

LOS ANGELES BUSINESS JOURNAL



BUSINESS BUILDER

Jerome H. Snyder inducted into Business Hall of Fame

Jerry Snyder has built a lasting impression on Los Angeles as one of the region's premier developers. He stayed ahead of the game by envisioning and actualizing projects where others couldn't. His career accomplishments are voluminous, and he turned an initial career as homebuilder into a second act as

a commercial developer. Snyder joins the 19 other local luminaries in the Business Journal's Business Hall of Fame 70 years after starting his aptly named J.H. Snyder Co.

In this special issue, the Business Journal also acknowledges three others as Business Leaders of the Year in recognition

of their career accomplishments: MUFJ Union Bank's Bitu Ardalan, Sullivan & Cromwell's Alison Ressler, and City of Hope's Robert Stone.

The group is a formidable one — and one we're proud to put forth as part of the 2019 Business Hall of Fame awards.

Coverage begins on page 13

ALEXANDER DREGUN

Leaf Reports Growth Buds

MEDIA: Internet publisher posts '18 profit, first since '14

By **MATTHEW BLAKE** Staff Reporter

After years of declining revenue and being derided as a "content farm," **Leaf Group Ltd.** returned to budding financial gains in 2018.

The Santa Monica-headquartered internet media



Moriarty

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Biometrics Finds Footing

TECHNOLOGY: LAX pilot program seen as tipping point

By **SAMSON AMORE** Staff Reporter

The Los Angeles region has become a testing ground for consumer technologies that employ facial recognition of biometric scans.

The clearest use cases so far are at Los Angeles International Airport, where machines installed in select terminals can scan registered pas-

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Opiant Finds OD Antidotes

HEALTH CARE: SaMo firm fighting opioid epidemic

By **DANA BARTHOLOMEW** Staff Reporter



Crystal

Roger Crystal saw a lot of emergency room patients die from heroin overdoses during his time working in a London hospital earlier in his career. Injecting them with

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Metro Grants Keep Doors Open

TRANSPORTATION: Local firms receive \$18M so far

By **HOWARD FINE** Staff Reporter

Four years ago, **Cary Jordan** moved his family restaurant **Jordan's Hot Dogs** from Watts to Crenshaw Boulevard in Hyde Park, banking on a planned light rail line connecting

the neighborhood directly to Los Angeles International Airport and the transit riders it would bring.

What Jordan didn't bank on were the years of construction and trench work outside the restaurant's entrance that have kept customers away. During the first year of construction in 2015 and 2016, Jordan said the commotion sent revenues plunging roughly 50 percent to about \$40,000.

A grant program funded by the Los Angeles County Metropolitan Transportation Authority helped Jordan turn things around.

The program, aimed at mom-and-pop businesses, covers some of the lease, utility and other overhead costs to offset lost revenue during construction. It has a cap of \$50,000 per year per business. Jordan submitted documentation of his revenue loss and

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INSURANCE BROKERAGE FIRMS
Ranked by 2018
L.A. County revenue
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Necessity is mother of invention in co-working, childcare connection

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Sit 'n Sleep's impresario Larry Miller shows he's not all talk



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Funds: Metro Grants Give Businesses Lifeline

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received a grant of \$25,000.

"Before I received the money, I was continually borrowing money from my family to keep the business afloat," Jordan said. "That \$25,000 enabled me to keep my doors open and to remain at this location during the construction," Jordan said.

Since then, Jordan has received another \$25,000 grant.

700-plus grants

In total, Metro's Business Interruption Fund has awarded more than \$18 million to 300 businesses since it began four years ago, according to a progress report on the program issued last month. The transit agency had budgeted \$10 million a year for the grant program.

The fund first targeted businesses along the Crenshaw corridor impacted by construction of the Crenshaw-LAX rail line, then spread to the Regional Connector project in downtown and the Purple Line subway extensions in the Miracle Mile and Beverly Hills.

On Feb. 28, the transit agency's board voted to expand the program again to include businesses impacted by Purple Line construction from Beverly Hills to Westwood. The board also voted to award a \$1.6 million, two-year contract to the Koreatown-based **Pacific Coast Regional Small Business Development Center** to administer the fund.

