



# Commercial Real Estate Rental Debt Owed by Small Businesses *In Los Angeles County*

An Economic Study



Los Angeles County Economic Development Corporation

# COMMERCIAL REAL ESTATE RENTAL DEBT OWED BY SMALL BUSINESSES

## *In Los Angeles County*

### AN ECONOMIC STUDY

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Special thanks to our research intern Kathleen Lara.

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As the Southern California region's premier economic development organization, the mission of the LAEDC is to attract, retain and grow businesses and jobs in the regions of Los Angeles County.

The LAEDC Institute for Applied Economics offers objective economic and policy research for public agencies and private firms. The Analysis Group focuses on economic impact studies, regional industry analyses, economic forecasts and issue studies, particularly workforce development and foreign direct investment.

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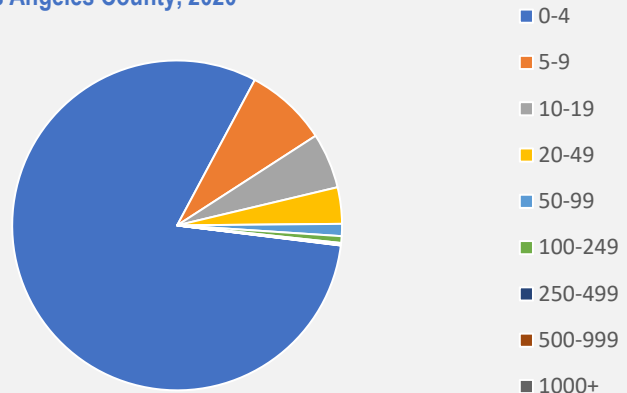


# Executive Summary

The purpose of this report is to provide the County of Los Angeles with an estimate of commercial rent debt accumulated by qualifying small businesses as a result of the COVID-19 pandemic. This economic analysis is intended to aid the County in its efforts to create a commercial rent relief program for small businesses by providing insight into the extent of commercial rental debt owed in Los Angeles County and details about the businesses that are currently in debt.

Small businesses represent an extremely important part of Los Angeles County's economy and will be key to the region's post-pandemic economic recovery. Small businesses were disproportionately negatively affected by the pandemic, particularly those in service-providing industries that require high degrees of in-person contact. In addition, small businesses often do not have the financial means to effectively weather economic downturns. As a result, **small business commercial rent delinquency increased significantly during the pandemic, being concentrated in those sectors that were most hard-hit during this period.**

**Figure ES-1: Size of Business by Number of Employees in Los Angeles County, 2020**



## The Impact of COVID-19 on Los Angeles County's Economy

The type of businesses most negatively affected by the pandemic were those whose operations were most impacted by stay-at-home orders; those that operate in non-essential industries that require high levels of in-person interaction that cannot be replaced by remote options. In addition, businesses that hold low cash reserves and lack the ability to raise capital are often less prepared to weather economic downturns than more highly capitalized and cash-rich businesses. These characteristics tend to be more common in small businesses, potentially creating an enormous impact in Los Angeles County where around **96 percent of businesses are classified as small businesses based on the county's certification criteria.**<sup>1</sup>

**Small businesses that offer in-person services that cannot be remotely provided include operations such as restaurants, bars, fitness centers, small live music venues, spas and hair and nail salons. The pandemic prevented the delivery of many of these services due to the risk of virus transmission.**

Overall, the pandemic led to a significant decrease in demand for non-essential services that require a high degree of personal interaction. Throughout the pandemic, consumer spending patterns have shifted in ways that produced disparate effects across different industry sectors. **This shift in consumer spending resulted in differences in economic performance and employment figures across different industries as**

<sup>1</sup> U.S Census Bureau (2019.) 2018 Annual Business Survey. <https://www.census.gov/en.html>

well as in a variety of temporary and potentially permanent shifts in industry characteristics. For example, a shift towards e-commerce and away from brick-and-mortar retail stores took place as a result of the pandemic.

Compared to 2019, there was an annual 3.5 percent fall in taxable sales for all businesses in California in 2020, the first fall in taxable sales in ten years.<sup>2</sup> The fall in taxable sales totaled around \$26 billion compared to the previous year. This fall in sales revenue negatively affected business tenants' ability to cover costs including rent.

Industries that have been most negatively affected by the COVID-19 pandemic, such as clothing and clothing accessories stores, food services and drinking places and gas stations, had drops in taxable sales that were indicative of a shift in consumption patterns away from shopping in-person, eating out, and travelling.

On average, the pandemic had a less pronounced effect on the types of businesses that use office space. This is in large part due to the ability of employees who work for these types of businesses to shift to remote work. Employment in traditional office-based industries including professional, scientific and business services and financial services did not exhibit the steep declines experienced in other industries.

The COVID-19 pandemic swiftly and significantly impacted the Los Angeles County economy, particularly affecting certain industries and small, less financially secure businesses. As a result, many small businesses in the county were unable to pay rent for an extended period of time and have accumulated significant rent debts. Furthermore, **unpaid rent debts have negatively affected the bottom lines of many property owners, some of which have had difficulty paying off their mortgages and have accumulated significant mortgage debt.**

## Estimates of Small Business Commercial Rent Debt Resulting from the COVID Pandemic

LAEDC compiled a universe of qualifying small business tenants to understand the distribution of small enterprises throughout Los Angeles County. This universe was used as a first step in creating an estimate of commercial rent debt for qualifying small businesses within the county. The universe of small businesses compiled contained the following characteristics:

- Businesses are located in Los Angeles County and have operated in the past 24 months as an independently owned and operated business,
- Businesses have an annual average of nine or fewer full-time equivalent employees,
- Businesses have annual total gross revenues of \$1 million or less.

**Figure ES2:**

### Change in Taxable Sales of Notable Industries

	Percent Change 3/2019 to 3/2020
Building Material, Garden Equipment & Supplies	14.0%
Clothing & Clothing Accessories Stores	-24.6%
Food Services & Drinking Places	-28.8%
Gasoline Stations	-29.2%
Nonstore Retailers (includes e-commerce)	163.3%
<b>Total</b>	<b>-3.5%</b>

Source: CA Department of Tax and Fee Administration

<sup>2</sup> California Department of Tax and Fee Administration. (2022). *Taxable Sales, by Type of Business (Taxable Table 1)* [Data set]. <https://www.cdfta.ca.gov/dataportal/dataset.htm?url=TaxSalesStatewide>

Rent delinquencies occur during “normal” times as well as during economic downturns such as the COVID-induced downturn. As a result, a baseline is needed to compare the marginal, or additional, effect of the COVID-19 pandemic on rent debt accumulated by small businesses above and beyond the “norm”. Given data availability, estimates of this marginal impact were made using 2019 as the chosen baseline.

### ***Total Commercial Rent Burden for Qualifying Small Businesses***

Commercial real estate falls into four classifications in this report; single use retail, mixed use retail, office, and industrial.

- Total unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$1,852,135,618 to \$4,435,879,945 for the pandemic period April 2020 – December 2021.
- The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$992,968,172 to \$2,336,248,393 from April 2020 to December 2021.

**Figure ES3: Detailed Property Unpaid Rent Estimates**  
**Small Businesses, April 2020-December 2021 (LOW to HIGH)**

Property Type	Total Rent Due (2020 Q2 – 2021 Q4)	Estimated Partial or Unpaid Rent	Proportion of Partial and Unpaid Rent to Total Rent Due	Estimated Rent (Compared to 2019)	Marginal Burden
Retail Single Use	\$4,737,972,897 to \$14,479,467,072	\$583,653,919 to \$1,783,590,698	12.3%	\$365,174,893 to \$1,116,524,602	
Retail Mixed Use	\$3,015,241,473	\$1,006,996,245 to \$2,012,482,750	33.4% to 66.7%	\$654,911,005 to \$1,308,840,135	
Office	\$10,079,562,418 to \$25,292,098,158	\$224,273,699 to \$563,174,844	2.2%	(\$29,088,068) to (\$336,402)	
Industrial	\$4,197,965,489 to \$8,514,833,885	\$37,211,755 to \$76,631,653	0.90%	(\$60,028,276) to (\$26,781,325)	
<b>Total</b>	<b>\$22,030,742,277 to \$51,301,640,587</b>	<b>\$1,852,135,618 to \$4,435,879,945</b>	<b>8.4% to 8.6%</b>	<b>\$992,968,172 to \$2,336,248,393</b>	

Source: Estimates by LAEDC

Qualifying small businesses are estimated to have accumulated a significant percentage of total commercial rent debt accumulated by businesses of all sizes.

- Qualifying small businesses accumulated around 77 percent of all estimated total commercial rent debt in the county during the period April 2020-December 2021.
- Furthermore, qualifying small businesses accumulated between 78 and 79 percent of all estimated total marginal commercial rent debt in the county for the same period.

### ***Commercial Rent Burden - Retail***

Partial or complete non-payment by qualifying small businesses in the retail sector was relatively high compared to other business types.

- Estimated total partial or complete non-payment by qualifying small businesses renting single use or mixed use retail space in Los Angeles County during the April 2020-December 2021 period totaled \$1,590,650,164 to \$3,796,073,448.
- The marginal effect of COVID-19 on unpaid commercial rental debt for qualifying small businesses renting single use or mixed use space in Los Angeles County was estimated at \$1,020,085,898 to \$2,425,364,737.

Estimates of qualifying small business commercial rent burden suggest that around **86 percent of accumulated commercial rent debt comes from the combined mixed and single use retail category (which includes restaurants and bars)** although these types of properties make up only around 28 percent of total commercial space used by qualifying small businesses in the County. Estimated marginal rent for retail (compared to 2019) totaled over 100 percent of total accumulated marginal rent debt during the April 2020 - December 2021 pandemic period due to the fact that the **corresponding marginal amounts for office and industrial space were negative, meaning that compared to 2019 accumulated office and real estate commercial rent debt, less debt was accumulated over the pandemic period studied.**

### ***Commercial Rent Burden – Office or Industrial***

Compared to qualifying small businesses in Los Angeles County that occupied retail space, those **businesses that occupied office and industrial space accumulated significantly lower rent debt during the pandemic** than the combined retail category, and negative marginal debt.

- Estimated total partial or complete non-payment by qualifying small businesses renting office or industrial space in Los Angeles County during the April 2020-December 2021 period totaled \$224,273,699 to \$563,174,844 for office and \$37,211,755 to \$76,631,653 for industrial space.
- The marginal effect of the COVID pandemic on unpaid commercial rental debt for qualifying small businesses in Los Angeles County renting office or industrial space during the April 2020-December 2021 period totaled (\$29,088,068) to (\$336,402) for office and (\$60,028,276) to (\$26,781,325) for industrial space.

### ***Commercial Rent Burden – Mixed-Use Retail***

Properties in the county that are classified as mixed-use retail and were occupied by qualifying small businesses from April 2020 – December 2021 are estimated to have experienced a relatively high accumulation of rental debt during the pandemic.

Mixed use properties are buildings on parcels that are classified for use by residential, office, and retail tenants. Overall, approximately **22 percent of all retail, restaurant, and bar space in the county occupied by qualifying small businesses is classified as mixed use.**

- Total estimated rent debt owed by qualifying small businesses occupying mixed use properties in from April 2020 to December 2021 totaled \$1,006,996,245 to \$2,012,482,750 which is relatively high compared to other property types.
- The estimated marginal total using 2019 as the baseline year for the mixed use retail category equaled \$654,911,005 to \$1,308,840,135 or around 56-66 percent of estimated marginal total commercial rent debt owed by qualifying small businesses. This is the case although mixed use property makes up only around 6 percent of commercial real estate used by qualifying small businesses in the county.

## Recommendations

- **When using estimates of accumulated commercial rent debt to guide policy decisions and program design, policymakers should use marginal estimates instead of total estimates.**

Commercial rent debt is accumulated during “normal” economic periods that are not characterized by significant negative exogenous shocks such as the COVID-19 pandemic. Marginal estimates compare total estimated figures to a baseline period of time in order to arrive at an estimate of the *additional* effect of the exogenous shock on accumulated commercial rent debt. This approach will provide an estimate of accumulated commercial rent debt due to COVID-19 during the April 2020-December 2021 period that is above and beyond the accumulated rental debt levels that would have occurred absent the pandemic and its resulting negative economic effects.

- **Future programs seeking to assist small businesses that have accumulated significant commercial rent debt during economic downturns should be planned and executed with local and small business characteristics, as well as the challenges unique to small businesses, in mind.**

Small businesses are often not aware of the opportunities available to them through public programs and often do not know how to navigate the complex processes involved in participation. Small businesses are frequently focused solely on day-to-day business operations and may not have the time or expertise needed to successfully discover and take full advantage of public programs designed to assist them. The county should consider leveraging trusted community partners, such as racial/ethnic chambers of commerce and community-based organizations, to help raise awareness of programs aimed at assisting small businesses. Furthermore, providing assistance to participating small businesses throughout the application process will increase the number of small businesses that successfully participate in the program.

Small business-specific programs can be designed to reduce the informational, time, and resource barriers that negatively affect small businesses. In addition, targeting programs so that they are aimed at assisting the particular types of businesses that have been identified as particularly hard-hit during economic downturns (such as retail during the COVID pandemic) has the potential to increase program effectiveness. Program design can then take specific characteristics of the negatively affected businesses into account in order to increase successful participation.



➤ **Future programs should be designed to reduce the risk of moral hazard and excessive program costs to taxpayers.**

Responsibly designed programs take into account the needs of the program recipients as well as the taxpayers. Small business assistance programs launched during periods of significant economic downturn as the result of a non-economic exogenous shock should be designed to identify businesses that have been most negatively impacted by the specific exogenous shock, such as the COVID-19 pandemic, and who do not have alternative means to weather the downturn. These businesses deemed most “in-need” should be the target of financial assistance programs. Businesses that have the means to weather the economic downturn either by dipping into cash reserves or taking private loans should not be targeted by these programs. Furthermore, businesses that would have found themselves in economic distress regardless of the occurrence of the exogenous shock should not be considered eligible for assistance. Not taking this approach would lead to the creation of inefficiently large programs that excessively burden taxpayers. In addition, such a program would create significant moral hazard problems.

Moral hazard in an insurance context arises when an actor who purchases insurance faces incentives to take actions that increase the risk of creating the particular situation that is insured against because the full cost of the risk is not born by that actor. Insurance companies often attempt to re-align the incentives of those who are insured to reduce the risk of moral hazard. Likewise, public programs seeking to assist businesses that encounter difficulty as a result of economic downturns face moral hazard problems. As much as possible, businesses should be prohibited from purposefully taking actions that make them eligible for financial assistance when they otherwise would not be. Moral hazard issues may reduce the probability of successful rent payment during future economic downturns and may lead to inefficiently large programs that impose unnecessary costs on taxpayers. Future programs meant to assist small businesses during economic downturns should be designed to reduce the probability of moral hazard. One way this could be accomplished in the context of accumulated commercial rent burdens during economic downturns is to require that a qualifying business show documentation of its inability to pay back past due rent as a direct result of the exogenous shock. In addition, future repayment of loans once economic conditions improve should be a feature of these programs.

➤ **Consider programs that target commercial property owners instead of renters.**

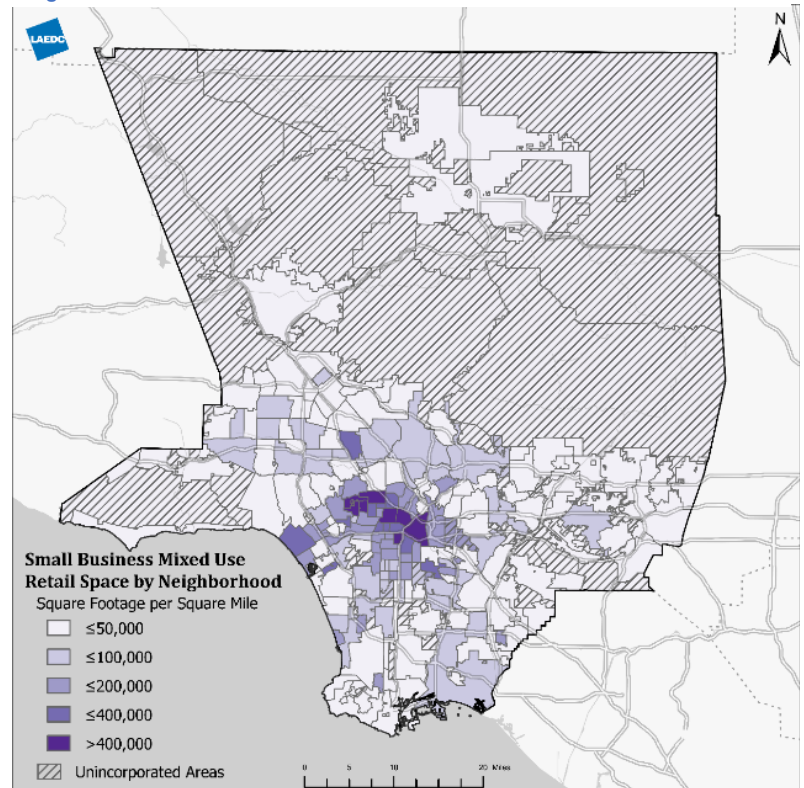
An alternative to programs aiming to assist affected businesses that have fallen behind on their rents would be to target the property owners who have not received owed rent during the period in question. This would ensure that funds directly flow to the entity that has been specifically negatively affected by commercial rent partial or non-payment. In addition, this approach would reduce the administrative costs necessary to ensure that funds specifically meant to address commercial rent debt in fact are used to address the issue instead of being used for other purposes.

- **The study's findings suggest that county programs designed to address the commercial rent debt accumulated by qualifying small businesses as a result of the COVID-19 pandemic should focus on qualifying small businesses renting retail space, particularly retail space classified as mixed use.**

Estimates of qualifying small business commercial rent burden suggest that around 85 percent of total accumulated commercial rent debt comes from the combined mixed and single use retail category (which includes restaurants and bars) although these types of properties make up only 28 percent of total commercial space in the county. Furthermore, estimated marginal rent for retail (compared to 2019) totaled over 100 percent of total accumulated marginal rent debt during the April 2020-December 2021 pandemic period due to the fact that the corresponding marginal amounts for office and industrial space were negative, meaning that compared to 2019 accumulated office and real estate commercial rent debt was less for the pandemic period under study.

Overall, approximately 22 percent of all retail, restaurant and bar space in the county occupied by qualifying small businesses is classified as mixed use. Estimated accumulated marginal rent debt using 2019 as the baseline year for the mixed-use retail category equaled around 53-64 percent of estimated marginal total commercial rent debt owed by all qualifying small businesses. This is the case although mixed use property makes up only around 6 percent of commercial real estate used by qualifying small businesses in the county. Targeting mixed retail renters that have accumulated rent debt during the pandemic should be considered a priority for any potential program designed to address commercial rent debt accumulated by small businesses.

**Figure ES-4: Density of Small Business Mixed Use Retail Space by Neighborhood**



- **Any potential programs designed to address accumulated rent debt accrued by qualifying small businesses as a result of the pandemic should consider the geographical characteristics of targeted qualifying small businesses.**

A high-impact approach to identifying qualifying small businesses targeted for assistance would be to identify pockets of concentration in the county where these businesses reside. Businesses occupying retail property, particularly mixed-use retail property, have been identified by this report as a qualifying small businesses segment that has been disproportionately negatively impacted by the COVID-19 pandemic and has accumulated a significant amount of commercial rent debt as a result.

The areas with a high prevalence of mixed-use retail real estate space run principally along a corridor from West Hollywood to Downtown. Other neighborhoods in this area include Koreatown, Westlake, University Park, Chinatown, Hollywood, Fairfax and Beverly Grove. Additionally, both the heat map of small businesses and the identified small business clusters emphasize these areas of the county as especially dense with small businesses.

These areas, given the debt burden observed among mixed use retail tenants and the high density of businesses, likely have a large pool of businesses who would be eager to receive rent relief. Looking at the maps of the distribution of real estate types, this area is particularly dense in retail space, including single use, mixed use, and restaurants, all categories that were heavily impacted by the COVID-19 pandemic. The eastern half of this area has a mix of Asian but mostly Latino racial/ethnic enclaves, so any outreach about rent relief should be done with consideration of non-English speakers.



1Sgerbic (2011). China Town main plaza (jpeg). Wikimedia Commons,  
[https://upload.wikimedia.org/wikipedia/commons/thumb/e/e3/China\\_Town\\_main\\_plaza.JPG/800px-China\\_Town\\_main\\_plaza.JPG](https://upload.wikimedia.org/wikipedia/commons/thumb/e/e3/China_Town_main_plaza.JPG/800px-China_Town_main_plaza.JPG)



# Report Overview

The purpose of this report is to provide the County of Los Angeles with an estimate of commercial rent debt accumulated by qualifying small businesses as a result of the COVID-19 pandemic. This economic analysis is intended to aid the County in its efforts to create a commercial rent relief program for small businesses by providing insight into the extent of commercial rental debt owed in Los Angeles County and details about the businesses that are currently in debt.

Small businesses represent an extremely important part of Los Angeles County's economy and will be key to the region's post-pandemic economic recovery. These businesses were disproportionately negatively affected by the pandemic, particularly those in service-providing industries that require high degrees of in-person contact. In addition, small businesses often do not have the financial means to effectively weather economic downturns. As a result, small business commercial rent delinquency increased significantly during the pandemic, being concentrated in those sectors that were most hard-hit during this period.

Estimates in this report were broken down by commercial property type for the period 2019 – 2021. Rent delinquencies occur during “normal” times as well as during economic downturns such as the COVID-induced downturn. As a result, a baseline is needed to compare the marginal, or additional, effect of the COVID-19 pandemic on rent debt accumulated by small businesses above and beyond the “norm”. Given data availability, estimates of this marginal impact were made using 2019 as the chosen baseline. In addition to commercial rent debt estimates for qualifying small businesses, estimates were made for all businesses in Los Angeles County (Included in Appendix C). This allows for a proportional comparison of total and marginal commercial rent debt accumulation during the pandemic for small businesses as a percentage of rent debt accumulated by all business sizes.

Estimates of the additional commercial rent debt accumulated by small businesses during the pandemic closely followed what would be expected given the types of industries most negatively impacted by the pandemic.

This report begins by reviewing the impact of the COVID-19 pandemic on the regional economy. Then, it shares the distribution of small businesses and real estate categories across Los Angeles County. Next, it explores changes in the number of establishments and visits to businesses observed from March 2019 to February 2022, looking at how patterns change among racial/ethnic enclaves and clusters of small businesses. With the requisite data introduced, the next sections focus on estimating the marginal commercial rent burden for qualifying small businesses throughout the county, giving high and low estimates. Following the analysis, the report reviews the details and performance of multiple federal, state and county programs launched during the pandemic that sought to help businesses weather the economic downturn, analyzing the distribution of the



federal Economic Injury Disaster Loan (EIDL) and Paycheck Protection (PPP) programs within the county by geographical area, industry type, and recipient demographic characteristics. A brief review of similar studies is shared before the presentation of the key findings and recommendations from this report. Recommendations are meant to guide policymakers during the design phase of any future programs meant to address commercial rent debt issues for small businesses.



Photo Credit: Keizers (2019). *Broadway Arcade (Spring Arcade), Downtown Los Angeles* [jpg]. Wikimedia Commons.  
[https://en.wikipedia.org/wiki/Broadway\\_\(Los\\_Angeles\)#/media/File:Broadway\\_Arcade\\_\(Spring\\_Arcade\),\\_Downtown\\_Los\\_Angeles\\_Interior.jpg](https://en.wikipedia.org/wiki/Broadway_(Los_Angeles)#/media/File:Broadway_Arcade_(Spring_Arcade),_Downtown_Los_Angeles_Interior.jpg)



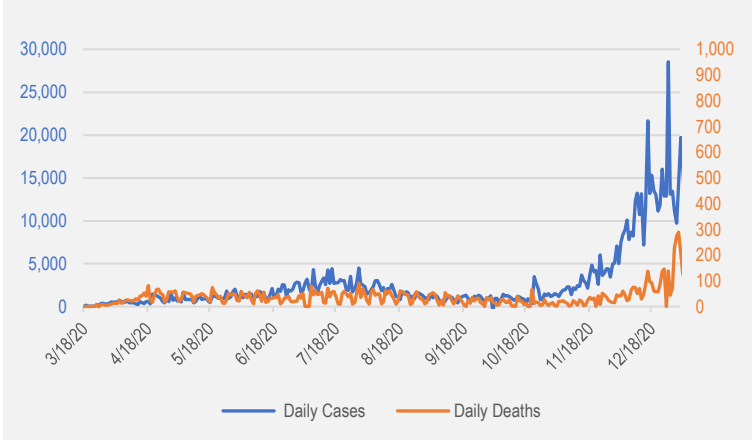
# The Impact of COVID-19 on Los Angeles County's Economy

## 2020: An Unexpected Negative Shock

**The Los Angeles region's consistent economic performance over the previous decade reversed quickly and significantly after the pandemic struck in March of 2020.**

The first case of COVID-19 in the United States was confirmed by the CDC on January 21<sup>st</sup>, 2020. Los Angeles Mayor Eric Garcetti enacted the first emergency order for business closures across the City of Los Angeles on March 15<sup>th</sup>. Four days later, on March 19<sup>th</sup>, Governor Gavin Newsom issued a statewide Stay at Home order. The COVID-19 pandemic surged in two waves during 2020. The first wave struck in the summer beginning in July and ending in mid-August. The second much more significant wave hit in the month of November and did not recede until mid-February of 2021.

**Figure 2: 2020 Daily Case and Death Rate in LA County**



The COVID-19 pandemic has dramatically altered lives and significantly impacted regional, state, national, and global economies. Efforts to reduce the spread of the virus, including the closure of restaurants, bars, indoor fitness facilities, and entertainment and event venues, resulted in negative economic consequences, particularly for industries that could not easily operate remotely. Los Angeles County lost around 716,000 jobs in March and April of 2020, with the seasonally adjusted unemployment rate peaking at 21.1 percent in May. Recovery began to take place in the summer of 2020 as restrictions were relaxed towards the end of May. Almost 30 percent of the 716,000 jobs lost in Los Angeles County in March and April were recovered by September with the seasonally adjusted unemployment rate falling to 15.5 percent and 10.9 percent by November. However, the colder winter season accompanied by holiday gatherings resulted in a spike in COVID-19 cases, hospitalizations, and deaths. The winter surge in cases led to a modified health order that reinstated restrictions in Los Angeles County beginning November 25<sup>th</sup>. The holiday season was characterized by record high case rates in Los Angeles County for 2020, with the seven-day average daily rate reaching well over 14,000 on December 31<sup>st</sup>, 2020.

2021 was characterized by significant, yet incomplete, economic recovery in Los Angeles County. While the hardest-hit industries experienced a substantial recovery, these same businesses are still furthest away from their pre-pandemic levels.

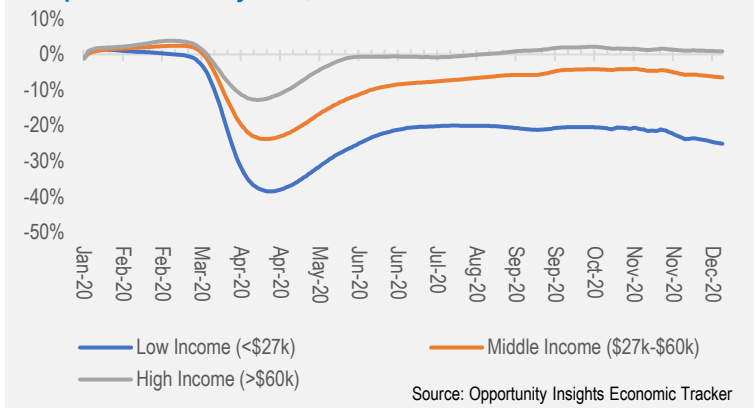
The COVID-induced economic shock resulted in disparate impacts across workers, businesses, and industries according to varying characteristics.

## Workers

**Overall, low wage workers experienced disproportionate levels of unemployment compared to high wage workers. This development was mostly the result of the differences in the types of occupations each group of workers was employed in and the occupation-specific impact of the COVID-19 pandemic.**

Workers' experiences varied across occupations and industries; relatively low-income jobs typically found in service-related industries that require close personal interactions, such as food services, accommodation, and personal care occupations, were the most severely impacted. Meanwhile, relatively high-income jobs that tend to be classified as high-skill and are typically knowledge-based, such as professional, managerial, mathematical, and computational occupations, were able to shift to remote work.

**Figure 3: Percent Change in Employment, by Income Compared to January 2020, United States**



Given Los Angeles County's business and job concentrations in retail, food service, hospitality and personal services, mandated business closures and subsequent restrictions on business activities led to large employment declines in many important regional industries, especially in the beginning stages of the pandemic. In April 2020, the worst point of the pandemic in terms of employment effects, high wage workers in Los Angeles County experienced a 12.6 percent fall in employment compared to January 2020 levels. On the other hand, low wage employment declined by 37.6 percent over the same period. By October 22<sup>nd</sup>, 2020, high wage workers had exceeded January levels of employment by 1.6 percent while low wage employment was still significantly negatively impacted at 21 percent below the January 2020 level, a differential of more than 19 percentage points.<sup>3</sup>

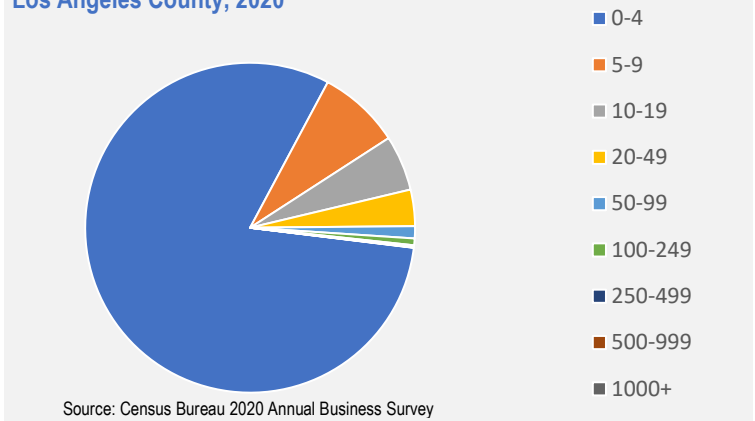
<sup>3</sup> Opportunity Insights. (2022). *The Economic Tracker*. <https://tracktherecovery.org>

## Businesses

**Small businesses in non-essential industries whose operations require high levels of personal interaction were significantly negatively affected by the pandemic.**

The type of businesses that were most negatively affected by the pandemic were those whose operations were most impacted by stay-at-home orders and that operate in non-essential industries requiring high levels of in-person interaction which cannot be replaced by remote options. In addition, businesses that hold low cash reserves and lack the ability to raise capital are often less prepared to weather economic downturns than more highly capitalized and cash-rich businesses. These characteristics tend to be more common in small businesses, potentially creating an enormous impact in Los Angeles region, where around 95 percent of businesses are classified as small businesses based on the county's certification criteria of fewer than 100 employees.<sup>4</sup>

**Figure 4: Size of Business by Number of Employees in Los Angeles County, 2020**



Small businesses that offer in-person services that cannot be remotely provided include operations such as restaurants, bars, fitness centers, small live music venues, spas, and hair and nail salons. The pandemic prevented the delivery of many of these services due to the risk of virus transmission. Therefore, many thousands of small businesses in Los Angeles County closed either temporarily or permanently as a result of COVID-19 and the measures taken to mitigate the spread of the virus.

For this report, LAEDC compiled a universe of qualifying small business tenants to understand the distribution of small enterprises throughout Los Angeles County. This universe was used as a first step in creating an estimate of commercial rent debt within the county. The universe of small businesses compiled contained the following characteristics:

- Businesses are located in Los Angeles County and have operated in the past 24 months as an independently owned and operated business,
- Businesses have an annual average of nine or fewer full-time equivalent employees,
- Businesses have annual total gross revenues of \$1 million or less.

These businesses represent a subsection of the small business community that may have faced even more severe impacts from the COVID-19 pandemic due to their smaller size and inability to weather exogenous economic shocks. Businesses with fewer than 10 employees still make up more than 75 percent of the establishments throughout Los Angeles' Metropolitan Statistical Area (MSA).

<sup>4</sup> U.S Census Bureau (2020.) 2019 Annual Business Survey. <https://www.census.gov/en.html>

## Industries

### Certain industries have performed better than others during the pandemic.

Unlike in past recessions, the decline and recovery of jobs from the pandemic-induced recession has been highly influenced by factors such as which types of businesses can effectively operate remotely during extended economic shutdowns and with COVID precautions in place. Overall, the pandemic led to a significant decrease in demand for non-essential services that require a high degree of personal interaction. Throughout the pandemic, consumer spending patterns have shifted in ways that produced disparate effects across different industry sectors. This shift in consumer spending resulted in differences in economic performance and employment figures across different industries as well as in a variety of temporary and potentially permanent shifts in industry characteristics. For example, a shift towards e-commerce and away from brick-and-mortar retail stores took place due to the pandemic.

Industries that typically employ white-collar workers, such as the Professional and Business Services and Financial Services industries, were less impacted by the pandemic when it came to employment loss throughout 2020. This was a stark contrast to the effects of the Great Recession, where Professional and Business Services experienced some of the steepest declines in employment.

On the other hand, the leisure and hospitality sector and its component industries of arts, entertainment, and recreation and accommodation and food services, were disproportionately negatively affected by the pandemic. Leisure and hospitality accounted for 33 percent of the total nonfarm job losses between March and April of 2020 when mandated business closures were most severe. In April 2020, employment in leisure and hospitality was 45 percent lower than it had been in January 2020. This is due partially to business restrictions, especially on bars, restaurants and travel, as well as historic declines in foot traffic and household spending on food and recreation outside the home. Around 72 percent of the contractions within this industry were reported in food services and drinking places. Moreover, domestic and international tourism fell by significant amounts, not only leaving hotels and motels at significantly reduced occupancy, but translating into less visitor spending occurring at tourist destinations, restaurants and retail establishments.

Furthermore, personal care service-oriented businesses such as hair and nail salons, massage therapists, and barbershops were significantly negatively affected by the pandemic, they lost 32,200 jobs (53 percent) of their February 2020 pre-pandemic payroll employment in March and April of 2020.

