AGENDA

Members of the Public may address the Economic Development Policy Committee on any agenda item by submitting a written request prior to the meeting. Two (2) minutes are allowed per person in total for each item.

1. CALL TO ORDER

2. GENERAL PUBLIC COMMENT

3. PRESENTATION/DISCUSSION ITEM(S):
   
   A. Legislative Update
      • Traci Kawaguchi, CEO Legislative Affairs and Intergovernmental Relations
   
   B. Economic & Workforce Development ARPA Programs and Legal Aid for Small Businesses
      • Kelly LoBianco, Executive Director, Economic & Workforce Development
      • Allison Clark, Interim Assistant Director, Econ & Business Development
   
   C. Employee Ownership as a Business Retention and Recovery Strategy
      • Evan Edwards, CEO of Project Equity

4. PUBLIC COMMENT

5. STANDING ITEMS
   
   A. Progress on American Rescue Plan Act Program Implementation and Outcomes
   
   B. Economic Development Optimization: New Department Transition
   
   C. Poverty Alleviation Initiative

6. ADJOURNMENT
Los Angeles County Economic Development Objectives:

- Attract, develop and retain businesses that provide quality jobs in high growth industries
- Increase employment opportunities by improving workforce development skills and employer partnerships
- Invest in infrastructure needs to improve and maintain competitiveness of LA County Region
- Coordinate across multiple County agencies to ensure that services to workers, businesses and entrepreneurs are coordinated and streamlined to facilitate a “no wrong door approach” to serving our constituents
- Work to balance jobs with housing

IF YOU WOULD LIKE TO EMAIL A COMMENT ON AN ITEM ON THE ECONOMIC DEVELOPMENT POLICY COMMITTEE AGENDA, PLEASE USE THE FOLLOWING EMAIL AND INCLUDE THE AGENDA NUMBER YOU ARE COMMENTING ON:

DKELLEHER@CEO.LACOUNTY.GOV
Legal Aid for Small Business Owners

February 17, 2022
Economic Development Policy Committee
Agenda

• Description / Funding Allocation
• Services Provided and Projected Metrics
• Timeline
• Eligibility Requirements
• Q&A
Legal Aid for Small Business Owners

Overview -

In partnership with nonprofit legal service providers, offer legal advice and landlord-tenant support for income-qualified small businesses

Allocation - $1.5 M
Services - Workshops

Know Your Rights Webinars
Provide valuable legal information to businesses to help them address the end of the Eviction Moratorium, protections for commercial tenants, and guidance for forthcoming grants / rental assistance

- Total of eight (8) webinars to be held. Will start first weeks after launch, slated for end of this month, February 2022
- Metrics: minimum 200 attendees

Small Business Webinars
Address wide variety of legal issues impacting small businesses (i.e. commercial leasing, Covid-19 impacts, finance, employment law, among other topics)

- Total of ten (10) webinars to be held, one (1) per month.
- Metrics: minimum 250 attendees
Services – One-on-One Counseling

One-on-One Counseling
Assist businesses with:

- Transactional legal services
- Referrals to available resources and partner organizations
- General legal questions

Transactional legal services will include, but not be limited to commercial lease negotiations, review of lease agreements, employee safety, wages, paid leave and benefits, intellectual property matters, tax liability, setting up business structures and organizations, document preparation, bankruptcy, and other legal issues.

Metrics: 800 businesses provided with transactional legal assistance
Small Business Legal Academy

Half day event providing specific legal workshops and one-on-one consultations with attorneys during the event.

- Total of two (2) events to be held, one held first half of the year, second during the second half of the year.
- Metrics TBD based on number of attorneys enlisted to participate
Timeline

• Project Design currently under review by ARDI Team
• Program launch 2/8/2022
• Businesses which applied for Small Business Rent Relief will be contacted and prioritized for assistance
• Workshops to begin end of February
• Public Portal and Toll-Free Hotline to be available early March
Eligibility Requirements

ARPA Requirements

- Prioritizing business communities identified to be in the highest, high, moderate tiers based on the COVID-19 Vulnerability and Recovery Index

Contractor Requirements

a) **Business income**: Profits not to exceed $75k; sales not to exceed $250k OR

b) **Personal income**: Primary business owner not to exceed:
   1) 300% of Federal Poverty Guidelines (FPG); or
   2) 500% of FPG if the business has a “qualifying community impact,” including whether the business is female owned, veteran owned, LGBTQ owned, owned by a person of color, etc.; or
   3) 80% of the Area Median Income (AMI), as determined by HUD (huduser.gov).
QUESTIONS?

Thank you!

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Presenter

Evan Edwards
Chief Executive Office
Project Equity
www.project-equity.org
Meet Project Equity

We help owners of small & medium size businesses secure their companies’ legacies by transitioning to employee ownership.
What is employee ownership?