Shalonda Baldwin, the transit agency's deputy executive officer of diversity and opportunity, said the agency would like to be paying out more. In the four years the Los Angeles program has operated, Baldwin said the total grants have never hit the annual \$10 million budget cap.

"There's been a little less demand for the grants than we originally anticipated," she said.

To qualify, a business must have been at the impacted location for at least two years, have no more than 25 employees and show documentation of revenue loss since construction began. Businesses generating more than 60 percent of revenue from alcohol sales are not eligible, nor are cannabis businesses nor chain-operated stores. The grants can be used by the businesses to pay fixed operating expenses including utilities, rent, insurance and payroll.

Subway impact

Of the \$18.5 million in grants awarded in the program's first four years, just over \$10 million



RINGO H.W. CHIU/LABy

Helping Hand: Cary Jordan, the proprietor of Jordan's Hot Dogs, said the family restaurant has received \$50,000 from Metro.

went to businesses along the Crenshaw-LAX Line. About \$4.6 million went to businesses along the Wilshire corridor Purple Line subway extension, and nearly \$3 million went to downtown businesses near the construction zone for the Regional Connector project.

Apollonia's Pizzeria, located in a strip mall on Wilshire Boulevard a block east of La Brea Ave., first suffered revenue losses when utility relocation for the subway project began four years ago, co-owner **Justin De Leon** said. Losses deepened in 2017 as Wilshire Boulevard near La Brea closed completely during weekends for subway construction, he said.

De Leon said the pizzeria recently received its third annual grant of nearly \$50,000 from the fund. "If we hadn't received the grants, we probably would have had to reduce our operating hours, which would have reduced our revenue even further," De Leon said.

Not enough?

One downtown business owner affected by the Regional Connector construction said the grant money has been helpful though not enough to cover all the revenue loss.

Andre Bonyadian, who owns and operates a **Qiznos Corp.** franchise in a strip mall in Little Tokyo, said that when construction began, his revenue plunged between 30 percent and 40 percent. Transit agency staff encouraged Bonyadian to apply for the program, and he

received his first grant in 2016.

"That money came just in time," Bonyadian said. "If it hadn't come, I likely would have had to close the business."

The funds weren't quite enough to offset his losses, so Bonyadian said he's adopted other cost-cutting measures, such as reducing staff and making his own produce pickups from nearby markets instead of having it delivered.

While Bonyadian was able to make adjustments to keep his business open, other business owners receiving the grants did not fare as well.

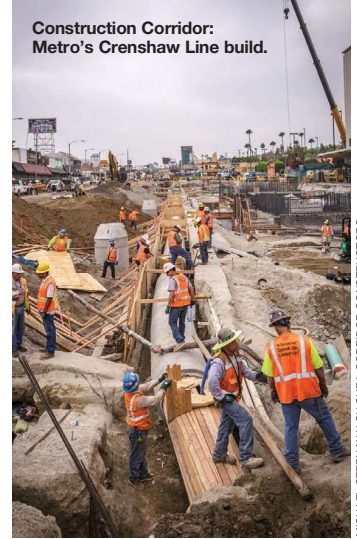
The transit agency said 82 percent of businesses remained open after 24 months of the initial grant award. That means 18 percent of the businesses — 38 in all — either closed or moved out of the construction zone.

One of the businesses that moved was the office of optometrist **Steven Bae**, which was originally in a strip mall on Wilshire Boulevard just east of La Brea Avenue and two years ago moved to Western Avenue in Koreatown.

Bae, reached briefly by phone, said the business interruption grant was not enough money to offset the loss in business. "It wasn't enough, and I was forced to move," he said.

Agency responsibility

Experts differ on whether direct payments are the best way to make up for lost revenues. "Because it's the transit agency's



MICHAEL STERN/WALSH SHEA CORRIDOR CONSTRUCTORS

construction activity that is causing the revenue drops among these businesses, the agency should bear the responsibility for offsetting this negative externality," said **Jerry Nickelsburg**, director of the **UCLA Anderson Forecast** and an economics professor at the Anderson School of Management. "It's the same principal as 'polluter pays': the entity that causes the negative impact should take steps to restore those impacted."

