Crenshaw/LAX Transit corridor regardless of location.

A. Performance Outcomes

Metro staff, in close coordination with the BSC program administrator, continue to monitor the effectiveness of the program through analysis of business intakes and assessments, business referrals and other activities such as the type of business support services requested by business owners, as well as the overall sustainability of businesses demonstrated by continued operations. A comprehensive summary of the BSC activity is outlined within the BSC Fact Sheet (Attachment C).

B. Lessons Learned

The implementation of the Pilot Crenshaw/LAX BSC has afforded Metro an opportunity to gather best practices and lessons learned that will lend to the potential expansion of the BSC program model along the forecasted Measure M light rail projects. Highlighted are various best practices and lessons learned throughout the operations of the BSC.

- **Community Trust** - Metro has achieved a level of success in delivering the BSC through a team of diverse small business professionals complemented by staff within Metro's Diversity and Economic Opportunity (DEOD) unit. Partnering with organizations anchored within the Crenshaw and Inglewood communities, the team has fostered an understanding of the community and business demographics, the social and cultural relevance and history of the community, the small business landscape, and it has facilitated trust building within the impacted communities through direct in-person contact and relationship building.
- **Co-Located Center** - A similarly important feature of the BSC is the co-location of the center along the alignment and within the impacted community. Having the center located along the alignment has been ideal in facilitating small business owners' access to the BSC program staff and the available resources. The co-location not only allows for workshops and one-on-one appointments to occur at the center and within the community, but also supports the ease and convenience of hosting one-on-one client sessions at the small business location recognizing that many "mom and pop" businesses are directly operated by the owner. The co-location also affords BSC program staff the opportunity to experience the construction activities and impacts and maintain close coordination with Metro's program staff including the Construction and Community Relations teams.
- **Phased Program Implementation** - Phased program implementation afforded Metro and the BSC program staff the opportunity to outreach and engage business owners early into the construction and impact. Recognizing the need to build trust is a significant consideration, the phased implementation supported that effort. Ideally through phased implementation, the community outreach, engagement and trust building began with pre-construction activation.
- **Program Model & Partners** - A component of the original program model focused on leveraging free business support services provided by local organizations and community partners. Early on, program staff observed that small businesses needed both immediate and

tangible resources, as well as technical assistance. Businesses required focused one-on-one services including accounting management, tax preparation, marketing, etc. from technical professionals that did not offer services free of charge. Technical professionals have been able to provide one-on-one services as well as special group trainings and workshops. The professionals are often apart of the Crenshaw and Inglewood communities allowing for community re-investment.

- **Staffing Level(s)** - The Crenshaw/LAX BSC is comprised of a small dedicated contract team that is responsible for all center activities including day-to-day operations, direct business assistance, client case management including outreach and administrative tasks as well as data collection. The demand for support was initially underestimated, yet through Metro's effort to rescope the program model including the services, additional adjustments to staffing were made; however, the demand for support is elevated as construction activities progress and impacts are experienced. Increased and adequate staffing levels would allow for more businesses to receive focused support directly from BSC program staff.
- **Services** - With the changing landscape of the corridor comes a need for business services related to real estate, commercial leasing, IT infrastructure and façade improvements. As the mission of Metro's BSC is to help small business sustain during the challenges of construction and reap the economic benefits that transit rail has demonstrated to bring to communities, focusing on long term business planning and sustainment is vital. There has been an ongoing need to assist businesses with real estate and commercial leasing as well as storefront improvements to better match the new transportation infrastructure, landscaping, station art, and overall corridor improvements such as new curbs, gutters, sidewalks and roadway restoration that enhance the business corridor.
- **Program Data** - With nearly five years of program implementation, a key lesson learned has included formalizing the data collection methods and determining the methodology by which the data is analyzed and reported. Formalizing these processes ensures data collection responsibilities can be transitioned between Metro staff and the contracted program administrator.
- **Capital to complete Assessment Recommendations** - A valuable lesson learned has been the need to have access to capital for implementation of assessment recommendations. In the current program model, BSC clients have received free assessments related to branding, IT, security systems and others. While the assessments covered by the BSC are free of charge to the business owners, the "mom and pop" owners often need access to capital to implement assessment recommendations. The completion of recommendations has led to more comprehensive brand development, upgrade of IT infrastructure and installment of new security infrastructure, business planning and other areas that support business retention and long-term growth.