Compared to 2019, there was an annual 3.5 percent fall in taxable sales for all businesses in California in 2020, the first fall in taxable sales in ten years.<sup>5</sup> The fall



<sup>5</sup> California Department of Tax and Fee Administration. (2022). *Taxable Sales, by Type of Business (Taxable Table 1)* [Data set]. <https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=TaxSalesStatewide>

in taxable sales totaled around \$26 billion compared to the previous year. This decrease in sales revenue negatively affected business tenants' ability to cover costs including rent. Industries that have been most negatively affected by the COVID-19 pandemic, such as clothing and clothing accessories stores, gas stations and food services and drinking places, had drops in taxable sales that were indicative of a shift in consumption patterns away from shopping in-person, travelling and eating out. Instead, consumption shifted towards e-commerce and investing in home improvement, which saw increases in taxable sales for non-store retailers and building materials and garden equipment and supply stores.

**Figure 5: Change in Taxable Sales of Notable Industries**

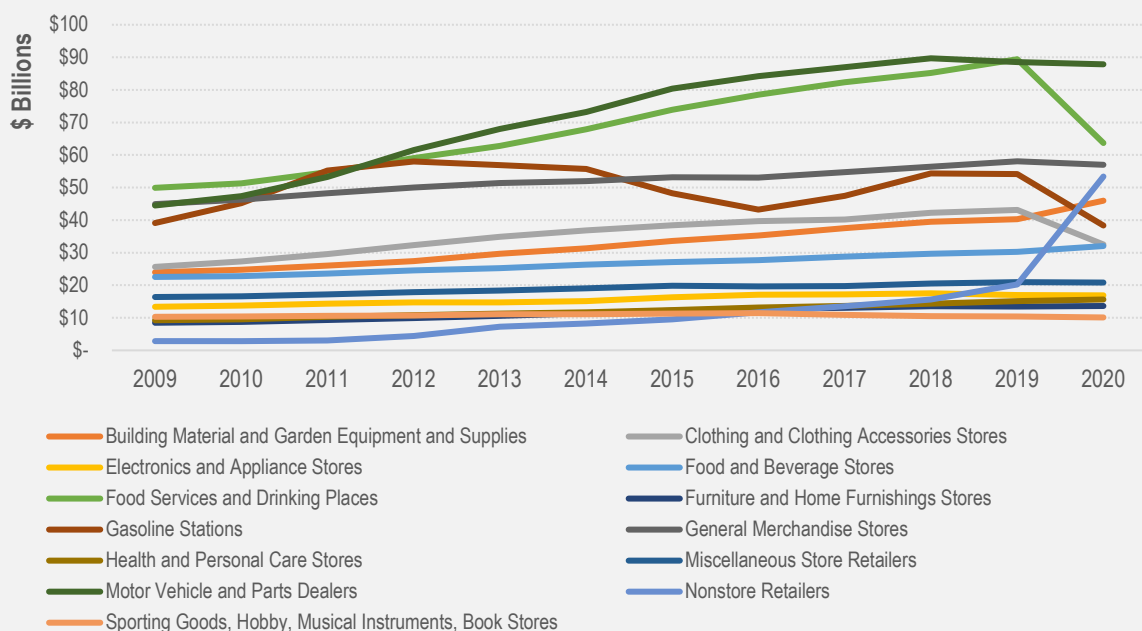
	Percent Change 3/2019 to 3/2020
Building Material, Garden Equipment & Supplies	14.0%
Clothing & Clothing Accessories Stores	-24.6%
Food Services & Drinking Places	-28.8%
Gasoline Stations	-29.2%
Nonstore Retailers	163.3%
<b>Total</b>	<b>-3.5%</b>

Source: CA Department of Tax and Fee Administration

On average, the pandemic had a less pronounced effect on the types of businesses that use office space. This is in large part due to the ability of employees who work for these types of businesses to shift to remote work. Employment in traditional office-based industries including professional, scientific, and business services and financial services did not exhibit the steep declines experienced in other industries.

The COVID-19 pandemic swiftly and significantly impacted the Los Angeles County economy, particularly affecting certain industries and small, less financially secure businesses. As a result, many small businesses in the county were unable to pay rent for an extended period of time and have accumulated significant rent debts. Furthermore, unpaid rent debts have negatively affected the bottom lines of many property owners, some of which have had difficulty paying off their mortgages and have accumulated significant mortgage debt.

**Figure 6: Taxable Sales by Industry, California 2009 to 2020**



Source: CA Department of Tax and Fee Administration



# Qualifying Small Businesses in the Los Angeles Region

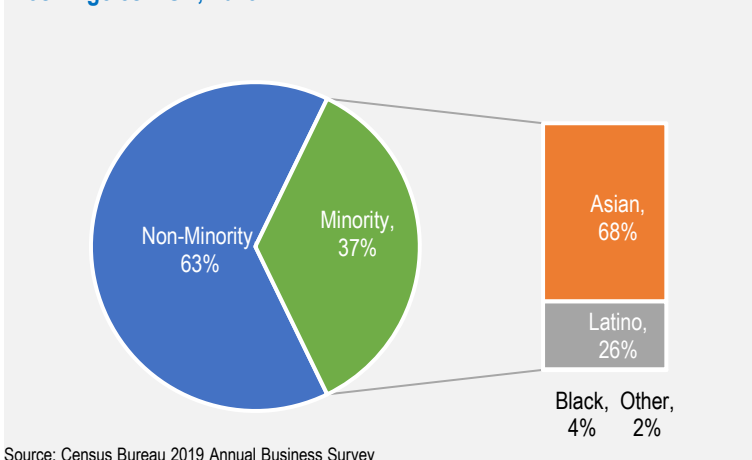
Throughout this global health crisis, we have identified small and microbusinesses as extremely vulnerable due to potential liquidity issues resulting from mandated closures, changing guidelines for doing business and persistent reduced levels of consumption. Revenues have been impacted and health orders have introduced additional costs to businesses including the provision of personal protection equipment, purchasing more cleaning supplies and testing employees. Businesses have had to take action to remain resilient, including reducing the number of employees and hours worked, reducing business hours and relying more heavily on an online presence. Despite these efforts, many businesses still found themselves coming up short, and many of those who chose not to shut their doors for good struggled to remain current on their rents.

To facilitate a discussion with respect to small business, a prevalent definition must be established since the definition can vary from organization to organization. For example, the Small Business Administration (SBA) classifies small businesses as those with 500 employees or fewer. This groups together microorganizations, such as local shops, alongside those with large numbers of workers. The varying size of these businesses often relates to drastically different needs during economic shocks like a pandemic.

Small businesses in Los Angeles County are engines of job growth, increased household income, and investment in the local economy. Furthermore, small businesses are more diverse in ownership compared to businesses not classified as small. An analysis of U.S. Census data on Small Business Enterprises in the Los Angeles region found that **21 percent and 37 percent of small businesses are owned by women and minorities, respectively, much higher than the percentage of women and minority ownership among non-small businesses.**<sup>6</sup> A study of minority owned small businesses found that almost 70 percent are Asian owned (68%), followed by Latino (26%) and Black (4%) ownership.

Small businesses create more jobs for every dollar in sales revenue than do other businesses.<sup>7</sup> **For every \$1 million in average yearly sales revenue, small businesses in the region create an average of 4.2 jobs compared to 2.8 jobs for other business types.** Furthermore, small businesses spend a higher percentage of their capital on payroll than do other types of businesses.<sup>8</sup> **On average, small businesses spend approximately 19 cents on worker pay for**

**Figure 7: Minority Ownership of Small Business in the Los Angeles MSA, 2018**



<sup>6</sup> U.S Census Bureau (2019.) 2018 Annual Business Survey. <https://www.census.gov/en.html>

<sup>7</sup> Elizondo, A. (2021). *The State of Procurement Equity in Los Angeles County*. UCLA Luskin School of Public Affairs. <https://luskin.ucla.edu/urban-planning/student-projects/capstone-project-database>

<sup>8</sup> Ibid.

**every dollar in sales revenue compared to other businesses that spend approximately 17 cents per dollar on payroll.**

Small businesses that qualify for analysis in this report are those located in Los Angeles County that have operated in the past 24 months as an independently owned and operated business, have an annual average of nine or fewer full-time equivalent employees, and have annual total gross revenues of \$1 million or less.

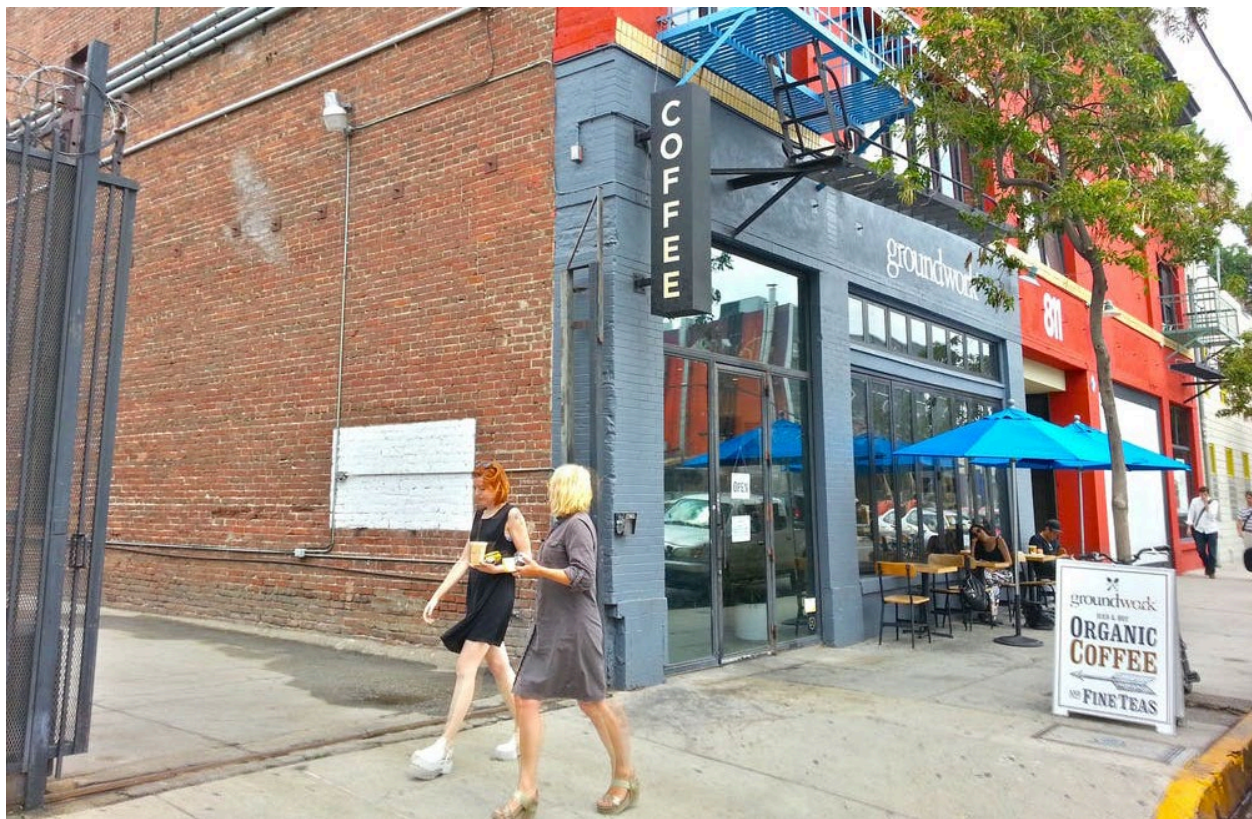
Figure 8 provides summary statistics for the 73,212 identified qualifying small businesses in Los Angeles County that are the focus of this report. The top five industries most common among qualifying small businesses require a significant degree of in-person interaction to deliver goods and services to customers. As a result, qualifying small businesses in these top industries were likely significantly negatively affected by the COVID-19 pandemic.

**Figure 8:**

**Summary Statistics for Qualifying Small Businesses**

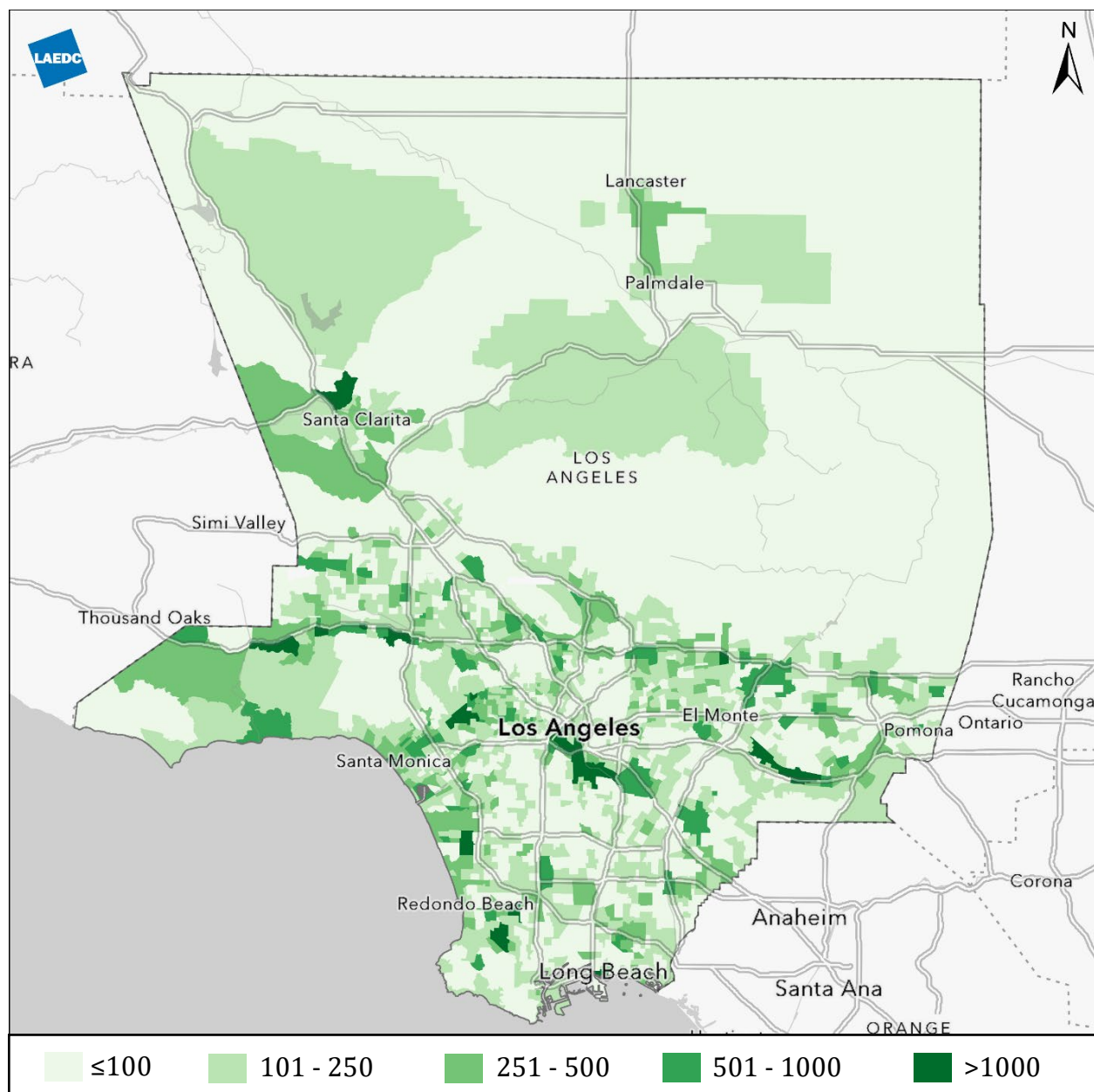
Total Number of Qualifying Small Businesses:	73,212
<u>Top Five Industries</u>	<u># of Businesses</u>
Full Service Restaurants	16,251
Beauty Salons	7,677
Snack and Nonalcoholic Beverage Bars	2,231
Family Clothing Stores	2,146
All Other Miscellaneous Store Retailers (except Tobacco Stores)	2,087
<u>Business Size (number of employees)</u>	<u># of Businesses</u>
0-4 employees	52,502
5-9 employees	20,710
<u>Businesses by Revenue</u>	<u># of Businesses</u>
\$0-\$250,000	29,812
\$250,000-\$750,000	38,607
\$750,000-\$1,000,000	4,793

Source: Estimates by LAEDC



## Concentrations of Very Small Business

Figure 9: Locational Characteristics, Concentrations of Very Small Business



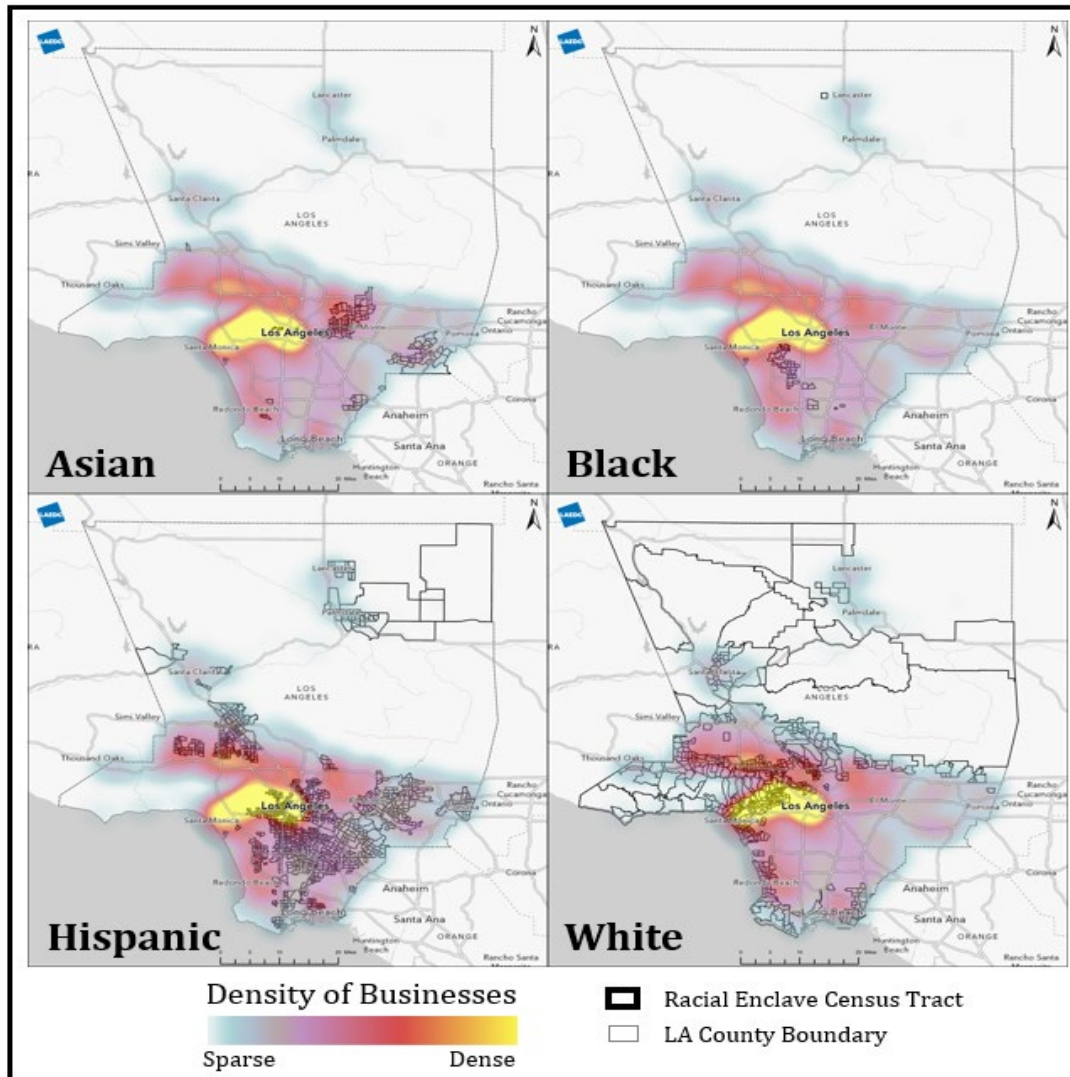
Vibrant communities of qualified small businesses are present throughout Los Angeles County (Figure 9). Census tracts with especially high numbers of small businesses can be found in the City of Industry, City of Vernon, Beverly Hills, Downtown Los Angeles, northern Santa Clarita, and along the southern rim of the San Fernando Valley. Conversely, parts of the county with fewer small businesses include South Los Angeles, East Los Angeles, Malibu and around the Harbor region, as well as the unincorporated areas in the north of the county.



## Racial/Ethnic Enclaves

The LAEDC identified racial/ethnic enclaves throughout Los Angeles County. Figure 10 below maps this universe of qualifying small businesses in the county by ethnic/racial enclave. The densest concentrations of small businesses, shown in yellow on the map, appear in White and Latino racial/ethnic enclaves. Additionally, there is a concentration of businesses in the western San Gabriel Valley, which is an Asian racial enclave.

**Figure 10: Very Small Business Locational Characteristics by Racial Enclave**



Of the 368,770 qualifying small businesses identified within Los Angeles County, only 5.37 percent are located in unincorporated areas of Los Angeles County, which make up around 65 percent of the county's land area.<sup>9</sup>

<sup>9</sup> Los Angeles County Department of Regional Planning. (20018–08-11). *Unincorporated Los Angeles County*. [https://planning.lacounty.gov/view/unincorporated\\_los\\_angeles\\_county/#:~:text=More%20than%2065%20percent%20of,Departments%20provide%20the%20municipal%20services](https://planning.lacounty.gov/view/unincorporated_los_angeles_county/#:~:text=More%20than%2065%20percent%20of,Departments%20provide%20the%20municipal%20services)

# Changes in Business Activity

To observe how different geographic areas within Los Angeles County were affected by the COVID-19 pandemic, the LAEDC used monthly point of interest patterns data<sup>10</sup> to examine changes in foot traffic and the number of visited establishments by census block group across the county. Foot traffic and number of visited establishments are analyzed against two data layers; racial/ethnic enclaves derived from 2020 Decennial Census data, and small business clusters formed by the universe of qualifying small businesses.

## Racial/Ethnic Enclaves

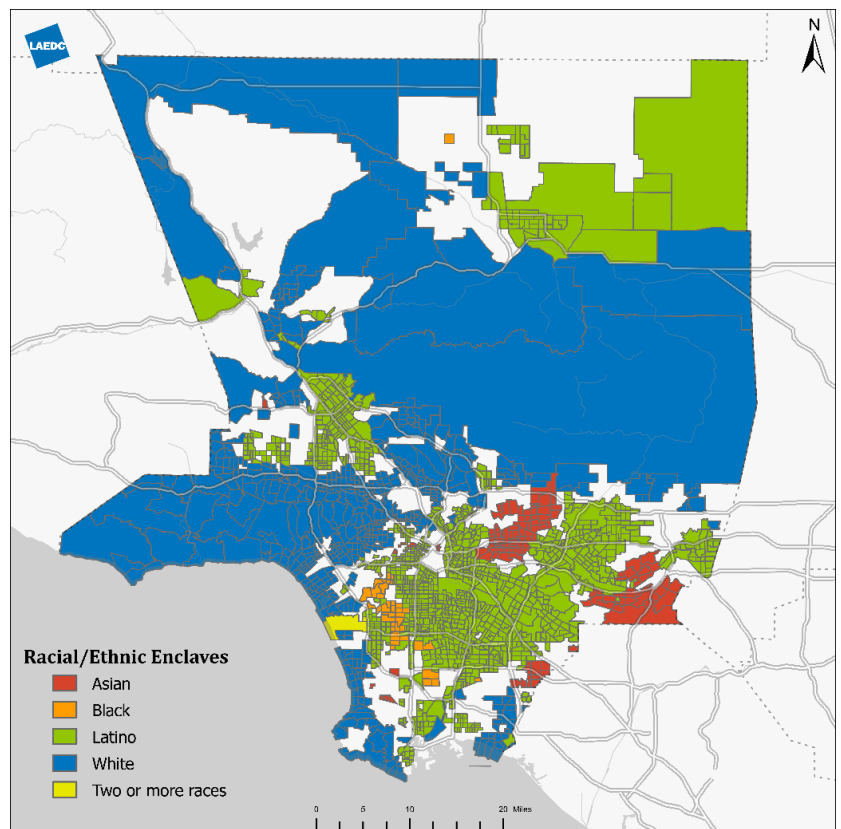
Before observing any differences in foot traffic and establishments by racial/ethnic enclave, it is important to understand the distribution of these areas across Los Angeles. These enclaves have a majority of their population within one racial/ethnic group.

Latino ethnic enclaves are the most common by number of census tracts, with almost twice the number of tracts as White racial enclaves. These areas are distributed across the county, in Palmdale, Pomona, Long Beach, Lawndale, the San Fernando Valley, and a large swath from Central LA through the eastern San Gabriel Valley.

White racial enclaves make up the largest area, however some of the areas are sparsely populated, such as areas in the Angeles National Forest and Antelope Valley. The largest strip of White racial enclaves runs from the northern edge of the county, through Burbank, Hollywood, West Hollywood, and Beverly Hills out to Malibu in the west. Additionally, enclaves stretch southward, into Santa Monica, Venice, the South Bay, and Palos Verdes. There are also other small enclaves, such as eastern Long Beach and parts of Santa Clarita.

While there are some census tracts that are Asian racial enclaves scattered across the county, in Torrance, Westlake, Chinatown and the northern San Gabriel Valley, more than 85 percent of Asian racial enclave census tracts are within three large clusters. The largest is the western San Gabriel Valley, stretching from Monterey Park, through Alhambra,

**Figure 11: Racial/Ethnic Enclaves with Small Business Clusters**



<sup>10</sup> Monthly point of interest patterns data obtained from SafeGraph



up to Arcadia. Another enclave is centered around Walnut and Diamond Bar, a little south of Pomona, while another small enclave is present in Artesia.

There are fewer Black racial enclaves than Latino, White, or Asian racial/ethnic enclaves. Aside from one census tract in Lancaster, the Black racial enclaves run in a non-contiguous strip, from Baldwin Hills, through Inglewood and Westmont, and tapering off into parts of West Compton, Dominguez Hills and Lakewood.

There are a handful of census tracts where the majority of the population is two or more races, the largest one being around LAX. However, due to the small sample of racial enclaves of those that are two or more races, these areas were not analyzed for changes in business activity.



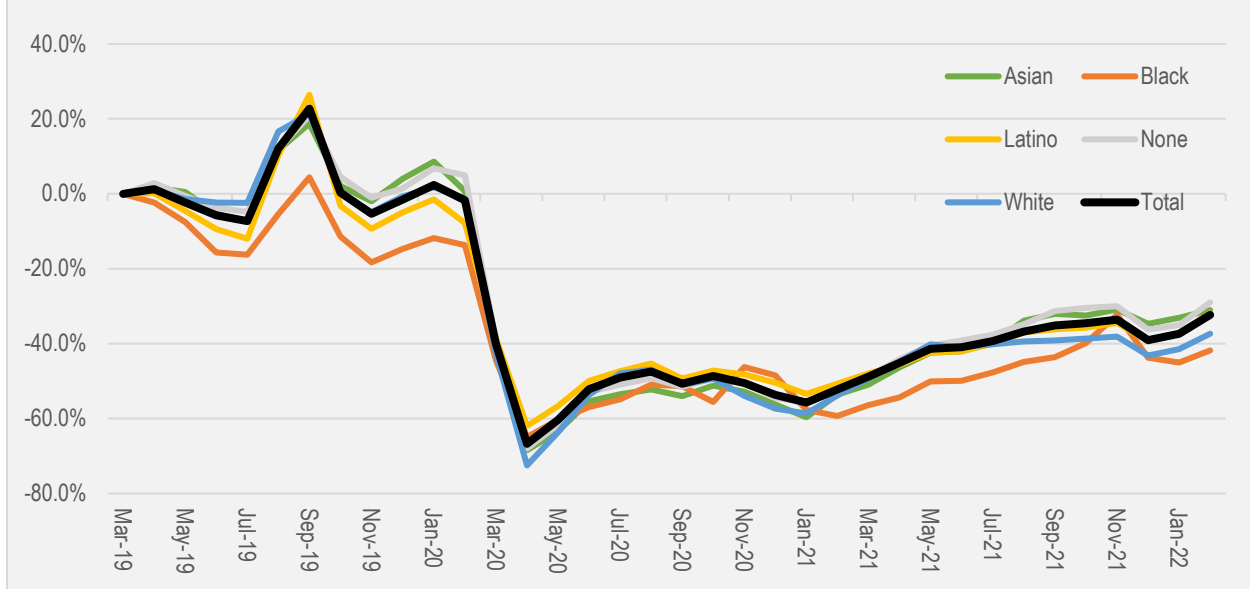
Photo Credit: Downtowngal (2013). 249 S Broadway [jpg]. Wikipedia  
[https://upload.wikimedia.org/wikipedia/commons/f/f6/249\\_S\\_Broadway.jpg](https://upload.wikimedia.org/wikipedia/commons/f/f6/249_S_Broadway.jpg)

## Business Changes in Racial/Ethnic Enclaves

Los Angeles County's racial and ethnic enclaves have different magnitudes of visits and establishments; there is a large differential in the number of enclaves per race/ethnicity and some enclaves, such as White areas, have significantly more businesses within them. To normalize for these differences in size, data were indexed to March 2019 to understand how each racial/ethnic enclave type, across different individual enclaves, experienced and recovered from the COVID-19 pandemic. Monthly data was aggregated from weekly data based on the beginning of the collection period, then averaged to find the average weekly visits and number of establishments in each month.

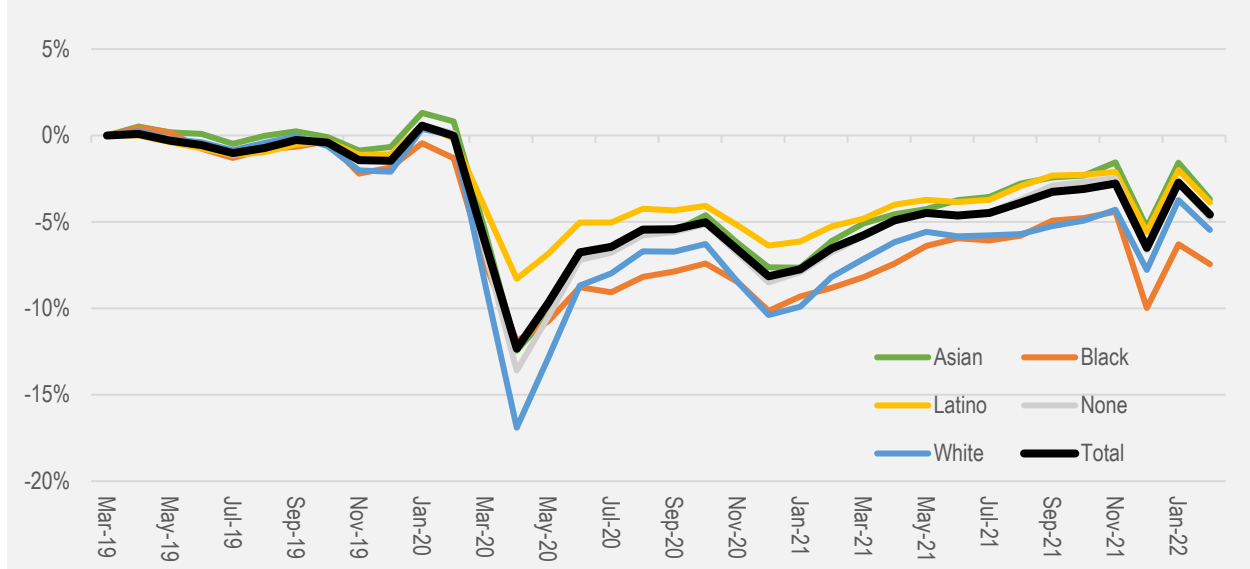
A pattern emerges from this indexed dataset, seen in Figures 12 and 13 on the next page. In 2019, there was a rise of visits during the summer and early fall, followed by a return to the March 2019 visit levels, and then by a steep drop starting in March 2020 as a result of the COVID-19 pandemic followed by a gradual but incomplete recovery. All enclaves follow this pattern, but to varying degrees. **White racial enclaves saw the steepest immediate drop in visits, while Latino ethnic enclaves had a drop that was slightly less severe than the county overall.** In terms of the recovery of the number of visits, **Asian racial enclaves have outpaced the county, while Black enclaves have lagged behind** other racial/ethnic groups for most of 2021.

As vaccines became available to all Californians, a rebound and acceleration in the recovery of visits can be seen following March 2021. However, the spike in COVID-19 cases in the last few months of 2021 saw that recovery momentarily regress before bouncing back in February of 2022. **Across the county, visits have yet to return to their pre-pandemic level; February 2022 had about two-thirds the number of visits as March 2019.**

**Figure 12: Change in Visits by Racial/Ethnic Enclave, March 2019 Baseline**

Source: SafeGraph

Examining the number of visited establishments (Figure 13), the amplitude of the downturn and recovery are much less, as the responsiveness of business closures are much less rapid than changes in activity measured by the number of visits. Additionally, the impact has been less severe, with almost 95 percent of the number of establishments recorded in March 2019 being recorded in February 2022, implying a closure rate of 5 percent.

**Figure 13: Change in Establishments by Racial/Ethnic Enclaves, March 2019 Baseline**

Source: SafeGraph

At the onset of the pandemic, White racial enclaves, which have the largest number of businesses, had the largest fall in the number of establishments. Black racial enclaves outpaced White enclaves in terms of closures for most of the latter half of 2020, before White racial enclaves were once again seeing the most

closures. Throughout the first year of the pandemic, the pace of business closures in Latino ethnic enclaves was less than that of the county overall.

In the second quarter of 2021, White racial enclaves saw the biggest initial recovery, along with Asian enclaves and non-enclave areas. This may be due to the larger impact in White enclaves at the start of the pandemic, as the trend soon dips back below the pace of the county. The spikes in COVID-19 cases around the end of 2020 and 2021 are more visible in the graph of establishments than visits, with the December spikes resulting in an increase of the pace of business closures in both years.

