

**Board Report**

File #: 2015-1674, **File Type:** Program

Agenda Number: 50.

**EXECUTIVE MANAGEMENT COMMITTEE
NOVEMBER 19, 2015**

SUBJECT: BUSINESS INTERRUPTION FUND FOR UNPRECEDENTED DISRUPTION

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZING the **expansion of the Pilot Business Interruption Fund** to include funding for eligible small “mom and pop” businesses directly impacted by unprecedented full street closures with a duration greater than 6 continuous months such as the planned work at 2nd & Broadway segment of the Regional Connector transit rail project.

ISSUE

Metro’s Board issued Motion 57 that authorized the CEO to establish a pilot program for a special Business Interruption Fund (BIF) for “mom and pop businesses” located along the Crenshaw Line, the Little Tokyo area along the Regional Connector and Phase I of the Purple Line extension. This was based on the Board finding there is a clear nexus between construction activities and reduced business activity, especially the walk-in traffic that many of the retail businesses rely on.

An unprecedented full street closure of the 2nd & Broadway segment of the Regional Connector project is anticipated to extend more than 6 months in duration.

DISCUSSION

The Regional Connector transit rail project is the only project that has a distinct area identified for eligibility to participate in the BIF; which is the Little Tokyo area. In an effort to maintain adherence to the Board motion and the pilot program framework yet continue to uphold Metro’s commitment to being a trusted community builder, partner and stakeholder, Metro staff is seeking authorization to extend the BIF to eligible “mom and pop” businesses directly impacted by anticipated 6 month full street closure at 2nd & Broadway for the Regional Connector project.

The 6 month full street closure at the 2nd & Broadway area would be the longest recorded closure for a Metro rail construction project; as outlined in “The History of Full Street Closures and LA County Metro” provided as Attachment B.

In consideration of the construction activities, it is projected that more than 100 small “mom and pop” businesses may be directly impacted. Therefore, recognizing the impact that full street closures have on small business communities, and based on early observations of impacts along the Crenshaw/LAX line and Phase I of the Purple Line extension, expansion of the BIF within the focused segment of 2nd & Broadway will provide small businesses access to financial assistance during the challenging construction period. Ensuring continued integrity of the pilot program, eligible businesses will be required to demonstrate direct impact and meet the program requirements of Metro’s BIF Administrative Guidelines.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Metro Board of Directors authorized staff to identify \$10 million annually of eligible funds in support of the pilot program for approximately eight years. The anticipated program costs for expansion of the BIF to businesses directly impacted by the unprecedented full street closure at 2nd & Broadway of the Regional Connector rail project will be assumed within the existing funding authorization. However, a reassessment of the program funds may be required in the event the actual costs exceed the existing program funds authorization. The forecasted and actual cost will continue to be assessed throughout the term of the pilot program.

Impact to Budget

The proposed recommendation does not impact the current year budget.

ALTERNATIVES CONSIDERED

Not authorize the expansion of the BIF program to include 2nd & Broadway of Regional Connector transit rail project for “mom and pop” businesses directly impacted by the extended full street closure. This alternative is not recommended due to the unprecedented duration of the full street closure.

NEXT STEPS

Staff will continue to provide a quarterly BIF program report to the Metro’s Board of Directors.

ATTACHMENTS

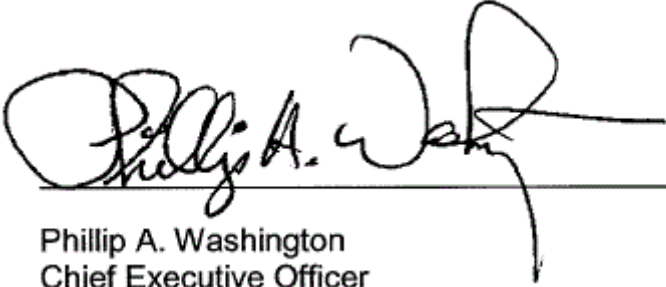
Attachment A - Board Motion 57

Attachment B - The History of Full Street Closures and LA County Metro

Prepared by: Shalonda Baldwin, Deputy Executive Officer, Project Management
Vendor/Contract Management, (213) 922-4488

Ivan Page, Interim Executive Director, Vendor/Contract Management, (213) 922-6383
Quintin Sumabat, Deputy Executive Officer, Finance
Office of Management & Budget, (213) 922-2277

Reviewed by: Stephanie Wiggins, Deputy Chief Executive Officer, (213) 922-1023



Phillip A. Washington
Chief Executive Officer

Amendment to Item 57

Motion by Directors Molina, Dupont-Walker, Ridley-Thomas and Garcetti

Business Interruption Fund

September 18, 2014

WE, THEREFORE, MOVE that the Board direct the Chief Executive Officer to:

1. Establish a pilot program for a special **Business Interruption Fund** for mom and pop businesses located along the Crenshaw Line, within the Little Tokyo area along the Regional Connector, **and Phase I of the Purple Line Extension** immediately.