II. Business Solution Center Expansion Analysis

As of July 2019, staff has advanced efforts to evaluate and measure the impact of Metro's existing Pilot BSC and perform an analysis for the transition of the pilot program to permanent with focus on

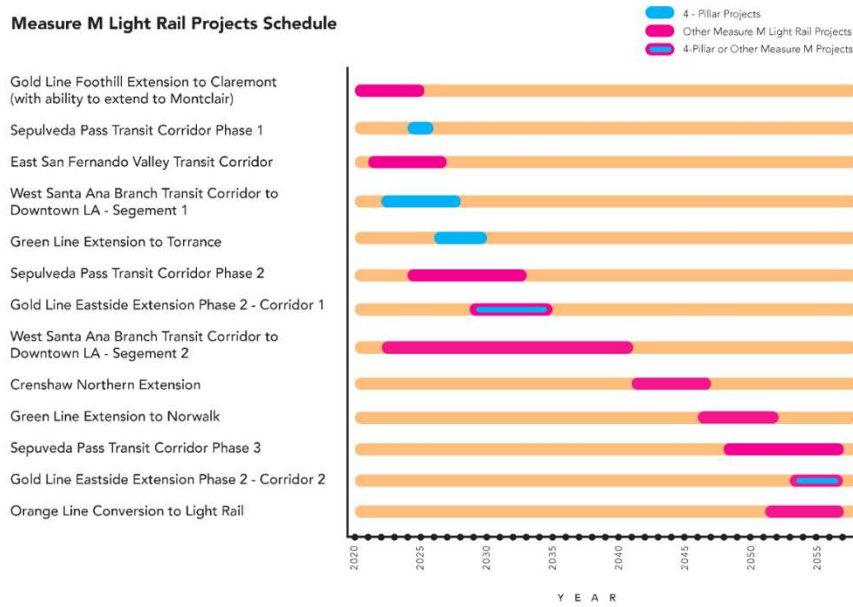
the expansion of the program along the upcoming light rail projects in the Measure M pipeline, particularly the “Four Pillar Projects,” within “Twenty-eight by ’28” Project List. Furthermore, recognizing the urgency of the request and commitment to report back to the Board by October 2019, Metro contracted the professional services of Chen Ryan Associates to perform an expansion analysis which resulted in the comprehensive Report (Attachment D). The analysis included an examination of the business composition along Measure M light rail corridors comprised of: an assessment of the potentially impacted small businesses along each corridor; estimates of business revenues within the project corridors; the number of those businesses in disadvantaged communities (based on Priority Populations as defined by California Environmental Protection Agency) and Equity Focus Areas as defined by Metro’s Equity Platform Framework; projected cost estimate for the expansion of the BSC; and recommendations for the additional services based on the expanded program.

As outlined in the Report, the projected number of small business identified within the potential impact buffer along all Measure M light rail projects is between 4,015 and 6,025. Through assessment of the current Pilot BSC program model and the contracted professional services including other considerations, an analysis was derived for the projected cumulative range of costs for implementing the expanded BSC. The forecast cost for the expansion of the BSC along all the Measure M light rail projects between 2020 and 2058 is between \$28,500,978 and \$39,632,138 (stated in 2019 dollars). The Report provides a comprehensive outline of the methodology for the cost forecast including the business impact levels which include but not limit to: assumptions made based on the current cost for operations of the Pilot Crenshaw/LAX BSC including existing service levels; inclusion of multiple alignment alternatives that currently exist for many of the Measure M projects; and the project construction schedule for each project and various alternatives including others. Costs projections are stated in 2019 dollars.

A. Construction Analysis

The construction schedule for the “Four Pillar Projects” and other Measure M Projects will span from the year 2020 to 2057. The construction timeline of the Four Pillar Projects is projected to expand the years of 2022 and 2035 while other Measure M projects are anticipated to be constructed between the years of 2020 and 2057. The analysis focused on the construction corridors located across Los Angeles County for the following Measure M funded light rail projects:

Figure 1. Measure M Light Rail Project Schedule



B. Potentially Impacted Small Businesses

To identify the extent of impacts that the transit rail construction would have on small businesses located along the business corridors of each transit rail project, an assessment of the alternative alignments was performed, and an impact buffer was applied based on the assumed alignment configuration and construction method. For the light rail projects that had alignments that were determined to be at-grade and within public right-of-way the impact buffer was identified as 200 feet, i.e. the impact distance for surrounding properties. The same methodology was applied to derive an impact buffer for the alternative alignments with construction contained within the existing right-of-way. In consideration of various assumptions, the impact buffer was identified at 400 feet. In keeping with Metro’s definition for small “mom and pop” businesses, the analysis was of businesses having 25 or fewer employees.

