

September 17, 2016

Honorable Los Angeles City Controller Ron Galperin,

I am writing to urge you to return the \$2,200 in campaign contributions given to you since September 2014 by Mark Sokol.

Here's the issue: The Venice Beach Business Improvement District creation process (CF 16-0749) 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 BID formation has been under active discussion since at least September 2014, after which date Sokol has made contributions to your campaigns totalling \$2,200.

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 to be a principal of, and conceivably that could mean that some of his contributions to you didn't violate the law. Note, however, that the Venice Beach POA was incorporated in April 2016 and Sokol contributed \$700 to your campaign in June 2016, so the POA existed when at least that contribution was made. 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 Sokol was 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 he 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 returning the tainted contributions. 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.

Furthermore, the Controller is authorized contractually and by the City Charter to audit the finances of BIDs. This was done by Laura Chick when she was Controller, for instance. Recently, however, the Controller's office has refused to audit BIDs and has asked the Clerk's office to handle auditing duties. Imagine a scenario where the Venice Beach BID is approved and later someone provides evidence to your office of financial wrongdoing. At that point, whether or not your office agrees to audit or doesn't agree to audit the appearance of improper influence based on these contributions will be enhanced. In the first place because an exoneration will have a good chance of looking like a coverup and in the second because the Clerk is widely perceived as being biased in favor of BIDs. It won't be possible to come out of such a scenario with hands that appear clean.

I therefore urge you to take action to dissociate yourself from the extreme potential for the "appearance of corruption" in the BID formation process by returning these contributions to Mark Sokol.

Thank you for your attention,

Mike
Los Angeles, CA 90038