2. Define mom and pop businesses as those **meeting the following criteria:**
 - a. Having 25 employees or fewer;
 - b. **A minimal operational history of two years;**
 - c. **Being in good standing with local, state and federal tax requirements; and**
 - d. **Able to produce financial records (i.e. gross receipts, business license information, pay roll taxes and other pertinent financial information) demonstrating the loss of business revenue directly related to the period of construction disruption.**

3. Conduct a baseline survey of all businesses within the project areas.

4. **Identify and designate \$10,000,000 of Metro funds annually to be used for the implementation of the Business Interruption Fund. Funds shall be distributed through the project's administration and/or respective Business Solution Center.**
5. **Each business should be eligible for a maximum of \$50,000 annually, not to exceed 60 percent of their annual business revenue loss.**
6. Participation in the program would release MTA and the general contractor from further liability claims for business loss unrelated to specific incidents of damage and would be voluntary.
7. **Direct the Chief Executive Officer to work with Los Angeles County and local cities to seek all appropriate legislation that would temporarily reduce or waive taxes and fees imposed on impacted businesses during transit-related construction activities and work with the Los Angeles County Assessor's Office to immediately initiate outreach activities to businesses impacted by transit-related construction activities in order to inform them of the Assessor's Office Proposition 8/Decline-in-Value Review process.**
8. Report back to Construction Committee monthly, **beginning in October**, with an implementation plan **and report back to the Board of Directors in September 2015 with an evaluation of the program including utilization levels and recommendations for program modification.**



The History of Full Street Closures and LA County Metro

Since the nineties, the City of Los Angeles and government agencies have supported full street closures as a means of shortening the cumulative impacts on residents, businesses and commuters during construction of rail and transportation projects. The first major closure was a 30 day continuous closure of the intersection of Hollywood Bl. and Vine Ave during construction of the Metro Red Line subway. Since then Metro has implemented full street closures of various lengths throughout Los Angeles County.

Before the first full street closure in Hollywood in 1994, Metro presented the concept of implementing a full street closure as a way to minimize the overall impact to residents, businesses, commuters, and the community as a whole. The precursor was a detailed comparison of the standard three-day closure on multiple weekends, (the approach typically allowed by LADOT at the time) versus a continuous full street closure that have a much shorter overall duration and impact than multiple weekend closures.

The decking operation at Hollywood Bl. and Vine Ave was broken into a detailed sequence of events from the initial placement of traffic control measures to the re-opening of all of the surrounding streets and Hollywood Bl. The plan included a detailed step by step schedule of the events planned to occur in real-time using the standard three day weekend closure. Everything from the staging of the equipment to the removal of the asphalt, trucking of materials, unloading of the cap beams, installation of support, welding in place, support of utilities etc.

By timing each event and laying out the work plan using the standard three day weekend closure, the contractor was able to demonstrate that this approach would impact the area for 15 consecutive weekends. The result would be a protracted, negative impact on tourists, businesses, residents and commuters.

Furthermore, the contractor was able to demonstrate that, with everyone working together as a team, the entire street could be removed and decking could be installed within a 30 day continuous full street closure. The conclusion was that, overall, this would be a win-win for everyone.

Since then this approach has been adopted for the installation of decking on Metro projects across the county after extensive discussions with each community.

The matrix below provides information on past Metro rail projects and the Crenshaw/LAX project. Note that by comparison, the Crenshaw/LAX stations at MLK and Vernon are 400-feet long, the Exposition Station is approximately 800-feet long, and the UG #4 tunnel segment is approximately 1200-feet long.

Project	Location	Continuous Closure (total days) **Implemented**	Length of Station (feet)
Metro Gold Line Eastside (2009)	East Portal	8	n/a
	Boyle Station	20	400
	Soto Station	20	400
	West Station (includes Street)	10	n/a
Red Line (1998)	Hollywood & Highland	30	700
	Hollywood & Vine	30	700
Crenshaw/LAX (Current)	Expo Decking *	30	800
	MLK Decking *	20	400
	Vernon Decking*	20	400
	UG 4 Decking	40	1,200

*Completed