C. Business Corridor Composition

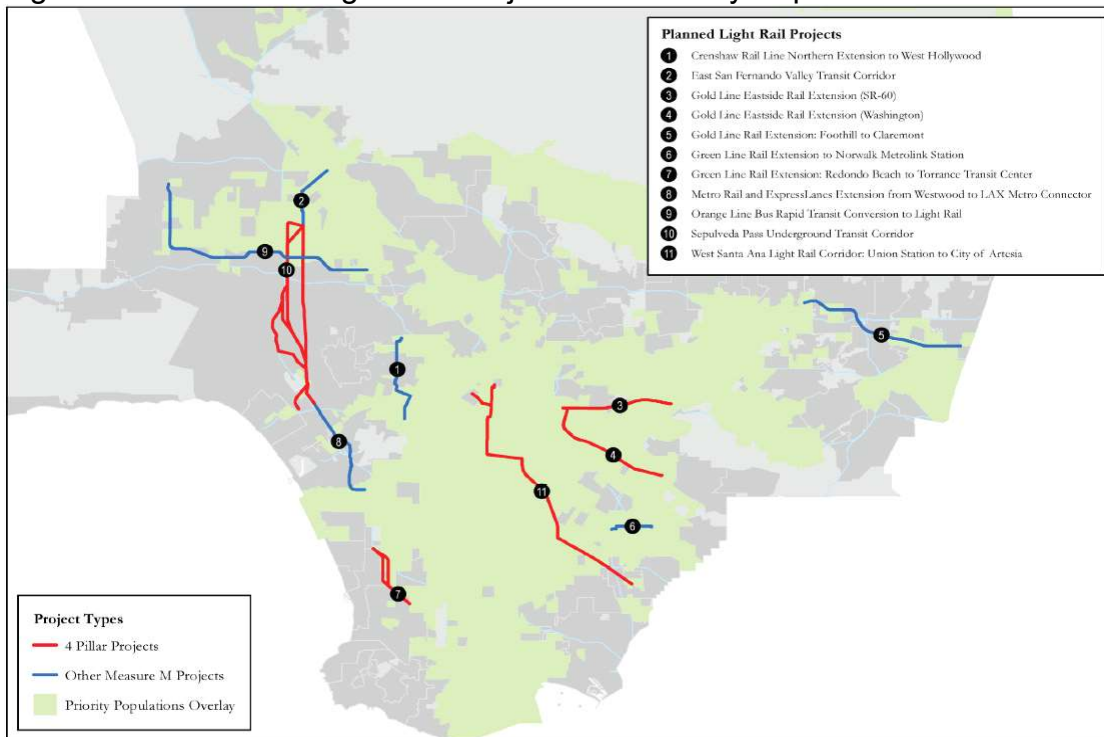
To gain an in-depth understanding of the composition of the business corridors including community characteristics and demographics with consideration to equity focus areas, the analysis examined the number of small businesses residing in Disadvantaged Communities (Priority Population Areas) and Equity Focus Areas. The analysis focused on two demographic factors that have been historical determinants of disinvestment and disenfranchisement and as result equity impact measure. These are household income and race/ethnicity. Also, keeping in alignment with Metro’s Equity Platform, households with low vehicle ownership was included as a third measure for examination. As outlined in the Report, the Equity Focus Areas measures were developed using the US Census American Community Survey (ACS) income and demographic indicators for Los Angeles County.

- **Disadvantaged Communities (Priority Population Areas) Indicators**
 - Top 25% most impacted census tracts in CalEnviroScreen 3.0
 - Low-income communities and households that are at or below 80% of the statewide median income, or at or below the threshold designated as low-income by California Department of Housing and Community Development 2016 State Income Limits

- **Equity Focus Areas Indicators**
 - Household income
 - Race/ethnicity
 - Households with low vehicle ownership.

As result of the detailed analysis, between 2,758 and 4,359 potentially impacted small businesses were found to be within disadvantaged community Priority Population Areas, with a subset of between 1,294 and 1,718 of these businesses being within Equity Focus Areas.

