



September 15th, 2021

Assembly Committee on Jobs, Economic Development, and the Economy and
Assembly Select Committee on Small Business and Entrepreneurship
1020 N Street, Room 359
Sacramento, California 95814
Sent via email: jede@asm.ca.gov

RE: Joint Informational Hearing Examining the Needs of Women- and Minority-Owned Small Businesses

Dear Assemblymember Sabrina Cervantes and Assemblywoman Cottie Petrie-Norris,

Thank you for inviting me to participate as a witness in the Joint Informational Hearing held by the Assembly Committee on Jobs, Economic Development, and the Economy and the Assembly Select Committee on Small Business and Entrepreneurship on the Economic Recovery of Women- and Minority-Owned Small Businesses on Wednesday, August 18, 2021.

I am grateful for your leadership in highlighting the crucial role that small businesses play in the health of our economy and the importance of supporting small businesses, particularly minority and women owned businesses, that have been disproportionately impacted by the pandemic.

By investing in the long-term health of small businesses and the infrastructure that supports them, including Community Development Corporations (CDCs), we are ensuring the long-term health of our local neighborhoods and state as a whole. Without supporting small businesses themselves and the small business ecosystem as a whole, particularly CDCs, we are in danger of losing essential community assets, including the potential hollowing out of our historical ethnic and cultural business districts that add to the vibrancy of California's diverse neighborhoods and communities.

Attached please find my written responses to the questions posed during the hearing highlighting the role of CDCs in helping small businesses, particularly those owned by people of color and women, survive this pandemic and thrive in the long-term. Thank you again for your bold leadership in supporting a strong small business sector.

Sincerely,

Andy Madeira
CEO

Assembly Committee on Jobs, Economic Development, and the Economy and Assembly Select
Committee on Small Business and Entrepreneurship
Joint Informational Hearing: Economic Recovery of Women- and Minority-Owned Small Businesses
Wednesday, August 18, 2021

**Written Responses from Andy Madeira
CEO, East Bay Asian Local Development Corporation (EBALDC)**

Introduction: Good Afternoon, my name is Andy Madeira, and I'm the CEO of the East Bay Asian Local Development Corporation – also known as EBALDC. Founded 46 years ago, EBALDC is a non-profit affordable housing developer and Community Development Corporation - or CDC - that works with the diverse populations of the East Bay to build healthy, vibrant, and safe neighborhoods.

EBALDC recently came together with other non-profit CDC commercial landlords in the Bay Area, including The Unity Council, Chinatown Community Development Corporation, and the Tenderloin Neighborhood Development Corporation, to highlight the devastating impact that the prolonged pandemic is having on the neighborhoods and small businesses that we serve and on CDCs themselves. As community anchors, CDCs play a vital role in creating and safeguarding the spaces integral to healthy, vibrant, and equitable neighborhoods. We also oversee commercial portfolios that are largely located in low-income communities of color with a history of disinvestment.

By providing below market rate commercial space, CDCs serve as a launching pad for neighborhood serving anchor businesses operated by first-time business owners and underrepresented entrepreneurs, the majority of which are women and people of color. Some of our neighborhoods have been around for more than 150 years, serving as the gateway for newcomers and immigrants and as centers of art, culture, food and daily life for communities that were frankly not welcome anywhere else. Community developers have been critical to nurturing and preserving these cherished neighborhoods and the many businesses and community institutions that are at their center – particularly during the pandemic. As CDCs, we have fought to keep these places affordable to low-income residents and to community serving businesses and nonprofits. In order to defend CDC place-keepers throughout California and preserve cultural and economic spaces - immediate financial support for CDCs is needed to offset the economic impact of COVID-19. Thank you.

Recommendations for Policy Makers (Q&A)

Question: Responding to Disparities in Access: What strategies have you used to address the disparate impact of the COVID-19 pandemic on individuals of color and women- and minority-owned businesses?

Response: In response to what was happening last March, we immediately moved into action. As the community anchors in our neighborhoods, we set up emergency programs - meal distributions, outreach and support to small businesses, emergency rent relief, COVID testing sites, and now vaccination sites.

Because we are here to talk about our commercial spaces, I want to highlight our small business support. During this time of crisis, community members and small businesses turned to institutions they knew and trusted. That was us.

We quickly adapted and moved to help our commercial tenants by immediately deferring rent and setting up payment plans, helping small businesses access relief funds, get PPE, move their operations online, attract customers through social media, and set up parklets.

Through EBALDC's TA Small Business Support Liaison, we provided 1:1, personalized, vetted resource coordination for each individual business, helping each client navigate the program, troubleshoot roadblocks, and access resources specific to their needs.

This approach has worked - so far we've prevented most business closures - 5% vs. 26-41% nationally for BIPOC small businesses.

