



## ABSTRACT

This research focuses on the first ten months of the COVID-19 pandemic in Los Angeles County, whose myriad cities and neighborhoods have been impacted by the health and economic fallout of the pandemic to varying degrees. This study tracks infection rates within localities and analyzes them in relation to their demographics. Allocation of small business relief, including PPP and the Great Plates Delivered program are analyzed as well to see if they were dispensed substantially in the areas with the greatest need. This research found disproportionate health burdens in areas with lower median incomes and higher Latino concentrations, there was also an underrepresentation in small business relief in the areas with the most job losses.



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## INTRODUCTION

The COVID-19 pandemic has threatened individuals' wellbeing across the world, with cases globally in the tens of millions and deaths in the millions (The New York Times, *Covid World Map: Tracking the Global Outbreak*). Outside the sheer number of cases, the pandemic has additionally thrown most facets of life into upheaval. This includes much of small brick and mortar businesses, their survival more precarious with the diminishing of public life from lockdown orders and limits on capacity for establishments. It is important to examine the shifts in the restaurant sector during COVID-19 to inform future governmental support responses to health crises or natural disasters, and the economic impacts they entail. The impacts of a disaster, such as COVID-19, and the subsequent aid are usually not distributed equally. (Hopkins, et al.) For example, small business relief loans from the Paycheck Protection Program were found to mostly be going to larger businesses, who often did not use them to retain employment (Jonathan O'Connell, 12/2/2020).

This study examines the disproportionate health and economic impacts across Los Angeles County. Within the county it analyzes areas that have disproportionate COVID-19 infection and job loss rates in order to investigate distribution of the Federal Paycheck Protection Program (PPP) and California enacted Great Plates Delivered (GPD) there. This project scrutinizes whether these benefits were distributed equitably across the county, with attention to communities where the most substantial infection rates and job losses



report states only thirty-four cities had been participating. (Watts, 7/21/2020) Whole counties have opted out from the beginning, citing complicated program restrictions. (Watts) Los Angeles County participated in the program and is the site of this analysis. The funding of the program breaks down as follows: FEMA reimburses 75% of the meal cost while the state pays 18.75% and the locality 6.25%, with the locality permitted to keep the sales tax. Participating restaurants are paid \$16 for breakfast, \$17 for lunch, \$27 for dinner, and \$5 for "incidental expenses."

## LITERATURE REVIEW

To address small business relief during COVID-19, one must engage with preexisting literature on business relief. By reviewing the effects and flaws of precursor business programs, one may assess whether Great Plates Delivered has been flawed in the same manner. Moreover, the effects of previous programs can additionally provide insight into what responses could have best addressed the economic and health disaster at hand. This literature review surveys literature regarding the impacts that have already occurred to the small businesses during COVID-19 and what makes these businesses particularly vulnerable to closures. It then delves into previous findings on Federal PPP loans and how their disbursement has been handled. Then attention will be paid to studies about other SBA loans predating PPP, allocated in response to natural disasters. This review will then focus on how COVID-19 has spread in the Los Angeles region and how it has had an outsized impact in certain areas. The brunt of COVID infection has not been geographically, socioeconomically, or racially equal throughout Los Angeles. (Gil, et al). This is something crucial to consider when assessing Great Plates Delivered and where its participants are located. All of these

topics and preexisting literature concerning them should be considered when researching small business relief in response to COVID-19.

*Great Plates Delivered* was rolled out as the first program of its kind, a Meals on Wheels analogue funded in part by FEMA to keep vulnerable seniors at home while also supporting local restaurants to serve seniors meals (*Great Plates Delivered: Home meals for seniors*). As it is a new program, there is no existing academic literature based specifically around it. However, Great Plates Delivered is just a new iteration of disaster economic relief for businesses.

