

September 17, 2016

Honorable Los Angeles City Councilmembers Krekorian, Bonin, Harris-Dawson, Huizar, Martinez, Ryu, Price, Cedillo, and Koretz:

I am writing to urge you to recuse yourself from the upcoming vote on the Venice Beach BID ordinance of intention and from all future matters concerning Council File 16-0749.

Here's the issue: This ordinance is a step in a process which is meant to culminate in the City of Los Angeles signing a contract with the Venice Beach Property Owners Association to administer the Venice Beach BID. The three principals of this corporation are Steve Heumann, Carl Lambert, and Mark Sokol. The Los Angeles City Charter at §470(c)(12) prohibits principals of persons, in this case the Venice Beach Property Owners Association, who respond to City contract solicitations worth more than \$100,000 from donating to the campaigns of City Council members while the contract is pending.¹ Carl Lambert gave Mr. Bonin \$700 in December 2015, while the formation of the BID, and hence the signing of the contract, was under active discussion. BID formation has been under active discussion since at least September 2014, after which date Sokol has made contributions to the campaigns of all nine of the Councilmembers to whom this letter is addressed, totalling more than \$8,500.

Like any even moderately complex law, it's hard to be sure how the City's Campaign Finance Ordinance applies in every possible case. It might be that because the Venice Beach Property Owners Association wasn't incorporated until April 2016 there was no corporate person for Sokol and Lambert to be principals of, and conceivably that could mean that they didn't violate the law.² It's also possible to make the argument, as the City has done in other contexts, that because BIDs merely collect and spend the money of the assessed property owners, there's not enough City money going towards the contract for the law's \$100,000 threshold to be met.

In this case, since the City owns so very much property within the proposed BID, assessed at more than \$400,000 annually, the second argument will almost certainly fail. Against the first argument, one might note that since these three were negotiating with the City about the BID as early as September 2014, and since the formation of a Property Owners Association is required under State law for the

¹Note that LAMC 49.7.35(A)(5), which interprets this section of the Charter, defines a "contract solicitation" as "a request for proposals, request for bids, request for qualifications, or any other request, whether written or verbal, for purposes of entering into a contract." This clearly occurred with respect to the Venice Beach BID.

²Although note that Sokal contributed money to Mr. Cedillo, Mr. Price, and Mr. Koretz after the VBPOA was incorporated. At that time he became a principal of the organization responding to the contract opportunity. Thus it's possible that only those three contributions fall afoul of the law.

process of BID formation to succeed, it was well-known by everyone involved that they would be the principals of the POA once it was formed.

Or possibly this argument won't prevail. It's not easy to predict how the City Ethics Commission will rule on this matter, but nevertheless, I think you will serve the City well by recusing yourself from this matter and returning the tainted contributions. According to the City Charter, the purpose of the Campaign Finance laws

... is to encourage a broader participation in the political process and to avoid corruption or the appearance of corruption in city decision making, and protect the integrity of the City's procurement and contract processes by placing limits on the amount any person may contribute or otherwise cause to be available to candidates for election to the offices of Mayor, City Attorney, Controller and City Council

It's true that the City Ethics Commission may reject my interpretation of these events, although they very well may not. Irrespective of that, the Venice Beach BID has already generated unprecedented levels of opposition. If the BID is ultimately created, but with this ethical cloud still hanging over it, its legitimacy will be even more questionable and the disputes and divisions will be more likely to continue on and even intensify rather than to begin to heal. I therefore urge you to take action to dissociate yourself from the "appearance of corruption" in the BID formation process by recusing from the matter and by returning the contributions.

Thank you for your attention,

Mike
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