

AGN. NO.

REVISED MOTION BY SUPERVISOR HOLLY J. MITCHELL

July 26, 2022

Establishing a Commercial Property Acquisition Strategy to Stabilize Small Businesses and Approving the ~~Black Owned and Operated Community Land Trust Acquisition as a Pilot Project in Leimert Park~~

The County of Los Angeles (County) has embraced a range of approaches to advance a just and equitable recovery from the COVID-19 pandemic. Central to this effort is the Department of Economic Opportunity's ambitious and new [Economic Mobility Initiative \(Initiative\)](#), which offers diverse training, technical assistance, and capital investment programs to support disproportionately impacted small businesses led by women and Black, Indigenous, and people of color (BIPOC). As part of this initiative, and as highlighted in a [June 22, 2021 Board motion](#), the Board directed the County's Chief Executive Officer to explore a program for the County to help nonprofit organizations acquire commercial properties to ensure long-term affordability of commercial rent for small businesses in neighborhoods vulnerable to gentrification and displacement. With market pressures continuing to uproot small businesses that have served as pillars in our communities, we must act to establish an anti-displacement commercial property acquisition strategy to stabilize small business owners that are at risk of eviction.

Urgent action is required to stabilize BIPOC and women-owned small businesses

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in rapidly gentrifying communities in the County. A recent report by Los Angeles County Economic Development Corporation found that the marginal effect of the COVID-19 pandemic on unpaid commercial rental debt for qualifying small businesses in Los Angeles County was estimated at \$993M to \$2.3B from April 2020 to December 2021.¹ As stated by [Inclusive Action for the City](#), in gentrifying neighborhoods such as Crenshaw, the prices per square foot (PSF) soared in relatively short time frames; from 2018 – 2020 the asking rent PSF spiked 41% and the sale price PSF of commercial properties spiked 26%, according to CoStar. While other strategies such as rent relief and legal assistance can prevent eviction in the short-term, commercial property acquisition support is a sustainable strategy to ensure local businesses remain in high-risk communities in the long-term.

Stabilizing women and BIPOC-led small businesses helps preserve and strengthen low-income communities of color more broadly. Small businesses serve as cultural anchors in their communities and provide local jobs and economic opportunities for diverse residents. Furthermore, commercial real estate ownership not only prevents displacement, but it also builds community wealth and residents' long-term power over their neighborhoods. As stated by the [Brookings Institution](#), "there is a growing awareness in many cities around the country that expanding or reclaiming real estate ownership is a compelling tool to transition from relief to a just recovery."

For example, Hennepin County and LISC Twin Cities launched the [Community Asset Transition Fund](#), which provides readily available funds to help community-based acquisition/development partners buy properties identified as being at risk of market conversion. The fund has secured \$30 million from public and philanthropic sources so far, and some of its key goals include: 1) Producing healing, ownership, and generational wealth for those who identify as BIPOC; 2) Supporting the economic recovery and resiliency of businesses in identified districts; 3) Avoiding displacement of businesses and residents in identified districts; 4) Creating opportunities for community and cooperative ownership and alternative investment models; and 5) Supporting the creation and

¹ Sedgwick et al., *Commercial Real Estate Rental Debt Owned by Small Businesses in Los Angeles County: An Economic Study*, Los Angeles County Economic Development Corporation (April 2022).

preservation of affordable housing and commercial space in and around identified districts.

There is also an emerging ecosystem of community-based organizations advancing this work in the County. The [CORE](#) (Community Owned Real Estate) program is a collaborative effort between Inclusive Action for the City, East LA Community Corporation, Little Tokyo Service Center, and Genesis LA. To date, the program has acquired 5 commercial buildings on the Eastside of Los Angeles to preserve existing small businesses in gentrifying neighborhoods and offer commercial spaces to local entrepreneurs.

A Countywide commercial real estate acquisition strategy would align with the County's broader anti-racism and anti-displacement approaches (e.g., Land Bank and Community Land Trust Partnership pilot programs), helping to strengthen communities that have historically faced redlining and systemic disinvestment. The acquisition strategy should prioritize women and BIPOC-owned businesses in culturally significant, high-risk commercial corridors. A proposal in Leimert Park presents a strong initial opportunity. Leimert Park serves as a cultural anchor of Black LA, yet Black-owned businesses are facing increasing displacement pressures given real estate speculation. Black business owners on Degnan Boulevard have already organized to buy their properties through a nonprofit, the Black Owned and Operated Community Land Trust ([BOOCLT](#)). The merchants have financial management support from the nonprofit Community Development Financial Institution, [Genesis LA](#), and funding from other private investors.