In your handout you will see some visuals including: The Unity Council which launched the "Fruitvale is Open" campaign, likewise Chinatown Community Development Corporation launched its Feed & Fuel campaign. EBALDC's program engaged Oakland based GoodGoodEatz (GGE) to help small businesses market on Instagram - there is an image of an Instagram photo shoot with Yammy's Cafe and Trinh Banh of GGE. And there's Jimmy Huang of Huangcheng Noodle House who after surviving all the things we just talked about, saw their Oakland Chinatown restaurant destroyed by a fire in August 2020. We found them a new space at Swan's Market - they re-opened in January 2021 and a year after the fire – are thriving.

Question: Gaps in Financing: Based on your own experiences, are there gaps in state and federal financial assistance? Are there program requirements that unnecessarily exclude small business participation and which should be eliminated or modified?

Response: There have been very limited resources coming from the stimulus response to address the financial needs of non-profit, community focused commercial landlords.

The support of our small businesses and commercial districts discussed earlier comes at a cost. These necessary supports require additional investments of both staff time and funds. We launched these programs, largely with philanthropic dollars, while our tenants had understandably stopped paying rent. Collectively, Bay Area CDCs have seen a 25-40% decline in rent collections that continues to this day. We have deferred rent for 40% of our portfolios. EBALDC alone is projecting \$1MM in total rent losses through the end of 2021 – which is deeply impactful to our organization. And that is just what we know right now. There is still so much uncertainty about what the recovery will look like and how long it will take for our communities.

This financial uncertainty for us as CDCs is starting to have long term negative consequences:

- It is becoming harder for us to make debt service payments on some of our properties. We have had to defer our own loan payments.
- We have had difficulty refinancing properties.
- The lack of cashflow means that we are not able to make regular deposits to our operating and replacement reserves. Meanwhile we are using up existing reserves. This means there are less resources for needed capital improvements or emergency repairs.

Traditionally, rent from our commercial and resident portfolios help support our comprehensive healthy neighborhood approach – from providing resident services, youth programs, and financial capability building programs to residents and the community. The drastic reduction in these traditional revenue

streams – including a stark reduction in commercial rents as well as revenues from housing tenants – threatens the ability of CDCs to continue to provide essential services to the most vulnerable members of our community.

This ultimately weakens the financial stability of these affordable commercial spaces, inhibits the acquisition and development of affordable housing, and puts our community assets at risk.

Question: Disparities in Access: Do you have recommendations as to what actions the Legislature or the Administration can take to mitigate the disparities among different business owner groups? Do you think women-owned and minority-owned businesses have the same access to capital and other resources as other businesses?

Response: For our small business community – the majority of which are minority and/or women owned businesses:

- High touch and multilingual engagement efforts are required to successfully get businesses to turn their attention from critical day to day operations to focus on vetted financial/technical support. Streamlined access to capital, with reduced barriers, and assistance in filling out applications is also critical. Businesses are grappling with English proficiency, access to technology, reduced revenue, reduced staffing, and fluctuating demand due to the pandemic which makes it difficult to research and apply for available assistance.

For non-profit CDC commercial landlord support:

- distinguishing between different commercial landlord types and the needs and impacts different commercial landlords have on the target small businesses (i.e. women owned and minority owned) would help mitigate downstream disparities for these groups. For instance, non-profit, stabilizing CDC commercial landlords allows organizations like ours to provide the higher touch assistance mentioned above from a known and trusted entity, continue doing neighborhood stabilizing work including advocating for safety and sanitary measures to keep neighborhoods appealing to patrons and not to mention providing below market rate space which makes staying in business feasible.
- Provide additional funds to non-profit CDC landlords and organizations providing small business support for minority and women owned businesses.

Question: COVID-19 Challenges: From your perspective, what have been the three biggest challenges?

While an essential safeguard for small businesses, the commercial eviction moratorium was put in place without support for landlords:

- The commercial eviction moratorium was an effective tool at keeping small businesses in place. However, non-profit CDC landlords were left un-resourced.

Commercial landlord relief not a political priority:

- Commercial landlords as a whole are not typically a politically sympathetic bunch. However, commercial landlords are not a uniform group and include often overlooked non-profits and mom and pop operators, all of whom have different access to resources.

One-off negotiations with lenders/investors/philanthropic funders strain organizational capacity:

- With different lenders and investors on every deal, including public entities, it has placed a tremendous strain on organizational capacity to re-negotiate loan and investment terms to accommodate the sustained decrease in revenue. In addition, to offset these losses there has been an all hands on deck push to prospect for philanthropic funds to close the gap on operating shortfalls and support the additional essential programming needed to support tenants.

The consequences of these challenges include:

- Near Term
 - Inability to pay debt service, drawing down reserves, need for corporate advances
 - Deferred maintenance
 - Reliance on philanthropic dollars to cover operating expenses
 - Unsustainable pace, programs and strategies
- Long Term
 - Under resourced, declining community assets
 - Loss of community assets

Question: Pivoting During COVID-19 – Changing Needs: How have the needs of your employees and customers changed since March 2020?

The last year has shown us how endangered our cherished commercial districts are.