### ***Business Changes in Individual Racial/Ethnic Enclaves***

Examining individual racial/ethnic enclaves instead of activity in racial/ethnic enclaves of a given race/ethnicity across Los Angeles County gives an additional level of granularity, as data by racial/ethnic trends are also influenced by the geography of an individual enclave. There are several geographic factors that may influence the analysis within each race/ethnicity, such as whether that individual enclave is principally a commercial business community or a residential area, a function of the business landscape, and whether remote work would increase the number of people in this area or decrease it with onset of the pandemic, a function of commuting patterns. Within each race/ethnicity, there is a diversity of outcomes among the specific racial/ethnic enclaves of that race/ethnicity, with some individual enclaves faring better than others within the same race/ethnicity.

Among Asian racial enclaves, the impact on visits was worst for the enclave present in the San Gabriel Valley, while those in Artesia and the Eastern County, by Diamond Bar, were slightly less impacted. The same pattern continued among the number of businesses. In terms of recovery, the Artesia racial enclave saw larger proportional increases in the number of businesses than the San Gabriel Valley or Eastern County enclaves, currently having more businesses than recorded in March 2019. In the recovery of visits, San Gabriel Valley has lagged behind, while Artesia had the quickest recovery in 2020 but was outpaced by the Eastern County enclave in 2021.

There were two Black racial enclaves, one around Baldwin Hills and the other slightly more south around Inglewood, extending into Westmont. The Baldwin Hills racial enclave experienced more severe and extended falls in visits and establishments than what the Inglewood racial enclave experienced, with the second worst fall in visits and business when comparing April 2020 to April 2019. Additionally, while Inglewood is still 40 percent below the visits of March 2019, Baldwin Hills is much lower, with closer to 60 percent. The same was true regarding the number of businesses, with Baldwin Hills losing a greater proportion of its businesses and not recovering as much as Inglewood.

Eleven of the twenty individual enclaves were Latino ethnic enclaves, including a large swath from Culver City and Westmont to El Monte, as well as smaller enclaves in East Hollywood, Hawthorne, Lancaster, Palmdale, Pomona,



Photo Credit: Schaben, Allen J. (2016). *Crenshaw Blvd*. [jpg]. Los Angeles Times. <https://revitalization.org/wp-content/uploads/2016/02/Crenshaw.jpg>

San Pedro, Wilmington, West Long Beach, and two in the San Fernando Valley. Visits data reacted to the exogenous shock of the COVID-19 pandemic to a much greater extent than the number of businesses, but they follow a similar trend for each enclave. The worst impacts were seen in East Hollywood, Hawthorne, the Central County enclave, and the areas around the Harbor, principally San Pedro and West Long Beach. Lesser impacts were observed in the Pomona and the East and West San Fernando Valley enclaves, and even less of an impact was observed in the Lancaster and Palmdale enclaves.

There were four White enclaves: one in the South Bay, one in East Long Beach, and one that ran from Malibu to the Antelope Valley, but was split west of Burbank (where it was one census tract wide) to make the Western County and Northern County enclaves. The worst impact on visits and business counts was seen in the Western County, which stretched from Malibu through the dense business districts of West Los Angeles to North Hollywood; this enclave had the most severe drop in both visits and business counts of any individual racial/ethnic enclave when comparing April 2020 and April 2019. The COVID-19 pandemic also had a large initial effect in the South Bay; however, its recovery was more rapid than the Western County enclaves.

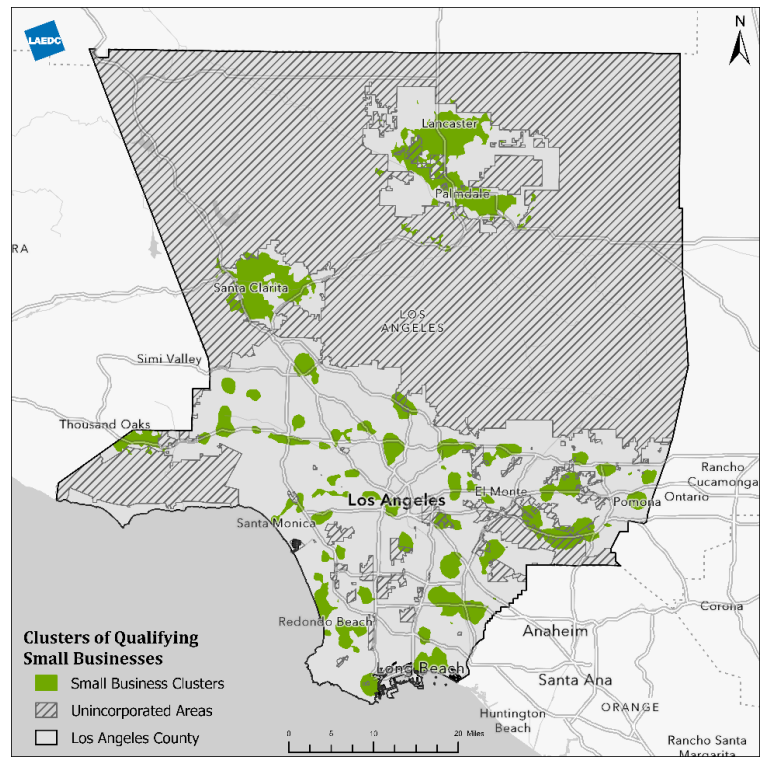
Across different racial/ethnic groups, it appeared that individual enclaves in more commercial districts and areas where remote work would decrease the number of daytime occupants experienced worse impacts than those in more residential communities. While enclaves in the northern reaches of the county saw decreases in visits and businesses at the onset of the COVID-19 pandemic, the drop was not as severe as what was observed in dense business communities like those in the Western County, Central County, East Hollywood and San Gabriel Valley – however exceptions, like the patterns observed in Baldwin Hills compared to Inglewood, are present.

## Small Business Clusters

Clusters of qualifying small businesses were derived from the universe of qualifying small businesses, a dataset of over 368,000 businesses with fewer than ten employees and less than \$1,000,000 in sales volume. **Clusters were identified based on the density of businesses in a given location being notably higher than the noise outside of that cluster, with differences in cluster size in part due to a requirement that each cluster have at least 1,000 businesses; however the furthest outlying business still had to be within 1,000 meters of another business within the cluster.**

Figure 14 shows that there are vibrant small business communities scattered throughout Los Angeles County, from Lancaster, Palmdale, and

Figure 14: Clusters of Qualifying Small Businesses





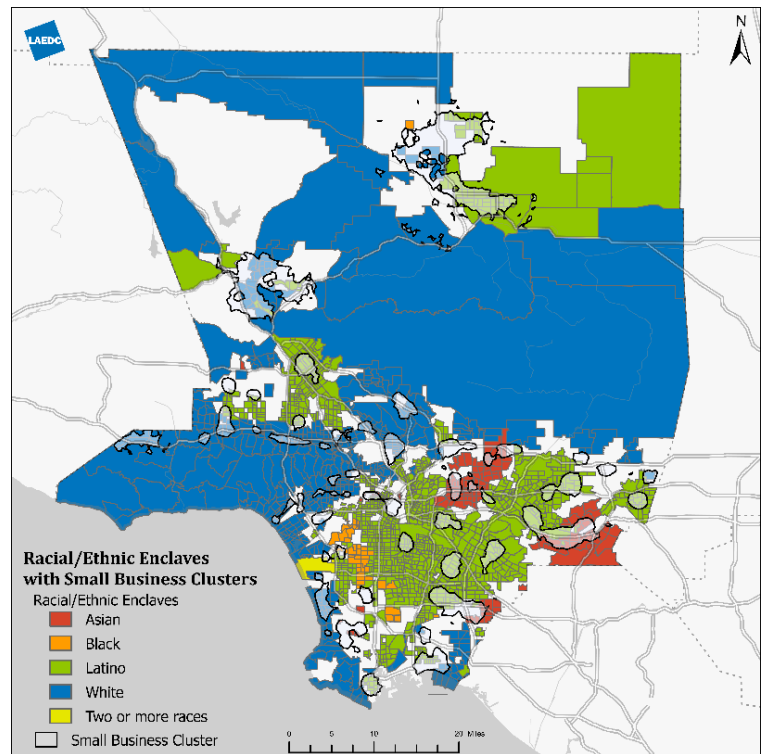
Santa Clarita in the north, to Long Beach and San Pedro in the south, and also ranging from Calabasas to Pomona.

**The smaller clusters in West Los Angeles are more densely packed with small businesses than the larger clusters in the southeast and northern parts of the county.** Clusters are located in the main commercial districts of many neighborhoods and cities, including Santa Monica, Beverly Hills, Inglewood, Downtown, Burbank, Glendale, Pasadena, Van Nuys, Northridge, Pomona, Torrance, Long Beach and more. **Small business clusters do not overlap significantly with the unincorporated areas of the county, with the clusters around the City of Industry and East Los Angeles being the notable exceptions.**

Aside from the lack of clusters across the more rural areas in the north of the county, there are some notable gaps in affluent areas; the Hollywood Hills, Malibu and Palos Verdes do not have clusters. Additionally, there is a large void in Central LA, an area which has a lower median household income.

Looking at the overlap between small business clusters and racial/ethnic enclaves, the denser clusters in West Los Angeles are in White racial enclaves, while Asian and Latino racial/ethnic enclaves have larger, less dense clusters. **There is almost no overlap between Black racial enclaves and small business clusters in Los Angeles County.**

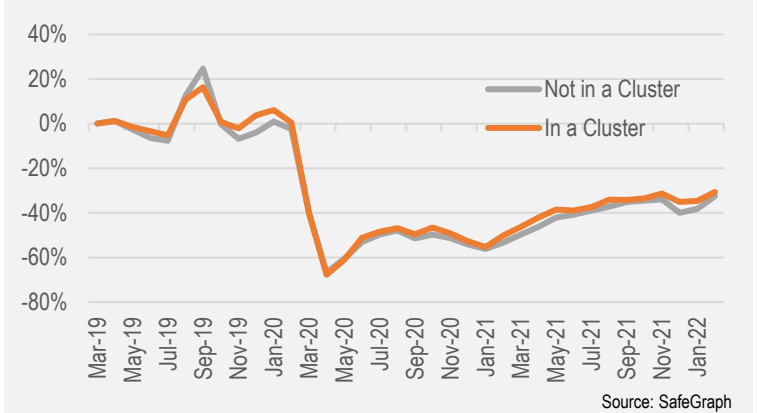
**Figure 15: Racial/Ethnic Enclaves with Small Business Clusters**



## Business Activity by Small Business Cluster

Looking at the percent change in visits to businesses inside and outside of the identified small business clusters compared to March 2019, there is not much of a difference between the two. Businesses within a cluster recovered more in the second quarter of 2021, but since then businesses both inside and outside of clusters have been steadily increasing their rate of recovery from July 2021 to the start of 2022.

**Figure 16: Change in Visits by Small Business Cluster, March 2019 Baseline**



However, when looking at visited establishments over the same period, a difference emerges between the two geographies. **There were more closures among businesses that were within a small business cluster than those that were not**, especially in March through September of 2021. A year into the pandemic, recovery was progressing faster in cluster areas, partially due to the impact being larger. However, the gap between the two geographies diminished over the course of the year. Both cluster and non-cluster areas have seen a closure rate of 5 percent since March 2019, with peak closure rates of 15 and 10 percent, respectively, when comparing March 2019 to March 2020.

**Figure 17: Change in Establishments by Small Business Cluster, March 2019 Baseline**

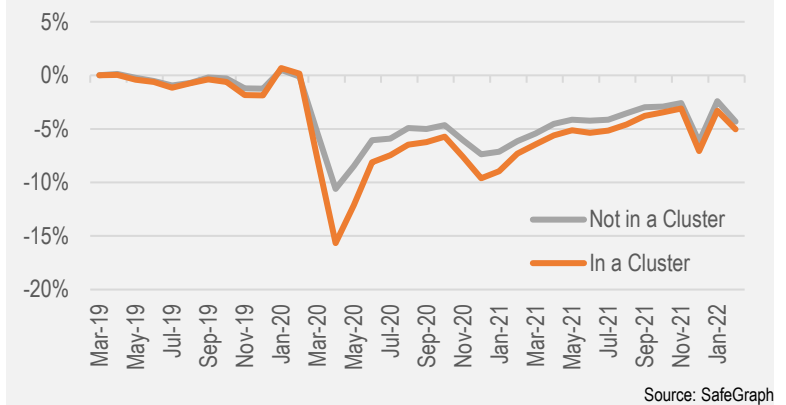


Photo Credit: Eason, Chris (2006). *Los Angeles Theatre* [jpg]. Wikipedia.  
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# Distribution of Commercial Real Estate Types

Commercial real estate falls into four classifications in this report; single use retail, mixed use retail, office, and industrial. Each is covered in this section, as well as restaurants and bars, a subset of single use retail. Before analyzing the density of certain types of real estate space in neighborhoods, a quick look at the percentage of each category within each Supervisorial District provides context as to how space is distributed at a larger scale.

**Figure 18: Distribution of Real Estate Property Type Across Supervisorial Districts**

Property Type	District 1	District 2	District 3	District 4	District 5	Total
Retail, Single Use	20%	16%	20%	21%	23%	100%
Retail, Mixed Use	27%	21%	28%	12%	12%	100%
Office	26%	15%	29%	16%	14%	100%
Industrial	36%	21%	11%	22%	11%	100%

Source: Estimates by LAEDC

Looking across the table, it appears that certain real estate categories are more common in some Supervisorial Districts than others, while some real estate categories have a more even distribution. Single use retail fits into the latter category, with all values hovering around 20 percent; District 5 has a slightly higher percentage of single use retail, while District 2 has the lowest. Regarding mixed use retail, Districts 4 and 5 only had 12 percent of the county's mixed use retail space each, while Districts 1 and 3 had over twice that amount. Office real estate space was also concentrated in Districts 1 and 3, both above 25 percent, while Districts 2, 4, and 5 all had around 15 percent of the county's office space. Industrial real estate has the greatest concentration within one Supervisorial District, with District 1 containing 36 percent of the county's industrial real estate stock. Districts 2 and 4 each had more than 20 percent, while Districts 3 and 5 had 11 percent.

**Figure 19: Distribution of Real Estate Property Type Within Supervisorial Districts**

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	14%	18%	23%	21%	32%
Retail, Mixed Use	5%	6%	8%	3%	4%
Office	24%	22%	42%	22%	27%
Industrial	58%	54%	27%	54%	37%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Estimates by LAEDC

Districts 1, 2, and 4 have the majority of their real estate stock within the industrial category and less in office and retail space. District 3 is the opposite; it has the lowest percentage of its real estate classified as industrial and the highest as office out of all districts. Meanwhile, District 5 has the largest proportion of retail space among Supervisorial Districts, with slightly more office and slightly less retail than Districts 1, 2, and 4.

## Single Use Retail

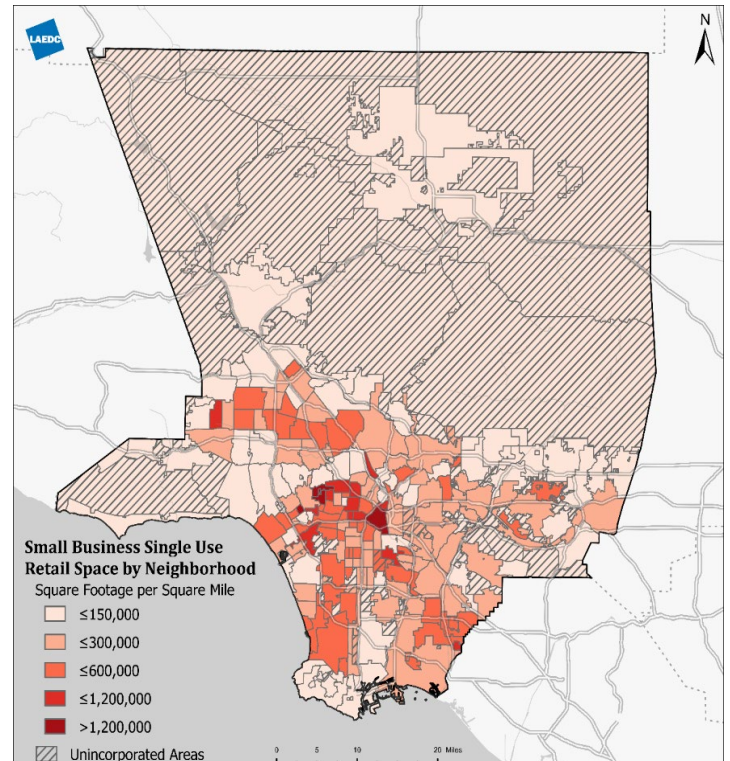
**Small business single use retail space is ubiquitous throughout Los Angeles County,** however some communities have a greater proportion of their commercial real estate in these establishments, such as West Hollywood, Beverly Grove, Century City and Downtown LA. Other areas where there is a significant presence of small business single use retail space are Harvard Heights, Fairfax, Koreatown, Hollywood and Pico-Union, all of which are clustered between Hollywood and Downtown.

Looking at the magnitude of space by neighborhood, Long Beach, Torrance, Santa Clarita, Glendale and Palmdale have large amounts of single use retail space as well. While some unincorporated areas like East LA and Florence-Firestone have, on average, more than 150,000 square feet of single use retail space per square mile, the majority of unincorporated areas do not. Due to the need for retail establishments across the county to serve residents, there are small business single use establishments and leased space, throughout the county.

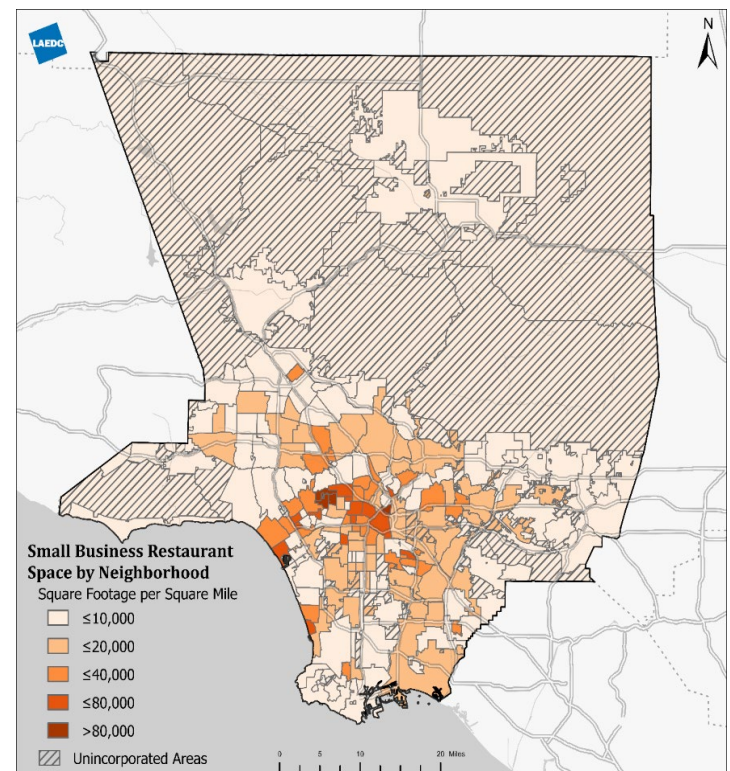
## Restaurants

Restaurants are included within the single use retail category, and follow a similar distribution of density, but are broken out here due to their status as an industry that was particularly heavily impacted by the measures taken to mitigate the spread of the virus during the COVID-19 pandemic. **The density of restaurants is most pronounced in a group of neighborhoods clustered to the west of Downtown,** including West Hollywood, Chinatown, Beverly Grove, Westlake, Hollywood, Fairfax, Downtown and Koreatown.

**Figure 20: Density of Small Business Single Use Retail Space by Neighborhood**



**Figure 21: Density of Small Business Restaurant Space by Neighborhood**







**Cliff's Edge is just one of the restaurants which closed during the COVID-19 pandemic in Los Angeles.**

Photo Credit: Unknown (2014). *Cliff's Edge Café* [jpg]. loveandloathingla.com. <http://loveandloathingla.com/wp-content/uploads/2014/03/6.jpg>

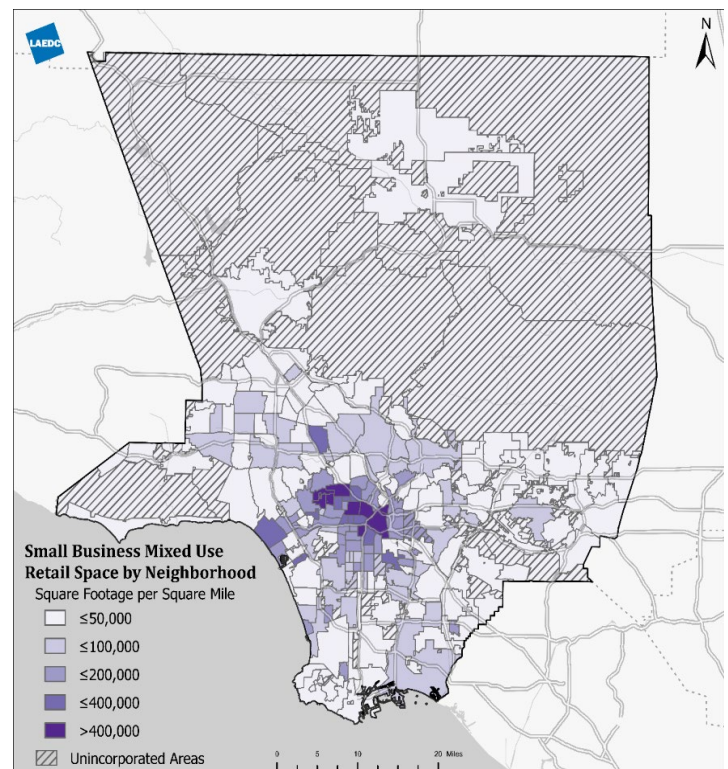
Without normalizing by neighborhood size, the neighborhoods with the largest amount of small business restaurant square footage were Long Beach, Glendale, Downtown, Pasadena and Santa Monica. Unincorporated areas tended to not have a high density of restaurant square footage per square mile. **While some areas may have a heavier concentration of restaurant space, generally restaurant square footage is well distributed throughout the county.**

## Mixed Use Retail

Small business mixed use retail space is not as common across the county as single use retail, representing about a fourth of the amount of square footage. There is a cluster of neighborhoods with a high concentration of small business mixed use retail space, centered around Koreatown and Westlake, which expands to the south and east into University Park, Downtown, and Chinatown and west through Hollywood, Fairfax, West Hollywood and Beverly Grove.

These neighborhoods also have the largest magnitude of small business mixed use retail space, joined by Long Beach, Santa Monica, Glendale and Pasadena. These neighborhoods make up over 43 percent of the total small business mixed use real estate space in the county. Few unincorporated areas are dense in terms of small business mixed use retail space.

**Figure 22: Density of Small Business Mixed Use Retail Space by Neighborhood**



## Office

**Small business office space is centered around a strip that runs from Santa Monica to Downtown along Wilshire and Santa Monica Boulevards.** Small business office space reflects the distribution of office space for all businesses in the county. Notable neighborhoods within this corridor include Sawtelle, Westwood, Century City, Beverly Hills, Carthay, Mid-Wilshire, Koreatown and Westlake. Additionally, there are clusters in the San Fernando Valley, including Encino and Sherman Oaks, and around LAX, in Playa Vista, El Segundo, Culver City and Westchester.

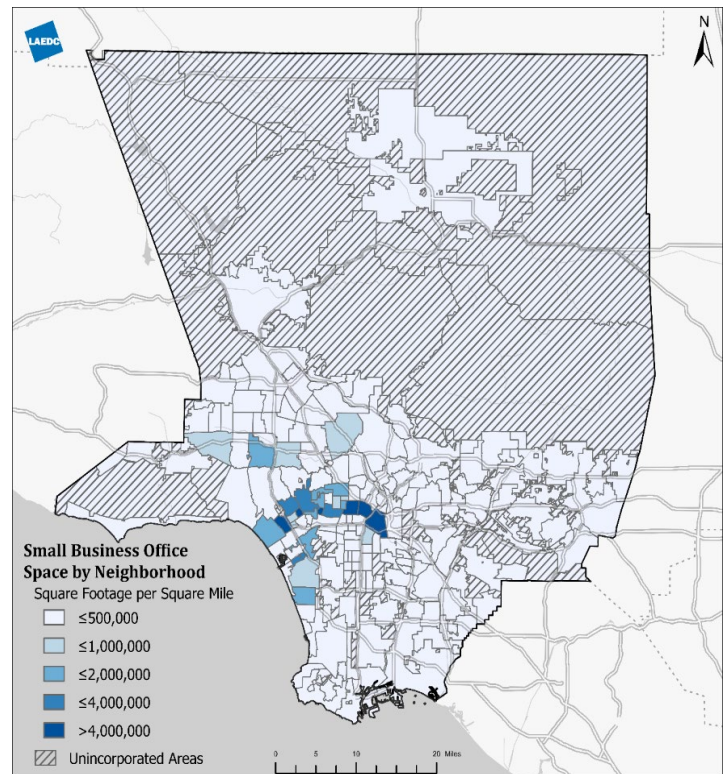
Long Beach, Glendale, Burbank and Pasadena all have large amounts of office space, but low density due to the size of the neighborhood, which captures both commercial and residential areas. Unincorporated areas throughout the county do not exhibit a high density of small business office space, nor do areas in the southeastern, eastern and northern portions of the county.

## Industrial

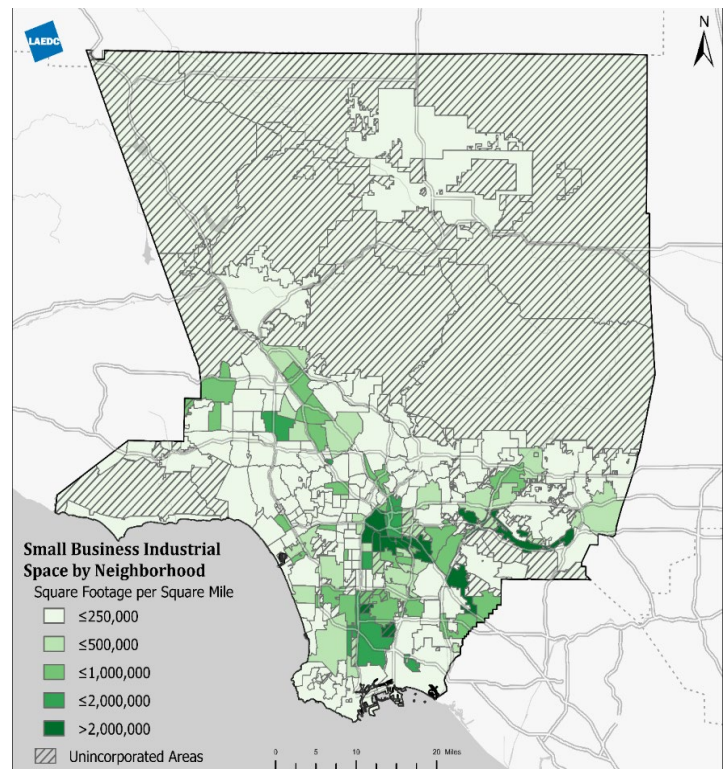
**There are a couple areas where industrial square footage is especially dense, such as a cluster in Downtown and to its east,** including the cities of Vernon and Commerce, and a cluster along the Alameda Corridor towards the harbor, consisting of Rancho Dominguez, West Compton and Carson. Other areas where industrial square footage is dense include the City of Industry, Norwalk and South El Monte, as well as the eastern San Fernando Valley.

The areas with a high density of industrial space also had the largest amount of small business industrial space, as well as Santa Fe Springs and Chatsworth which both had lower densities. Industrial space was denser than other real estate types within unincorporated areas of the county. The distribution of industrial space contrasted with the presence of office space, as it was more common in the southern, southeastern and eastern parts of the county.

**Figure 23: Density of Small Business Office Space by Neighborhood**



**Figure 24: Density of Small Business Industrial Space by Neighborhood**





# Partial and Non-Payment of Commercial Rent and Mortgages During the Pandemic

Throughout the pandemic, the slowdown of economic activity reduced sales revenue for many businesses, particularly businesses in particular industries. In turn, this fall in revenues reduced many businesses' ability to pay their rent and mortgages. Given the lack of local data on commercial rent nonpayment and mortgage delinquencies, national data was used in this study. National data shows that many businesses, particularly those in retail and the hotel sectors, have had difficulty paying their rents and mortgages.

Unpaid rent by local and regional retail establishments hit a yearly high of 36.6 percent in April 2020 before subsequently falling.<sup>11</sup> However, rates of unpaid rent remained above the pre-pandemic baseline throughout the rest of the year. This data excluded national and international chains which likely had less difficulty paying rent or mortgages during the pandemic.

**Figure 25: 2020 U.S. Non-National Retail Rent Non-Payment Rate Since March 2020**

	March	April	May	June	July	August	September	October	November
Retail Rent Non-Payment Rate	-	37%	31%	21%	13%	12%	7%	6%	7%

Sources: Datex Property Solutions, retrieved from Western Real Estate Business, Vol. 28, Issue 4, December 2020

An August 2020 survey conducted by the California Restaurant Association indicated that 76 percent of respondents were in need of rent relief, while only 37 percent had actually received rent relief.<sup>12</sup>

In addition to partial and non-payment of rent, mortgage delinquency rates are an important indication of economic performance for different businesses. **Mortgage delinquency is typically a situation in which the mortgagee is 20-90 days late on their mortgage payment or has entered into foreclosure.** National data can shed some light onto which industries have been most negatively affected by the pandemic and have experienced relatively high reduced ability to pay their mortgages.

Figure 26 data on commercial property mortgage delinquency during the pandemic is provided by Trepp, Inc. and the Mortgage Bankers Association (MBA).<sup>13</sup> Mortgage delinquencies for all commercial property types have increased during the pandemic. However, both Trepp and MBA find that retail and hotel property mortgage delinquencies have, on average, significantly increased more than other commercial property types.

<sup>11</sup> REBusinessOnline. (2020, December). *Western Real Estate Business*.

<https://cdn.coverstand.com/58491/689108/01b0fc9f8c90490e4b3fe38dd879eb1cb8997402.5.pdf>

<sup>12</sup> California Restaurant Association. (2020, August 28). *Thousands of California restaurants close permanently*.

<https://www.calrest.org/news/thousands-california-restaurants-close-permanently>

<sup>13</sup> Trepp, Inc. for Commercial Mortgage-Backed Securities (CMBS), Mortgage Bankers Association Survey for all CRE mortgages.

**Figure 26: U.S. Commercial Mortgage Delinquency Rates by Sector**

	All Industries	Retail	Hotels	Offices	Industrial
Commercial Mortgage-Backed Securities (June 2020)	10%	18%	24%	3%	2%
Commercial Mortgage-Backed Securities (December 2020)	8%	13%	20%	2%	1%
All Commercial Real Estate Mortgages (December 2020)	6%	12%	23%	3%	4%

Sources: Trepp and Mortgage Bankers Association

Delinquencies fell across the board from June to December 2020, declining the most for the hard-hit retail (-5.1%) and hotel (-5.4%) industries and the least for the relatively unaffected office (-0.5%) and industrial (-0.4%) sectors.

Compared to December 2019, Commercial Mortgage-Backed Securities (CMBS) delinquency rates for all sectors increased by 5.5 percentage points to around 8 percent in December 2020, down from approximately 10 percent in June 2020. Commercial Mortgage-Backed Securities delinquency rates were higher in December 2020 than one year earlier for all sector types except for the industrial sector. There is little reason to believe that this overall trend does not also hold for Los Angeles County and that it is likely more pronounced for small businesses.

**Figure 27: U.S. Commercial Mortgage-Backed Securities Delinquency Rates**

	Percentage Change June 19-June 2020	Percentage Change Dec. 2019-Dec. 2020
Retail	13.6%	8.5%
Hotel	21.9%	18.3%
Office	-0.4%	0.2%
Industrial	-0.4%	-0.3%
<b>All Industries</b>	<b>7.5%</b>	<b>5.5%</b>

Sources: Trepp and Mortgage Bankers Association

**2021 was characterized by falling delinquency rates in every property category.** For all property types, CMBS delinquency rates fell from 10.3 percent in June 2020 to 5.6 percent in August 2021. Delinquency rates for retail properties experienced a significant decline with CMBS delinquency rates falling from 18.1 percent in June 2020 to 10.4 percent in August 2021.

**Throughout the pandemic, the retail and hotel industries had significantly higher Commercial Mortgage-Backed Securities delinquency rates than did all other industries.**

Partial or non-payment of commercial rent negatively affects landlords' bottom lines. Commercial property landlords who experience partial or non-payment of rents will find it more difficult to pay mortgages, maintain and upgrade their property and pay property taxes. **On average, landlords with smaller, less diversified portfolios and smaller market capitalization will find it more difficult to adjust to the impact of rent delinquencies.** Many of these landlords may be individuals for whom rent is a primary source of income.





# Estimates of Small Business Commercial Rent Debt Resulting from the COVID Pandemic

Using estimates of the quantity of commercial real estate by property type used by qualifying small businesses in Los Angeles County, average rental rates and delinquency in rent and mortgage payments, LAEDC estimated total unpaid rent by qualifying small businesses in April to December of 2020 and 2021. In order to get an idea of what the impact of the COVID pandemic has been on the size of commercial rent debt owed by small businesses, a comparison was made with total debt levels in 2019.

## Estimate Methodology

The methodology for estimating the commercial rent debt resulting from the COVID-19 pandemic for small businesses is as follows:<sup>14</sup>

- Calculate estimated total square footage for rented occupied commercial real estate by industry type for qualifying small businesses.
- Calculate estimated total commercial rent owed by multiplying total occupied rented square footage by industry type by average rent for each property category.
- Calculate total estimated rent burden by multiplying total commercial rent for each property type by specific estimates of unpaid rent at the national-level using data on commercial mortgage delinquency rates found in the previous section. This approach assumes a strong correlation between commercial delinquency rates and partial or complete non-payment of rent. Rental payment income is likely the principal revenue source used by commercial landlords to make mortgage payments. Furthermore, mortgage delinquency rates are comparable to estimates of rental non-payment for large retail properties and small businesses surveys. In addition, this approach assumes that Los Angeles County's commercial real estate sector has comparable non-payment and delinquency characteristics to the national market. While this is a necessary simplifying assumption, it is likely conservative given that Los Angeles County implemented stricter public health orders that reduced economic activity during the pandemic than did other parts of the country.<sup>15</sup>

## Total Small Business Commercial Rent Burden - High Estimates

The following tables contain information on the monthly, annual and marginal rent debt accumulated by small businesses from April 2020 to December 2021. These estimates are high because they use square

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<sup>14</sup> See Appendix B for a more detailed review of the methodology used to arrive at this report's estimates and Appendix C for the estimates for all businesses.