The vast majority of businessesf h(l)-8b463.34 1WñBT/zf



a long time to reach the levels they once were.

harmed by disaster (Kroll, et al, 2014, p. 34.). Additionally, the process for applying for and receiving aid is more unfamiliar and difficult to attain for a first-time, immigr/F1 L0 1 411.5 680.38 Tm

Flaws and limitations in SBA disaster relief are longstanding and are not exclusive to the COVID response. Analysis of the SBA loans following the 1987 Whittier Narrows Earthquake in Los Angeles County reveals large disparities in loan approval (Dahlhamer, et al. 1994, p. 17). For the Los Angeles region as a whole, 52% of applicants were approved and 22% denied. However, the picture changes upon looking into neighborhood approval rates. In Compton, a mostly Black and Latino neighborhood (City of Compton, *Demographics*), only 23% of applications were accepted. Again, it is evident that businesses that own their property are likelier to be accepted for SBA loans than renters (Dahlhamer, et al. 1994, p. 24-25). Other vulnerabilities reduced an applicant's likelihood; the least likely to receive the loans were Black and Latina women, who were among the youngest to apply for the loans and the likeliest to lease - both factors that strongly influence SBA approval rates. Some of these disparities in approval for aid were evident for the COVID SBA loans as well. The effects of the pandemic, such as slowed business, affect the whole country, rather than one specific area as an earthquake does. This makes it more imperative to address the inadequacies of the disaster loan system as more are in need of it than ever.

In looking at these previous SBA and FEMA business relief efforts one can pinpoint specific failures and institute change. Such failures include disparities in loan approval for women, minorities, first-time business owners, immigrants, non-English speakers, as well as difficulties in applying for aid in the first place. Yet despite knowledge of these previous program failures, it seems they have only been replicated in the COVID response. These

The need for business aid occurs around the backdrop of the COVID-19 public health crisis. This crisis has not manifested itself consistently across LA County, with some areas facing substantially higher infection rates than others. For example, the First District of LA County includes many of the most infected areas per capita in the county, such as unincorporated East LA (Los Angeles Times, Los Angeles County coronavirus cases: Tracking the outbreak 2020). This also is an area in which a large subset of Latino immigrants, or non-english speakers live; both populations identified as having poor health outcomes and access (Gil, et al, 2020). Identifying these vulnerable areas, their health burdens during the crisis, and their geographic relation to participating businesses is necessary to see if this program was administered to the areas that faced outsized health and economic burdens.

The COVID-19 pandemic has simultaneously threatened the livelihood of millions of small businesses nationwide. This economic contraction requires a federal response to ease losses for small business owners and maintain employment. Current federal and state efforts to do are based in previous natural disaster relief efforts. Pre-existing literature on business relief in the wake of disaster is substantial and effective in articulating the mistakes of federal aid conducted through flawed and often inaccessible SBA loans. These loans have been found to not dispersed in an equitable manner. They are a direct precursor to the PPP loans used to aid businesses during COVID, and share the same flaws. Even within the same metro area, the burdens of a virus are not equal. Substantial literature exists, and continues to develop on the vulnerabilities exacerbated by the virus. While there is literature on the SBA loan disparities and flaws both pre and post COVID, there is no published research on the subsidized work program, Great Plates Delivered. By studying this program we can assess

whether aid programs such as this are promising and could help reduce the economic stress of a pandemic and prolonged lockdown in the future. From this point, one can assess the central question: was Great Plates Delivered, PPP, and other small business aid conducted equitably and in the areas with greatest need?