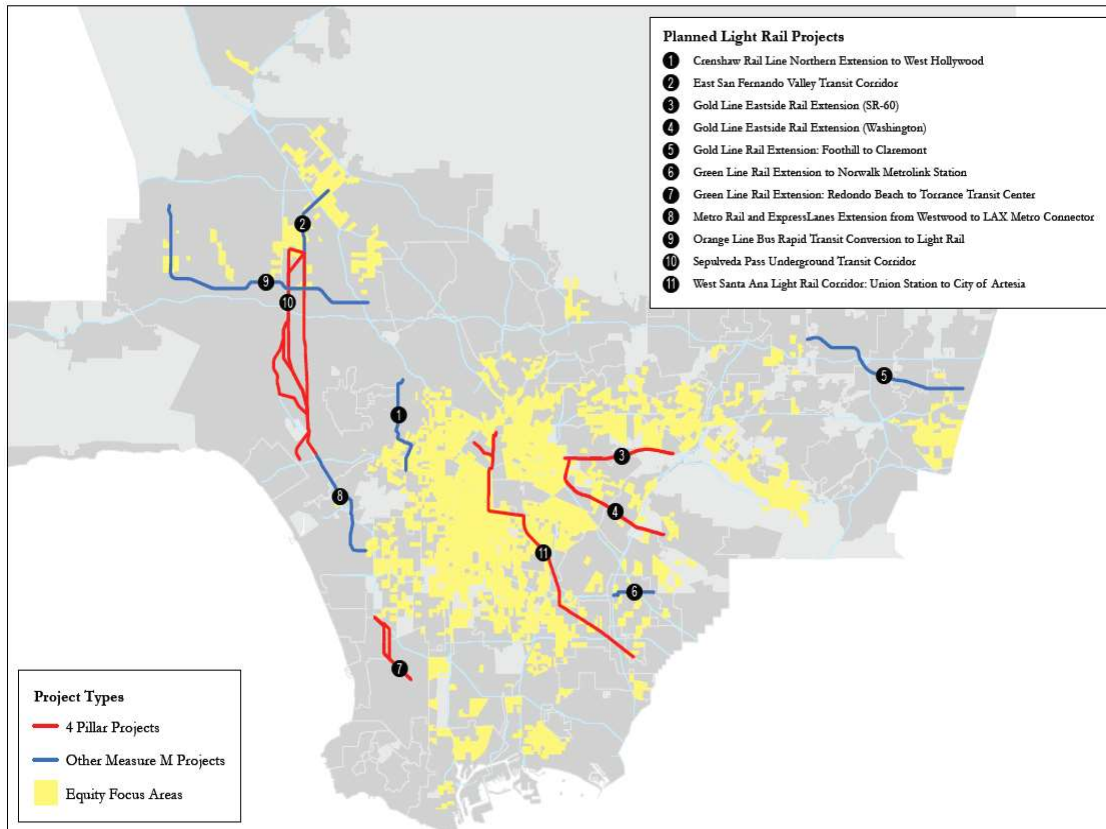
Figure 2. Measure M Light Rail Projects and Priority Population Areas



Metro Business Solution Center Analyses

Source: Chen Ryan Associates

Figure 3. Measure M Light Rail Projects and Equity Focus Areas



Metro Business Solution Center Analysis

Source: Chen Ryan Associates

D. Small Business Revenues

Annual revenues of small businesses were assessed to better understand the business characteristics of the potentially impacted small businesses along each light rail project. The information served to provide insights related to the probable economic impact to the business community and in-turn community at-large. As outlined in the Report, the annual revenue of potentially impacted small business is estimated to range between approximately \$5.3B and \$8.0B. Annual revenues of impacted small businesses in Priority Population Areas is estimated to range between approximately \$4.0B and \$6.1B while annual revenue of impacted small businesses in Equity Focus Areas is estimated to range between approximately \$2.0B and \$2.6B.

E. Projected Operating Costs

To achieve a rough order of magnitude (ROM) for the cumulative cost for the expansion of the BSC along the identified light rail projects, the consultant team performed a thorough examination of the historical costs structure for the Crenshaw/LAX BSC. The current average cost of the BSC is approximately \$310,000 per year which has outreached to approximately 450 small businesses. Of the 450 businesses, approximately 18% use the BSC on an annual basis.

i. Estimated Cumulative Operating Costs

The examination included an assessment of the current service levels, business impacts and insights obtained from the BSC program administrator. Based upon the various analyzed elements along with stated assumptions, the cumulative of costs for implementing and expanding the BSC for all Measure M light rail projects is estimated to range between \$28,500,978 and \$39,632,138 between 2020 and 2058. The analysis netted a projected annual cost between \$5,286,530 and \$13,871,481 to operate the program across all years of construction for the “Four Pillar Projects.”

ii. Estimated 5-Year Operating Costs

To further disaggregate the cumulative cost, the anticipated yearly costs for operating the BSC was examined for the first five-year period between 2020 and 2024 for all applicable Measure M light rail projects based on the construction schedule; hence, the anticipated operating cost for the first year (2020) is \$1,185,087. The five-year operating costs are estimated to range between \$8,309,821 and \$10,303,031. The estimated five-year cost basis for the operations of the BSC for the Four Pillar Projects ranges between \$2,041,891 and \$4,035,101 between 2020 and 2024.