<sup>15</sup> For further potential limitations of this approach specific to small business estimates see the methodology section in Appendix B.

footage estimates derived by LAEDC from datasets of Los Angeles County's parcels and building outlines. Additional information on the calculation of estimates can be found in Appendix B.

**Figure 28: Annual Estimate of Partial and Non-Payment of Commercial Rent Small Businesses Tenants in Office, Retail, and Industrial Properties (HIGH)**

Year	Monthly Average of Partial and Unpaid Rent	Total Amount of Partial and Unpaid Rent
2019 (Baseline)	\$101,027,149	\$1,212,325,784
2020	\$265,273,411	\$3,183,280,932
2021	\$183,223,615	\$2,198,683,385

Source: Estimates by LAEDC

**Figure 29: Q2-Q4 Estimate of Partial and Non-Payment of Commercial Rent Small Businesses Tenants in Office, Retail, and Industrial Properties (HIGH)**

Period	Monthly Average of Partial and Unpaid Rent	Total Amount of Partial and Unpaid Rent
2019 Q2-Q4 (Baseline)	\$98,589,530	\$887,305,768
2020 Q2-Q4	\$248,577,396	\$2,237,196,560
2021 Q2-Q4	\$186,890,951	\$1,682,018,560

Source: Estimates by LAEDC

**Figure 30: Marginal Estimate of Partial and Non-Payment of Commercial Rent Small Businesses Tenants in Office, Retail, and Industrial Properties using 2019 as a Baseline (HIGH)**

	2019	2020 (Q2-Q4)	2021
Total Partial and Unpaid Rent	\$1,212,325,784	\$2,237,196,560	\$2,067,589,048
Marginal Partial and Unpaid Rent		\$1,349,890,792*	\$986,357,601
Accrued Marginal Impact of COVID-19 on Partial and Unpaid Rent		\$1,349,890,792	\$2,336,248,393

\*2020 (Q2-Q4) Marginal Estimate used 2019 (Q2-Q4) as Baseline Estimate  
Source: Estimates by LAEDC

**Estimated qualifying small business total and marginal partial and unpaid rent for the 9-month Q2-Q4 2020 period was higher than for all of 2021.**

## Total Small Business Commercial Rent Burden – Low Estimates

The following tables contain information on the monthly, annual and marginal rent debt accumulated by small businesses from April 2020 to December 2021. These estimates are low because they use square footage estimates collected from CBRE and Avison Young. Additional information on the analysis of estimates can be found in Appendix B.

**Figure 31: Annual Estimate of and Partial and Non-Payment of Commercial Rent Small Businesses Tenants in Office, Retail, and Industrial Properties (LOW)**

Year	Monthly Average of Partial and Unpaid Rent	Total Amount of Partial and Unpaid Rent
2019 (Baseline)	\$41,322,981	\$495,875,776
2020	\$109,955,552	\$1,319,466,620
2021	\$77,045,034	\$924,540,403

Source: Estimates by LAEDC

**Figure 32: Q2-Q4 Estimate of and Partial and Non-Payment of Commercial Rent Small Businesses Tenants in Office, Retail, and Industrial Properties (LOW)**

Period	Monthly Average of Partial and Unpaid Rent	Total Amount of Partial and Unpaid Rent
2019 Q2-Q4 (Baseline)	\$40,365,741	\$363,291,670
2020 Q2-Q4	\$103,066,135	\$927,595,215
2021 Q2-Q4	\$78,621,773	\$707,595,959

Source: Estimates by LAEDC

**Figure 33: Marginal Estimate of and Partial and Non-Payment of Commercial Rent Small Businesses Tenants in Office, Retail, and Industrial Properties using 2019 as a Baseline (LOW)**

	2019	2020 (Q2-Q4)	2021
Total Partial and Unpaid Rent	\$495,875,776	\$927,595,215	\$858,944,062
Marginal Partial and Unpaid Rent		\$564,303,544*	\$428,664,627
Accrued Marginal Impact of COVID-19 on Partial and Unpaid Rent		\$564,303,544	\$992,968,172

\*2020 (Q2-Q4) Marginal Estimate used 2019 (Q2-Q4) as Baseline Estimate

Source: Estimates by LAEDC

Total unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$103,066,135 to \$248,577,396 per month from April to December 2020 totaling an estimated \$927,595,215 to \$2,237,196,560. **The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for qualifying small businesses in Los Angeles County from April to December 2020 totaled an estimated \$564,303,544 to \$1,349,890,792.**

Unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$77,045,034 to \$183,223,615 per month for 2021 totaling an estimated \$924,540,403 to \$2,198,683,385. **The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for qualifying small businesses in Los Angeles County for 2021 totaled an estimated \$428,664,627 to \$986,357,601.**

**Estimated qualifying small business total and marginal partial and unpaid rent for the 9-month Q2-Q4 2020 period was higher than for all of 2021.** As can be seen in Figures 30 and 33, the effect of the COVID-19 pandemic on rent debt accumulated by all businesses in Los Angeles County was highly concentrated in the April-December 2020 period. While commercial rent debt in excess of the 2019 baseline was accumulated in 2021, there was a significant estimated drop-off.

Unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$1,852,135,618 to \$4,435,879,945 for the pandemic period April 2020-December 2021. **The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$992,968,172 to \$2,336,248,393 from April 2020 to December 2021.**

## High Estimates by Property Type:

The following tables contain information on the total and marginal rent debt accumulated by small businesses from April 2020 to December 2021 by property type. These estimates are high because they use square footage estimates derived by LAEDC from datasets of Los Angeles County's parcels and building outlines. Property types were determined based on use code of building outlines, as classified by the Los Angeles County Assessor's Office. Property types are also broken down by geography, looking at unincorporated versus incorporated areas and by supervisorial district. Geographies were determined by assigning the centroid of a building outline to the geography (unincorporated/incorporated or supervisorial district) within which it was located, then square footage was tabulated for each geographic area.

**Figure 34: Detailed Property Type Marginal Unpaid Rent Estimates  
Small Businesses April 2020-December 2021 (HIGH)**

Property Type	2020 Q2-Q4 Marginal Partial and Unpaid Rent	2021 Marginal Partial and Unpaid Rent	Accrued Marginal Partial and Unpaid Rent
Retail, Single Use	\$655,107,049	\$461,417,553	\$1,116,524,602
Retail, Mixed Use	\$691,027,831	\$617,812,305	\$1,308,840,135
Office	\$15,220,535	(\$44,308,603)	(\$29,088,068)
Industrial	(\$11,464,622)	(\$48,563,654)	(\$60,028,276)
<b>Total</b>	<b>\$1,349,890,792</b>	<b>\$986,357,601</b>	<b>\$2,336,248,393</b>

Source: Estimates by LAEDC

**Figure 35: Detailed Property Type Unpaid Rent Estimates  
Small Businesses April 2020-December 2021 (HIGH)**

Property Type	Total Rent Due (2020 Q2 – 2021 Q4)	Estimated Partial or Unpaid Rent	Proportion of Partial and Unpaid Rent to Total Rent Due	Estimated Marginal Rent Burden (Compared to 2019)
Retail, Single Use	\$14,479,467,072	\$1,783,590,698	12.3%	\$1,116,524,602
Retail, Mixed Use	\$3,015,241,473	\$2,012,482,750	66.7%	\$1,308,840,135
Office	\$25,292,098,158	\$563,174,844	2.2%	(\$29,088,068)
Industrial	\$8,514,833,885	\$76,631,653	0.90%	(\$60,028,276)
<b>Total</b>	<b>\$51,301,640,587</b>	<b>\$4,435,879,945</b>	<b>8.6%</b>	<b>\$2,336,248,393</b>

Source: Estimates by LAEDC



**Figure 36: Unpaid Rent Estimates for Incorporated vs Unincorporated Areas by Detailed Property Type**  
**Small Businesses April 2020-December 2021 (HIGH)**

Property Type	-----Incorporated-----		-----Unincorporated-----	
	Estimated Partial or Unpaid Rent - Incorporated	Estimated Marginal Rent Burden – Incorporated (Compared to 2019)	Estimated Partial or Unpaid Rent - Unincorporated	Estimated Marginal Rent Burden – Unincorporated (Compared to 2019)
Retail, Single Use	\$1,696,357,588	\$1,061,916,831	\$87,233,110	\$54,607,771
Retail, Mixed Use	\$1,941,150,272	\$1,262,448,279	\$71,332,478	\$46,391,856
Office	\$557,151,587	(\$28,776,966)	\$6,023,258	(\$311,102)
Industrial	\$71,154,092	(\$55,737,510)	\$5,477,561	(\$4,290,766)
<b>Total</b>	<b>\$4,265,813,539</b>	<b>\$2,239,850,634</b>	<b>\$170,066,406</b>	<b>\$96,397,759</b>

Source: Estimates by LAEDC

**Figure 37: Unpaid Rent Estimates for Supervisorial Districts by Detailed Property Type**  
**Small Businesses April 2020-December 2021 (HIGH)**

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	\$351,556,689	\$298,328,732	\$383,081,906	\$371,991,001	\$378,632,370
Retail, Mixed Use	\$550,173,108	\$413,134,583	\$590,166,933	\$224,947,506	\$234,060,620
Office	\$155,328,881	\$84,899,543	\$174,828,305	\$75,858,540	\$72,259,575
Industrial	\$28,518,670	\$16,605,396	\$9,123,758	\$13,752,290	\$8,631,540
<b>Total</b>	<b>\$1,085,577,347</b>	<b>\$812,968,254</b>	<b>\$1,157,200,902</b>	<b>\$686,549,337</b>	<b>\$693,584,105</b>

Source: Estimates by LAEDC

**Figure 38: Marginal Rent Burden Estimates for Supervisorial Districts by Detailed Property Type**  
**Small Businesses April 2020-December 2021 (HIGH)**

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	\$220,073,861	\$186,753,255	\$239,808,592	\$232,865,704	\$237,023,189
Retail, Mixed Use	\$357,811,089	\$268,686,588	\$383,821,510	\$146,297,067	\$152,223,881
Office	(\$8,022,761)	(\$4,385,075)	(\$9,029,909)	(\$3,918,105)	(\$3,732,218)
Industrial	(\$22,339,680)	(\$13,007,592)	(\$7,146,961)	(\$10,772,653)	(\$6,761,390)
<b>Total</b>	<b>\$547,522,510</b>	<b>\$438,047,177</b>	<b>\$607,453,231</b>	<b>\$364,472,013</b>	<b>\$378,753,462</b>

Source: Estimates by LAEDC

## Low Estimates by Property Type:

The following tables contain information on the total and marginal rent debt accumulated by small businesses from April 2020 to December 2021 by property type. These estimates are low because they use square footage estimates collected from CBRE and Avison Young. Property types are also broken down by geography, looking at unincorporated versus incorporated areas and by supervisorial district.

**Figure 39: Detailed Property Type Marginal Unpaid Rent Estimates**  
**Small Businesses April 2020-December 2021 (LOW)**

Property Type	2020 Q2-Q4 Marginal Partial and Unpaid Rent	2021 Marginal Partial and Unpaid Rent	Accrued Marginal Partial and Unpaid Rent
Retail, Single Use	\$214,368,732	\$150,806,161	\$365,174,893
Retail, Mixed Use	\$345,773,116	\$309,137,890	\$654,911,005
Office	\$9,530,180	(\$9,866,581)	(\$336,402)
Industrial	(\$5,368,483)	(\$21,412,842)	(\$26,781,325)
<b>Total</b>	<b>\$564,303,544</b>	<b>\$428,664,627</b>	<b>\$992,968,172</b>

Source: Estimates by LAEDC

**Figure 40: Detailed Property and Unpaid Rent Estimates**  
**Small Businesses April 2020-December 2021 (LOW)**

Property Type	Total Rent Due (2020 Q2 – 2021 Q4)	Estimated Partial or Unpaid Rent	Proportion of Partial and Unpaid Rent to Total Rent Due	Estimated Marginal Rent Burden (Compared to 2019)
Retail, Single Use	\$4,737,972,897	\$583,653,919	12.3%	\$365,174,893
Retail, Mixed Use	\$3,015,241,473	\$1,006,996,245	33.4%	\$654,911,005
Office	\$10,079,562,418	\$224,273,699	2.2%	(\$336,402)
Industrial	\$4,197,965,489	\$37,211,755	0.89%	(\$26,781,325)
<b>Total</b>	<b>\$22,030,742,277</b>	<b>\$1,852,135,618</b>	<b>8.4%</b>	<b>\$992,968,172</b>

Source: Estimates by LAEDC

**Figure 41: Unpaid Rent Estimates for Incorporated vs Unincorporated Areas by Detailed Property Type**  
**Small Businesses in LA County April-December 2020, 2021 (LOW)**

Property Type	-----Incorporated-----		-----Unincorporated-----	
	Estimated Partial or Unpaid Rent - Incorporated	Estimated Marginal Rent Burden – Incorporated (Compared to 2019)	Estimated Partial or Unpaid Rent - Unincorporated	Estimated Marginal Rent Burden – Unincorporated (Compared to 2019)
Retail, Single Use	\$555,226,037	\$347,388,413	\$28,431,074	\$17,788,477
Retail, Mixed Use	\$971,303,250	\$631,697,676	\$35,692,995	\$23,213,329
Office	\$221,930,865	(\$332,888)	\$2,356,902	(\$3,535)
Industrial	\$34,537,769	(\$24,856,855)	\$2,673,956	(\$1,924,448)
<b>Total</b>	<b>\$1,782,997,921</b>	<b>\$953,896,346</b>	<b>\$69,154,927</b>	<b>\$39,073,824</b>

Source: Estimates by LAEDC

**Figure 42: Unpaid Rent Estimates for Supervisorial Districts by Detailed Property Type**  
**Small Businesses April 2020-December 2021 (LOW)**

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	\$115,197,328	\$95,344,121	\$123,011,720	\$124,184,117	\$125,659,844
Retail, Mixed Use	\$275,292,920	\$206,722,256	\$295,304,834	\$112,558,129	\$117,118,105
Office	\$61,804,862	\$34,767,855	\$69,462,492	\$29,789,515	\$28,572,884
Industrial	\$13,907,689	\$8,249,126	\$4,638,271	\$6,621,706	\$4,217,539
<b>Total</b>	<b>\$466,202,799</b>	<b>\$345,083,358</b>	<b>\$492,417,317</b>	<b>\$273,153,468</b>	<b>\$275,568,372</b>

Source: Estimates by LAEDC

**Partial or complete non-payment by qualifying small businesses in the retail sector was relatively high compared to other business types. Estimated total partial or complete non-payment by qualifying small businesses renting single use or mixed use retail space in Los Angeles County during the April 2020-December 2021 period totaled \$1,590,650,164 to \$3,796,073,448. The marginal effect of COVID-19 on unpaid commercial rental debt for qualifying small businesses renting single use or mixed use space in Los Angeles County was estimated at \$1,020,085,898 to \$2,425,364,737.**

Estimates of qualifying small business commercial rent burdens suggest that around 86 percent of accumulated commercial rent debt comes from the combined mixed and single use retail category (which includes restaurants and bars) although these types of properties make up only around 28 percent of total commercial space used by qualifying small businesses in the County. Estimated marginal rent for retail (compared to 2019) totaled over 100 percent of total accumulated marginal rent debt during the April-December 2020 and 2021 pandemic period due to the fact that the corresponding marginal amounts for office and industrial space were negative, meaning that compared to 2019 accumulated office and real estate commercial rent debt, less debt was accumulated over the pandemic period studied.

**Properties in the county that are classified as mixed use retail and were occupied by qualifying small businesses from April 2020 – December 2021 are estimated to have experienced a relatively high accumulation of rental debt during the pandemic.**

Mixed use properties are buildings on parcels that are classified for use by residential, office and retail tenants. Overall, approximately 22 percent of all retail, restaurant and bar space in the county occupied by qualifying small businesses is classified as mixed use. Total estimated rent debt owed by qualifying small businesses occupying mixed use properties from April 2020 to December 2021 equaled \$1,006,996,245 to \$2,012,482,750, which is relatively high compared to other property types. The estimated marginal total using 2019 as the baseline year for the mixed use retail category was \$654,911,005 to \$1,308,840,135, or around 56-66 percent of estimated marginal total commercial rent debt owed by qualifying small businesses. This is the case although mixed use property makes up only around 6 percent of commercial real estate used by qualifying small businesses in the county.

**Figure 43: Marginal Rent Burden Estimates for Supervisorial Districts by Detailed Property Type  
Small Businesses April 2020-December 2021 (LOW)**

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	\$72,075,541	\$59,653,980	\$76,964,774	\$77,698,308	\$78,621,626
Retail, Mixed Use	\$179,039,757	\$134,444,077	\$192,054,724	\$73,203,409	\$76,169,038
Office	(\$92,705)	(\$52,150)	(\$104,191)	(\$44,683)	(\$42,858)
Industrial	(\$10,009,373)	(\$5,936,902)	(\$3,338,166)	(\$4,765,646)	(\$3,035,365)
<b>Total</b>	<b>\$241,013,221</b>	<b>\$188,109,004</b>	<b>\$265,577,140</b>	<b>\$146,091,387</b>	<b>\$151,712,441</b>

Source: Estimates by LAEDC

**Qualifying small businesses are estimated to account for a significant percentage of total commercial rent debt accumulated by businesses of all sizes.**

Small businesses accumulated around 77 percent of all estimated total commercial rent debt in the county during the period April 2020-December 2021. Furthermore, qualifying small businesses accumulated

between 78 and 79 percent of all estimated total marginal commercial rent debt in the county for the same period.

**Figure 44: Detailed Property Unpaid Rent Estimates**  
**Small Businesses, April 2020-December 2021 (LOW to HIGH)**

Property Type	Total Rent Due (2020 Q2 – 2021 Q4)	Estimated Partial or Unpaid Rent	Proportion of Partial and Unpaid Rent to Total Rent Due	Estimated Marginal Rent Burden (Compared to 2019)
Retail Single Use	\$4,737,972,897 to \$14,479,467,072	\$583,653,919 to \$1,783,590,698	12.3%	\$365,174,893 to \$1,116,524,602
Retail Mixed Use	\$3,015,241,473	\$1,006,996,245 to \$2,012,482,750	33.4% to 66.7%	\$654,911,005 to \$1,308,840,135
Office	\$10,079,562,418 to \$25,292,098,158	\$224,273,699 to \$563,174,844	2.2%	(\$29,088,068) to (\$336,402)
Industrial	\$4,197,965,489 to \$8,514,833,885	\$37,211,755 to \$76,631,653	0.90%	(\$60,028,276) to (\$26,781,325)
<b>Total</b>	<b>\$22,030,742,277 to \$51,301,640,587</b>	<b>\$1,852,135,618 to \$4,435,879,945</b>	<b>8.4% - 8.6%</b>	<b>\$992,968,172 to \$2,336,248,393</b>

Source: Estimates by LAEDC





# Past and Existing Programs

Federal, state, and county programs have been implemented to assist businesses that were negatively affected by the COVID-19 pandemic. These programs are mostly characterized as low-interest loans and grants to businesses.

## Federal Programs

The two main federal programs designed to help businesses negatively impacted by the pandemic are the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) Program.

### ***Paycheck Protection Program (PPP)***

The PPP offered low-interest forgivable loans to qualified small businesses, nonprofits, self-employed individuals and other business types. The PPP was implemented in two rounds. Round I of the PPP opened in April 2020 and closed in August 2020. The first round included business expenses such as utilities, rent, payroll and employer-sponsored health insurance, which were also covered in the second round.<sup>16</sup> The second round of PPP was opened to eligible businesses on January 19, 2021, and closed May 31, 2021. Round II of the PPP was designed to include four additional expense categories<sup>17</sup>:

- Operational expenses
- Property damage
- Supplier costs
- Employee protection costs

Round I PPP recipients were eligible to reapply for Round II if certain conditions were met which included:

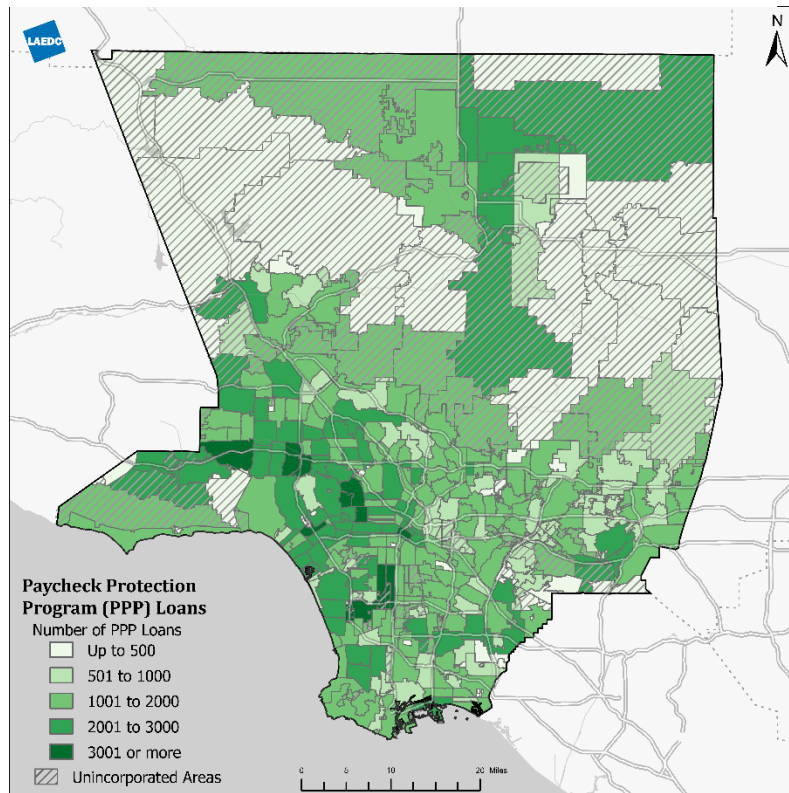
- All of the first PPP loan funds were used
- The applicant employs fewer than 300 employees, and
- The applicant experienced a 25 percent fall in gross receipts from 2019 to 2020

While (PPP) loans are forgivable under certain circumstances, a large proportion will require repayment that will take many years to complete.

More than 400,000 PPP loans were distributed across Los Angeles County, with 96 percent of zip codes receiving at least one loan. The unincorporated areas in the north of the county generally had the fewest loans, however there were also clusters in East Los Angeles, the San Gabriel Valley, the Verdugos, and the Harbor that had low numbers of loanees. There were also clusters of high PPP usage, such as West Hollywood, Hawthorne and Westmont and the southern San Fernando Valley. PPP usage was generally higher towards the affluent communities in the western portion of the county, while it was rare for a zip code east of the 110 Freeway to have more than 2,000 loans.

<sup>16</sup> Findling, D., & Deutch, K. (2021, February 21). *PPP Round 2: What Small Business Owners Need to Know*. Square. <https://squareup.com/us/en/townsquare/ppp-loans-round-2#:~:text=The%20first%20PPP%20round%20included%20expenses%20like%20utilities%2C,expenses%3A%20For%20cloud%20computing%2C%20HR%2C%20and%20accounting%20software.>

<sup>17</sup> *Ibid.*

**Figure 45: Distribution of PPP Loans by Zip Code**

The distribution of the number of PPP loans also guided the distribution of overall funding. However, some zip codes had high funding despite not having as many loans, such as 91355 in Santa Clarita, 90670 in Santa Fe Springs and 90058 in Vernon. The largest cluster of zip codes that each had over \$200,000,000 in PPP funding was a contiguous stretch that ran along Santa Monica Boulevard from Santa Monica's 90401 zip code to Hollywood's 90028 zip code, also including 90404, 90025, 90064, 90024, 90067, 90210, 90212, 90046, 90069, 90048 and 90036.

### ***Analysis of PPP Loans in LA County***

Of the 433,826 PPP loans in LA County, 36,810 loans, or 8.3 percent of loans were for more than \$150,000, sometimes reaching up to \$10,000,000. The five industries with the greatest number of loans and largest amount of funding are shown in the figure, with the accommodation and food services sector receiving slightly more loans and funding than the professional, scientific, and technical services sector, despite having a lower average amount of funds per loan.

There is limited demographic information about PPP recipients, as approximately two-thirds of recipients elected not to

**Figure 46: Largest Recipients of PPP Loans \$150,000 and Above by Industry**

Industry	Number of \$150,000+ Loans	Funding for \$150,000+ Loans
Accommodation and Food Services	5,136	\$2,518,074,884.28
Professional, Scientific, Technical Services	4,672	\$2,421,255,047.92
Manufacturing	3,926	\$2,369,243,936.83
Health Care and Social Assistance	3,614	\$1,823,565,192.51
Wholesale Trade	2,978	\$1,543,347,640.83

Source: Small Business Administration

provide their race, ethnicity, and gender information, however the existing data does give some idea of who received these loans. Among loans that were \$150,000 or more, 52.7 percent of owners were White, while 25.7 percent were Asian, 17.1 percent were Latino, 4.4 percent were Black and 0.8 percent were American Indian, Alaskan Native, Native Hawaiian or Other Pacific Islander. Additionally, only 19.7 percent of loans went to female owned businesses.

When analyzing PPP loans under \$150,000, different key industries emerge. Other services has the most loans awarded of any sector, however it has only the third most funding. This is because, among loans less than \$150,000, other services had the second lowest average loan size of any sector, with only transportation and warehousing having a lower average loan amount. Professional, scientific, and technical services received the most money from loans under \$150,000 and the most money of any sector in PPP loans across size categories.

The demographic breakdown of recipients of loans that are below \$150,000 is slightly more equitable than what is observed in the category above \$150,000. Among these smaller loans, 32.4 percent of recipients were White, 24.2 percent were Asian, 24.2 percent were Black, 18.0 percent were Latino and 1.3 percent were

American Indian, Alaskan Native, Native Hawaiian or Other Pacific Islander. Meanwhile the representation of female owned businesses almost doubled to 36.1 percent. Between the two loan size categories, differences in industry sectors were observed, as well as differences in the provision of loans by demography, which observed that racially/ethnically diverse and female business owners were less likely to receive PPP loans greater than \$150,000.

It appears that size of loan did not factor significantly into the date of approval, as loans under \$150,000 and those \$150,000 or over had a similar distribution of loans throughout time. The largest spike was in May of 2020, when over 83,000 PPP loans were approved. The next major period of loan approval was from February to June of 2021, when an average of 43,604 loans were being approved each month.

The most notable issue with the PPP data is the limited availability of demographic information tied to each loan, with only about a third of loans having information on the race, ethnicity and gender information of the owner of the recipient business. This limited sample size provides some insight into the distribution of loans by demographic group, however biases regarding who is not providing their information may affect these analyses and therefore mandate that caution be used when stating that the observed distribution of the sample matches that of the complete dataset for the county overall. Additionally, a date of disbursement would have been better suited to analyze how PPP funds were introduced to the Los Angeles economy; in this case the approval date had to serve as a proxy. Finally, if the data were geocoded, with latitude and longitude attached, then it would have enabled further analysis that was not able to be completed.

**Figure 47: Largest Recipients of PPP Loans Under \$150,000 by Industry**

Industry	Number of Loans under \$150,000	Funding for Loans under \$150,000
Other Services	55,471	\$1,141,754,859.61
Professional, Scientific, Technical Services	54,921	\$1,473,976,868.03
Health Care and Social Assistance	38,770	\$1,375,448,435.49
Transportation and Warehousing	32,559	\$541,197,483.9
Retail Trade	31,682	\$859,371,076.2

Source: Small Business Administration

## ***Economic Injury Disaster Loan (EIDL)***

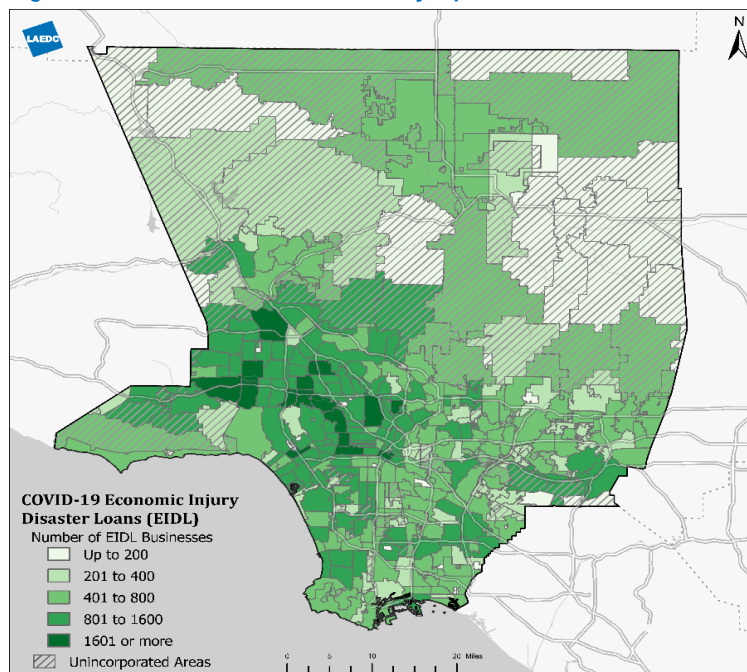
Just as with PPP loans, low-interest EIDL program loans targeted a variety of organization types including nonprofits, self-employed individuals, small agricultural cooperatives and independent contractors that suffered significant economic losses as a result of the COVID pandemic. EIDL assistance is offered only to small businesses when the SBA finds that those businesses are unable to obtain loans from other sources.<sup>18</sup> EIDL assistance provides up to \$2 million to help recipients meet their financial obligations and operating expenses (which includes rent, utility payments and health care benefits) that could have been met had the pandemic not hit.<sup>19</sup> Determination of loan amounts varies depending on the recipient's economic injury and financial needs.

<sup>18</sup> U.S Small Business Administration. (2022). *Economic Injury Disaster Loans*. <https://www.sba.gov/funding-programs/disaster-assistance/economic-injury-disaster-loans>

<sup>19</sup> *Ibid.*



**Figure 48: Distribution of EIDL Loans by Zip Code**



Loans (EIDL) on the other hand tended to be directed at geographical areas with high concentrations of these disproportionately negatively impacted groups.<sup>21</sup>

## PPP and EIDL by Racial/Ethnic Enclaves in LA County

Transforming the data on PPP and EIDL program loans from zip codes to census tracts based on the portion of the zip code geography within each census tract facilitates an analysis of the penetration of these programs into different racial and ethnic enclaves throughout the county. The table below compares the percentage of racial/ethnic enclave census tracts of a given race/ethnicity to the percentage of funds going

More than 220,000 EIDL program loans were distributed in LA County, just over half the number of PPP loans; however, the number of zip codes receiving each type of assistance was comparable. Similar to PPP, the northern unincorporated reaches of the county received the lowest number of loans. Two areas which received a high number of PPP loans also had the most EIDL program loans: one cluster was present around West Hollywood, extending into Beverly Hills, Park La Brea and Hollywood while the other stretched from that cluster to Studio City, Sherman Oaks, Encino and Woodland Hills in the southern San Fernando Valley. This pocket, shown on the map in dark green, was where more than 10 percent of all EIDL program loans in Los Angeles County were distributed.

These areas also received the highest amount of EIDL funding, with zip codes around the southern San Fernando Valley and West Hollywood being some of the only ones in the county to receive more than \$100,000,000 in EIDL funds.

While Black and Latino owned small businesses were significantly impacted by the COVID pandemic, on average geographical areas with higher concentrations of Black and Latino populations received Paycheck Protection Program (PPP) loans later on in the pandemic and in smaller amounts than other areas.<sup>20</sup> Research finds that Economic Injury Disaster

<sup>20</sup> Fairlie, R. W., & Rossen, F. (2021, January 11). *Did the \$660 Billion Paycheck Protection Program and \$220 Billion Economic Injury Disaster Loan Program Get Disbursed to Minority Communities in the Early Stages of COVID-19?* NBER. <https://www.nber.org/papers/w28321>

<sup>21</sup> Ibid.



to racial/ethnic enclaves for that race/ethnicity out of the total funds going to racial/ethnic enclave census tracts, while also looking at the percentage of qualifying small businesses within these census tracts out of the total number of qualifying small businesses within racial/ethnic enclaves.

**Figure 49: Comparison of PPP and EIDL Program Loan Distribution within Racial/Ethnic Enclaves**

**Percentage of Qualifying Small Businesses within Racial/Ethnic Enclaves and Percentage of Racial/Ethnic Enclave Census Tracts**

Percentage	Asian	Black	Latino	White
PPP Program Loans	6.85%	3.54%	38.28%	50.79%
PPP Funds	6.61%	1.96%	39.05%	51.52%
EIDL Program Loans	6.00%	3.07%	36.00%	54.38%
EIDL Funds	5.45%	1.91%	34.40%	57.71%
Percentage of Qualifying Small Businesses within Enclaves	8.78%	1.67%	41.63%	47.73%
Percentage of Enclave Census Tracts	6.91%	2.23%	61.45%	29.20%

Source: Estimates by LAEDC

For Asian racial enclaves, which represent almost 7 percent of racial/ethnic enclaves throughout the county and close to 9 percent of qualifying small businesses, the amount of PPP and EIDL program loans and funds are slightly below 7 percent. Businesses in Asian racial enclaves received a slightly larger percentage of PPP program loans compared to EIDL; however both programs had a higher percentage of loans than percentage of funds, indicating that the average award for businesses in Asian racial enclaves was less than the average award throughout the county for both programs. A similar but more pronounced phenomenon occurred in Black racial enclaves. While these enclaves were overrepresented in the percentage of program loans for PPP and EIDL, they were underrepresented regarding the percentage of program funding going to these business communities. However, when comparing the percentage of program loans and funds going to Black racial enclaves to the percentage of qualifying small businesses in these areas, Black racial enclaves are actually overrepresented as a percentage of both loans and funds.

