

ECONOMIC DEVELOPMENT AND JOBS COMMITTEE REPORT relative to developing an Entrepreneurship Leadership Program for the City of Los Angeles.

Recommendation for Council action, as initiated by Motion (Ridley-Thomas – Price – Rodriguez):

DIRECT the Economic and Workforce Development Department, with the assistance of the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA), and in consultation with outside contractors, as appropriate, be directed to report in 60 days with an assessment of Entrepreneurship Leadership Programs across other US cities, with potential features and components for developing a similar program to serve the City of Los Angeles, and utilizing the \$1,000,000 Equity Fund allocated as part of the Fiscal Year 2021-22 Budget for this purpose, with the goal of launching the program 120 days following their assessment and with said program features and components to include but not be limited to:

- a. Engagement with philanthropy and corporations to leverage funding for the program to increase access to capital; Collaboration with Los Angeles Unified School District high schools and community colleges as well as start-up firms, small and large businesses to expand opportunities for mentorship and sponsorship.
- b. Resources to foster entrepreneurship in high-growth industries and support rising entrepreneurs in communities of color with successful tools to navigate the business building process.
- c. An analysis and evaluation of current programs that are run or supported by the City of Los Angeles related to business incubation and entrepreneurship, including but not limited to:
 - a. Business Source Centers
 - b. Community Development Block Grant-funded incubators such as Grid110 and the Business Response Unit
- d. Relevant information to include but not be limited to:
 - a. Who these programs serve.
 - b. What level of success they have achieved.
 - c. What the City has learned through implementing them.

- e. A gap analysis, examining how the new program will fill existing gaps in the local ecosystem of business incubation and entrepreneurship programs, including those run by institutions other than the City of Los Angeles.

Fiscal Impact Statement: Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On August 10, 2021, your Committee considered a Motion (Ridley-Thomas – Price – Rodriguez) relative to developing an Entrepreneurship Leadership Program for the City of Los Angeles. According to the Motion, entrepreneurship and business ownership are critical for building community wealth, advancing innovation and most importantly, closing the racial wealth gap. Past research has shown that entrepreneurship and business formation within communities of color has the potential to increase opportunities for upward economic mobility and reduce wealth disparities (Bradford, 2014).

Sadly, the COVID-19 crisis has exacerbated wealth disparities across U.S. cities. Nationally representative data on small businesses indicate that the number of active business owners fell by 22 percent between February and April 2020, the largest drop on record (US Census Bureau, 2020). The economic fallout of COVID-19 is already painfully evident in communities of color where Black business ownership has sharply declined. Current research by Rob Fairlie at UC Santa Cruz shows that Black businesses experienced a 41 percent drop in active business ownership. Latinx-owned business ownership fell by 32 percent and Asian business ownership dropped by 26 percent (Fairlie, 2020). Similarly, in Los Angeles County more than 7,500 small businesses permanently closed last year, upending the region's economy (LAEDC, 2020).

In response, federal, state and local governments as well as businesses and foundations have allocated millions in COVID-19 relief efforts to support small businesses. While these efforts are important on the pathway towards economic recovery, the Los Angeles City Council can do more to close the equity gap and increase opportunities for entrepreneurship and business ownership, specifically across communities of color. Many Black and Latinx business owners and entrepreneurs face economic, market, sociocultural, and institutional barriers throughout the business-building process that perpetuate racial wealth gaps. Current research shows that Black entrepreneurs lack access to business networks and relationships. They are also less likely to gain exposure and access to business opportunities, expertise and mentorship as compared to White peers.

Also, many Black business owners and other entrepreneurs from marginalized communities struggle to secure capital and access to credit. In a small business survey conducted by the Federal Reserve, Black business owners were half as likely as their White counterparts to receive full financing (Federal Reserve, 2017). These disparities

are also reflected in access to start-up capital. Black entrepreneurs are three times as likely to report that a lack of access to capital negatively affects their profitability and twice as likely to cite the cost of capital (Ewing Marion Kauffman Foundation, 2016). Similarly, research conducted by the Stanford Institute for Economic Policy Research shows that Black entrepreneurs start their businesses with \$35,000 of capital, while White entrepreneurs start with an average of \$107,000 (Fairlie et al., 2017). As a result, Black owned businesses and entrepreneurs report higher levels of debt, which translates to lower revenues.

Entrepreneurship Leadership Programs can help close equity gaps and connect aspiring innovators to opportunity, supportive networks and capital. Several corporations and public entities such as Apple and Michigan State University are developing Leadership Academies to provide Black entrepreneurs and creators across all levels of experience with space and funding to develop and hone their skills and ultimately launch their own businesses. These public-private partnerships have potential for inspiring a whole new generation of entrepreneurs to activate change and opportunity in their own communities. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the Motion, as amended. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Economic Development and Jobs Committee

COUNCILMEMBER	VOTE
PRICE:	YES
KREKORIAN:	YES
BLUMENFIELD:	YES
RAMAN:	YES
HARRIS-DAWSON:	ABSENT

ARL

8/24/21

-NOT OFFICIAL UNTIL COUNCIL ACTS-