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Dear Honorable City Councilmembers:

As a coalition of organizations concerned about the financial viability of the legacy small businesses in our respective communities, we are pleased that you will be considering a long-awaited Legacy Business Program, submitted by the Economic Workforce Development Department (EWDD). Our neighborhoods have all been facing the impacts of gentrification through rising rents and evictions, both in residential and commercial properties. The precarious economic situation of the small businesses in our neighborhoods only worsened during the past two years of the pandemic.

Given the important role that small businesses play in contributing to the local economy and providing for the livelihood of their respective neighborhoods and communities, we support a legacy business policy that will address the realities of rising rents and gentrification, as well as competition from newer businesses that do not serve residents who are also at risk of displacement. In order to address these realities, we respectfully ask you to incorporate additional elements around definitions and priorities for selection of businesses, implementation, and community partnership. As community-based stakeholders who work closely with legacy businesses in many of the BIPOC neighborhoods in the City, we hope to partner with EWDD to successfully implement this Program.

#### Qualifications and Priorities for Registry Selection

##### *Years of Operation*

In line with the request made by City Councilmember Paul Krekorian at the Economic Development and Jobs Committee meeting on March 22, 2022, we support reducing the required number of years of operation from 30 years, as proposed, to 20 years. In addition, because longstanding businesses may have changed ownership and/or moved locations within the same neighborhood due to landlord/tenant issues, expansion, or forcible relocation, the years of operation requirement should be reduced to 20 years, with no break of more than two years. Also, regardless of whether there was a change in ownership, the business should be able to qualify as long as it is operating within the same neighborhood.

##### *Definition of Employees*

Many small legacy businesses are run by owner-employees. In addition, most of the businesses in our communities have part-time employees. Thus, the proposed Program should clarify that owner-employees, as defined by the Small Business Administration, <sup>[1]</sup> are included among the

number of employees to determine the grant amounts, and that the number of employees are based on full-time equivalents.

### *Definition of Legacy Business*

We support a legacy business program that acknowledges the role that businesses play in providing services and keeping profits within their respective local communities. The definition of a legacy business should therefore be modified to reflect such contributions by requiring that three out of the four criteria must be met:

- Contributes significantly to its community's history or identity (as drafted);
- Sustains and cultivates distinctive cultural traditions or practices (as drafted);
- Business is not franchised or affiliated with a national, corporate chain;
- Provide vital goods and services in a language and manner that is culturally accessible to the community.

### *Selection – Weighted Factors*

Gentrification is a major driver in the displacement of small legacy businesses, and features prominently in the background provided by EWDD in its submittal to the Council Committee. The Legacy Business Program needs to be explicit in supporting legacy businesses that face a significant and/or imminent risk of displacement of any type (e.g., eviction or condemnation), similar to the policies in both San Francisco and Seattle, both of which include that language in the criteria for businesses to qualify.

This can be done by including additional weighted factors in the selection of legacy businesses, such as placing more consideration for businesses that:

- Occupy a space where there is a pending or recent change in building ownership,
- Have less than one year left in their commercial lease, do not have a commercial lease in writing, or may not be able to make rent payments (COVID-related), or
- Face language and tech access barriers.

Additionally, to build more equity into the process, EWDD should consider prioritizing a specific number of businesses that are located in, as well as provide goods and services to, low-income communities, specifically those with median incomes below 50% of Area Median Income (AMI) as well as 50-80% AMI. Businesses that were established in previously low-income neighborhoods that have since gentrified to become higher-income neighborhoods should also be considered. In addition, to ensure that lower-income businesses and small businesses will not get lost in the midst, the annual gross revenue for small businesses should be better defined, specifically with the definition under the U.S. Treasury Department's New Markets Tax Credit Program: "Any population census tract if : (a) the poverty rate for that tract is at least 20

percent, or (b) in the case of a tract located within a metropolitan area, the median family income for the tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.” Furthermore, EWDD should also consider businesses that employ no more than 25 full-time equivalent employees.

### *Simplifying Documentation Requirements*

Though the draft proposal does not cover proof of documentation to meet the requirements for the Program, many legacy businesses do not have commercial lease agreements in writing, updated registrations, or incorporation documents. We ask that you make this process as simple as possible to ensure that those without updated documentation will not be disqualified from the process. Acceptable types of documentation can include:

- rent receipts,
- bank statements,
- utility or other bills addressed to the business owner and sent to their business address,
- Email, text or other type of written correspondence with the landlord related to the tenancy,
- business license, or
- contract(s) with vendors the business works with.

### Community Partnership

As the Legacy Business Program takes shape through implementation, community engagement can be a resource for City agencies to ensure that the Program is efficiently designed and implemented with equity at its core.

There are a number of organizations, including many that we represent, that currently offer technical assistance and counseling to many legacy businesses that would qualify for the Program. These stakeholders would be valuable partners for EWDD to help assess the landscape of existing resources within the legacy business community, including identifying services currently offered, along with gaps in technical support as well as access barriers. We ask that EWDD engage and partner with stakeholders to help with this part of implementation.

### For Future Implementation

We understand that time is of the essence in order to leverage and utilize the funds that the City received through the American Recovery Plan Act, and recognize that the Legacy Business Program can be improved in the future.

The reality for those facing pressures of gentrification is rising commercial rents and the lack of long-term, sustainable leases. The grant benefits that are provided to legacy businesses through this Program will be negated if commercial landlords continue to increase rents, rendering the Program ineffective. San Francisco's policy included incentives for commercial landlords to provide businesses with long-term leases to ensure longevity and sustainability. The proposed Legacy Business Program needs to include a similar incentive program by providing a stabilization fund and implementing expanded property tax reduction and/or credits to incentivize commercial landlords to offer long-term (10+ years) leases to legacy businesses.

Finally, many of our organizations often serve as interpreters for local government programs to bridge the language and technology access divide. As trusted messengers, we are oftentimes also conducting the outreach and engagement with the impacted communities, and also provide assistance in completing applications, yet we perform this work without compensation. We ask that you include budget line items for grants to community-based organizations.

We are excited at the prospect of the passage of a Legacy Business policy, and ask that you consider our recommendations, which we believe will address many of the challenges that our small business community is, or will be, facing in this period of both gentrification and recovery from the pandemic.

Sincerely,

AAPI Equity Alliance  
Asian Pacific Islander Small Business Collaborative (APISBC)  
Bet Tzedek Legal Services  
Center for Pacific Asian Families (CPAF)  
Chinatown Service Center (CSC)  
Destination Crenshaw  
Highland Park Heritage Trust  
Inclusive Action for the City  
Koreatown Youth & Community Center (KYCC)  
L.A. Co-op Lab  
Little Tokyo Historical Society  
Little Tokyo Service Center (LTSC)  
Los Angeles Conservancy  
PACE  
Public Counsel

Search to Involve Pilipino Americans (SIPA)  
Southeast Asian Community Alliance (SEACA)  
Thai Community Development Center

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[1] According to the Small Business Administration, “an owner is considered an employee if the owner works a minimum of 40 hours per month; regardless of whether or not the individual receives compensation.”  
<https://www.sba.gov/contracting/government-contracting-programs/hubzone-program/frequently-asked-questions#employee>

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