## METHODS:

The State of California touted its Great Plates Delivered program as an innovative and significant way to support small businesses, their employees, and vulnerable seniors during the COVID-19 pandemic. This research seeks to assess whether small businesses in Los Angeles County were indeed supported significantly during the COVID-19 lockdown by Great Plates Delivered and other aid programs including PPP. This research addresses the following questions:

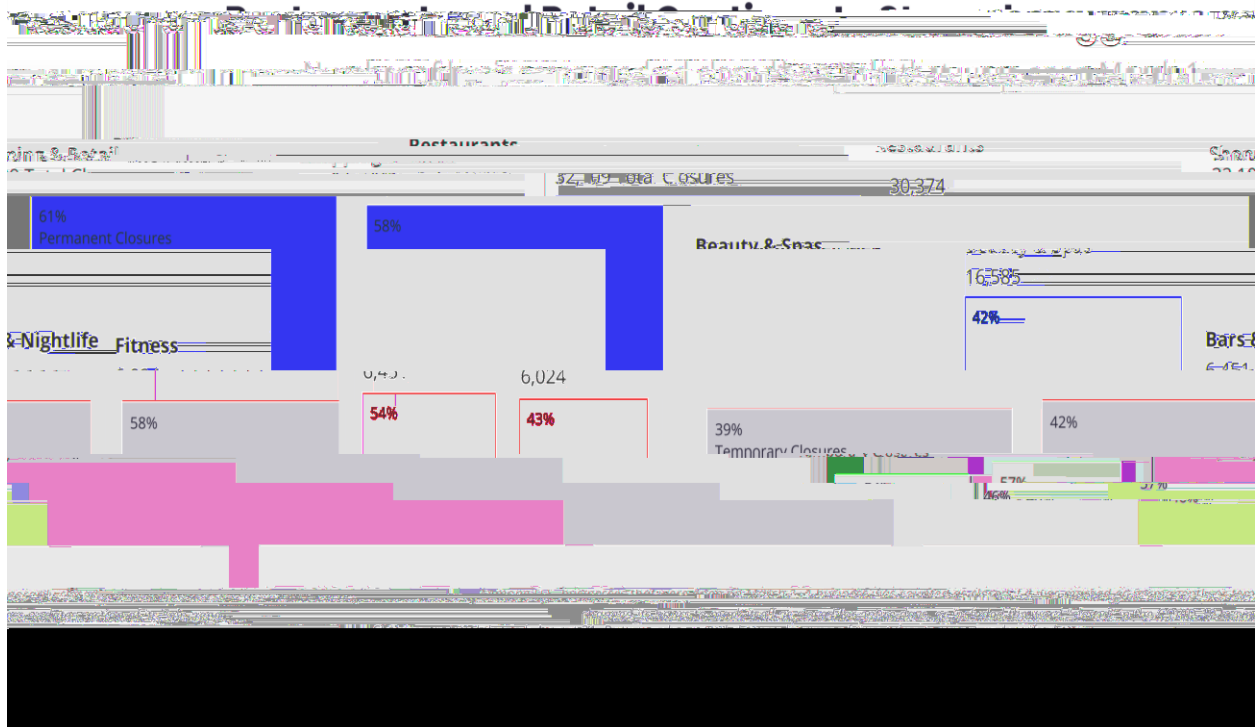
graphs, regression analyses were run to see how strong the variables' impacts were on infection rates.

Since the Great Plates Delivered program was administered through the County of Los Angeles, my analysis is based upon this county as a whole. I looked into how many meals were contracted by Great Plates Delivered from each business and where these businesses are, as in which county supervisor district, city, and neighborhood. Through public records requests and direct communication with Los Angeles County Department of Aging and Los Angeles County Supervisorial Districts' offices I secured data reports for the county and state government on GPD operations. These data tables show the name of each GPD restaurant, number of meals contracted at each one, and the number of seniors served. This data, along with the standard rate of \$66 for each meal allowed me to approximate how many funds were disbursed to each business, city, and county district. With this information I could pinpoint what areas had a higher concentration of GPD restaurants, and money from the program in general. To examine

## DATA AND ANALYSIS:

Various businesses have had to switch off between periods of outdoor dining then suddenly transition to takeout only. A study by the business review app Yelp found that restaurants and retail are the most affected sectors of industry registered on their app nationally. [Chart. 1] Additionally, they found the Los Angeles area to be among the most affected by closures both in total and per-capita nationally. Business closures due to COVID-19 are a national issue, but this data demonstrates how it is even more urgent in Los Angeles off the sheer amount of closures.