Nickelsburg said the challenge is to get the payment levels right. "You don't want to overpay or underpay," he said.

But **Matt Horton**, associate director of the California Center at the Santa Monica-based **Milken Institute**, questioned whether the grants were the right solution since once construction is complete, the businesses are likely to draw more customers than before.

"With a grant program, there's no direct financial return on the taxpayers' investment," he said.

"There are other ways to structure an assistance program so that the taxpayers do get a financial return, such as a loan program with repayments starting shortly after construction ends" or turning over a percentage of revenue to the agency for a set period once the rail lines open.

Biometrics: Local Firms Exploring Applications

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sengers' fingerprints, allowing them to quickly pass through security checkpoints and board their flights.

But developers of the new technologies, including several local companies, are finding it difficult to get U.S. consumers to warm to the everyday use — and cost — of biometric scanning and facial recognition in other applications.

"There's a lot of conversation around biometrics, but in terms of practical use cases, it's still in its infancy," said **Ryan Disraeli**, chief executive of Marina del Rey-based fraud prevention firm **TeleSign Inc.**

In 2017, TeleSign discontinued its biometric program BehaviorID, which monitored users' online interactions with services and websites, cross-referencing that activity with a database to identify irregular behavior.

Ultimately, TeleSign redirected its efforts to products that were selling better.

"The maturity of biometrics needs to develop," Disraeli said.

New growth

Biometrics and facial recognition technologies have been around since the early 1990s, but recent breakthroughs in their development will drive faster growth in the market in the coming years, industry sources say.

According to industry research outfit **Allied Market Research**, the global facial recognition market will generate \$9.6 billion in revenue by 2022, growing 21 percent over the time period from 2016 to 2022. Government security is driving much of the expansion, particularly for facial recognition applications, analysts say.

Pasadena-based digital security firm **Cogent Inc.**, founded in 1990 by **Ming Hsieh**, works on government and commercial projects. The company has changed hands a few times since its founding, and its current owner, **Gemalto**, is expected to close a sale of its assets to French security firm **Thales Group** for roughly \$5.8 billion by the end of this month.

For many years, Cogent has worked with government contractors, including **Northrop Grumman Corp.**, to develop technology for the Homeland Security Department's Homeland Advanced Recognition Technology

(HART) biometrics program. "What we provide is a very powerful core technology that has extreme capabilities for doing facial recognition," said **Daniel Asraf**, a vice president with current Cogent parent company Gemalto.

Cogent's technology has been in use at the **American Airlines Inc.** terminal at LAX since December 2018, employing biometrics to cross-check boarding passengers with DHS's system, the company said.

According to Gemalto, its Live Face Identification System achieved a 99.4 percent accuracy rating during a 2018 Homeland Security test.

Airport security

LAX launched a pilot program to test biometrics technologies in November of 2017. The airport is planning to seek bids for the development of automated boarding gates that use the technology, according to LAX's Chief Innovation Officer **Justin Erbacci**.

Erbacci said Portuguese firm **Vision Box** now runs three biometric gates in the Tom Bradley International Terminal as part of the pilot.

New York City-based **Alclear** (doing business as Clear) pays a fee to the airport agency to

operate several kiosks at security checkpoints. Customers who register and pay for the service can speed through security by scanning their biometric data.

Consumer potential

Beyond the airport, some local companies are testing the market for other consumer applications of biometric and facial recognition technology.

Elepro Group Inc., based in City of Industry, is developing a facial recognition "smart lock" for doors. Earlier this year, company executives were pleasantly surprised when they managed to raise more than five times their \$10,000 goal in a Kickstarter campaign.

Still, Elepro Vice President **Vince Zhou** said the facial recognition lock may not be ready for the consumer market because the technology is still too expensive. The price tag for one of the devices could be at least \$370, he said, adding that the fingerprint version of the lock is slightly more affordable.

For now, the company plans to target wholesale customers like hotels and property managers. "We are trying to ease people into the idea of facial recognition," Zhou said.