Even though Latino ethnic enclaves make up the majority of racial/ethnic enclaves in the county, they received closer to a third of PPP and EIDL program loans and funds. The differential, with 61.45 percent of enclave census tracts being Latino while less than 40 percent of loans and funds went to businesses in these communities, is much starker than the pattern seen in Asian and Black racial enclaves. While comparing to the percentage of qualifying small businesses, which is closer to the percentage of program loans and funds, Latino ethnic enclaves are still underrepresented in all categories. Additionally, while PPP program loan amounts in these ethnic enclaves were higher than the average for LA County, EIDL program loans were below the average loan size.

The negative differentials between representation among Asian and Latino racial/ethnic enclaves and small businesses and the percentage of program loans and funds going to these racial/ethnic enclaves are recouped by businesses in White racial enclaves. While White racial enclaves make up only 29.2 percent of racial/ethnic enclaves in the county, almost half of the qualified small businesses that are in racial/ethnic enclaves are within White racial enclaves. White racial enclaves were overrepresented in program loans and funding, as businesses within them received the majority of PPP and EIDL program loans and funds. Additionally, for both the PPP and EIDL programs, the loan amounts in White racial enclaves were higher than the average loan amount for the county overall.

## State Programs

A number of state programs were implemented during the pandemic to assist small businesses.

### ***Small Business Relief Grant Program***

California's Small Business Relief Grant Program, which was launched December 30, 2020 and closed September 30, 2021, provided grants for a variety of business types including small businesses, nonprofits and independent contractors that were negatively impacted by the COVID-19 pandemic. Eligible recipients had to be operating prior to June 1, 2019 and have annual revenues of less than \$2.5 million. Multiple Small Business Relief Grant Program rounds were made available to qualified business with around 344,000 total applications submitted.<sup>22</sup> Eligible grant awards were valued at \$5,000 - \$25,000 with a total program total of \$4 billion.<sup>23</sup>

### ***Small Business Disaster Relief Loan Guarantee Program***

California's Small Business Disaster Relief Loan Guarantee Program made loans available to eligible businesses that were negatively affected by the pandemic and who employed 1 – 750 workers. These loans are guaranteed by the California Infrastructure and Economic Development Bank with 95 percent of the loan amount covered for a maximum of \$1 million for up to 7 years.<sup>24</sup> The California Small Business Disaster Relief Loan Guarantee Program is designed to provide capital for businesses that do not qualify to receive federal funds.<sup>25</sup>

### ***Waivers and Extensions***

In addition to specific programs designed to assist businesses that were negatively impacted by the pandemic, California implemented waivers and extensions to further help affected businesses.

California issued a late payment penalty waiver for property taxes accrued during the pandemic until May 6, 2021. From March 30, 2020, to May 6, 2021, 10 percent of the tax was due along with a \$45 fee.<sup>26</sup>

Along with the state property tax waiver, employers negatively affected by the pandemic could request up to a 60-day extension from the California Employment Development Department to submit state payroll reports and/or deposit state payroll taxes.

<sup>22</sup> California Grants Portal. (2022, February 17). *California Small Business COVID-19 Relief Grant Program*.

<https://www.grants.ca.gov/grants/california-small-business-covid-19-relief-grant-program/>

<sup>23</sup> California Governor's Office of Business and Economic Development. (2021, July 29). *Office of the Small Business Advocate Announces New Funding Rounds for the California Small Business COVID-19 Relief Grant Program*.

<https://business.ca.gov/office-of-the-small-business-advocate-announces-new-funding-rounds-for-the-california-small-business-covid-19-relief-grant-program/>

<sup>24</sup> California Infrastructure and Economic Development Bank. (2022). *Disaster Relief Loan Guarantees*. California Infrastructure and Economic Development Bank. <https://ibank.ca.gov/small-business/disaster-relief/>

<sup>25</sup> Los Angeles Economic Development Corporation. (2021, June 8). *CA Disaster Relief iBank Loan Guarantee Program*. Los Angeles County Economic Development Corporation. <https://laedc.org/connectory/ca-disaster-relief-ibank-loan-guarantee-program/>

<sup>26</sup> SF report

## County Programs

Throughout the pandemic, Los Angeles County launched programs aimed at helping small businesses.

### ***County Eviction Moratorium***

Los Angeles County's COVID-19 Tenant Protections Resolution (formerly called the LA County Eviction Moratorium) was implemented on March 4, 2020. The Resolution was designed to temporarily protect residential and commercial tenants that were negatively affected by the COVID-19 pandemic in Los Angeles County so that they could recover from the negative financial impact suffered. Commercial tenants that employed 10 to 100 workers were required to provide evidence that they suffered pandemic-induced financial hardship.<sup>27</sup>

As of February 1, 2022, the Resolution no longer covers commercial tenants who are now subject to eviction due to nonpayment or partial payment of rent.<sup>28</sup> Commercial tenants with up to 9 employees will have 12 months to repay past due rent from March 2020-January 2022. Commercial tenants with 10-100 employees have six months to repay past due rent in equal installments.<sup>29</sup> The Resolution still bans enforcement of personal guarantees for rent incurred on or before January 21, 2022, for commercial tenants who employ 0 - 9 workers.<sup>30</sup>

### ***LA Regional COVID-19 Recovery Fund***<sup>31</sup>

The LA Regional COVID-19 Recovery Fund was designed by LISC LA, the County and City of Los Angeles and a partnership of institutional and corporate philanthropy organizations to provide financial relief to small businesses across the County of Los Angeles that were negatively impacted by the pandemic. The LA Regional COVID-19 Recovery Fund has allocated around \$99,635,000 in grants to over 7,000 businesses across Los Angeles County.

The Keep Our Shops on the Block: Personal Care & Retail Recovery Grant was designed to support brick-and-mortar businesses in personal care and retail sectors. The program application period started in early April 2020 and was closed in early May 2020. Eligible businesses were required to still be in operation and to be able to provide documentation of financial hardships as a result of the pandemic.<sup>32</sup> A total of 481 LA County small businesses (excluding those in the City of Los Angeles) with yearly revenues under \$1 million were each awarded \$10,000 grants for a total of over \$4.8 million in grants awarded. Furthermore, every grant recipient was provided with free technical assistance. Around 63 percent of grant recipients reported

<sup>27</sup> Bushor, A. (2021, September 29). *LA County commercial landlords can't evict tenants just yet*. The Real Deal Los Angeles. <https://therealdeal.com/la/2021/09/29/la-county-commercial-landlords-cant-evict-tenants-just-yet/>

<sup>28</sup> Los Angeles County Department of Consumer & Business Affairs. (2022). *About L.A. County's COVID-19 Tenant Protections Resolution*. <https://dcba.lacounty.gov/noevictions/>

<sup>29</sup> Ibid.

<sup>30</sup> Law Office of Snell & Wilmer. (2022, January 31). *Los Angeles County Eviction Moratorium Extended*. <https://www.swlaw.com/publications/legal-alerts/3052>

<sup>31</sup> LA Regional Covid Fund. (2022). *LA COVID 19 Relief Fund*. <https://www.lacovidfund.org/>

<sup>32</sup> Los Angeles County Department of Consumer & Business Affairs. (2021, March 31). *LA Regional COVID Fund Will Provide \$4.5 Million to Personal Care & Retail Small Businesses Through New Grant*. <https://dcba.lacounty.gov/newsroom/la-regional-covid-fund/>

having one or fewer employees. In addition, 46 percent of grant funding went to beauty salons, barbershops and nail salons.

## Barriers to Small Business Participation

A number of informational, time and resource barriers negatively impact small business participation in programs seeking to help them get through economic downturns. Small businesses are often not aware of the opportunities available to them through public programs and often do not know how to navigate the complex processes involved in participation. As these businesses are frequently focused solely on day-to-day business operations, they may not have the time or expertise needed to successfully discover and take full advantage of public programs designed to assist them.





## Review of Similar Studies

A search for existing studies calculating commercial rent debt accumulated during the COVID-19 pandemic turned up only one previous study. The first and only other known report estimating accumulated commercial rent debt was conducted by the San Francisco Budget and Legislative Analyst's Office and was submitted to the San Francisco Board of Supervisors on March 18, 2021.<sup>33</sup> This study estimated the amount of unpaid commercial rent in the City and County of San Francisco due to the COVID-19 pandemic for the period April 2020 to December 2020. In addition, on September 21, 2021, an update was submitted which included estimates for January through August 2021.

The methodology used in the San Francisco Budget and Legislative Analyst's Office's study (SF study) was similar to the approach used in this report with many of the same data limitations and resulting complications. The SF study focused on estimating commercial rent debt for all businesses in the City and County of San Francisco due to the COVID-19 pandemic and, unlike this study, did not focus on small businesses. One important difference between this study and the SF study is that this study focused on providing estimates of the additional (marginal) impact that the COVID-19 pandemic had on the accumulation of commercial rent debt above and beyond a baseline (2019). Commercial rent delinquencies and associated debt accumulation are regular features of the commercial real estate market during "normal" times. In trying to estimate commercial rent debt accumulated as a result of a shock such as the current pandemic a comparison must be made with a past baseline. The unique methodological contribution of this study is the focus on providing marginal estimates which should be the estimates of particular interest to policymakers.



<sup>33</sup> City and County of San Francisco Budget and Legislative Analyst's Office. (2021, September). *Updated estimate of unpaid commercial rent in 2021 in San Francisco due to COVID-19 pandemic and related public health orders.* <https://sfbos.org/sites/default/files/BLA.Updated%20Unpaid%20Commercial%20Rent.092121.pdf>

# Key Findings and Recommendations

This section concludes the report with a quick summary of the study's main findings.

- **There has been a significant increase in small business partial or non-payment of commercial rent as a result of the COVID pandemic and a resulting increase in commercial rent debt burdens.**

Many small businesses have been significantly negatively affected during the pandemic. This has led to a reduced ability of many small businesses to cover their rents and pay for their property mortgages.

- **Particular business types renting commercial property likely experienced heightened difficulty paying rent during the pandemic-induced downturn than other business types have.**

On average, U.S. retail and hotel business properties experienced mortgage delinquency rises that exceed other business types. Assuming that this national trend holds for the Los Angeles County region, we can conclude that retail and hotel businesses have had the most difficulty paying their rent during the pandemic with commercial rent burdens reflecting this difficulty.

- **Unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$1,852,135,618 to \$4,435,879,945 for the pandemic period April 2020-December 2021. The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$992,968,172 to \$2,336,248,393 from April 2020 to December 2021.**

- **Partial or complete non-payment by qualifying small businesses in the retail sector was relatively high compared to other business types.**

Estimates of qualifying small business commercial rent burden suggest that around 85 percent of accumulated commercial rent debt comes from the combined mixed and single use retail category (which includes restaurants and bars), although these types of properties make up only 28 percent of total commercial space in the County. Estimated marginal rent for retail (compared to 2019) totaled over 100 percent of total accumulated marginal rent debt during the April-December 2020 and 2021 pandemic period due to the fact that the corresponding marginal amounts for office and industrial space were negative, meaning that compared to 2019 accumulated office and real estate commercial rent debt was less for the pandemic period under study.

- **Compared to qualifying small businesses in Los Angeles County that occupied retail, restaurant and bar space, those businesses that occupied office and industrial space accumulated significantly lower rent debt during the pandemic than the combined retail category.**

Estimated total partial or complete non-payment by qualifying small businesses renting office or industrial space in Los Angeles County during the April 2020-December 2021 period totaled \$224,273,699 to \$563,174,844 for office and \$37,211,755 to \$76,631,653 for industrial space. The marginal effect of the COVID pandemic on unpaid commercial rental debt for qualifying small businesses in Los Angeles County renting office or industrial space during the April 2020-December 2021 period totaled (\$29,088,068) to (\$336,402) for office and (\$60,028,276) to (\$26,781,325) for industrial space.

➤ **Properties in the county that are classified as mixed use and were occupied by qualifying small businesses in 2020 are estimated to have experienced a relatively high accumulation of rental debt during the pandemic.**

Mixed use properties are buildings on parcels that are classified for use by residential, office and retail tenants. Overall, approximately 22 percent of all retail, restaurant and bar space in the county occupied by qualifying small businesses is classified as mixed use. Total estimated rent debt owed by qualifying small businesses occupying mixed use properties from April 2020 to December 2021 totaled \$941,399,904 to \$1,881,388,413 which is relatively high compared to other property types. The estimated marginal total using 2019 as the baseline year for the mixed use retail category equaled \$589,314,664 to \$1,177,745,798 or around 53-64 percent of estimated marginal total commercial rent debt owed by qualifying small businesses. This is the case although mixed use property makes up only around 6 percent of commercial real estate used by qualifying small businesses in the county.

➤ **The rent debt burden breakdown by industry closely follows industry economic performance during the pandemic.**

Businesses that were most affected by the pandemic include those that deliver services that require close personal contact. These types of businesses experienced the most significant declines in sales revenue and therefore ability to pay rent. Industries that were most negatively affected by the COVID-19 pandemic, such as clothing and clothing accessories stores, and food services and drinking places, had drops in taxable sales that were indicative of a shift in consumption patterns away from shopping in-person, eating out, and travelling.

➤ **The performance of programs aimed at helping businesses during the pandemic has been mixed**

- Federal, state and county programs have been implemented during the pandemic to provide financial aid to small businesses.
- Data suggests that federal financial assistance throughout the pandemic has been relatively unequal in Los Angeles County.

➤ **Partial or non-payment of commercial rent negative affects landlords' bottom lines.**

Commercial property landlords who experience partial or non-payment of rents will find it more difficult to pay mortgages, maintain and upgrade their property and pay property taxes. On average, landlords with smaller, less diversified portfolios and smaller market capitalization will find it more difficult to adjust to the impact of rent delinquencies. Many of these landlords may be individuals for whom rent is a primary source of income.

## Recommendations

### ***General Policy Recommendations:***

- 1. When using estimates of accumulated commercial rent debt to guide policy decisions and program design, policymakers should use marginal estimates instead of total estimates.**

Commercial rent debt is accumulated during “normal” economic periods that are not characterized by significant negative exogenous shocks such as the COVID-19 pandemic. Marginal estimates compare total estimated figures to a baseline period of time in order to arrive at an estimate of the *additional* effect of the exogenous shock on accumulated commercial rent debt. This approach will provide an estimate of accumulated commercial rent debt due to COVID-19 during the April 2020-December 2021 period that is above and beyond the accumulated rental debt levels that would have occurred absent the pandemic and its resulting negative economic effects.

- 2. Future programs seeking to assist small businesses that have accumulated significant commercial rent debt during economic downturns should be planned and executed with local and small business characteristics, as well as the challenges unique to small businesses, in mind.**

Small businesses are often not aware of the opportunities available to them through public programs and often do not know how to navigate the complex processes involved in participation. Small businesses are frequently focused solely on day-to-day business operations and may not have the time or expertise needed to successfully discover and take full advantage of public programs designed to assist them. The county should consider leveraging trusted community partners, such as racial/ethnic chambers of commerce and community-based organizations, to help raise awareness of programs aimed at assisting small businesses. Furthermore, providing assistance to participating small businesses throughout the application process will increase the number of small businesses that successfully participate in the program.

Small business-specific programs can be designed to reduce the informational, time and resource barriers that negatively affect small businesses. In addition, targeting programs so that they are aimed at assisting the particular types of businesses that have been identified as particularly hard-hit during economic downturns (such as retail during the COVID pandemic) has the potential to increase program effectiveness. Program design can then take specific characteristics of the negatively affected businesses into account in order to increase successful participation.

- 3. Future programs should be designed to reduce the risk of moral hazard and excessive program costs to taxpayers.**

Responsibly designed programs take into account the needs of the program recipients as well as the taxpayers. Small business assistance programs launched during periods of significant economic downturn as the result of a non-economic exogenous shock should be designed to identify businesses that have been most negatively impacted by the specific exogenous shock, such as the COVID-19 pandemic, and who do not have alternative means to weather the downturn. These businesses



deemed most “in-need” should be the target of financial assistance programs. Businesses that have the means to weather the economic downturn either by dipping into cash reserves or taking private loans should not be targeted by these programs. Furthermore, businesses that would have found themselves in economic distress regardless of the occurrence of the exogenous shock should not be considered eligible for assistance. Not taking this approach would lead to the creation of inefficiently large programs that excessively burden taxpayers. In addition, such a program would create significant moral hazard problems.

Moral hazard in an insurance context arises when an actor who purchases insurance faces incentives to take actions that increase the risk of creating the particular situation that is insured against because the full cost of the risk is not born by that actor. Insurance companies often attempt to re-align the incentives of those who are insured to reduce the risk of moral hazard. Likewise, public programs seeking to assist businesses that encounter difficulty as a result of economic downturns face moral hazard problems. As much as possible, businesses should be prohibited from purposefully taking actions that make them eligible for financial assistance when they otherwise would not be. Moral hazard issues may reduce the probability of successful rent payment during future economic downturns and may lead to inefficiently large programs that impose unnecessary costs on taxpayers. Future programs meant to assist small businesses during economic downturns should be designed to reduce the probability of moral hazard. One way this could be accomplished in the context of accumulated commercial rent burdens during economic downturns is to require that a qualifying business show documentation of its inability to pay back past due rent as a direct result of the exogenous shock. In addition, future repayment of loans once economic conditions improve should be a feature of these programs.

#### **4. Consider programs that target commercial property owners instead of renters.**

An alternative to programs aiming to assist affected businesses that have fallen behind on their rents would be to target the property owners who have not received owed rent during the period in question. This would ensure that funds directly flow to the entity that has been specifically negatively affected by commercial rent partial or non-payment. In addition, this approach would reduce the administrative costs necessary to ensure that funds specifically meant to address commercial rent debt in fact are used to address the issue instead of being used for other purposes. However, this approach would result in added administrative costs that may arise from applications and documentation that must be filled out by both the property owner and renter. Documentation filled out by the renter would still be required to ensure that the business did not have other financial means available to pay rent during the period and were in fact unable to pay rent as a direct result of the economic shock in question.

### ***Specific Recommendations:***

**The study’s findings suggest that county programs designed to address the commercial rent debt accumulated by qualifying small businesses as a result of the COVID-19 pandemic should focus on qualifying small businesses renting retail space, particularly retail space classified as mixed use.**

Estimates of qualifying small business commercial rent burden suggest that around 85 percent of total accumulated commercial rent debt comes from the combined mixed and single use retail category (which includes restaurants and bars) although these types of properties make up only 28 percent of total

commercial space in the county. Furthermore, estimated marginal rent for retail (compared to 2019) totaled over 100 percent of total accumulated marginal rent debt during the April-December 2020 and 2021 pandemic period due to the fact that the corresponding marginal amounts for office and industrial space were negative, meaning that compared to 2019 accumulated office and real estate commercial rent debt was less for the pandemic period under study.

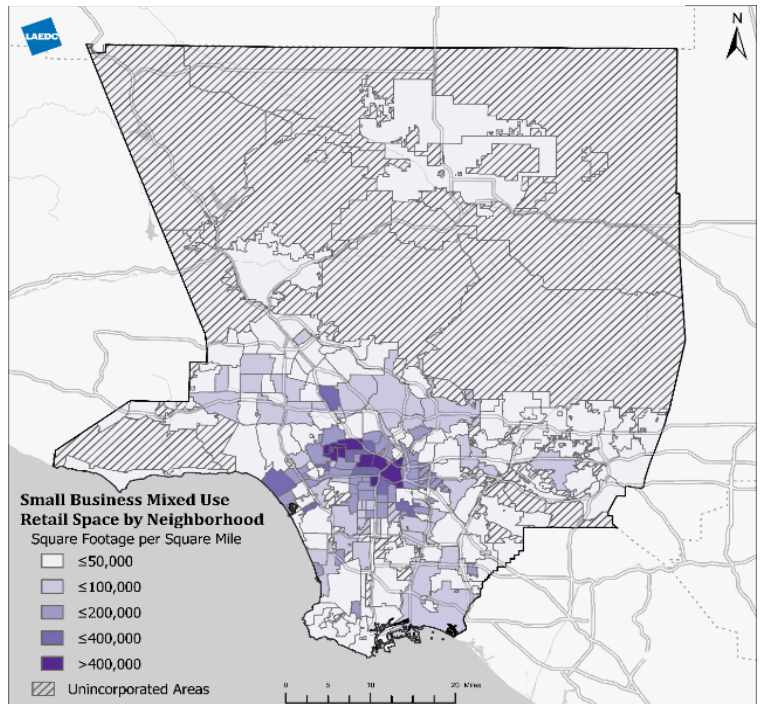
Overall, approximately 22 percent of all retail, restaurant and bar space in the county occupied by qualifying small businesses is classified as mixed use. Estimated accumulated marginal rent debt using 2019 as the baseline year for the mixed use retail category equaled around 53-64 percent of estimated marginal total commercial rent debt owed by all qualifying small businesses. This is the case although mixed use property makes up only around 6 percent of commercial real estate used by qualifying small businesses in the county. Targeting mixed retail renters that have accumulated rent debt during the pandemic should be considered a priority for any potential program designed to address commercial rent debt accumulated by small businesses.

**Any potential programs designed to address accumulated rent debt accrued by qualifying small businesses as a result of the pandemic should consider the geographical characteristics of targeted qualifying small businesses.**

Businesses occupying retail property, particularly mixed use retail property, have been identified by this report as a qualifying small businesses segment that has been disproportionately negatively impacted by the COVID-19 pandemic and has accumulated a significant amount of commercial rent debt as a result. A high-impact approach to identifying qualifying small businesses targeted for assistance would be to identify pockets of concentration in the county where these businesses reside.

The areas with a high prevalence of mixed use retail real estate space run principally along a corridor from West Hollywood to Downtown. Other neighborhoods in this area include Koreatown, Westlake, University Park, Chinatown, Hollywood, Fairfax and Beverly Grove. Additionally, both the heat map of small businesses and the identified small business clusters emphasize these areas of the county as especially dense with small businesses.

**Figure 50: Density of Small Business Mixed Use Retail Space by Neighborhood**



Given the debt burden observed among mixed use retail tenants and the high density of businesses, these areas likely have a large pool of businesses who would be eager to receive rent debt relief. The eastern half of this area has a mix of Asian but mostly Latino racial/ethnic enclaves. As a result, any rent debt relief program outreach should be undertaken with consideration of non-English speakers.

Trusted community partners active in these identified areas should be leveraged to maximize the impact of any future program. A list of some potential partners working in areas with a high prevalence of mixed use retail is included in Appendix D.







# Appendix

## Appendix A: Mapping Appendix

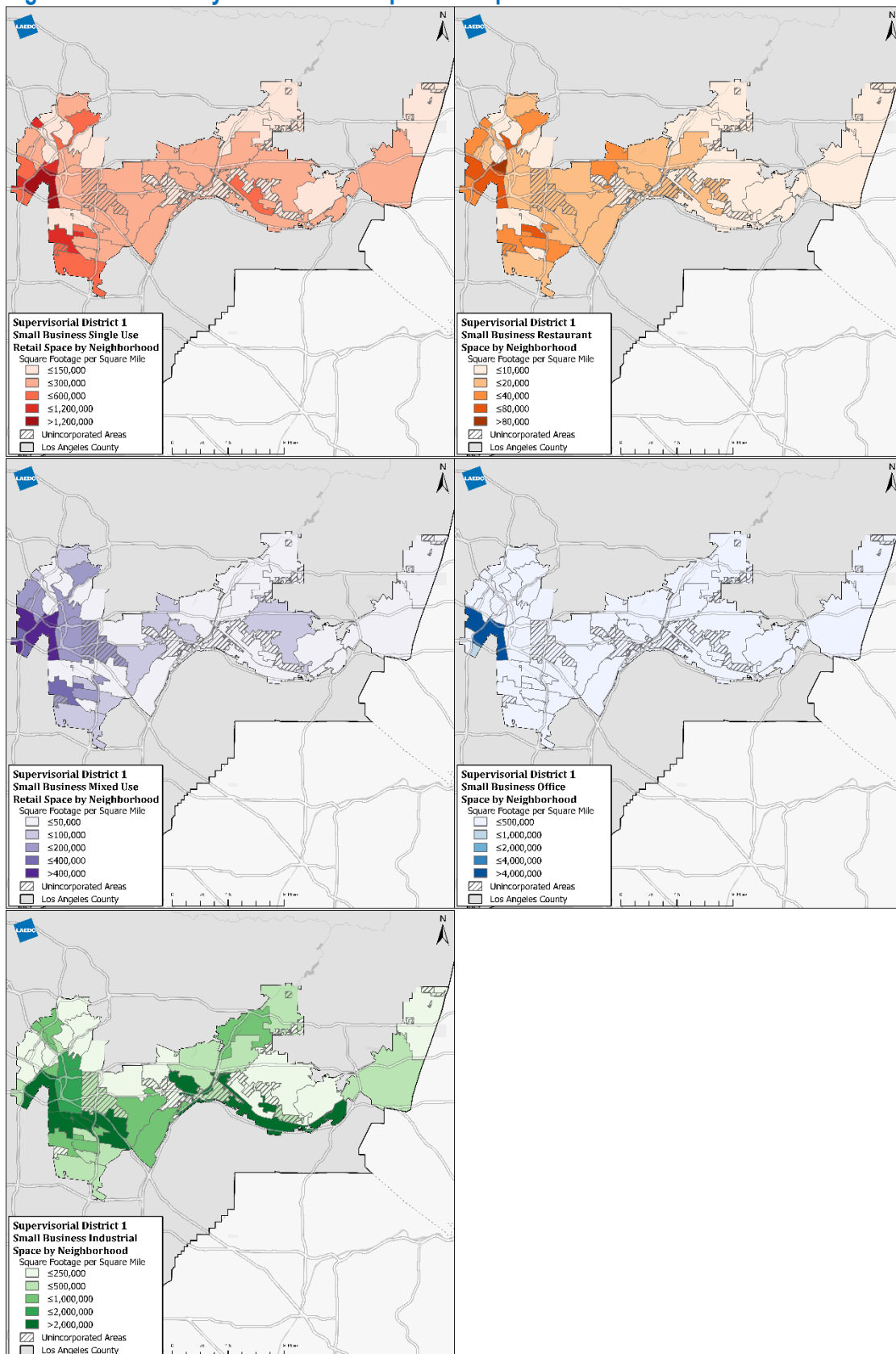
### ***Distribution of Real Estate Maps by Supervisorial District***

Maps are presented for each supervisorial district, with the maps following this order from left to right and top to bottom, with the color scheme alongside the real estate type:

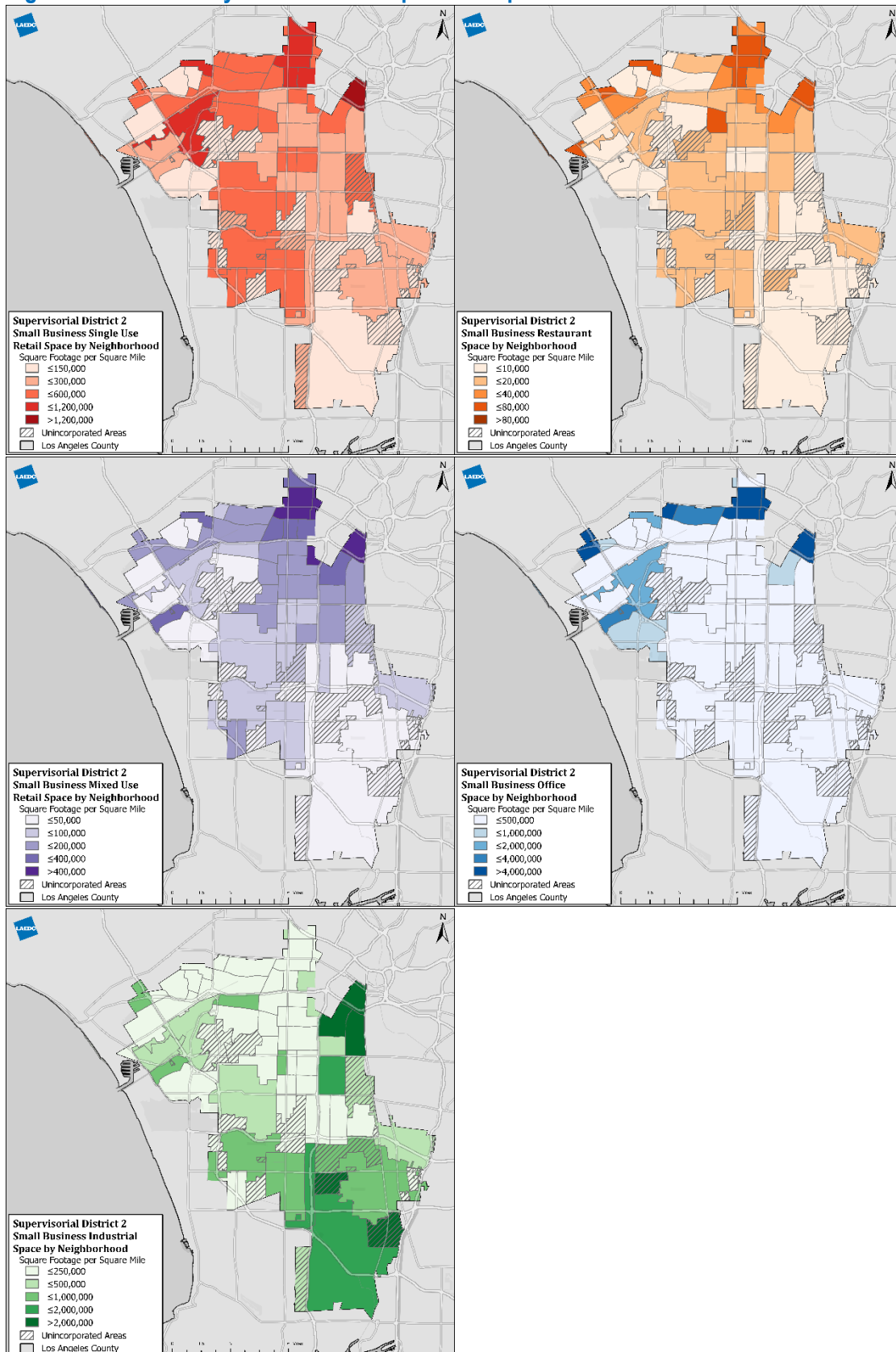
1. Single use retail (reds)
2. Restaurant (oranges)
3. Mixed use retail (purples)
4. Office (blues)
5. Industrial (greens)

The maps display the square footage of a given real estate type by square mile for each neighborhood within a supervisorial district, which helps to understand the prevalence of certain real estate types at recognizable sub-supervisorial district geographies.

