

September 17, 2016

Honorable Mayor Eric Garcetti,

I am writing to urge you to recuse yourself from all pending matters concerning the proposed Venice Beach Business Improvement District (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 making campaign contributions to the Mayor while the contract is pending.¹ Carl Lambert gave you \$1,400 in June 2015, while the formation of the BID, and hence the signing of the contract, was under active discussion.

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 Lambert to be a principal of, and conceivably that could mean that he didn't violate the law by contributing to your campaign. 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 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 contribution. According to the City Charter, the purpose of the Campaign Finance laws

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.

... 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 contribution.

Thank you for your attention,

Mike
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