We have all been impacted by the pandemic this past year and a half. I want to share what it felt like from our perspective as CDCs:

- Starting even before the public health shutdown orders, Chinatowns were the first to feel the backlash from the pandemic. Restaurants and shops in February 2020 were already seeing the drop in customer traffic ahead of Lunar New Year because of fears about this strange new virus.
- Then by mid-March with the public health ordered shutdown, all businesses had to close and employees were laid off or furloughed.
- Then followed the repercussions of the multiple openings and closings, changing guidelines, lack of access for BIPOC businesses to much of the government relief funds. Layered on were the racial justice protests over last summer that rightfully called out racial injustice but unfortunately were at times used by anarchists as an excuse to damage our business districts.
- And we must acknowledge the disproportionate impact of COVID infections in many of our Black, Latinx, and Asian American/Pacific Islander communities. In San Francisco, 50% of the COVID deaths by early summer were Asian Americans. And now we are contending with the rising tide of anti-Asian violence which started last year, and has become an absolute crisis.

All of this is doing real, long term and possibly irreparable harm to our small business owners and communities.

Question: Pivoting During COVID-19 – Modified Actions: How have you had to modify your program or services in order to better meet the needs of workers and businesses?

Response: Understanding the precarious position of our small business tenants in particular, EBALDC launched a brand new program – the COVID Commercial Tenant Resiliency Program – CCTRP - at the

onset of the pandemic with the help from a JPMorgan Chase grant to provide technical assistance and grant funding to our commercial tenants, 85% of whom are people of color and 39% of whom are women, to help them pivot their business and provide them with support for “back of house” activities to shore up their business models.

Through our vetted consultant partners, we offered web strategy and development; transition to e-commerce; business strategy and operations guidance; access to cheap capital; access to alternative distribution channels; and marketing strategies. Through direct grants, businesses were able to physically adapt their spaces and move outdoors; armor themselves with PPE; employ targeted marketing strategies; and stay afloat by offsetting operating expenses like utility bills, staffing costs, equipment maintenance and replenishing inventories.

83% of tenant survey respondents said the program played a role in their decision to stay open, with 24% of respondents noting that they were able to bring back employees initially laid off at the beginning of the pandemic. However, 73% of respondents are still experiencing sharp year over year declines in revenue.

Question: Access to Masks and PPE: How has the lack of PPE impacted your workers or business during the pandemic?

Response: Procuring PPE and modifying spaces to conform to the ever-evolving health and safety mandates has strained the businesses we serve as well as our organization’s operations. While there has been a lot of resources directed at technical assistance for small business, there have been less for actual implementation of TA guidance and necessary hard cost modifications. EBALDC has fundraised for small grants to our businesses which have elected to use the dollars to fill this funding gap.

Question: Advice for Others: Do you have any words of advice to other business owners or organizations navigating the COVID-19 economic recovery?

Response: Needs are constantly evolving, listen to operators on the ground and adapt offerings as needed.

CDCs and local microenterprise organizations can be important resources for local small businesses through the provision of 1:1 support and outreach and accessing vetted resources.

Impact measurement and related data tracking provides an essential feedback loop informing program efficacy and necessary program adaptations. We survey our tenants involved in the program quarterly and touch base by phone frequently. This helps us track revenue loss, employee retention and gauge real time needs.

Question: Priorities: Based on your own experiences, what are the two most important actions the state can take to support small businesses and an inclusive recovery?

Response: Immediately allocate stimulus funds targeted at non-profit CDC Commercial Landlord stabilization

Many of the relief funds available have been geared directly at small businesses making mid-size CDC's ineligible; funding that has been accessible is typically for smaller sums that do not approach the need.

- Proposed Bill AB 1146 offering tax credits to commercial landlords is an important start – that hopefully can be passed soon.
- In addition, create a flexible fund that can be accessed by CDC non-profit landlords to address COVID-related shortfalls.

Financial Product for Long Term Support for Small Business

- Create a financial product that promotes leasing to small community businesses (enabling Below Market Rates rents through more favorable terms)
- Modify products like the soon to be released State Small Business Credit Initiative SSBCI so that CDCs can use these funds for refinance/acquisition of BMR spaces

Question: Asking the Right Questions: Based on your own experiences, what are the key questions that Members of the Legislature should be asking when we are developing community and small business recovery proposals?

Response: This is a defining moment - many different futures are possible for our neighborhoods. A key question is what future are we collectively choosing to shape with the resources at our disposal.

We know that our small businesses are just barely hanging on. Most have exhausted their reserves. Here in Oakland, we know a lot of Chinatown merchants are questioning whether they can stay, with all of the violence, deterring their customer base.

Without a significant intervention, the people and places CDCs support are at risk both now, and for years to come, of increased market instability; pervasive unemployment; empty storefronts; and vanishing small, local BIPOC businesses.

Business is an abstract concept, but at the heart of business are people and place. That is what we risk to lose during this crisis.

And that is why we are here today. We CDCs need your help to emerge from this crisis and continue to fulfill our missions of creating and preserving cultural and community spaces, and supporting the small businesses and institutions that are at the heart of our neighborhoods.

Thank you for the opportunity to participate in this hearing.
