



Board Report

File #: 2024-1084, File Type: Contract

Agenda Number: 5.

PLANNING AND PROGRAMMING COMMITTEE APRIL 16, 2025

**SUBJECT: TRANSIT ORIENTED COMMUNITIES ECONOMIC DEVELOPMENT PROGRAM
PILOT INVESTMENT FUND PROGRAM ADMINISTRATOR**

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to award a firm fixed price Contract No. PS122552000 to Vermont Slauson - LDC, Inc. for the administration of the Transit Oriented Communities Economic Development Program (EDP) Pilot Investment Fund (Fund) in the amount of \$1,370,495 for the three-year base term, \$310,740 for the first option year, and \$253,745 for the second option year, for a total combined contract amount of \$1,934,980, effective May 1, 2025, subject to the resolution of any properly submitted protest(s), if any.

ISSUE

The Transit Oriented Communities Economic Development Program (EDP) Pilot Investment Fund (Fund) was developed to build upon Metro's construction mitigation programs to prevent displacement and to support the long-term sustainability of small businesses in Equity Focus Communities (EFC) near the K Line and Little Tokyo segment of the A/E Line. To help in structuring, launching, and administering the Fund, Metro solicited proposals from Community Development Financial Institutions (CDFIs), which are mission-driven lenders focused on helping communities that are underserved by traditional financial institutions to become participants in the economic mainstream. Metro must select a CDFI to serve as the Fund Program Administrator to help finalize the program guidelines prior to returning to the Board and implementing the Fund.

BACKGROUND

The Board approved the EDP and \$5 million for the implementation of the Fund on December 1, 2022, contingent upon Board approval of the Fund Guidelines. The Board approved pilot program Fund Service Area (FSA) includes a half-mile radius of the K Line (formerly Crenshaw/LAX Line) and the Little Tokyo segment of the A/E Line.

As part of the Board-approved pilot program, the County Department of Economic Opportunity will transfer up to \$853,000 in repayment proceeds from the COVID-19 Recovery Loan Program to fund program administrative costs. To leverage Metro's \$5 million loan seed funding, Metro is working with the California Pollution Control Financing Authority (CPCFA) to secure \$15 million in set-aside for

business enterprises owned and controlled by socially and economically disadvantaged individuals (SEDI) and access to State Small Business Credit Initiative (SSBCI) programs and resources.

DISCUSSION

The Fund targets communities that typically have barriers to capital. It will provide: 1) technical assistance and access to capital with favorable terms, 2) access to private equity financing to fund startups, early-stage, and emerging companies, and 3) a pipeline to sustainability and growth for small businesses and nonprofits with a social enterprise. A social enterprise is an organization or venture (within an organization) that advances a social mission through market-based strategies.

The EDP Fund Program Administrator contract is structured to include a three-year base contract with two, one-year options to be exercised at Metro's discretion. The base contract includes internal and external stakeholder engagement, Fund set-up, program administration, and close-out. The program administrator is responsible for meeting the five tasks described below.

Task 1 - Program Administration: meet resource requirements, including personnel and the infrastructure to administer the Fund. Deliverables include the Personnel Plan, Infrastructure Framework, Fund Administrative Guidelines, Disbursement Agreement, and the Review and Dispute Process.

Task 2 - Fund Implementation and Tracking: process business eligibility by developing a timeline for evaluation, underwriting loan applications, ongoing monitoring, and loan payment guidance. Deliverables include administering the Fund account, providing match requirements, developing standard operating procedures, and completing the End of the Loan Origination Period Report.

Task 3 - Technical Assistance and Marketing Plan: provide in-house technical assistance to eligible small businesses and nonprofit organizations to secure Fund resources and offer referral services to businesses denied or approved, including but not limited to service providers CPCFA, IBANK, Go Biz, Small Business Development Centers (SBDC), Financial Development Corporations, L.A. County Department of Economic Opportunity, the economic development departments of local jurisdictions, discounted utility services, and marketing resources. Deliverables include a Marketing Plan and Technical Assistance Services Summary and Execution Plan.

Task 4 - Fund Reporting and Auditing: provide progress reports commensurate with the Loan Approval Committee frequency, summary reports, quarterly reports, and an annual report to Metro's Project Manager. Respond to annual and Office of the Inspector General audits that may occur from time to time.

