

Communication from Public

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Comments for Public Posting: Expanded Business Source Center program: Alternative Approach



CALIFORNIA COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION

April 13, 2021

Curren Price

Chairman, Community and Economic Development Committee
Los Angeles City Council, City Hall
200 N Main St.
Los Angeles, CA 90012

Re: **Business Source Centers 2021: Expanded Alternative**

Dear Honorable Chairman:

Los Angeles is facing an “End of Days” for small business and entrepreneurs all across our challenged and suffering city. Whether you drive the streets on Central Ave. or on Lincoln Blvd., or on Sherman Way, you will find “For Lease” signs in the windows of local retail and small industrial buildings. The continued high unemployment rates speak to a distressed economy that is still struggling to recover. And as experienced due to Covid 19, BIPOC communities have suffered the most with as much as 50% of BIPOC owned businesses closing. And this is not just a story about small business, as now we see the closure of Pacific and Arclight Theatres, which will hurt their neighboring retailers, as well. CCEDA would like to offer an Expanded Alternative to the proposed Business Source Center 2021 RFP.

CCEDA

California Community Economic Development Association(CCEDA) is a nonprofit statewide membership association that advances the field of community economic development through training and continuing education, technical assistance, and advocacy on public policy on behalf

of its membership organizations which are actively engaged in revitalizing low and moderate income neighborhoods in California, including the City of Los Angeles. CCEDA members include Community Development Corporations, Community Action Agencies and Community Development Financial Institutions that provide workforce development, asset-building, small business development, real estate development (housing, commercial, industrial and retail), lending programs, and job creation enterprises.

Business Source Centers

In 2012, the Mayor and City Council authorized the establishment of the Business Source Center (BSC) Program in an effort to revitalize the local economy by providing services and resources to help business owners launch viable businesses, grow revenue streams, and create jobs in the City. Over the last two program years, the BSCs have generated a total of \$53 million in new business loans packaged and approved, assisted approximately 337 new businesses to be established and approximately 1,800 jobs were created or retained. Over 1,300 businesses were assisted in addressing COVID-19 related matters during the current pandemic. (EWDD 2020)

The BSC Program provides various levels of assistance to eligible, for-profit microenterprises, and small businesses as well as aspiring entrepreneurs who reside in the City. The BSC system provides services to businesses that target two business types:

- Microenterprises: Five or less employees, including the owner(s).
- Small Businesses: 6 to 500 employees with annual gross sales not exceeding \$7,500,000 as defined by the Small Business Administration.

The outcomes for these target populations are new businesses, business retention, and business expansion for the development of needed goods and services in underserved communities, and job creation/retention to benefit individuals with low incomes.

Request for Proposal

The goal of the proposed 2021 BSC Request for Proposal is to select operators that will provide services to new and existing business owners through planning, access to capital, stabilization, and resiliency throughout the City of Los Angeles. Operators for the BSC Program were last procured in 2015. Currently, the BSC system consists of nine (9) strategic locations throughout the City. Funding has been recommended in the amount of \$4,950,000 for nine (9) BSCs. Successful proposers will be funded at \$550,000 per center.

Priority will be given to funding BSCs in the service areas identified as having the greatest need, as determined by EWDD. The requested funding level of \$4,725,000 in CDBG funds would allow nine (9) centers to be funded in PY 47. EWDD conducted a service area assessment to redefine

BSC target service areas. After taking into consideration the City's poverty rate, existing small businesses, persons in low- and moderate-income households, Opportunity Zones, Promise Zones, and the target areas addressed in the Citywide Economic Development Strategy (CEDs), it was determined that nine service areas are needed for the BSC System.

Covid 19 Pandemic

COVID-19 has caused thousands of small businesses to shut across America, some partially and others now permanently. By some estimates, the City of Los Angeles has lost almost 25,000 small businesses during the pandemic, **throughout the City**. Retail, entertainment and service businesses, in majority operated by people of color have closed in areas as disparate as East Los Angeles to Venice and West Los Angeles. A recent Yelp economic report listed Los Angeles as the U.S. city with the most business closures since the pandemic started. The report revealed there have been 15,000 Yelp connected business closures across Los Angeles County, with half of those expected to be permanent. With the business closures, by some estimates, over 50,000 jobs have been lost.

Small businesses are the backbone of the Los Angeles economy, employing nearly half of the private sector workforce. Unfortunately, lockdown and work-from-home measures brought about by COVID-19 have disproportionately affected small businesses – particularly in the leisure and hospitality sectors.

- Of the hundreds of restaurants that closed during the pandemic, Yelp estimates that 61% are permanently closed.
- Bar and nightlife will see 64% of closed bars not reopen.
- Small retail and shopping will see 58% permanent closures
- And 40% of closed beauty shops will not reopen.

Finally, studies to indicate that as much as 50% of closures will be against businesses owned by people of color.

Expanded Alternative

If the City of Los Angeles is to respond to the catastrophic hit it is taking on Mainstreet and avoid years of boarded up stores and retail locations, the City needs to expand the BSC program to cover the entire city and help small businesses, many diverse owned, to reopen, restart and revive. Accordingly, **CCEDA**, in advocacy of a number of CDCs and CDFIs in the City of Los Angeles, as well as the thousands of diverse small businesses in low and moderate census tracts throughout the City, recommends an increase in BSC

funding to **\$9,300,000** and the awarding of **15 Business Source Centers, one for each Los Angeles City Council district.**

In addition, CCEDA recommends:

- Additional impact dollars of \$100,000 each awarded to 3 BSCs in high impact areas.
- CCEDA advocates for a \$250,000 augmentation each to 3 BSCs operated by CDFIs. These three centers would establish Access to Capital Centers to support the entire BSC network in order to provide greater access to local, state and federal small business loan programs.
- The impact and CDFI add-ons should come from City General Funds so as to maintain maximum flexibility not available under CDBG regulations.
- Finally, qualified organizations should be able apply for and operate up to 3 BSCs each.

The BSC can be the key City of Los Angeles component to implementing an economic recovery strategy that ensures that small businesses have the resources that they need to navigate the negative on-going impacts of the COVID-19 pandemic and develop a resiliency plan for future economic shocks. A holistic and expanded citywide approach to starting, stabilizing, and expanding businesses requires multiple locations providing business services and access to capital. Citywide delivery of these services is essential to the well-being of businesses in the City, and the BSC system must be expanded to meet the challenges of the changed economic environment.

Sincerely,

Roberto Barragan
Executive Director

Cc: LA City Council

Mayor Eric Garcetti

EWDD General Manager

BSC: PACE, ICON CDC, MCS, Vermont Slauson CDC, Barrio Planners,