The following chart summarizes estimated five-year BSC operating costs for the Four Pillar Projects and all other Measure M light rail projects reviewed for the analysis.

Figure 4. Estimated Five-Year BSC Operating Costs (2020-2024) (2019 Dollars)

Cost for All Lines by Year (2020-2024) ¹	2020	2021	2022	2023	2024	Summary (2020-2024)
4 Pillar Projects						
Low	-	\$417,567	\$408,332	\$610,097	\$605,594	\$2,041,891
High	-	\$620,365	\$606,210	\$1,413,269	\$1,395,257	\$4,035,101
Other Measure M LRT Projects²						
Low	\$1,185,087	\$1,157,462	\$1,157,462	\$1,157,462	\$1,610,457	\$6,267,930
High	\$1,185,087	\$1,157,462	\$1,157,462	\$1,157,462	\$1,610,457	\$6,267,930
Total Measure M LRT Projects						
Low	\$1,185,087	\$1,575,329	\$1,565,795	\$1,767,559	\$2,216,051	\$8,309,821
High	\$1,185,087	\$1,777,827	\$1,763,672	\$2,570,731	\$3,005,714	\$10,303,031

Source: Chen Ryan Associates

Note:

1. Low or high figures based on combination of lowest or highest Alternatives within each corridor (based on number of small businesses).
2. During the 5-year period of 2020-2024, only one alternative exists.

iii. Considerations for Expansion

The projected costs for the expansion of the program take into consideration various best practices and lessons learned from the Pilot Crenshaw/LAX BSC such as the co-location of the center within the corridor and the operationalization of the BSC prior to the activation of construction as well as

one-year post construction. In addition, the projected costs for the expansion and operations of the BSC include the analysis of various light rail alternatives which lend to elevated costs projections yet provide a ROM baseline for funding consideration. In consideration of the foreseeable impacts to potentially more than 4,000 small “mom and pop” businesses located within Priority Population Areas and Equity Focus Areas and in consideration of the success of the Crenshaw/LAX BSC’s ongoing support to help businesses sustain during the challenges of transit rail construction, Metro staff recommends to transition the BSC from a pilot to a permanent program through a phased implementation commencing with the “Four Pillar Projects.” The phased implementation approach will support the future ability for refined cost feasibility and incremental funding.

Furthermore, the phased implementation will lend to the opportunity for the internal department to make staffing adjustments in support of the expanded program. The Pilot BSC along with other small business programs is spearheaded by staff within Metro’s DEOD unit with the administration and oversight shared among staff. In effort to support the program expansion inclusive of the implementation, administration and monitoring including management of the contracted program administrator, the authorization for dedicated staffing is recommended for consideration. In keeping to industry best practices for the effective oversight of such small business and economic development programs the formation of a dedicated staff through full-time equivalent (FTE) positions will require consideration and financial authorization.

FINANCIAL IMPACT

This has no financial impact to FY20. The project manager will be responsible for budgeting costs through the annual budget process for the Business Solutions Center.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The implementation of the transition of the pilot Metro Business Solution Center to a permanent program and expand the program to all upcoming light rail transit projects in the Measure M pipeline inclusive of the “Four Pillar Projects” identified as part of the “Twenty-eight by ’28” Initiative aligns to strategic goal 3 - enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The alternative considered is not implementing the expansion of the pilot program through conversion to a permanent program. This alternative would lead to potentially impacted small businesses not receiving technical and business support services during transit light rail construction.

NEXT STEPS

Based upon Board action, staff will advance a formal solicitation in accordance with the final program model, construction schedule and other factors, and develop a staffing plan to support the regional expansion of the program.

ATTACHMENTS

Attachment A - Motion 38.1

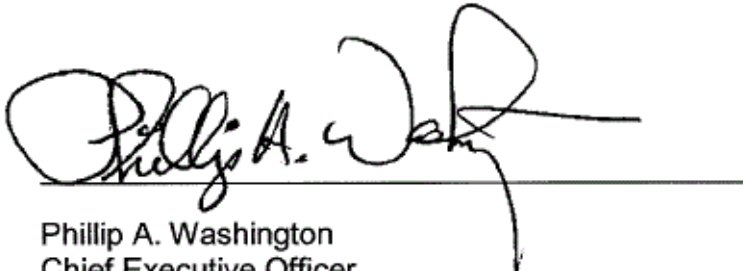
Attachment B - Motion 79

Attachment C - BSC Fact Sheet CY2019 Q2

Attachment D - Metro Pilot Business Solutions Center Expansion Analysis

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