Task 5 - Fund Close-Out Plan: develop a Fund Close-Out Plan that identifies the processes for closing out the Fund when all loan repayments have been received and illustrate longevity to service loans throughout extended terms required for real estate acquisition loans.

The proposed team includes VSLDC, a certified CDFI, located in South Los Angeles only 1.5 miles east of the K Line. VSLDC's current service area includes most of the K Line portion of the FSA except for a small southwest portion. To meet contract requirements, this area and Little Tokyo will be incorporated for all program activities. VSLDC is also partnering with a Minority Depository Institution (MDI), to perform commercial real estate loans in the FSA.

DETERMINATION OF SAFETY IMPACT

There is no direct safety impact associated with the recommended action.

FINANCIAL IMPACT

Since this is a multi-year contract, the Cost Center Manager and Project Manager will be responsible for allocating budget for the overall expenditure across subsequent years until project completion, including any options exercised. Up to \$853,000 in repayment proceeds from the COVID-19 Recovery Loan Program is also designated for program administration.

Impact to Budget

To initiate program administration, funds for this contract in the amount of \$1,000,000 have been requested in the FY26 budget (Cost Center 4530, Project 610026, Economic Development, Account 50316). Future funding obligations will be included in annual budget preparation by TOC staff.

The funding for this contract is General Funds. These funds are eligible for Metro bus and rail capital and operating expenditures.

EQUITY PLATFORM

The Fund has the potential to positively impact over 200 small, legacy and locally owned businesses, nonprofit organizations with social enterprises, the surrounding community, and transit riders located within 1/2 mile of the K Line and the Little Tokyo segment of the A/E Line. These lines traverse through EFCs in South Los Angeles and Little Tokyo. Business ownership is diverse and reflective of the local community. This action will ensure funds are available to secure a certified CDFI to administer and market the Fund.

The Diversity & Economic Opportunity Department did not recommend a Small Business/Disabled Veteran Business Enterprise (SBE/DVBE) participation goal for this procurement due to the lack of certified firms that perform these services (Attachment B). A total of 101 downloads of the RFP were included in the planholders list. A virtual pre-proposal conference was held on April 22, 2024, and was attended by four participants representing four firms (Attachment A).

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality

by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT through investment activities that will benefit transit oriented communities and further encourage transit ridership, ridesharing, and active transportation. This fund will support businesses that are located within walking distance of the A/E and K Lines and will provide Metro's riders and local residents with opportunities to access goods and services without using a car. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

These recommendations support Vision 2028 Strategic Plan Goals 3 and 4. The EDP and the Fund are grounded in enhancing communities and lives through mobility and access to opportunity (Strategic Goal 3) by working with economic development stakeholders to leverage the public transportation system to create a safe and pleasant environment to access transit and increase transit ridership by facilitating commercial revitalization, stimulating private investment, and supporting the preservation and growth of small businesses near transit. Additionally, the need for transforming LA County through regional collaboration and national leadership (Strategic Goal 4) is greater than ever with the anticipation of the World Cup and Olympics. Metro is well-positioned to partner with LA County jurisdictions to create a national model for supporting small businesses in underrepresented communities by leveraging transportation assets to spur revitalization, enhance the ridership experience, and address safety concerns.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the Program Administrator for the EDP Fund. Staff does not recommend this action. This recommendation helps carry out a Board-approved program in furtherance of Metro's Equity Platform and Strategic Goals. With rising inflation, increasing rents, and the lack of access to capital, the consequences of non-action include the potential displacement of small, BIPOC, legacy businesses renting along the proposed corridors, and disinvestment in the communities surrounding Metro's multibillion-dollar transit investment.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS122552000 with Vermont Slauson - LDC, Inc. for the Transit Oriented Communities Economic Development Program Pilot Investment Fund Program Administrator and return to the Board with program guidelines later this calendar year, marketing and launching the program in 2026.

ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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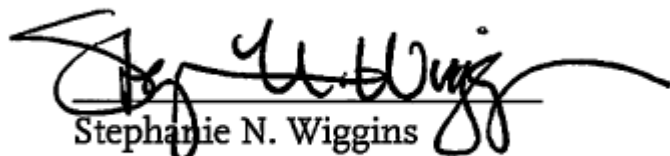
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