The entities involved in the Leimert Park project are deeply rooted, community-serving leaders and organizations. Founded in 2017, [BOOCLT](#) ~~the Black Owned and Operated Community Land Trust~~ members have a combined 85 years of entrepreneurial experience operating in South LA, including nearly 60 years in Leimert Park. One of the merchants, Hot and Cool Cafe, is a County certified social enterprise, that provides a community space for educational and cultural events, and hires from the transitional workforce, including formerly incarcerated individuals. [Soul Sole Folks](#) – another merchant and a subsidiary of [BOOCLT](#) ~~the Black Owned and Operated Community Land Trust~~ – serves as a community-based retail hub and cultivates Black entrepreneurship

through innovative programming, mentorship, and financial support.

Genesis LA is also a longstanding community nonprofit. Originally established in 1998 out of the office of former Los Angeles Mayor Richard Riordan, Genesis LA makes direct loans and investments to diverse community and economic development projects; to date, it has received \$375 million in New Markets Tax Credit allocation to invest across the County. Genesis LA combines its financing with development services designed to build the capacity of borrowers and ensure the financial viability of their projects, including technical assistance, financial structuring, capital raising, and acquisition/construction assistance.

Despite high-capacity partners and a successful fundraising effort, the BOOCLT ~~Black Owned and Operated Community Land Trust~~ acquisition still requires additional funds given the property's high value and increasing real estate speculation. The County can partner with Genesis LA and support the BOOCLT ~~Black Owned and Operated Community Land Trust~~ acquisition as a pilot for a broader commercial property acquisition strategy to benefit small businesses at risk of displacement Countywide.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Find that the proposed actions do not constitute a project under the California Environmental Quality Act (CEQA) because they are activities that are excluded from the definition of a project by section 21065 of the California Public Resources Code and section 15378(b) of the State CEQA Guidelines, as the actions involve organizational and administrative activities of government that will not result in direct or indirect physical changes in the environment. The proposed actions also are exempt from CEQA pursuant to State CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that the actions will not have a significant adverse impact on the environment.
2. Direct the Director of Department of Economic Opportunity (DEO), in consultation with the Chief Executive Officer (CEO), to report back to the Board in writing in 120 days on establishing an Anti-Displacement Commercial Property Acquisition Program (Program) to make at least \$10 million in funding

available to eligible community-based acquisition partners subject to long-term use restrictions and social impact requirements to enable sustainable anti-displacement solutions in high-risk regions. The report back should include:

- a. Identification of funding amounts and sources, prioritizing American Rescue Plan Act Funding allocated for the purpose of small business economic mobility, including recommendations on the reallocation of existing County funding and other State and Federal funding sources for establishment of the Program;
 - b. Development of Program selection criteria, that encompass:
 - i. Properties in high-need communities based on the County's COVID-19 Vulnerability and Recovery Index;
 - ii. Properties in gentrifying regions, defined by key data sources such as UCLA, et al.'s Urban Displacement Project's geospatial maps, Los Angeles County Development Authority's Displacement/Gentrification Study, and other relevant tools;
 - iii. Small businesses that qualify for at least one of the County's Small Business Preference Program categories (Local Small Business Enterprise, Community Business Enterprise, Social Enterprise, and Disabled Veteran Business Enterprise);
 - c. Initial lessons learned and recommendations from the assessment of the Black Owned and Operated Community Land Trust (BOOCLT) acquisition pilot as outlined below.
3. Find that, pursuant to Government Code section 26227, providing financial support to the BOOCLT ~~Black Owned and Operated Community Land Trust~~ acquisition meets the social needs of the population of the County, by preventing displacement and supporting and preserving communities of color, and thereby serves a public purpose that benefits the County and its residents.
 4. Instruct the Director of DEO, or her designee, in consultation with the County's CEO, to execute an agreement with Genesis LA, a nonprofit organization, and all related documents, following approval as to form by County Counsel,

including amendments to such agreement and documents, to provide a forgivable loan in an amount not to exceed \$2,000,000 from the Manufacturing Revolving Loan Fund (MRLF) budget, to support the BOOCLT ~~Black Owned and Operated Community Land Trust~~ acquisition pilot, subject to long-term use restrictions on the property and social impact requirements on the businesses. Requirements should include but not be limited to: long-term affordable commercial space for local small businesses and nonprofits; in the case of any future redevelopment that adds housing units, a percentage of long-term affordable housing units; and in the case of any future redevelopment that requires temporary relocation, provision of moving assistance and the right to return for all existing small businesses located in the property.

5. Direct the Director of DEO to assess the BOOCLT ~~Black Owned and Operated Community Land Trust~~ acquisition pilot and any other future pilot projects and to contract with an external evaluator if necessary.
6. Instruct the County's CEO to report back in writing in 30 days with funding options to backfill the MRLF budget.

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