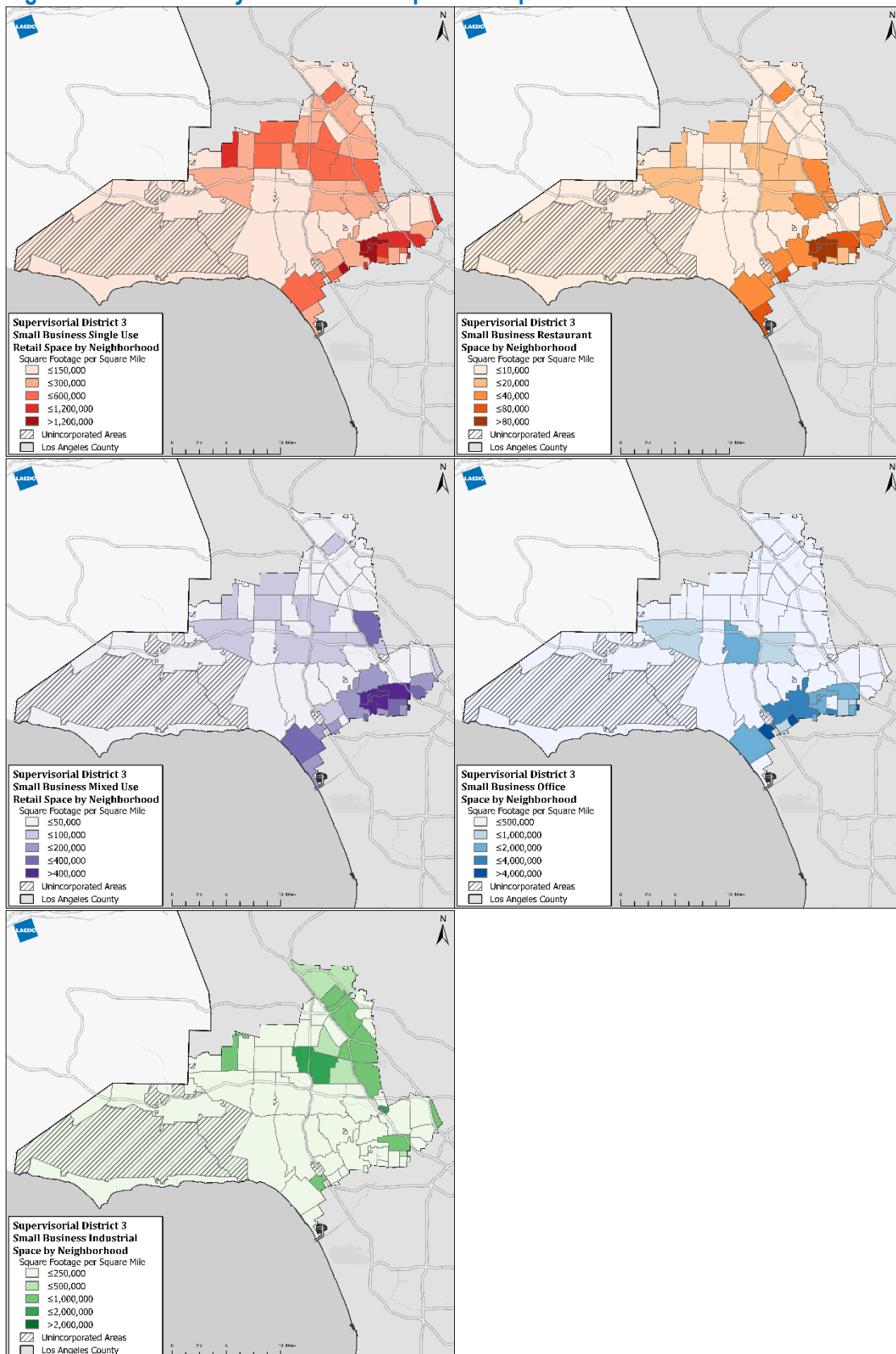
Figures A1-5: Density of Real Estate Space in Supervisorial District 1



Figures A6-10: Density of Real Estate Space in Supervisorial District 2

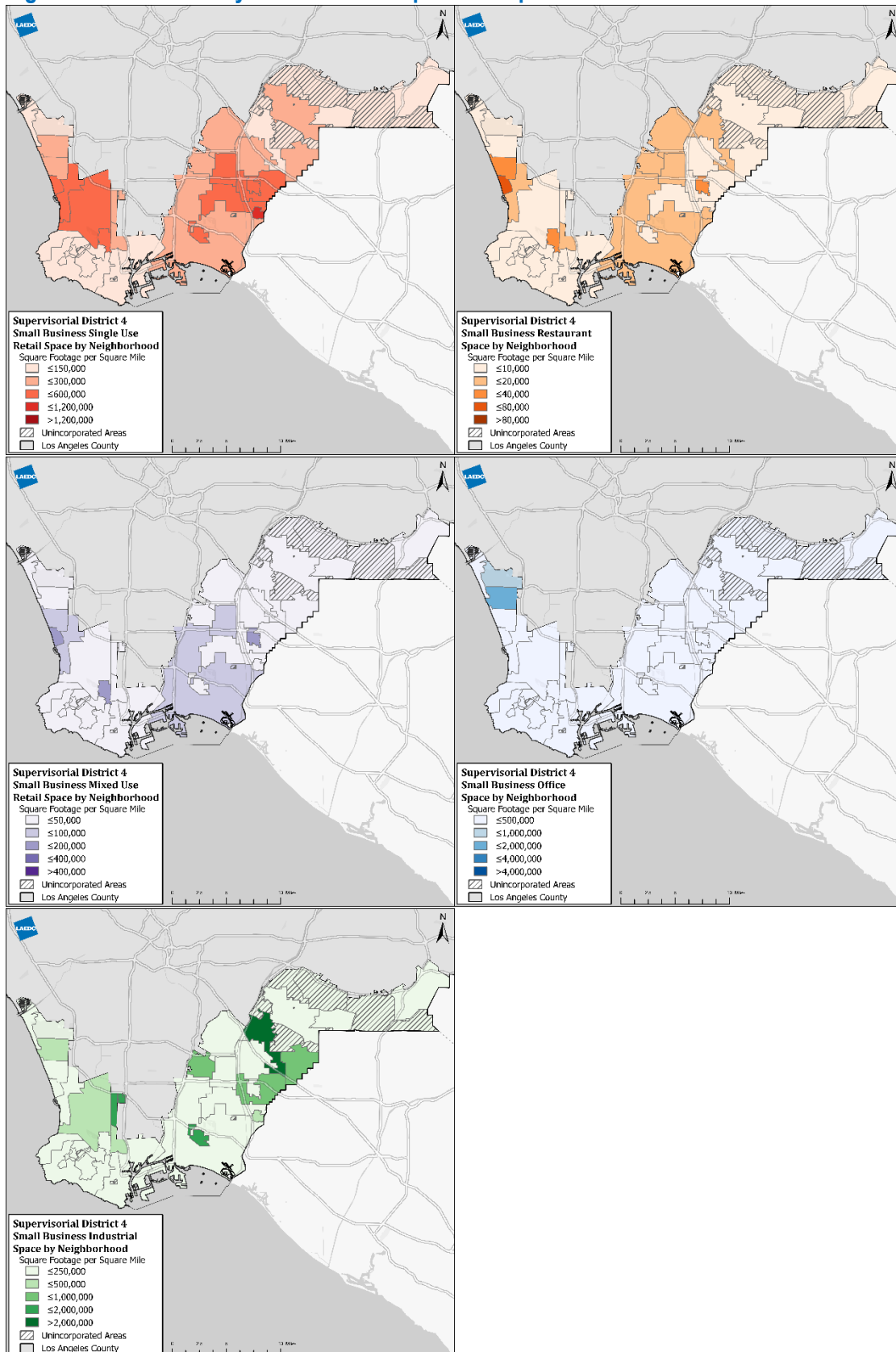


Figures A11-15: Density of Real Estate Space in Supervisorial District 3

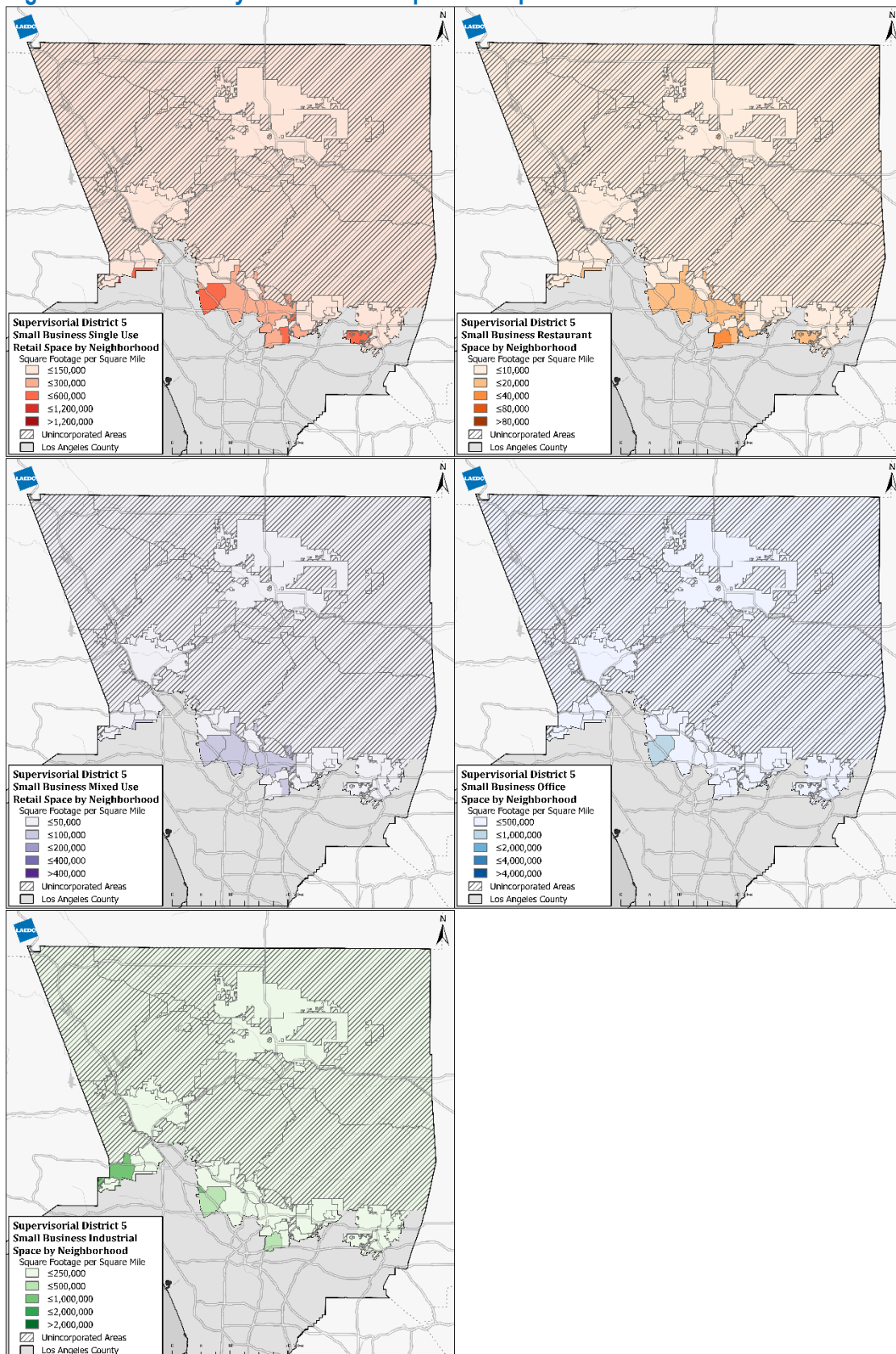




Figures A16-20: Density of Real Estate Space in Supervisorial District 4

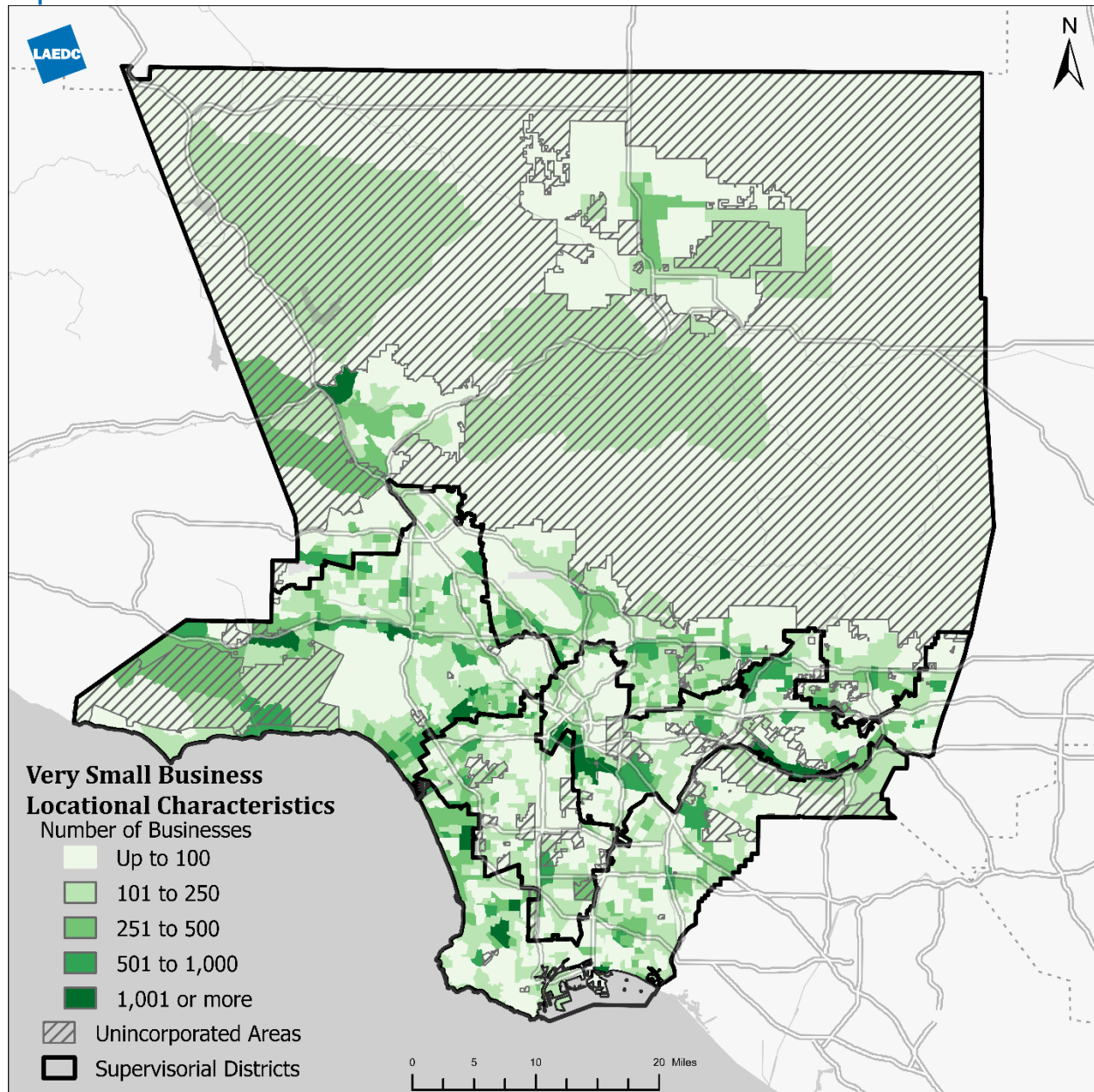


Figures A21-25: Density of Real Estate Space in Supervisorial District 5



## *Distribution of Qualified Small Business Tenants*

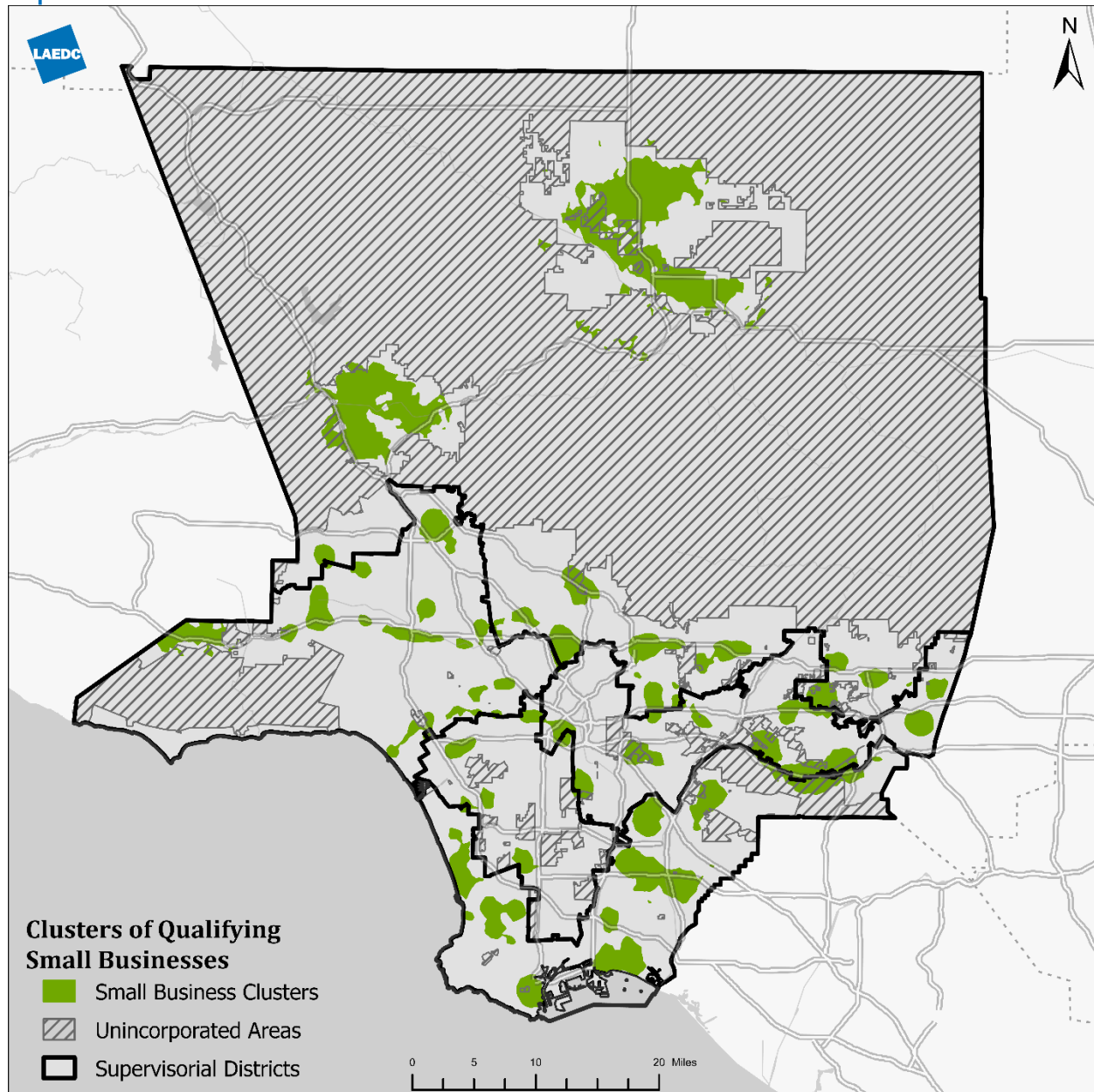
**Figure A26: Distribution of Qualified Small Businesses with Unincorporated Areas and Supervisorial Districts**





## *Clusters of Qualifying Small Businesses*

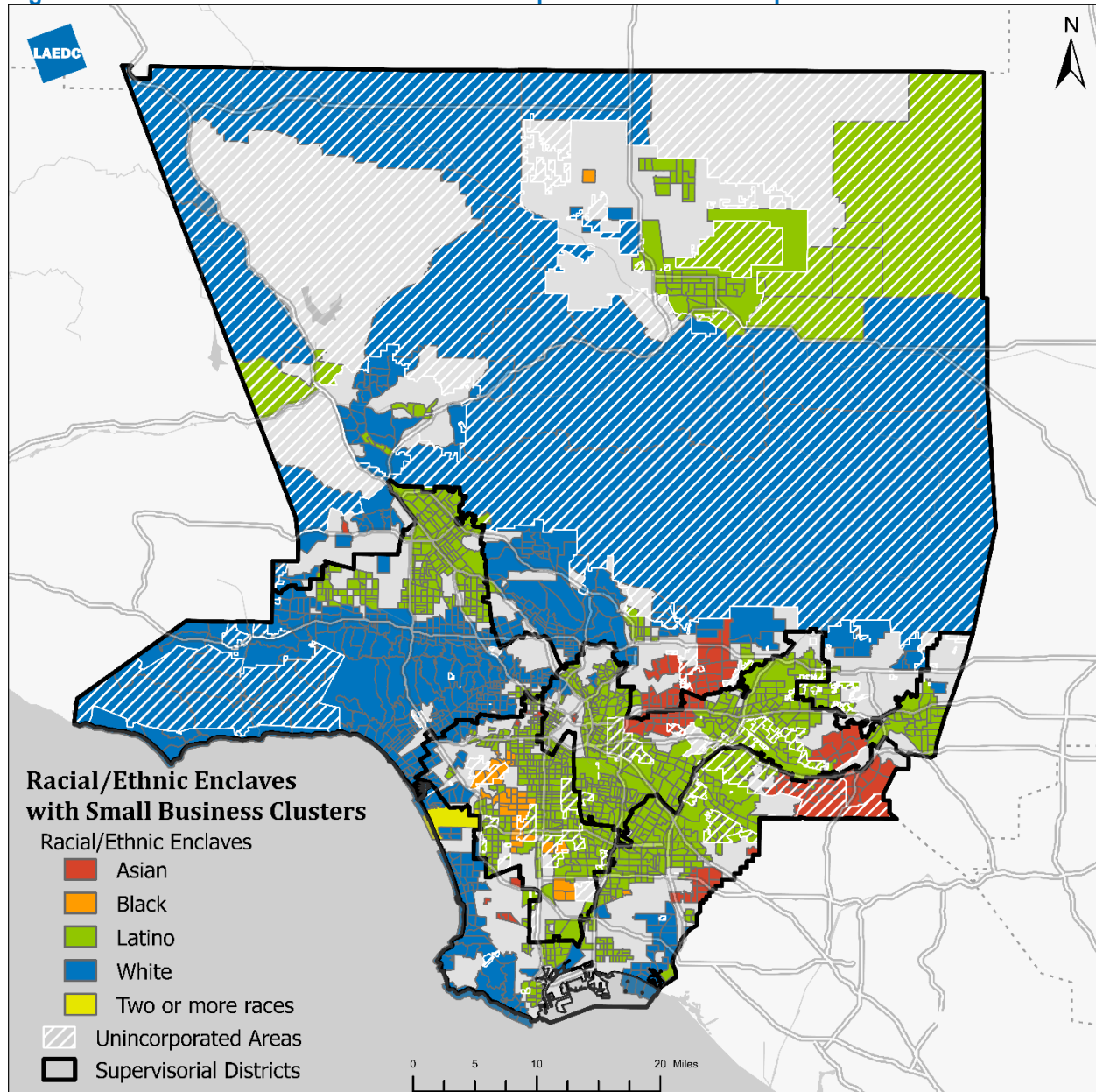
**Figure A27: Distribution of Clusters of Qualified Small Businesses with Unincorporated Areas and Supervisorial Districts**





## *Racial/Ethnic Enclaves in Los Angeles County*

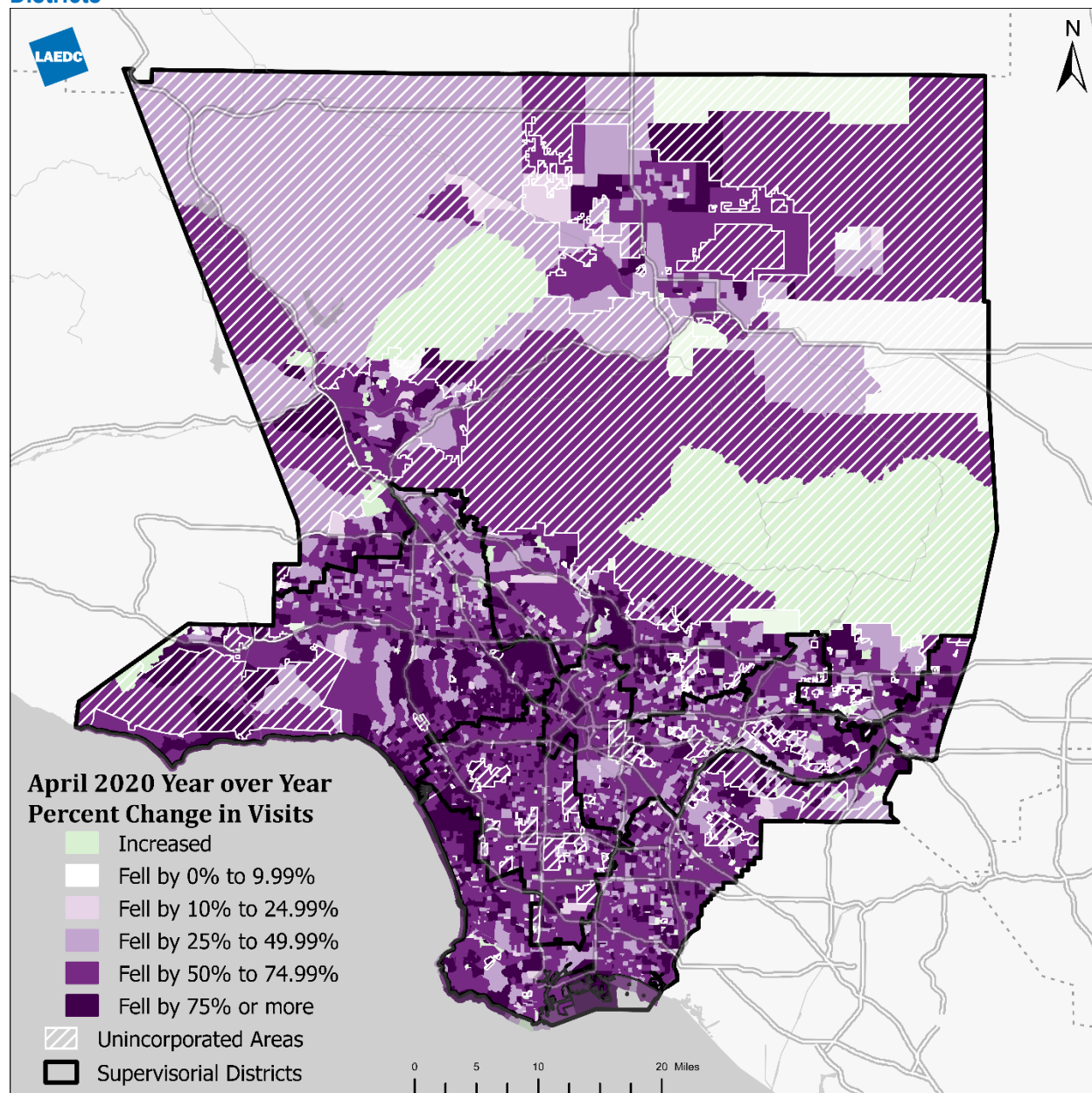
Figure A28: Racial/Ethnic Enclaves with Unincorporated Areas and Supervisorial Districts



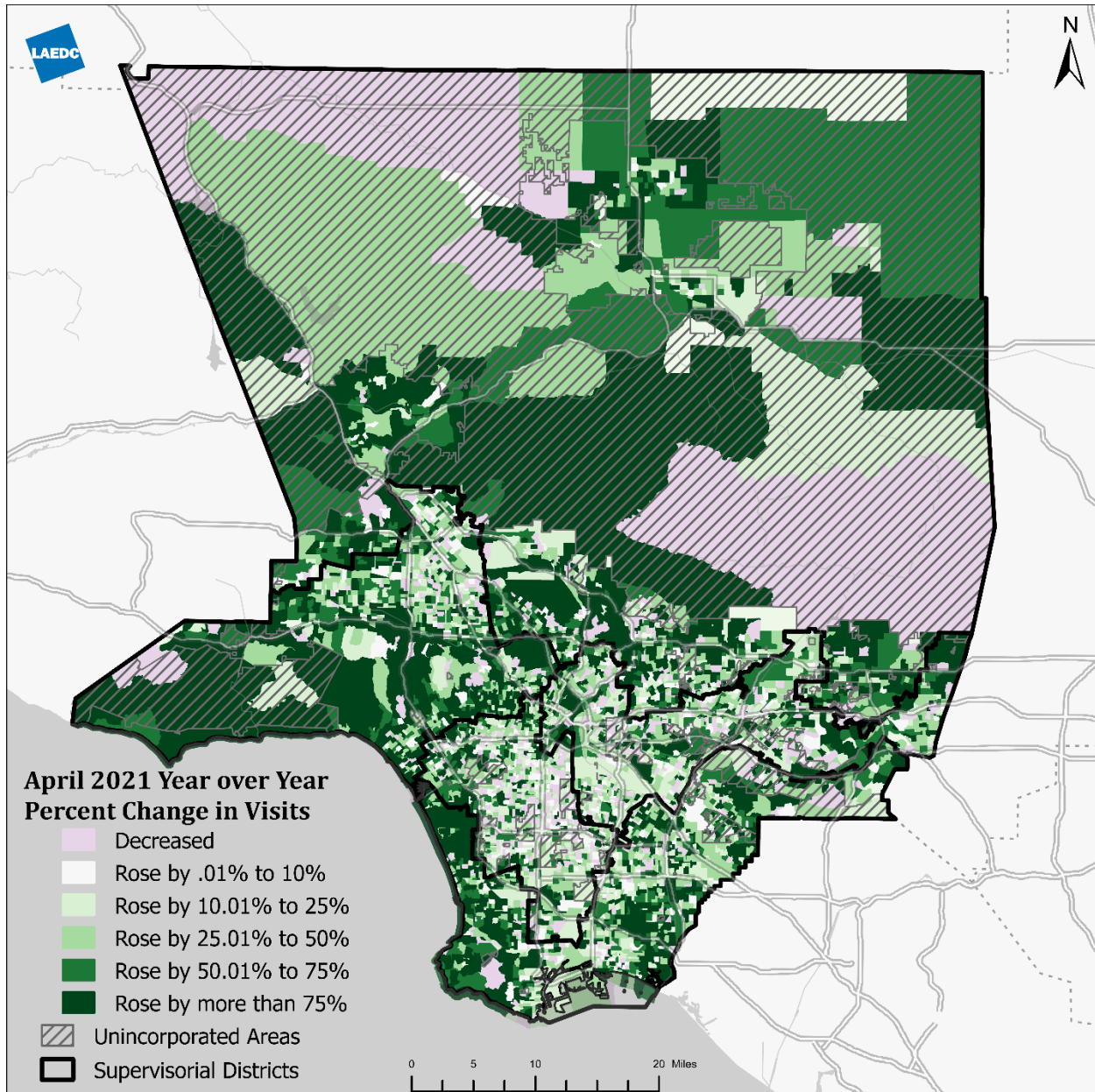
## *Changes in Business Activity*

The maps in this section show the percentage change in visits to businesses within census block groups from April 2019 to April 2020, illustrating the initial impact of COVID-19 restrictions, and April 2020 to April 2021, displaying how areas recovered from the worst impacts of the pandemic.

**Figure A29: 2019 to 2020 Change in Foot Traffic with Unincorporated Areas and Supervisorial Districts**



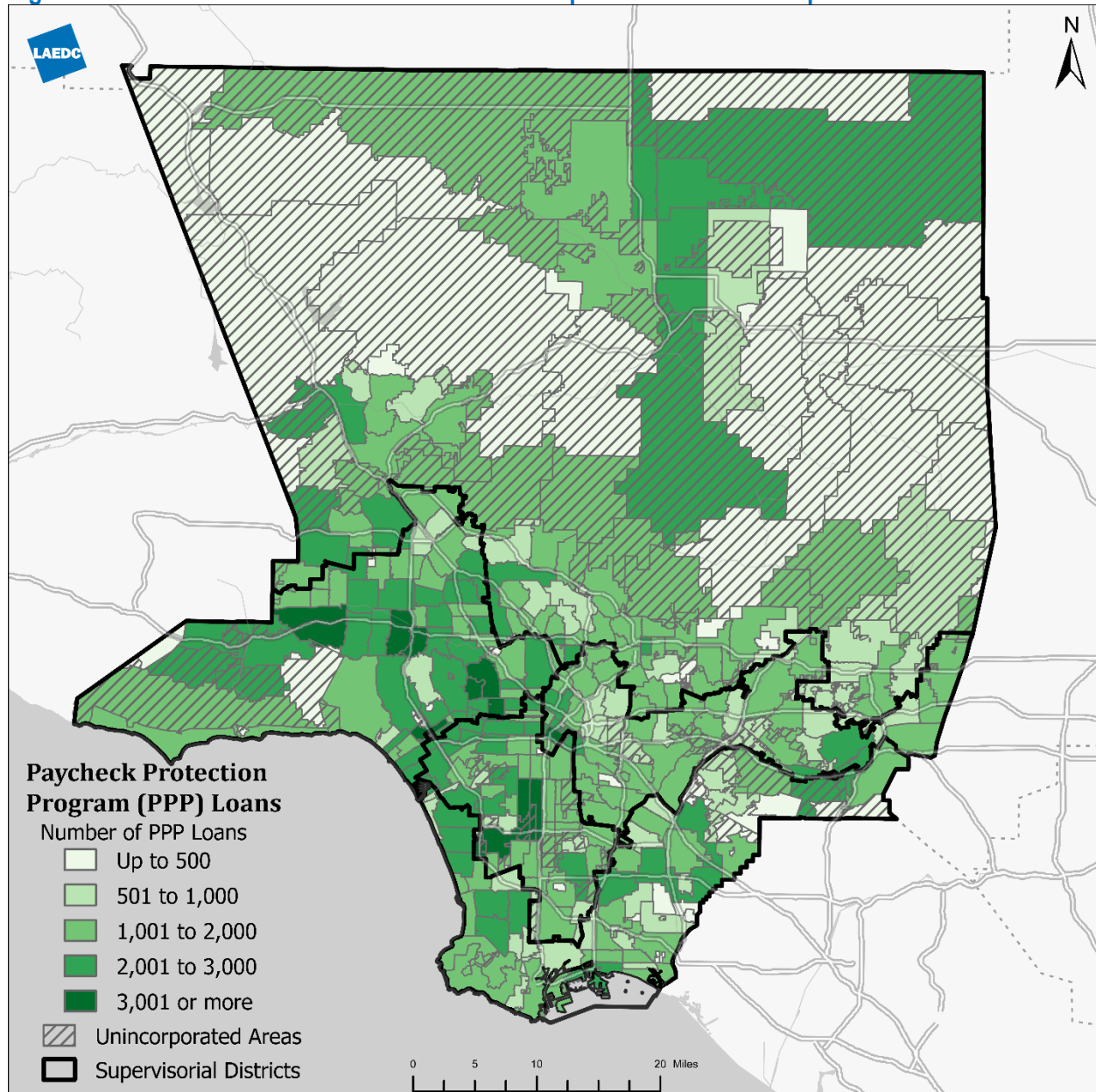
**Figure A30: 2020 to 2021 Change in Foot Traffic with Unincorporated Areas and Supervisorial Districts**





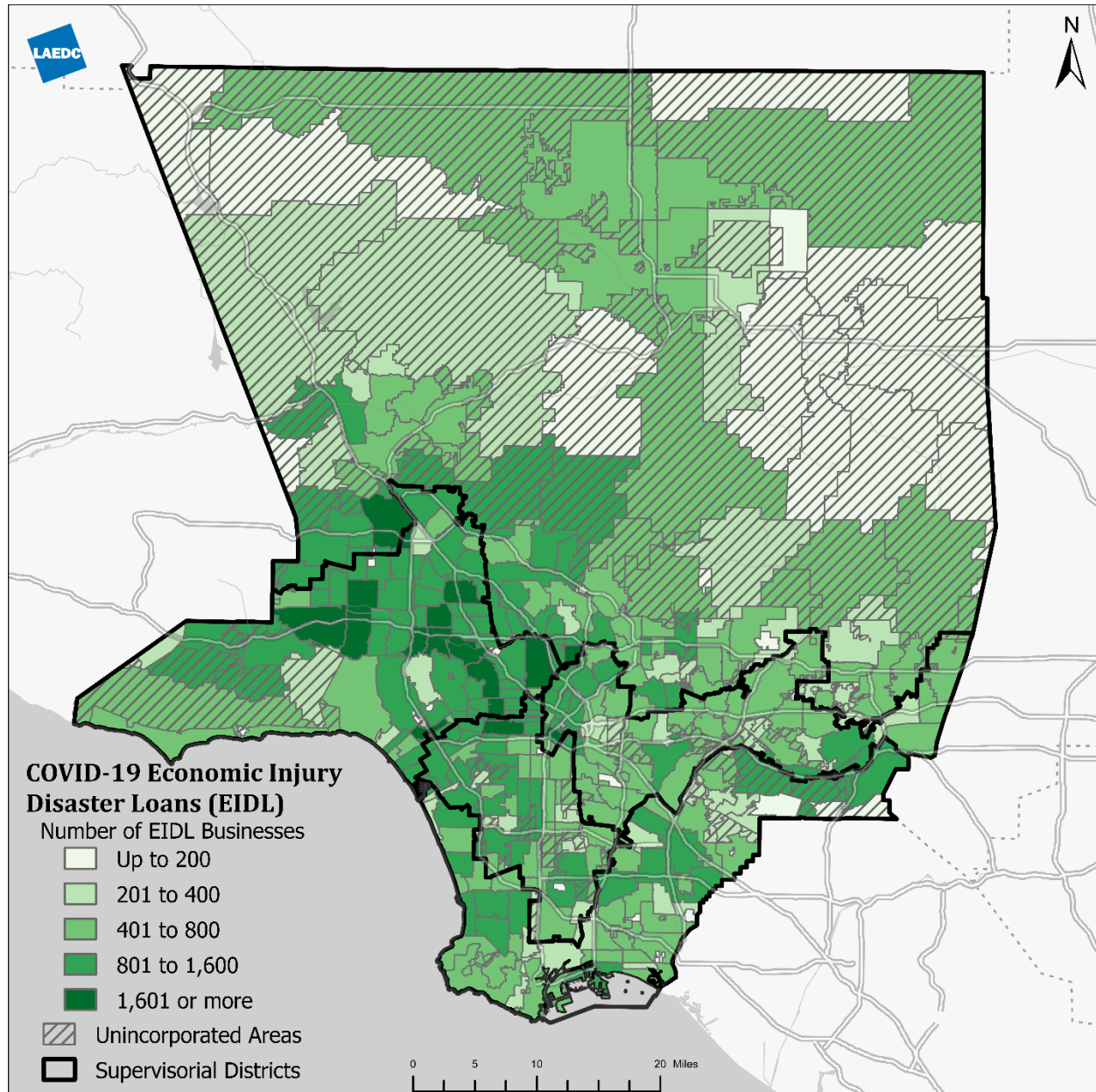
## *Distribution of Federal Program Recipients*

**Figure A31: Distribution of PPP Loans with Unincorporated Areas and Supervisorial Districts**





**Figure A32: Distribution of EIDL Program Loans with Unincorporated Areas and Supervisorial Districts**



## Appendix B: Estimation Methodology

### *Square Footage Calculation Methodology*

- **Datasets used**
  - LARIAC Building Outlines Data (1992-2020 compiled dataset) [**Buildings**]
  - December Parcels data from LA County Assessor's Office [**Parcels**]
  - Universe of Qualifying Small Business Tenants from DataAxle [**Small Businesses**]
- **Filtering datasets**
  - Firstly, the Parcels dataset was filtered down using the use code attribute to only those records that fit into the five categories of the analysis (below) using the "PROPERTY USE AND BUILDING DESIGN TYPE CLASSIFICATIONS" sections of the Assessor's Real Property Handbook (effective 11/2/18) [**Analysis Categories**]
    - Retail, single-use
    - Retail, mixed-use
    - Office
    - Industrial
  - Some classifications, which did not fit into the Analysis Categories were removed from the dataset, namely
    - Parcels that were not commercially or industrially zoned:
      - Where the first digit of the use code was: 0, 4, 5, 6, 7, or 8
    - Parcels of a property type not included in the analysis:
      - Parking lots: use codes beginning with 27 or 38
        - This was because parking lots would not be rented at the same rate as other commercial or industrial owned space and would drastically increase estimates of square footage despite having a much lower cost basis
      - Hotel and motels: use codes starting with 18
        - This was because prior analyses of commercial rent burden do not include this in the Analysis Categories, as the ownership structure diverges from most commercial space.
      - "Open" commercial space: use codes starting with 10 or 20
        - This was because it was understood that being not classified as a retail or office use code as laid out within the other categories, that it would not fit into the Analysis Categories of commercial space, so that it did not belong in the estimate of the square footage of these categories
    - Next, parcels with identical geographies were addressed using the following assumptions
      - These instances needed to be addressed because the Building dataset is to be spatially joined with the Parcels dataset to give each Building a use code to be used

to estimate square footage in each Analysis Category based on the parcel that sat underneath it.

