

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

APRIL 14, 2020

COVID-19 Small Business Assistance Program

The COVID-19 pandemic represents a dual assault on the wellbeing of Los Angeles County (County) and its cities and communities. COVID-19 is fundamentally a health crisis that the County’s entire public health and healthcare infrastructure is engaged in combatting. But an economic crisis follows closely behind.

Businesses across all industries are struggling as their customers practice social-distancing and self-isolation. Many businesses are shuttered, dutifully complying with necessary State and local public health orders requiring non-essential businesses to close. With these closures and other economic disruptions caused by COVID-19, thousands of businesses and their employees face ever-increasing uncertainty. Over the past week, the first wave of layoffs began, predominantly in the service industries and those related to the tourism industry. The three industries of accommodation and food service; retail and trade; and arts and entertainment have been identified as the most vulnerable industries during this crisis. Combined, these businesses provide close to one million jobs in the Los Angeles County region.

Experience shows that the small business owner will likely sustain the highest level of economic injury during this health crisis, and will be the least likely to recover from sustained economic loss. This represents a significant threat to the County’s economic wellbeing, as more than 90 percent of businesses in the County employ fewer than 20 workers. Micro-enterprises that employ fewer than nine employees are facing severe and immediate liquidity issues, especially in the service sectors that have been mandated to

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close, including restaurants, gyms and many entertainment venues. Without revenues coming in, the short-term outlook for employee retention for small businesses looks bleak as businesses struggle to make rent and utility payments just to keep their doors open. The longer the business disruption, the more dire the economic situation will become. Bold and decisive action is necessary to protect the County's small businesses, and to preserve the small business corridors that are not only economic engines, but cultural assets throughout all communities.

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. The CARES Act will inject badly needed capital into the economy in the form of loans to small businesses. However, it will take some time for the U.S. Small Business Administration to deploy this capital. County businesses are already suffering, and require immediate assistance. It is critical that the County work with private capital to support loan products that will bridge small businesses until federal disaster relief becomes available.

But the County is aware through past experiences that federal disaster assistance will not help everyone. Immigrant-owned businesses and businesses that exist outside of the formal economy, which collectively contribute so much to the County's culture and economic prosperity, are perhaps even more at risk. The federal government's efforts to expand the "public charge" rule will undoubtedly discourage immigrant businessowners from accessing available federal relief for fear of deportation. Those outside the formal economy, such as street vendors and home-based entrepreneurs, will not qualify for federal disaster funding. The County must come to the aid of these businesses and entrepreneurs, or risk economic collapse in the communities they live in and serve.

Many in the region have begun to marshal funds to support critical activities and small businesses. But the County can and should lead the efforts to support the regional economy by establishing a Los Angeles County COVID-19 Relief Fund (Relief Fund). The Relief Fund should reflect the values of the County, including its deep and committed

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support for small businesses and the nonprofit organizations and institutions that extend the County's infrastructure in the service of the County's shared clients. The Relief Fund must be inclusive in those it helps, and access to resources must be equitably distributed throughout the County's many diverse and geographically disparate communities. The County must also call on the support of the financial institutions which work closely with small businesses, and the philanthropic organizations that are committed to the wellbeing of the region. The Relief Fund should be designed as a public-private partnership, with County funds available to leverage additional private support to preserve the economic wellbeing of our communities.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Direct the Chief Executive Officer (CEO) to identify one-time funding to establish and launch the Los Angeles County COVID-19 Relief Fund (Relief Fund), and further authorize the CEO to allocate funds as needed for the purposes of establishing the Relief Fund.
2. Instruct the Director of the Department of Consumer and Business Affairs (DCBA), in collaboration with the CEO and the Acting Executive Director of the Los Angeles County Development Authority (LACDA), to develop a multi-tiered programmatic model for the Relief Fund. The Relief Fund should, among other things, include bridge funding for small businesses likely to receive federal disaster assistance; low-cost working capital loans to maintain small businesses who may not qualify for federal disaster assistance; working capital loans to nonprofit organizations and small businesses who are providing essential services, or transitioning from an existing model to provide essential services, that directly address the health or economic impacts of COVID-19; and cash grants to microentrepreneurs and other highly vulnerable populations who will not qualify for federal disaster relief. The programmatic model should incorporate community development financial institutions as intermediaries and other nonprofit partners to market available relief

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and engage communities in an inclusive, equitable, and culturally and linguistically competent manner.

3. Authorize the CEO, the Director of DCBA, and the Acting Director of LACDA to work with external partners, including but not limited to financial institutions, foundations, and philanthropic organizations, to establish partnerships that will increase the effectiveness of the Relief Fund and grow the amount of capital contributions into the fund.
4. Authorize the CEO and the Director of DCBA to enter into any agreements with third-parties, including but not limited to consultants, financial institutions, and nonprofits, necessary to design, establish, implement and administer the Relief Fund.
5. Direct the CEO and the Director of DCBA to establish the Relief Fund on or before April 21, 2020, and report back to the Board in writing on or before April 24, 2020, with a description of the Relief Fund and next steps to deploy loans and grants in the community.
6. Upon programmatic development of the Relief Fund, authorize the CEO to transfer the funding necessary to establish the relief fund to LACDA or other community development financial institutions that will serve as a fund manager, and direct the CEO to enter into any necessary funding agreements with LACDA or community development financial institutions to establish the parameters by which LACDA will utilize the funding for the purposes of establishing and administering the Relief Fund.

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I FURTHER MOVE THAT THE BOARD OF SUPERVISORS, ACTING AS THE COMMISSIONERS OF THE LOS ANGELES COUNTY DEVELOPMENT AUTHORITY:

1. Authorize the Acting Executive Director, or his designee, to take all actions necessary, including but not limited to, executing or amending a funding agreement with the County, to facilitate the transfer of County funds to establish the Relief Fund.
2. Within the umbrella of the Relief Fund, authorize the Acting Executive Director, or his designee, to utilize existing available federal funding to develop and implement a COVID-19 Business Assistance Program (COVID-19 BAP) to assist small businesses in the unincorporated areas of the County and in Community Development Block Grant (CDBG)-participating cities governed by appropriate guidelines and underwriting standards designed to address the needs of impacted businesses.
3. Authorize the Acting Executive Director, or his designee, to enter into memoranda of understanding and other agreements, as necessary, subject to the approval of County Counsel, with County departments to assist with the implementation of the Relief Fund and the COVID-19 BAP.
4. Authorize the Acting Executive Director, or his designee, to execute agreements or necessary amendments, subject to the approval of County Counsel, with CDBG cities that desire to participate in the COVID-19 BAP.
5. Authorize the Acting Executive Director, or his designee, to enter into agreements or necessary amendments, subject to the approval of County Counsel, with community-based non-profits, banks, foundations, community development financial institutions, and philanthropic organizations that have demonstrated expertise and capacity to assist LACDA with the implementation of the Relief Fund.

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6. Authorize the Acting Executive Director, or his designee, to apply for grant funds from State and federal agencies that can be used to assist COVID-19 impacted businesses.
7. Authorize the Acting Executive Director, or his designee, to execute, subject to the approval of County Counsel, funding agreements from State and federal agencies and from private lending institutions, foundations and philanthropic organizations.
8. Direct the Acting Executive Director, or his designee, to provide monthly written reports to the Board of Supervisors on the progress in implementing the Relief Fund, including the COVID-19 BAP, including but not limited to the number and type of businesses assisted and the status of funding for the program.

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