A proven business structure in which a broad base of employees own the business they work at.
What is an employee ownership transition?

The sale of a business (its assets or stock) to a new entity with employee-owners

The purchase can be financed by a loan taken out by the company and repaid over time through future profits

Most transitioned businesses retain executives/management, often with employee-owners electing and/or serving on a Board of Directors
Proof Bakery

Proof Bakery has a secret ingredient...

IT'S THEIR EMPLOYEES!

“Proof has taught me to move through the food world with intentionality and accountability, not just in the kitchen but in the areas of service and our local community. I look forward to the new employee ownership collaboration that will elevate our voices, both individually and collectively.”

Jen Salgado
Employee-owner, Proof Bakery
Why employee ownership is especially relevant
Twin crisis: millions of local businesses at risk

COVID-19 has created significant small business challenges, especially in certain sectors

Silver Tsunami threatens 50% of job-creating businesses as baby boomers retire

Source: Opportunity Insights Economic Tracker
Silver tsunami

In Los Angeles County, an estimated **49%** of locally-owned businesses have owners at or nearing retirement age.
Selling a business isn’t easy

Only 20% of businesses sell

About 15% transition within families

1 in 5 businesses are at risk of closing

According to US Small Business Administration 2004 study and BizBuySell.com
Working people are not economically secure

- 46% of U.S. families cannot manage a $400 emergency expense
- Six of 10 fastest-growing occupations pay less than $27,000 a year
- 40% of workers experienced worsening job quality since the start of the COVID-19 pandemic

Rutgers Institute for the Study of Employee Ownership and Profit Sharing
Benefits of employee ownership
Employee ownership

Benefits to businesses
- Higher productivity and growth
- Lower employee turnover
- Improved longevity, lasting legacy

Benefits to workers
- Better pay and benefits
- Assets and business ownership
- Voice in key decisions

Benefits to communities
- Increased local spending
- Heightened civic engagement
- Community wealth building
Employee ownership
Strengthens local economies

When a company is sold through a conventional acquisition, what happens to ...

- The jobs
- The tax base of the local jurisdiction
- The professionals who serve the firm (their account, lawyer, banker, insurance agent)

When a company is sold via employee ownership, the business stays where it is

- The jobs stay, the tax base stays
- And the other local businesses keep their supplier, customer, partner
Employee ownership means quality jobs & economically secure workers

- **33%** higher wages
- **53%** longer job tenure
- **92%** higher household net worth

Based on a 2017 study from the National Center for Employee Ownership
Employee ownership creates stronger businesses

**Profit margins**
8.5% higher than peers

**Sales and employment**
Grows 2% faster per year

**Resilience**
Compared to traditionally-owned companies, employee-owned companies:
- Were 50% less likely to lay off employees during the 2001 & 2008 recessions
- Were less than half as likely to cut employees’ pay in 2020 (during the pandemic)
- Were 6 times more likely to say in mid-2020 they expected to make a full recovery after the pandemic

Democracy at Work Institute
National Center for Employee Ownership
Unique benefits of employee buyouts

Owners can achieve a fair sale price

Owners retain influence on pacing and exit timeline

Preserve existing company legacy, culture, and assets

Based on a 2017 study from the National Center for Employee Ownership
## Understanding business succession options

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<th>Options</th>
<th>Preserve legacy</th>
<th>Market value</th>
<th>Tax benefits</th>
<th>Retain employees</th>
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<td>Sell to family members</td>
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Building a local employee ownership ecosystem
Building a local employee ownership ecosystem

**Awareness**
- **Build awareness** of employee ownership and its benefits with business owners, business-serving organizations, practitioners, and policy makers

**Demonstration**
- **Demonstrate success** and build the case for scale and systemic change by supporting successful employee ownership transitions

**Systems integration**
- **Advance systemic change** by embedding employee ownership into local policies, programs and practices and building worker voice and power through successful transitions
Building a local employee ownership ecosystem

Best practices & recommendations for local government:

- Commit to a multi-year program (3–5 years) with the outer years increasingly focused on embedding within county roles and systems.
- Institutionalize an economic development focus on business retention through succession planning, with employee ownership as a leading option (report annually on the number of businesses that are 30+, 20+, 15+ years old to track the need).
- Use platform and credibility for awareness building and outreach.
- Subsidize feasibility assessments for businesses wanting to explore an employee ownership transition.
- Develop supportive financing, loan funds, and other incentives.
- Add business license tracking of employee ownership, in addition to corporate form.
- Promote employee ownership through legacy business programs.
- Train city/county staff or create new staff positions to advance employee ownership.
Q&A