- Multiple use codes in one geography jeopardized the consistency of the methodology, as it would be uncertain which of the Parcels use codes was joined to the Building data, so examples where there were conflicting use codes in the same geography had to be addressed.
    - The parcel dataset included 142 instances of parcels with geographies identical to another parcel but with a different use code
    - Additionally, there were 7,606 instances of parcels with geographies identical to another parcel and with the same use code
  - If two parcels with identical geographies will ultimately be classified into the same Analysis Category the same, do not change dataset
    - If the two parcels will be classified the same, except one is vacant, remove the vacant parcel geography
  - If they will be classified differently, put into a mixed-use category
    - More details on how use codes from the Assessor's Parcels dataset is included later in the appendix.
    - If more office than retail use codes among parcels within that geography, put into a mixed-use office use code
    - If more retail than office use codes among parcels within that geography, put into a mixed-use retail use code
    - There is no industrial mixed-use, so even if industrial is more present, default to the second most present and make it mixed-use either retail or office.
      - 173 code was created within data for office and industrial
      - Note that mixed-use office was not broken out from single-use office in the final analysis, as they were combined into the total office category
  - If there are multiple story values (via fourth digit of use code) among the parcels with identical geographies, keep highest number of recorded stories for parcel
  - Keep condominium classification on if majority are condominium
    - If even split (both number of parcel geographies and square footage attributes are identical), remove condominium classification
  - Next, Buildings dataset was filtered according to which buildings had centroids within the remaining parcels
    - The polygon layer was converted to a point layer using the Feature to Point tool, with no options selected so the calculated point was the true centroid of the building outline
    - A new dataset was created from only Building points that were within a parcel from the filtered Parcel dataset
- **Merging datasets**

- Once both datasets were filtered, the Spatial Join tool was used to join each building to the parcel data underneath it
  - A full join was performed, with a one-to-one join so that buildings were not double counted in the summing of square footage
- This merged dataset was exported from ArcGIS into Microsoft Excel for classification.
- Estimating number of stories per building
  - Two pieces of information were used to determine the number of stories for a building:
    - The fourth digit of the use code, when it referred to the number of stories that a building has (which is true for all use codes other than those beginning with 25 and those ending with a letter) as recorded in the Parcels dataset.
    - The height of the building, as recorded in the Buildings dataset. This height represents the highest point on the building as observed from aerial imagery.
  - The first step was to identify the buildings for which the number of stories was stored in the Parcels dataset:
    - Those with a use code ending in 0 – 1 story
    - Those with a use code ending in 2 – 2 stories
    - Those with a use code ending in 3 – 3 stories
    - Those with a use code ending in 4 – 4 stories
    - Those with a use code ending in 5 – 5 stories
    - As no assumptions were needed for these values, they were the default way to assign number of stories
  - Among those that did not have their number of stories recorded in their use codes, the height variable from Buildings was used
    - To calculate the approximate height per story, the multi-story buildings (2 stories through 5 stories) for which the height and number of stories were known were analyzed to find the average height of one story of a multi-story building
      - That value was 13.04673695 feet per story
    - From the remaining buildings, for those with a height value, the height value was divided by the average height of one story of a multi-story building to find the number of stories.
      - Among buildings where this calculation was 0 (observed height was less than half of the average height of a multi-story building), the number of stories was assumed to be 1.
  - Among those that did not have their number of stories recorded in their use codes and did not have a height value stored in the Buildings dataset (those from the sources Glendale: LARIAC2, Glendale: Merrick & Co, LARIAC 2006 4-in, and Pasadena) an assumption had to be made.
    - There were four interventions among these buildings:
      - If use code ended in 6, indicating that the building was from 6 through 13 stories – assume 6 stories
      - If use code ended in 7, indicating that the building was from 14 through 20 stories – assume 14 stories



- If use code ended in 8, indicating that the building had 21 or more stories – assume 21 stories
  - If use code ended in a letter or 1, assume 1 story
- The low-end assumption was employed among these buildings because the highest range did not have an upper bound and it was the only assumption that could be applied across the board for this subsection of the buildings
- **Calculating square footage for Analysis Categories**
  - Square footage was found for each building by multiplying the number of stories (as calculated above) by the area as recorded in the Buildings dataset.
  - Analysis Categories were determined by four criteria variables
    - Criteria
      - Category - Retail/Office/Industrial
        - Classified using diagrams in the bottom of this methodology
      - Usage – Single/Mixed-use
        - Classified using diagrams in the bottom of this methodology
      - Vacancy – Vacant/Non-vacant
        - If fourth digit of use code was V or X, vacant, otherwise, non-vacant
      - Ownership – Rented/Owned
        - If fourth digit of use code was C, owned, otherwise rented
    - The criteria then were used to sum the square footage for all buildings where Category and Usage were tabulated into the Analysis Categories where buildings outlines were non-vacant and rented.
      - Other numbers were also tabulated for square footage on vacant parcels by Analysis Category and Total square footage by analysis category.
- **Determining Small Business Parcels**
  - To determine the square footage among small businesses, the dataset of Buildings needed to be filtered down to only those which are leased by businesses in the dataset of qualifying small businesses.
  - The Buildings shapefile had the Excel output, with total square footage, analysis categories, relevant geographies, and other important variables, joined to it.
  - Next, the Buildings shapefile was filtered down to only those within 50 feet of a Small Business to create the Small Business Buildings dataset. This distance captured any potential mismatch between the spatial location of building outlines and Small Business locations as determined by DataAxle, which were sometimes closer to the street than the building outline, while minimizing the inclusion of neighboring buildings without a qualifying small business in dense commercial corridors
  - The Small Business Buildings dataset was joined with the LA Times Mapping L.A. project's neighborhood boundary. Then layers were made specifically for Small Business Buildings that were zoned as Single Use Retail, Mixed Use Retail, Office, Industrial, and Restaurants, only using non-vacant and rented properties.

- Once the different layers were created, each had the total square footage and the number of establishments summed by neighborhood. Then, a separate field of square footage per square mile was produced for each category, which divided the total square footage of buildings in that category in a given neighborhood by that given neighborhood's geodesic area.

## Use Code Classification Scheme:

	1000 <sup>3</sup> COMMERCIAL	2000 <sup>3</sup> COMMERCIAL	
N/A	<del>100V VACANT LAND</del>	<del>20 (OPEN)</del>	N/A
Retail - Single	10 COMMERCIAL	200V VACANT LAND	Retail - Single
Retail - Single	3 <sup>rd</sup> Character 0 Open 1 Miscellaneous commercial 2 Artist in residence	21 RESTAURANT, COCKTAIL LOUNGE 3 <sup>rd</sup> Character 0 Restaurant, cocktail lounge, tavern 1 Fast food-walk up 2 Fast food-auto oriented	Retail - Single
Retail - Mixed	11 STORE 3 <sup>rd</sup> Character 4 <sup>th</sup> Character 1 Free standing drug store C Condominium	22 WHOLESALE AND MANUFACTURING OUTLET	Retail - Single
Retail - Single	12 STORE COMBINATION (WITH OFFICE OR RESIDENTIAL) 3 <sup>rd</sup> Character 0 Store & office combination 1 Store & residential combination	23 BANK, SAVINGS & LOAN	Retail - Single
Retail - Single	13 DEPARTMENT STORE 3 <sup>rd</sup> Character 1 Discount department store (Target, etc.) 2 Building supplies (Home Depot, etc.) 3 Home furnishings (Ethan Allen, etc.) 4 Retail-warehouse combo. (Levitz, etc.) 5 Warehouse store (Costco, etc.)	24 SERVICE SHOP RADIO & TELEVISION REPAIR REFRIGERATION SERVICE PAINT SHOP ELECTRIC REPAIR LAUNDRY	Retail - Single
Retail - Single	14 SUPERMARKET 3 <sup>rd</sup> Character 0 Supermarket - 12,000 sf or more 1 Supermarket - 6,000 sf through 11,999 sf 2 Small food store - less than 6,000 sf	25 SERVICE STATION 3 <sup>rd</sup> Character 4 <sup>th</sup> Character 0 Full service 0 No add'l services 1 Self service 1 Convenience store 2 W/ Car wash 2 Fast food 3 Card lock 3 Service bay (See note) 4 Conv. store, fast food, 5 Conv. store, service bay 6 Conv. store, fast food, & service bay Note: Card lock fuel stations are unmanned, automated fueling stations.	Retail - Single
Retail - Single	15 SHOPPING CENTER (NEIGHBORHOOD, COMMUNITY)	26 AUTO, RECREATION EQUIPMENT, CONSTRUCTION EQUIPMENT SALES & SERVICE 3 <sup>rd</sup> Character 0 Auto body repair shop 1 Used car sales 2 New car sales and service 3 Car wash only 4 Car wash only, self-service type 5 Recreation equipment sales & service (campers, motor homes & boats) 6 Farm and construction equipment sales & service 7 Auto service centers (no gasoline)	Retail - Single
Office - Single 172: Office - Mixed 173: Office - Mixed	16 SHOPPING CENTER (REGIONAL)	27 PARKING LOT (COMMERCIAL USE PROPERTY) 3 <sup>rd</sup> Character 0 Lots-patron or employee 1 Lots-commercial parking 2 Parking structures-patron or employee 3 Parking structures-commercial parking	N/A
N/A	17 OFFICE BUILDING 3 <sup>rd</sup> Character 4 <sup>th</sup> Character 1 Loft-type buildings C Condominium 2 Office and residential	28 ANIMAL KENNEL	Retail - Single
Office - Single	18 HOTEL AND MOTEL 3 <sup>rd</sup> Character 0 Hotel - under 50 rooms 1 Hotel - 50 rooms and over 2 Motel - under 50 rooms 3 Motel - 50 rooms and over 4 Motel/hotel and apartment combinations - under 50 units 5 Motel/hotel and apartment combinations - 50 units +	29 NURSERY OR GREENHOUSE	Retail - Single
	19 PROFESSIONAL BUILDING 3 <sup>rd</sup> Character 4 <sup>th</sup> Character 1 Medical dental building C Condominium 2 Veterinary hospital, clinic 3 Out patient surgery center 4 Medical lab		

## Industrial - Single

3000 <sup>4</sup> INDUSTRIAL	
300V VACANT LAND	
30 INDUSTRIAL	
3 <sup>rd</sup> Character	4 <sup>th</sup> Character
0 Open	C Condominium
1 Miscellaneous industrial	
2 Artist-in-residence	
31 LIGHT MANUFACTURING	
SMALL EQUIPMENT MANUFACTURING	
SMALL MACHINE SHOP	
INSTRUMENT MANUFACTURING	
PRINTING PLANT	
32 HEAVY MANUFACTURING	
3 <sup>rd</sup> Character	
0 None	
1 Aircraft or missile	
2 Auto assembly plant	
3 Electrical products	
4 Cold storage plant	
5 Electronic manufacturing	
6 Glass or paint & varnish plant	
7 Grain mill	
8 Metal products manufacturing	
9 Movie, television, radio industry	
Plastic products (major)	
C Port & harbor facility	
D Research & development lab	
Rubber products	
Wood, paper, or fiber plant	
Less	
33 WAREHOUSING, DISTRIBUTION, STORAGE	
3 <sup>rd</sup> Character	4 <sup>th</sup> Character
0 Warehousing, distribution, under 10,000 sf	C Condominium
1 Warehousing, distribution, 10,000 to 24,999 sf	
2 Warehousing, distribution, 25,000 to 50,000 sf	
3 Warehousing, distribution, over 50,000 sf	
4 Public storage (Bakins, Lyons)	
5 Public storage - mini warehouse	
34 FOOD PROCESSING PLANT	
3 <sup>rd</sup> Character	
0 Meat	
1 Beverage	
2 Other	
35 MOTION PICTURE, RADIO AND TELEVISION INDUSTRY	
3 <sup>rd</sup> Character	
0 Studio	
1 Transmission facility	
2 Microwave relay tower	
36 LUMBER YARD	
37 MINERAL PROCESSING	
3 <sup>rd</sup> Character	
1 Cement, rock & gravel plant	
2 Petroleum refinery, chemical plant	
38 PARKING LOT (INDUSTRIAL USE PROPERTY)	
39 OPEN STORAGE	
3 <sup>rd</sup> Character	
1 Trucking company, terminal	
2 Contractor storage yard	

## Finding Microbusiness Clusters

- Get all data on businesses with fewer than 10 employees and <\$1,000,000 in sales volume from Esri's Business Analyst Online Portal, using the DataAxle source, going by incrementally smaller geographies so that the 5000-business cap is never reached
- Then, create density-based clusters of at least 1,000 businesses
- Then aggregate points with a distance of 1,000 meters

***Accumulated Commercial Rent Debt Estimation Methodology***Basic Methodology - Commercial Rent Debt Estimates:<sup>34</sup>

<sup>34</sup> This study's basic estimation methodology closely follows a similar methodology put forth by the City and County of San Francisco Budget and Legislative Analyst's Office in: City and County of San Francisco Budget and Legislative Analyst's Office. (2021, September). *Updated estimate of unpaid commercial rent in 2021 in San Francisco due to COVID-19 pandemic*

- Calculate estimated total commercial rent owed per quarter by multiplying total occupied rented square footage (for qualifying small businesses as well as for all businesses so relative comparisons can be made) for each property type by average rent for each property category.
- Calculate total estimated rent burden by multiplying total commercial rent for each property type by specific estimates of unpaid rent at the national-level data on commercial mortgage delinquency rates. This approach assumes a direct correlation between commercial delinquency rates and partial or complete non-payment of rent. Rental payment income is likely the principal revenue source used by commercial landlords to make mortgage payments. Furthermore, mortgage delinquency rates are comparable to estimates of rental non-payment for large retail properties and small businesses surveys. In addition, this approach assumes that Los Angeles County's commercial real estate sector has comparable non-payment and delinquency characteristics to the national market. While a necessary simplifying assumption, this assumption is likely conservative due to the fact that Los Angeles County implemented stricter public health orders that reduced economic activity during the pandemic than did other parts of the country.

To calculate high end total square footage estimates by property type, LAEDC used only property zoned as non-vacant. Given input data availability limitations, square footage for LAEDC (high) estimates are considered identical for 2019-2021. Reviewing the available data for the same period from sources such as CBRE and Avison Young, LAEDC found that square footage for 2019-2021 remained relatively constant. As a result, the assumption of constant square footage for 2019-2021 for LAEDC's high estimate is not believed to significantly affect estimates. To adjust for qualifying small business square footage, estimates were created using only building outlines that were within 50 feet of identified qualifying small businesses.

Low-end Commercial Rent Burden (CRB) estimates for every property type except retail mixed use are calculated using data provided by CBRE (office and single-use retail) and Avison Young (industrial).

For the vacancy rate, average lease price, and proportion of property type leased used to arrive at the estimates, LAEDC applied the same data to both low and high CRB estimates. The only difference between low and high estimates were the square footage estimates used for each property type. Given data availability, accumulated CRB estimates were made for each quarter of 2019-2021. For average asking rates, which were obtained as monthly rates averaged over the quarter, LAEDC converted the monthly rates to quarterly rates by multiplying by 3. While total accumulated rent burdens are provided for 2020 and 2021, the marginal impact of the COVID-19 pandemic on rent burden in excess of the norm (which in this case is 2019) is the main commercial rent burden metric of interest. Even during periods of time that are not characterized by a significant economic downturn, there are businesses that are unable to pay their rents. In order to get a feel for the impact of the COVID-19 pandemic on accumulated commercial rent burden, a baseline comparison (2019 in this case due to data availability) must be used.

In order to get an estimate for total rent debt owed by small businesses as a result of the COVID-19 pandemic, first total square footage (high and low estimates) was estimated by property type. Then adjustments were made to total square footage to find occupied, leased property, rented by small businesses. Due to that lack of LA County small business-specific data on vacancy and lease rates by property type, the vacancy and average lease rates figures used hold for property occupied by all business

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*and related public health orders.*

<https://sfbos.org/sites/default/files/BLA.Updated%20Unpaid%20Commercial%20Rent.092121.pdf>



sizes (not just small businesses). Furthermore, due to data availability issues, delinquency data by property type used was national and for property used by all business types. The necessary use of these figures may introduce some potential issues that can lead to either underestimation or overestimation of the size of the CRB accumulated by small businesses.

1. Assuming national delinquency figures for all business sizes hold for small businesses may underestimate the CRB accumulated by small businesses. Small businesses are characterized as being more liquidity constrained and less capitalized than larger businesses which should, on average, reduce their ability to weather economic downturns and stay current with their rent.
2. Using overall LA lease rate data which arises from property use by businesses of all sizes may contribute to an overestimation of rent burden accumulated by small businesses. Small businesses may use property that on average commands a lower lease price than the average piece of property used by large businesses. As a result, using a higher average lease price will tend to overestimate the CRB accumulated by small businesses.
3. Using overall LA vacancy rate data which arises from property use by businesses of all sizes may contribute to an overestimation of rent burden accumulated by small businesses. It is likely that small businesses take on shorter, more flexible leases than larger businesses that would allow them to terminate leases relatively quickly and at low cost compared to larger businesses. Smaller businesses are also less likely to try and weather economic downturns while staying in rented space than larger businesses because small businesses on average have fewer financial resources to do so. As a result, occupied space by small businesses during the downturn may have declined quicker and more significantly than the average for all business sizes.

### ***Marginal Estimates:***

In order to get an estimate for the additional rent debt owed by small businesses as a result of the COVID-19 pandemic compared to a “normal” period, marginal figures were estimated. Marginal calculations involve comparing rent debt accumulated for Q2 2020 – Q4 2021 period to what would have occurred in 2019. Using 2019 as a baseline provides information on what the COVID-19 pandemic’s effect on commercial rent debt was above and beyond the most recent normal period. 2019 was selected due to data availability. High and low marginal figures were calculated by property type and for all commercial property for both all businesses and qualifying small businesses as follows:

1. Subtract Q2 -Q4 2019 total figures from Q2-Q4 2020 total figures to get the marginal impact of the pandemic on accumulated commercial rent debt in Q2-Q4 2020 using 2019 as a baseline.
2. Subtract 2019 total figures from 2021 total figures to get the marginal impact of the pandemic on accumulated commercial rent debt in 2021 using 2019 as a baseline.
3. To get the total marginal impact of the pandemic from Q2 2020 to Q4 2021, add 1 and 2 above.

Total CRB for all businesses and qualified small business-specific estimates are provided in the report to show the proportion of estimated qualified small business CRB accumulated during the period of interest compared to total estimated CRB for all businesses in the county.

***Public Data Sources:***

Quarterly retail single use low-end square foot estimates, vacancy rates and average lease prices for 2019-2021 were obtained from CBRE.

Quarterly office low-end square foot estimates, vacancy rates and average lease prices for 2019-2021 were obtained from CBRE.

Quarterly industrial low-end square foot estimates, vacancy rates and average lease prices for 2019-2021 obtained from Avison Young.

Lease vs. owned percentages for each property type were obtained from CoStar. Due to data availability, overall percentages are assumed to hold for qualifying small businesses. However, this may understate the proportion of small businesses that lease vs. own each property type. On average, small businesses are less likely to possess the financial means to purchase commercial property than larger businesses and may therefore lease space at a higher rate than the average business.

***General Assumptions:***

Missing square footage, vacancy rate and average asking rate values were calculated by either assuming that the data changed linearly between the values on either side of the data gap or assuming the same value holds as a specified quarter— see specific cells for missing data assumptions.

For small business low end estimates, the proportion of small business space as a percentage of all business space was determined from high end estimates and applied to the low-end estimates of all business space to find the small business low end estimates.

Use Trepp CMBS delinquency rates as direct proxies for rent delinquency rate assumptions.

***Office Assumptions:***

No publicly available data was found distinguishing mixed vs regular office space. In order to account for both office space types, LAEDC's estimated total office square footage combines both mixed and single-use office real estate types. This assumes office mixed and single use categories have same delinquency, vacancy, and lease rates. Given that mixed office space is only a small proportion of total combined mixed and regular office space (around 4%) any differences in characteristics between the two would not significantly affect CRB estimates from the broader office space category.

Given data limitations for 2021, LAEDC assumed that the delinquency rate that held in August 2021 which equaled 2.12% held for all 2021.

***Industrial Assumptions:***

Given data limitations for 2021, LAEDC assumed that the delinquency rate that held in August 2021 of 0.63% held for all 2021.

***Retail Assumptions:***

Data suggests that single and mixed-use real estate types differ significantly in important characteristics that determine the CRB arising from each type. Significant differences in both unpaid rent percentage and average rental rates for each retail type combined with the relatively large share of each type as a proportion of the larger retail category (80% for single-use and 20% for mixed use) led LAEDC to make separate estimations for each retail real estate type.

***Retail Single Use Assumptions:***

Given data limitations for 2021, LAEDC assumed that the delinquency rate that held in August 2021 of 10.4% held for all of 2021.

Given data limitations, LAEDC assumed that June 2019 delinquency rates hold for first half of 2019 and December 2019 delinquency rates hold for second half of 2019. The same delinquency assumptions hold for 2020.

For single use retail square foot cells shaded in gray, LAEDC used data for the “Greater Los Angeles Area” since “LA County” figures were not included in the report for those quarters. However, the figures are very similar to LA County-specific data for other quarters and there is no reason to believe that any difference was significant enough to affect the estimates.

LAEDC assumed that on average single-use retail properties tend to be larger than mixed use retail properties. Since CBRE data tends to exclude small properties (and if the assumption is correct, as a result, tends to exclude mixed use retail properties) from its data, LAEDC assumed that CBRE retail square footage figures for low estimates applied to the single use category. This decision may result in upward bias to low estimates for single use retail. Alternatively, LAEDC could have used its estimated high square footage estimates by retail property type to find the proportion of mixed and single use retail to total retail and applied the proportions to the total retail square foot estimates to get low estimates for each retail type. This would have assumed that CBRE’s retail category contained a valid representation of both retail types. However, if, as is likely, the CBRE retail figures have a significantly high representation of single use properties, then the proportional adjustment method to arrive at low estimates would have underestimated single use retail low estimates. The low-end mixed use retail estimation method is explained below.

***Retail Mixed Use Assumptions:***

Given the lack of data regarding lease rates for mixed use retail, the same lease rate that holds for single use retail is assumed to hold for mixed use retail.

Given data limitations regarding mixed use lease prices, mixed use lease prices are found by adjusting data found in a study conducted by the San Francisco Budget and Legislative Analyst’s Office submitted to the

San Francisco Board of Supervisors to conditions in Los Angeles County<sup>35</sup>. The midpoint of the lease price ranges in Exhibit 9 of the study was calculated for single and mixed-use retail:

Single Use (SU): \$60.6/yr = \$15.15 per quarter

Mixed Use (MU): \$44.9/yr = 11.23 per quarter

The ratio of MU/SU was then calculated and used to adjust LA SU average lease rates to arrive at the LA MU average lease rate. This procedure assumes that the same relative prices hold for San Francisco and LA.

#### Calculation:

$$\text{MU/SU} = \$11.23/\$15.15 = 0.74$$

Multiply SU lease prices by 0.74 to get MU lease prices – shown in Excel sheet.

A similar factor method was used for delinquency rates to arrive at the corresponding figures for mixed use retail.

#### Vacancy Rates:

Given data availability, vacancy rates for MU are assumed the same as vacancy rates for SU.

#### Square Footage:

Due to the lack of public data for mixed use square footage, MU Square footage is assumed the same for low and high estimates with only the LAEDC estimate being used.

#### Delinquency Rates:

Given the wide range of MU delinquency rates provided in Exhibits D and A4 of the study conducted by the San Francisco Budget and Legislative Analyst's Office<sup>36</sup>, lowest vs. highest points in the estimated delinquency range will be used to determine low vs. high estimates for MU commercial rent debt.

#### Q2-Q4 2020:

MU Estimated Delinquency rates (Low and High):

Calculate Range Midpoints: SU: 11.074% MU: 42%

Calculate factor: MU / SU = 3.8

Apply factor to LA SU delinquency rate: 3.8\*SU delinquency rate

Adjust the transformed midpoint to a range representing low and high delinquency rates proportional with the range that existed for the SF estimates: 28%/42% = 0.667; 56%/42% = 1.333

<sup>35</sup> City and County of San Francisco Budget and Legislative Analyst's Office. (2021, September). *Updated estimate of unpaid commercial rent in 2021 in San Francisco due to COVID-19 pandemic and related public health orders*. <https://sfbos.org/sites/default/files/BLA.Updated%20Unpaid%20Commercial%20Rent.092121.pdf>

<sup>36</sup> City and County of San Francisco Budget and Legislative Analyst's Office. (2021, September). *Updated estimate of unpaid commercial rent in 2021 in San Francisco due to COVID-19 pandemic and related public health orders*. <https://sfbos.org/sites/default/files/BLA.Updated%20Unpaid%20Commercial%20Rent.092121.pdf>



Low:  $0.667 \times (3.8 \times \text{LA SU delinquency rate})$

High:  $1.333 \times (3.8 \times \text{LA SU delinquency rate})$

2021:

MU Estimated Delinquency rates (Low and High):

Calculate Range Midpoints: SU: 7.3% MU: 31.8%

Calculate factor:  $\text{MU} / \text{SU} = 4.36$

Apply factor to LA SU delinquency rate:  $4.36 \times \text{SU delinquency rate}$

Adjust the transformed midpoint to a range representing low and high delinquency rates proportional with the range that existed for the SF estimates:  $21.2\%/31.8\% = 0.667$ ;  $42.4\%/31.8\% = 1.333$

Low:  $0.667 \times (4.36 \times \text{LA SU delinquency rate})$

High:  $1.333 \times (4.36 \times \text{LA SU delinquency rate})$

### ***Estimates by Supervisorial District and Incorporated vs. Unincorporated County Area***

For low estimates using CBRE/Avision Young square foot data, square foot estimates by supervisorial district and incorporated vs. unincorporated areas were calculated by first finding the proportion of each property type belonging to each supervisorial district as well as to incorporated/unincorporated areas using LAEDC square foot estimates. These proportions were calculated based upon whether a building outline was within an incorporated or unincorporated area and determining what supervisorial district it was within, attributes that were spatially assigned using ArcGIS Pro. These proportions were then applied to the CBRE/Avision Young low-end total square foot estimates for each property type.

### ***Distribution of Real Estate Type Across Los Angeles County Mapping Methodology***

Using parcel data from the Los Angeles County Assessor's Office and building outline data from the Los Angeles Region Imagery Acquisition Consortium (LARIAC), LAEDC was able to understand the distribution of square footage among different real estate types across the county. The parcel data, using the Assessor assigned use code for each parcel, was filtered and used to designate parcels into three different category types, retail, office, and industrial, with other property types being removed from the dataset. Then, using the use code, parcels were classified by their usage, whether they were single or mixed use, and filtered so that they weren't zoned as vacant nor owned.

Subsequently, the filtered parcel dataset was spatially joined the centroid of the building outlines, where any building within a parcel was given the category, usage, vacancy and ownership properties of the parcel on which it was located. The building outlines dataset was then analyzed to find the approximate square footage of each building based on the area of its footprint and the number of stories; where number of stories was not provided in the parcel dataset, the building height was used, with the number of stories calculated based on the average height of a story among buildings where the number of stories was

reported. With the category, usage, vacancy, and ownership attributes, final categories were developed, those being retail single use, retail mixed use, office and industrial.

Next, using the dataset of qualifying small business tenants in Los Angeles County, building outlines that a small business was within 50 feet of, to account for small differences in mapping locations between datasets, were selected as small business buildings. The amount of small business real estate space is tabulated using these small business buildings.

Then, buildings were assigned to a neighborhood, using neighborhood definitions from the LA Times Mapping L.A. project, and square footage by final categories was tabulated for each neighborhood for each type. Finally, the square footage of each final category was divided by the square mileage of each neighborhood to understand the density of each real estate type in each neighborhood; otherwise, differences in neighborhood square mileage accounted for many of the phenomena shown in the maps of distribution. This density provides key information on the neighborhoods where a certain real estate category is especially common and may make up a large portion of the business community in that neighborhood. If a given neighborhood has a high presence of a real estate type that accumulated more debt, it indicates that the COVID-19 pandemic may have had a larger impact on the rent burden of the area due to make-up of the business community in that neighborhood. The distribution of square footage per square mile for each neighborhood for each final category is displayed in this section, visualized alongside unincorporated areas of LA County.

### ***SafeGraph Methodology***

- Gather data
  - Build two datasets of SafeGraph data using data from the 7/28/2021 backfill and non-backfill data from that day forward, one for visits and one for a count of businesses (counts) from 3/1/2019 to present, by census block group
    - These SafeGraph datasets were generated with the same collection and tabulation methodology
  - Data is collected and transformed into a Pandas pivot table, which is then exported to Excel.
  - Different date ranges are joined together using the Join function of ArcGIS or the VLOOKUP function of Excel to build the full datasets.
- To determine the census block groups that are within racial/ethnic enclaves and small business clusters, the centroid of each CBG was created. Then, if the centroid fell into one of the above geographies, that CBG was considered within that geography.
- Next, lists of CBGs within the following geographies were created:
  - Asian racial enclaves
  - Black racial enclaves
  - Latino ethnic enclaves
  - White racial enclaves
  - Not in any enclaves
  - Small business clusters
  - Not in small business clusters

- For both enclaves and clusters, each list was given an attribute to indicate what type of/whether it is in an enclave/cluster. Then, the lists were remerged to have a full list of CBGs with the enclave/cluster attribute.
- Next, these full lists had the SafeGraph visits and counts data joined to them and were exported into 4 final Excel lists:
  - SafeGraph Visits by Enclave
  - SafeGraph Counts by Enclave
  - SafeGraph Visits by Cluster
  - SafeGraph Counts by Cluster
- To find monthly estimates, SafeGraph data was transformed into months based upon if the start of the collection week was in a given month. Monthly averages were calculated to adjust for the differences between months with 4 and 5 weeks.



## Appendix C: Estimates of Commercial Rent Debt for All Businesses

This appendix provides estimates of total commercial rent debt resulting from the COVID pandemic for all businesses. Providing an estimate of total commercial rent debt will allow for a proportional evaluation of commercial rent debt accumulated by small businesses that is provided in the report. Both a high and low estimate of total rent debt for all businesses will be provided.

### ***Basic Estimation Methodology:***<sup>37</sup>

The methodology for estimating the Commercial Rent Debt Resulting from the COVID Pandemic for All Businesses is as follows:

- First, we calculated the estimated total square footage for rented occupied commercial real estate by property type.
- Next, we calculated the estimated total commercial rent owed by multiplying total occupied rented square footage by property type by average rent for each property category using high and low estimates for square footage.
- Then we calculated total estimated rent burden by multiplying total commercial rent for each property type by specific estimates of unpaid rent at the national-level data on commercial mortgage delinquency rates. This approach assumes a direct correlation between commercial delinquency rates and partial or complete non-payment of rent. Rental payment income is likely the principal revenue source used by commercial landlords to make mortgage payments. Furthermore, mortgage delinquency rates are comparable to estimates of rental non-payment for large retail properties and small businesses surveys. In addition, this approach assumes that Los Angeles County' commercial real estate sector has comparable non-payment and delinquency characteristics to the national market. While a necessary simplifying assumption, this assumption is likely conservative due to the fact that Los Angeles County implemented stricter public health orders that reduced economic activity during the pandemic than did other parts of the country.

See Appendix B for a more detailed review of the methodology used to arrive at this report's estimates.

### ***Total Commercial Rent Burden - High Estimates:***

The following tables contain information on the monthly, annual and marginal rent debt accumulated by all businesses from April 2020 to December 2021. These estimates are high because they use square footage estimates derived by LAEDC from datasets of Los Angeles County's parcels and building outlines. Additional information on the calculation of estimates can be found in Appendix B.

<sup>37</sup> The general estimation approach used in this report closely follows the method used by the San Francisco Budget and Legislative Analyst's Office which can be found at [https://sfbos.org/sites/default/files/BLA.Updated Unpaid Commercial Rent.092121.pdf](https://sfbos.org/sites/default/files/BLA.Updated%20Unpaid%20Commercial%20Rent.092121.pdf).



**Figure A33: Annual Estimate of Partial and Non-Payment of Commercial Rent**  
**All Businesses Tenants in Office, Retail, and Industrial Properties (HIGH)**

Period	Monthly Average Partial and Unpaid Rent	Total Amount Partial and Unpaid Rent
2019 (Baseline)	\$133,880,453	\$1,606,565,435
2020	\$346,716,598	\$4,160,599,171
2021	\$237,390,962	\$2,848,691,549

Source: Estimates by LAEDC

**Figure A34: Q2-Q4 Estimate of Partial and Non-Payment of Commercial Rent**  
**All Businesses Tenants in Office, Retail, and Industrial Properties (HIGH)**

Period	Monthly Average Partial and Unpaid Rent	Total Amount Partial and Unpaid Rent
2019 Q2-Q4 (Baseline)	\$130,680,329	\$1,176,122,962
2020 Q2-Q4	\$324,842,107	\$2,923,578,966
2021 Q2-Q4	\$242,150,054	\$2,179,350,482

Source: Estimates by LAEDC

**Figure A35: Marginal Estimate of Partial and Non-Payment of Commercial Rent**  
**All Businesses Tenants in Office, Retail, and Industrial Properties using 2019 as a Baseline (HIGH)**

	2019	2020 (Q2-Q4)	2021
Total Partial and Unpaid Rent	\$1,606,565,435	\$2,923,578,966	\$2,687,809,122
Marginal Partial and Unpaid Rent		\$1,747,456,004*	\$1,242,126,114
Accrued Marginal Impact of COVID-19 on Partial and Unpaid Rent		\$1,747,456,004	\$2,989,582,117

\*2020 (Q2-Q4) Marginal Estimate used 2019 (Q2-Q4) as Baseline Estimate

**Estimated total and marginal partial and unpaid rent for the 9-month Q2-Q4 2020 period was higher than for all of 2021.**

### ***Total Commercial Rent Burden - Low Estimates:***

The following tables contain information on the monthly, annual, and marginal rent debt accumulated by all businesses from April 2020 to December 2021. These estimates are low because they use square footage estimates collected from CBRE and Avison Young. Additional information on the analyzing of estimates can be found in Appendix B.

**Figure A36: Estimate of and Partial and Non-Payment of Commercial Rent**  
**All Businesses Tenants in Office, Retail, and Industrial Properties (LOW)**

Period	Monthly Average Partial and Unpaid Rent	Total Amount Partial and Unpaid Rent
2019 (Baseline)	\$54,695,116	\$656,341,397
2020	\$142,465,020	\$1,709,580,242
2021	\$99,013,738	\$1,188,164,860

Source: Estimates by LAEDC

**Figure A37: Estimate of and Partial and Non-Payment of Commercial Rent**  
**All Businesses Tenants in Office, Retail, and Industrial Properties (LOW)**

Period	Monthly Average Partial and Unpaid Rent	Total Amount Partial and Unpaid Rent
2019 Q2-Q4 (Baseline)	\$53,423,455	\$480,811,094
2020 Q2-Q4	\$133,520,175	\$1,201,681,575
2021 Q2-Q4	\$101,029,142	\$909,262,280

Source: Estimates by LAEDC

**Figure A38: Marginal Estimate of and Partial and Non-Payment of Commercial Rent**  
**All Businesses Tenants in Office, Retail, and Industrial Properties using 2019 as a Baseline (LOW)**

	2019	2020 (Q2-Q4)	2021
Total Partial and Unpaid Rent	\$656,341,397	\$1,201,681,575	\$1,107,663,301
Marginal Partial and Unpaid Rent		\$720,870,481*	\$531,823,463
Accrued Marginal Impact of COVID-19 on Partial and Unpaid Rent		\$720,870,481	\$1,252,693,944

\*2020 (Q2-Q4) Marginal Estimate used 2019 (Q2-Q4) as Baseline Estimate  
 Source: Estimates by LAEDC

Total unpaid commercial rental debt for all businesses in Los Angeles County was estimated at \$133,520,175 to \$324,842,107 per month from April to December 2020 totaling an estimated \$1,201,681,575 to \$2,923,578,966. The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for all businesses in Los Angeles County from April to December 2020 totaled an estimated \$720,870,481 to \$1,747,456,004.

Unpaid commercial rental debt for all businesses in Los Angeles County was estimated at \$99,013,738 to \$237,390,962 per month for 2021 totaling an estimated \$1,188,164,860 to \$2,848,691,549. The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for all businesses in Los Angeles County for 2021 totaled an estimated \$531,823,463 to \$1,242,126,114.

**Estimated total and marginal partial and unpaid rent for the 9-month Q2-Q4 2020 period was higher than for all of 2021.** As can be seen in Figures A35 and A38, the effect of the COVID pandemic on rent debt accumulated by all businesses in Los Angeles County was highly concentrated in the April-December 2020 period. While commercial rent debt in excess of the 2019 baseline was accumulated in 2021, there was a significant estimated drop-off.

Unpaid commercial rental debt for all businesses in Los Angeles County was estimated at \$2,389,846,435 to \$5,722,270,514 for the pandemic period April 2020 – December 2021. The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for all businesses in Los Angeles County was estimated at \$1,252,693,944 to \$2,989,582,117 from April 2020 to December 2021.

### ***Commercial Rent Burden by Property Type - High Estimates:***

The following tables contain information on the total and marginal rent debt accumulated by all businesses from April 2020 to December 2021 by property type. These estimates are high because they use square

footage estimates derived by LAEDC from datasets of Los Angeles County's parcels and building outlines. Property types were determined based on use code of building outlines, as classified by the Los Angeles County Assessor's Office. Property types are also broken down by geography, looking at unincorporated vs. incorporated areas and by supervisorial district. Geographies were determined by assigning the centroid of a building outline to the geography (unincorporated/incorporated or supervisorial district) within which it was located, then square footage was tabulated for each geographic area.

**Figure A39: Detailed Property Type Marginal Unpaid Rent Estimates**  
All Businesses April 2020-December 2021 (HIGH)

Property Type	2020 Q2-Q4 Marginal Partial and Unpaid Rent	2021 Marginal Partial and Unpaid Rent	Accrued Marginal Partial and Unpaid Rent
Retail, Single Use	\$904,365,295	\$636,979,899	\$1,541,345,194
Retail, Mixed Use	\$848,047,570	\$758,195,547	\$1,606,243,117
Office	\$18,476,435	(\$53,786,876)	(\$35,310,441)
Industrial	(\$23,433,297)	(\$99,262,456)	(\$122,695,753)
<b>Total</b>	<b>\$1,747,456,004</b>	<b>\$1,242,126,114</b>	<b>\$2,989,582,117</b>

Source: Estimates by LAEDC

Estimated marginal partial and unpaid rent for the 9-month Q2-Q4 2020 period was significantly higher for all property categories than for all of 2021.

**Figure A40: Detailed Property Type Unpaid Rent Estimates**  
All Businesses April 2020-December 2021 (HIGH)

Property Type	Total Rent Due (2020 Q2 – 2021 Q4)	Estimated Partial or Unpaid Rent	Proportion of Partial and Unpaid Rent to Total Rent Due	Estimated Marginal Rent Burden (Compared to 2019)
Retail, Single Use	\$19,988,683,589	\$2,462,219,772	12.3%	\$1,541,345,194
Retail, Mixed Use	\$3,700,383,821	\$2,469,771,883	66.7%	\$1,606,243,117
Office	\$30,702,456,395	\$683,646,370	2.2%	(\$35,310,441)
Industrial	\$17,404,030,561	\$156,632,489	0.90%	(\$122,695,753)
<b>Total</b>	<b>\$71,795,554,367</b>	<b>\$5,772,270,514</b>	<b>8.0%</b>	<b>\$2,989,582,117</b>

Source: Estimates by LAEDC

**Figure A41: Unpaid Rent Estimates for Incorporated vs Unincorporated Areas by Detailed Property Type**  
All Businesses April 2020-December 2021 (HIGH)

Property Type	-----Incorporated-----		-----Unincorporated-----	
	Estimated Partial or Unpaid Rent - Incorporated	Estimated Marginal Rent Burden – Incorporated (Compared to 2019)	Estimated Partial or Unpaid Rent - Unincorporated	Estimated Marginal Rent Burden – Unincorporated (Compared to 2019)
Retail, Single Use	\$2,338,612,190	\$1,463,967,068	\$123,607,581	\$77,378,126
Retail, Mixed Use	\$2,359,489,640	\$1,534,519,856	\$110,282,243	\$71,723,261
Office	\$673,905,794	(\$34,807,338)	\$9,740,576	(\$503,102)
Industrial	\$145,414,391	(\$113,908,221)	\$11,218,099	(\$8,787,532)
<b>Total</b>	<b>\$5,517,422,015</b>	<b>\$2,849,771,365</b>	<b>\$254,848,499</b>	<b>\$139,810,753</b>

Source: Estimates by LAEDC

**Figure A42: Unpaid Rent Estimates for Supervisorial Districts by Detailed Property Type**  
**All Businesses April 2020-December 2021 (HIGH)**

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	\$491,778,995	\$403,374,249	\$501,836,408	\$506,842,116	\$558,388,004
Retail, Mixed Use	\$666,231,970	\$527,051,836	\$689,606,545	\$289,385,020	\$297,496,512
Office	\$177,897,372	\$99,720,701	\$198,712,871	\$110,924,541	\$96,390,886
Industrial	\$56,147,525	\$32,152,472	\$16,457,510	\$34,752,145	\$17,122,837
<b>Total</b>	<b>\$1,392,055,861</b>	<b>\$1,062,299,258</b>	<b>\$1,406,613,334</b>	<b>\$941,903,822</b>	<b>\$969,398,239</b>

Source: Estimates by LAEDC

**Figure A43: Marginal Rent Burden Estimates for Supervisorial Districts by Detailed Property Type**  
**All Businesses April 2020-December 2021 (HIGH)**

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	\$307,852,776	\$252,511,562	\$314,148,698	\$317,282,262	\$349,549,897
Retail, Mixed Use	\$433,291,237	\$342,773,918	\$448,493,148	\$188,204,708	\$193,480,105
Office	(\$9,188,427)	(\$5,150,590)	(\$10,263,550)	(\$5,729,270)	(\$4,978,604)
Industrial	(\$43,982,336)	(\$25,186,166)	(\$12,891,748)	(\$27,222,581)	(\$13,412,922)
<b>Total</b>	<b>\$687,973,250</b>	<b>\$564,948,724</b>	<b>\$739,486,547</b>	<b>\$472,535,120</b>	<b>\$524,638,476</b>

Source: Estimates by LAEDC

### ***Commercial Rent Burden by Property Type - Low Estimates***

The following tables contain information on the total and marginal rent debt accumulated by all businesses from April 2020 to December 2021 by property type. These estimates are low because they use square footage estimates collected from CBRE and Avison Young. Property types are also broken down by geography, looking at unincorporated vs. incorporated areas and by supervisorial district.

**Figure A44: Detailed Property Type Marginal Unpaid Rent Estimates**  
**All Businesses April 2020-December 2021 (LOW)**

Property Type	2020 Q2-Q4 Marginal Partial and Unpaid Rent	2021 Marginal Partial and Unpaid Rent	Accrued Marginal Partial and Unpaid Rent
Retail, Single Use	\$295,932,767	\$208,185,606	\$504,118,373
Retail, Mixed Use	\$424,341,882	\$379,382,168	\$803,724,050
Office	\$11,568,828	(\$11,977,191)	(\$408,363)
Industrial	(\$10,972,996)	(\$43,767,120)	(\$54,740,116)
<b>Total</b>	<b>\$720,870,481</b>	<b>\$531,823,463</b>	<b>\$1,252,693,944</b>

Source: Estimates by LAEDC

**Estimated marginal partial and unpaid rent for the 9-month Q2-Q4 2020 period was significantly higher for all property categories than for all of 2021.**



**Figure A45: Detailed Property and Unpaid Rent Estimates**  
All Businesses April 2020-Dec. 2021 (LOW)

Property Type	Total Rent Due (2020 Q2 – 2021 Q4)	Estimated Partial or Unpaid Rent	Proportion of Partial and Unpaid Rent to Total Rent Due	Estimated Marginal Rent Burden (Compared to 2019)
Retail, Single Use	\$6,540,699,365	\$805,725,339	12.3%	\$504,118,373
Retail, Mixed Use	\$3,700,383,821	\$1,235,812,338	33.4%	\$803,724,050
Office	\$12,235,731,638	\$272,249,199	2.2%	(\$408,363)
Industrial	\$8,580,498,535	\$76,059,560	0.89%	(\$54,740,116)
<b>Total</b>	<b>\$31,057,313,360</b>	<b>\$2,389,846,435</b>	<b>7.7%</b>	<b>\$1,252,693,944</b>

Source: Estimates by LAEDC

**Figure A46: Unpaid Rent Estimates for Incorporated vs Unincorporated Areas**  
All Businesses in LA County April-December 2020, 2021 (LOW)

Property Type	----- Incorporated -----			----- Unincorporated -----		
	Estimated Partial or Unpaid Rent	Estimated Rent Burden (Compared to 2019)	Marginal Burden	Estimated Partial or Unpaid Rent	Estimated Rent Burden (Compared to 2019)	Marginal Burden
Retail Single Use	\$765,439,072	\$478,912,455		\$40,286,267	\$25,205,919	
Retail, Mixed Use	\$1,180,629,850	\$767,835,517		\$55,182,488	\$35,888,534	
Office	\$268,437,710	(\$402,646)		\$3,811,489	(\$5,717)	
Industrial	\$70,583,271	(\$50,798,828)		\$5,476,288	(\$3,941,288)	
<b>Total</b>	<b>\$2,285,089,904</b>	<b>\$1,195,546,498</b>		<b>\$104,756,532</b>	<b>\$57,147,447</b>	

Source: Estimates by LAEDC

**Figure A47: Unpaid Rent Estimates for Supervisorial Districts by Detailed Property Type**  
All Businesses April 2020-December 2021 (LOW)

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	\$161,145,068	\$128,916,054	\$161,145,068	\$169,202,321	\$185,316,828
Retail, Mixed Use	\$333,365,884	\$263,723,612	\$345,061,940	\$144,801,057	\$148,859,845
Office	\$70,784,792	\$40,837,380	\$78,952,268	\$43,559,872	\$38,114,888
Industrial	\$27,381,442	\$15,972,508	\$8,366,552	\$16,733,103	\$8,366,552
<b>Total</b>	<b>\$592,677,185</b>	<b>\$449,449,554</b>	<b>\$593,525,827</b>	<b>\$374,296,353</b>	<b>\$380,658,112</b>

Source: Estimates by LAEDC

**Figure A48: Marginal Rent Burden Estimates for Supervisorial Districts by Detailed Property Type**  
**All Businesses April 2020-December 2021 (LOW)**

Property Type	District 1	District 2	District 3	District 4	District 5
Retail, Single Use	\$100,823,675	\$80,658,940	\$100,823,675	\$105,864,858	\$115,947,226
Retail, Mixed Use	\$216,808,144	\$171,515,531	\$224,414,801	\$94,172,949	\$96,812,626
Office	(\$106,174)	(\$61,254)	(\$118,425)	(\$65,338)	(\$57,171)
Industrial	(\$19,706,442)	(\$11,495,424)	(\$6,021,413)	(\$12,042,826)	(\$6,021,413)
<b>Total</b>	<b>\$297,819,202</b>	<b>\$240,617,792</b>	<b>\$319,098,638</b>	<b>\$187,929,643</b>	<b>\$206,681,268</b>

Source: Estimates by LAEDC

Partial or complete non-payment by all businesses in the retail sector was relatively high compared to other business types. Estimated total partial or complete non-payment by all businesses renting single use or mixed use retail space in Los Angeles County during the April 2020-December 2021 period totaled \$2,041,537,677 to \$4,931,991,655. The marginal effect of COVID-19 on unpaid commercial rental debt for all businesses renting single use or mixed use space in Los Angeles County was estimated at \$1,307,842,423 to \$3,147,588,311.

Estimates of commercial rent burden suggest that around 85 percent of accumulated commercial rent debt during the April-December 2020 and 2021 pandemic period, comes from the combined single and mixed-use retail category (which includes restaurants and bars) although these types of properties make up only around 25 percent of total commercial space in the county. Estimated marginal rent for retail (compared to 2019) equaled over 100 percent of total accumulated marginal rent debt during the April-December 2020 and 2021 pandemic period due to the fact that the corresponding marginal amounts for office and industrial space were negative, meaning that compared to 2019 accumulated office and real estate commercial rent debt was less for the pandemic period under study.

Estimated total partial or complete non-payment by all businesses renting office or industrial space in Los Angeles County during the April 2020-December 2021 period totaled \$272,249,199 to \$683,646,370 for office and \$76,059,560 to \$156,632,489 for industrial space. The marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for all businesses in Los Angeles County renting office or industrial space during the April 2020-December 2021 period totaled (\$35,310,441) to (\$408,363) for office and (\$122,695,753) to (\$54,740,116) for industrial space.

Compared to all businesses in Los Angeles County that occupied retail space, those businesses that occupied office and industrial space accumulated significantly lower rent debt during the pandemic than the combined retail category, and negative marginal debt.

**Figure A49: Detailed Property Unpaid Rent Estimates**  
**All Businesses, April 2020-Dec. 2021 (LOW to HIGH)**

Property Type	Total Rent Due (2020 Q2 – 2021 Q4)	Estimated Partial or Unpaid Rent	Estimate Proportion of Partial/Unpaid Rent	Estimated Marginal Rent Burden (Compared to 2019)
Retail Single Use	\$6,540,699,365 to \$19,988,683,589	\$805,725,339 to \$2,462,219,772	12.3%	\$504,118,373 to \$1,541,345,194
Retail Mixed Use	\$3,700,383,821	\$1,235,812,338 to \$2,469,771,883	33.4% to 66.7%	\$803,724,050 to \$1,606,243,117
Office	\$12,235,731,638 to \$30,702,456,395	\$272,249,199 to \$683,646,370	2.2%	(\$35,310,441) to (\$408,363)
Industrial	\$8,580,498,535 to \$17,404,030,561	\$76,059,560 to \$156,632,489	0.89% to 0.90%	(\$122,695,753) to (\$54,740,116)
<b>Total</b>	<b>\$31,057,313,360 to \$71,795,554,367</b>	<b>\$2,389,846,435 to \$5,772,270,514</b>	<b>7.4% to 8.0%</b>	<b>\$1,252,693,944 to \$2,989,582,117</b>

Source: Estimates by LAEDC

Properties in the county that are classified as mixed use retail and were occupied by businesses from April 2020 – December 2021 are estimated to have experienced a relatively high accumulation of rental debt during the pandemic.

Mixed use properties are buildings that house both residential and commercial tenants. Overall, approximately 20 percent of all retail, restaurant, and bar space in the county is classified as mixed use. Total estimated rent debt owed by businesses occupying mixed use properties in from April 2020 to December 2021 totaled \$1,235,812,338 to \$2,469,771,883 which is relatively high compared to other property types. The estimated marginal total using 2019 as the baseline year for the mixed use retail category equaled \$803,724,050 to \$1,606,243,117 or about 54-64 percent of estimated marginal total commercial rent debt owed by all businesses. This is the case although mixed use property makes up only around 5 percent of commercial real estate in the county.

The rent debt burden breakdown by industry closely follows industry economic performance during the pandemic.

Businesses that were most affected by the pandemic include those that deliver services that require close personal contact. These types of businesses experienced the most significant declines in sales revenue and therefore ability to pay rent. For example, businesses in the food-related sector which include restaurants and bars, experienced the most significant decline in sales with a 45.8 percent reduction compared to Q2 2019 totals from April to June 2020.<sup>38</sup> Furthermore, retail experienced a 9.6 percent drop in sales during this same period compared to the previous year; when excluding non-store retailers, retail saw a 17.7 percent drop in sales. While recovery did take place in these two hard hit industries in the later part of 2020, sales did not fully recover in 2020.

<sup>38</sup> California Department of Tax and Fee Administration. (2022). *Taxable Sales, by Type of Business (Taxable Table 1) [Data set]*. <https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=TaxSalesStatewide>

## Appendix D: Potential Community Partners by Geographical Area

***Koreatown***

Organization	Source	Relation to Community	Contact info:
<b>Los Angeles Korean Chamber of Commerce and Industry</b>	<a href="http://www.lakacc.com/">http://www.lakacc.com/</a>	The Los Angeles Korean Chamber of Commerce and Industry is holding various programs and seminars to help its members benefit and develop their business, and serves for the development of not only members, but also the entire Korean community and Korean business people. ***Website is in Korean	3435 Wilshire Blvd. Suite 2450, Los Angeles, CA 90010  Tel: 213-480-1115 Fax: 866-936-4497 E-mail: info@lakacc.com
<b>Koreatown Youth &amp; Community Center</b>	<a href="https://www.kyccla.org/">https://www.kyccla.org/</a>	KYCC (Koreatown Youth and Community Center) was established in 1975 to support a growing population of at-risk youth in Los Angeles. Today, KYCC is the leading multiservice organization in Koreatown, supporting children and their families in the areas of education, health, housing, and finances.	727 West 6th Street Suite 300, Los Angeles, California 90020   213 365 7400
<b>Wilshire Center Koreatown Neighborhood Council</b>	<a href="https://wcknc.la/">https://wcknc.la/</a>	The Wilshire Center Koreatown Neighborhood Council (WCKNC) is a locally elected advisory board to the City of Los Angeles representing you, the stakeholders of the Wilshire Center and Koreatown neighborhoods. Our goal is to make government responsive to local needs through advocacy of common goals.	Send Email wcknc.info@gmail.com Send Mail PNB 400 4001 Wilshire Blvd, #F Los Angeles, CA 90010
<b>Korean American Coalition of Los Angeles</b>	<a href="http://kacla.org/">http://kacla.org/</a>	The Korean American Coalition – Los Angeles (KAC) is a 501(c)(3) nonprofit organization established in 1983 to promote the civic and civil rights interests of the Korean American community. KAC endeavors to achieve these goals through education, community organizing, leadership development, and coalition-building with diverse communities.	Phone (213) 365-5999 Email info@kacla.org Address 3727 W. 6th Street, Suite 305, Los Angeles, CA 90020
<b>The Korean American Federation of Los Angeles - KAFLA</b>	(https://www.facebook.com/kafla1962/)**English Facing website/ not working	The Korean American Federation of Los Angeles (KAFLA) is a 501(c)(3) non-profit organization that serves the Korean American community of Los Angeles County. Founded in 1962, KAFLA represents and promotes the interests of the Korean American community.	981 S. Western Ave., Suite 100, Los Angeles, CA 90006   Tel: 323-732-0700   Fax: 323-732-7009

*West Hollywood*

Organization	Source	Relation to Community	Contact info:
<b>West Hollywood Chamber of Commerce</b>	<a href="https://www.wehochamber.com/about.html">https://www.wehochamber.com/about.html</a>	West Hollywood Chamber of Commerce is a 501(c)6, non-profit organization which supports and promotes a community environment where commerce can flourish. The Chamber fosters prosperity and champions local business by providing resources and leadership to advance activity through economic development. We advocate and represent business interests to government, while enhancing the quality of community life and promoting the uniqueness of West Hollywood.	8272 Santa Monica Blvd. West Hollywood, CA 90046 Phone: (323) 650-2688   Fax: (323) 650-2689   info@wehochamber.com
<b>Sunset Strip Business Improvement District</b>	<a href="https://www.thesunsetstrip.com/about-the-sunset-strip-business-improvement-district/">https://www.thesunsetstrip.com/about-the-sunset-strip-business-improvement-district/</a>	Created in 2002, the Sunset Strip Business Improvement District is an assessment district that improves the business and neighboring residential environment on Sunset Blvd. through support services in digital and experiential marketing, event programming, municipal brand partnerships, special promotions, and much more. Our primary goal is to work together to support our commercial district's economic growth and vitality.	1017 North La Cienega Boulevard, West Hollywood, CA 90069. Please direct all inquiries to Jim O'Callaghan; jim@visitwesthollywood.com
<b>Design District Business Improvement District</b>	<a href="https://www.westhollywooddesigndistrict.com/">https://www.westhollywooddesigndistrict.com/</a>	West Hollywood Design District is a cultural destination for high-caliber design, art, fashion, dining, beauty and more. More than 250 global visionaries and creative leaders have chosen the walkable radius of Melrose Avenue, Beverly Boulevard and Robertson Boulevard as their West Coast home. For Businesses  Officially a business improvement district (BID) since 1996, West Hollywood Design District seeks to assist assessed businesses.	8272 Santa Monica Blvd West Hollywood CA 90069 (323) 650-2688 info@westhollywooddesigndistrict.com



*Westlake*

Organization	Source	Relation to Community	Contact info:
<b>Westlake North Neighborhood Council</b>	<a href="https://empowerla.org/wnnc/">https://empowerla.org/wnnc/</a>	The Westlake North Neighborhood Council (WNNC) is an advisory group of people who live, work, or own property within the boundaries of the Westlake North Neighborhood Council.	Meeting: 2nd Thursday 6:30pm, Monthly Meeting Address: via Zoom Mailing Address: WestlakeNorthNC@gmail.com Planning Mailing Address: WestlakeNorthNC@gmail.com
<b>Central City Neighborhood Partners</b>	<a href="https://laccnp.org/our-programs/community-development-initiatives/">https://laccnp.org/our-programs/community-development-initiatives/</a>	CNP is dedicated to providing the community with the resource to be informed, engaged, and empowered to ensure that their voices are a part of community development initiatives and projects. Based on the premise that the people who live and work in a neighborhood are best-equipped to plan the neighborhood's future, CCNP is laying the groundwork for residents to become community-based planners to support and guide community education, traffic safety, and economic development projects in their neighborhoods.	501 S. Bixel St. Los Angeles, CA 90017 (213) 482-8618 info@laccnp.org
<b>Alliance for a Better Community</b>	<a href="https://afabc.org/what-we-do/">https://afabc.org/what-we-do/</a>	ABC advocates for policy changes that will create improved outcomes for Latinos throughout the region. ABC works to identify policy solutions that ensure high quality programs and services, fiscal responsibility and equitable access to programs and services.	1541 Wilshire Blvd., Ste. 430 Los Angeles, CA 90017 info@afabc.org (213) 201-1120

*University Park*

Organization	Source	Relation to Community	Contact info:
CDtech	<a href="https://cdtech.org/contact/">https://cdtech.org/contact/</a>	DTech's mission is to build livable and economically viable communities in the low-income areas of Greater Los Angeles. This is accomplished by strengthening the skills and self-sufficiency of residents, businesses and community serving institutions through a variety of capacity building and direct service programs.	520 W. 23rd Street Los Angeles, CA 90007  213.763.2520 Phone 213.763.2729 Fax  info@cdtech.org
Coalition for Responsible Community Development	<a href="https://www.coalitionrcd.org/who-we-are/">https://www.coalitionrcd.org/who-we-are/</a>	Our mission is to better sustain, coordinate and improve local planning, development and community services that address the needs of low-income and working-class residents and small businesses in South Los Angeles.	213.743.6193 info@coalitionrcd.org

*Downtown*

Organization	Source	Relation to Community	Contact info:
Los Angeles Area Chamber of Commerce	<a href="https://lachamber.com/">https://lachamber.com/</a>	The Chamber represents the interests of businesses in L.A. County. The company size of our membership varies, and the businesses we represent are from more than 35 industry sectors.	350 S. Bixel Street Los Angeles, CA 90017 213.580.7500
Downtown Los Angeles Neighborhood Council	<a href="https://dlanc.com/">https://dlanc.com/</a>	The mission of the Downtown Los Angeles Neighborhood Council (DLANC) is to unite the diverse communities of Downtown Los Angeles and to provide an innovative forum for all community stakeholders to contribute to a healthy, vibrant, and inclusive Downtown.	Mailing Address P.O. Box 13096 Los Angeles, CA 90013. Phone & Email General Inquiries: Email: info@dlanc.com
LISC	<a href="https://www.lisc.org/">https://www.lisc.org/</a>	LISC has developed an inclusive economic development framework that expands the ability of people, places, and businesses to contribute to equitable prosperity, so that all are able to thrive. Our work creates accessible opportunities for people to find jobs that increase their income and assets, and at the same time, it grows businesses and rebuilds neighborhood economies through integrated strategies that develop people, places and businesses.	500 S. Grand Avenue, Suite 2300 Los Angeles, CA 90071  Email: LALISC@lisc.org

<b>Central Association of Los Angeles City of</b>	<a href="https://www.ccala.org/main/who-we-are/">https://www.ccala.org/main/who-we-are/</a>	Central City Association (CCA) is the premier advocacy organization in the Los Angeles region and leading visionary on the future of Downtown Los Angeles (DTLA). Since its founding in 1924, we have produced meaningful results for our members and the Downtown community. We maximize our effectiveness by leading, convening and collaborating with stakeholders to form strong partnerships and coalitions. CCA represents the interests of over 300 businesses, trade associations and nonprofits from a broad range of industries.	213.624.1213  626 Wilshire Boulevard, Suite 850 Los Angeles, CA 90017
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### *Hollywood*

Organization	Source	Relation to Community	Contact info:
<b>Hollywood Chamber of Commerce</b>	<a href="https://hollywoodchamber.net/">https://hollywoodchamber.net/</a>	<b>Mission</b>  To advance a dynamic business climate and elevate the Hollywood experience for all.	6255 Sunset Blvd, Ste 150 Hollywood, CA 90028 (323) 469-8311 info@hollywoodchamber.net
<b>Thai Community Development Center</b>	<a href="https://thaicdc.org/about/">https://thaicdc.org/about/</a>	The mission of Thai CDC is “to advance the social and economic well-being of low and moderate income individuals in the greater Los Angeles area through a broad and comprehensive community development strategy including human rights advocacy, affordable housing, access to healthcare, promotion of small businesses, neighborhood empowerment, and social enterprises.”	Thai Community Development Center 6376 Yucca St., Ste B Los Angeles, CA 90028 Telephone: +1 323 468 2555 FAX: +1 323 461 4488 E-mail: info@thaicdc.org

### *Fairfax*

Organization	Source	Relation to Community	Contact info:
<b>MidCity Neighborhood Council</b>	<a href="https://www.midcitywest.org/">https://www.midcitywest.org/</a>	We represent many iconic parts of Los Angeles including the Miracle Mile, La Brea Fairfax, and Melrose.	5101 Santa Monica Blvd., Ste. 8 PMB # 268 Los Angeles, CA 90029  info@midcitywest.org (323) 285-3540

*Chinatown*

Organization	Source	Relation to Community	Contact info:
<b>Chinese Chamber of Commerce Los Angeles</b>	<a href="http://www.lachinesechamber.org/about">http://www.lachinesechamber.org/about</a>	The Chinese Chamber of Commerce creates unique forums for members and the community to connect to discuss and share important topics impacting the area. Our main community events are open to the public and our Member Mixer is for Members Only.	1129 E 5th Street, Suite 8 Los Angeles, CA 90013 T: (213) 617-0396 F: (213) 617-2128 E: Info@LACHineseChamber.org
<b>Chinatown Business Council</b>	<a href="https://downtownla.com/go/chinatown-bid">https://downtownla.com/go/chinatown-bid</a>	The mission of the Los Angeles Chinatown Business Council is to creatively plan, manage and facilitate the rebirth of historic Chinatown as a multinational culturally defined, economically vibrant and socially engaging community.	Telephone: (213) 680-0243
<b>Chinatown Service Center</b>	<a href="https://www.cscla.org/">https://www.cscla.org/</a>	To provide outstanding services and advocacy that promote better quality of life and equal opportunity for immigrants and other communities. **Individual Financial Education and Small Business Training and Consultation	Address: 767 N. Hill Street, Suite 400, Los Angeles, CA 90012 General Inquiry: (213) 808-1700. Email: csc-info@cscla.org
<b>Asian Business Association</b>	<a href="http://abala.org">abala.org</a>	The Asian Business Association represents Asian American business owners, and creates business opportunities for its members and their diverse communities.	Address: 767 N Hill St #308, Los Angeles, CA 90012 info@abala.org Phone: (213) 628-1222
<b>Chinese American Citizens Alliance</b>	<a href="http://www.cacala.org/">http://www.cacala.org/</a>	The Purposes and Objectives of the Chinese American Citizens Alliance are to: Empower Chinese Americans by pursuing the highest ethics, morals, and values for our organization and our communities; Practice and defend American citizenship and American patriotism; Better the economic and political opportunities in our communities; Preserve Chinese American historical and cultural traditions; And assure the education of our youth and community.	415 Bamboo Lane, Los Angeles, CA 90012. Tel: 213-628-8015   email: cacalalodge@gmail.com



Los Angeles County Economic Development Corporation  
444 S. Flower Street, 37<sup>th</sup> Floor  
Los Angeles, CA 90071  
(213) 622-4300  
[www.LAEDC.org](http://www.LAEDC.org)