Yelp Tracked Business Closures by Industry Nationally



According to an LA County economic report, the food service sector has had the most job losses and business closures in 2020. (Los Angeles County Economic Development





## Job Losses by Supervisorial District Los Angeles in 2020



Though survivability seems daunting to all Los Angeles restaurant owners, it may be even more difficult for certain populations. A recent study breaks up the monthly disruption in business by demographic groups (Fairlie). From February 2020 to June 2020 he found reductions of business owners across the board, but more among women, immigrants, and minority groups nationally. [Chart 4] This finding displays the need for racial equity in the distribution of aid. In a region as diverse as Los Angeles, efforts should be made to ensure that minority and immigrant businessowners more likely to suffer economic harm are also aided sufficiently.

## Active Businessowner Losses Nationally

Besides economic impact, many areas are also suffering disproportionate harm to their health from the pandemic. Lower-wage, mostly non-white areas in East LA and large swaths of South LA have had as much as one-fifth of their population infected with COVID. This troubling trend can especially be seen when isolating each official city and locality of Los Angeles County. For example, areas with lower median income inversely correlate with higher COVID-19 case rates. (County of Los Angeles Public Health COVID-19 Dashboard)(LA Times Median Income Ranking) [Graph 1] The greater percentage of Latino population/locality correlates strongly with COVID-



## LA County Localities' COVID-19 Infection Rate and Latino Population Concentration

Linear regressions on both factors were run to determine statistical significance. These were chosen to consider how much the dependent variables of income and Latino concentration can account for how severe a locality's outbreak is, if at all. In Table 2 the R-squared is slightly over 0.4, a moderate effect. In Table 3 R-squared is 0.73, this would indicate a strong effect by a locality's Latino concentration among case rates. The outsized infection rates in Latino communities could be caused by the coalescing of myriad factors, from types of employment to accessibility to healthcare.

Solidifying these analyses' significance

in table 2 and 2.65E-33 are far below this threshold and statistically significant. Given that these findings are statistically significant, it would be reasonable to say the county and its localities must do a better job of promoting health equity in the whole region, for all ethnic groups and income levels.

Regression Analysis: Household Income and COVID-19 Infection Rate

Median Income and Infection Rate	
<i>Regression Statistics</i>	
Multiple R	0.636333
R Square	0.40492
Adjusted R Square	0.402139
Standard Error	3645.152

<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
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## Regression Analysis: Latino Population Concentration and COVID-19 Infection Rate

Latino Concentration and Infection Rate						
<i>Regression Statistics</i>						
Multiple R		0.856285				
R Square		0.733223				
Adjusted R Square		0.731977				
Standard Error		2440.628				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	4160.324	289.0268	14.39425	2.65E-33	3590.62	4730.028

The federal Paycheck Protection Program (PPP) loan database has a category for the owner's race; although many left this section unanswered, several thousands did respond to it. Of those that did respond we see a disproportionate amount of loans being distributed to White and Asian business owners compared to their makeup of the county's demographics. [Figures 10-11] Given this data, it is apparent there are large disparities in the proportion of loans given to Black and Hispanic business owners compared to their proportion of the population of the county. According to the 2012 Census Survey of Business Owners, 55% of businesses in Los Angeles County were minority owned. 61.25% of the businessowners included in Table 4 and 44.48% in Table 5 were minorities. This data also demonstrates an slight underrepresentation of White businessowners in PPP loans under 150k where race

was disclosed, and an overrepresentation in over 150k. As 18.6% of businessowners in LA County, Asians are significantly overrepresented in both sets of PPP data. It is important to

Over \$150k PPP Loan Distribution by Demographics, Los Angeles County

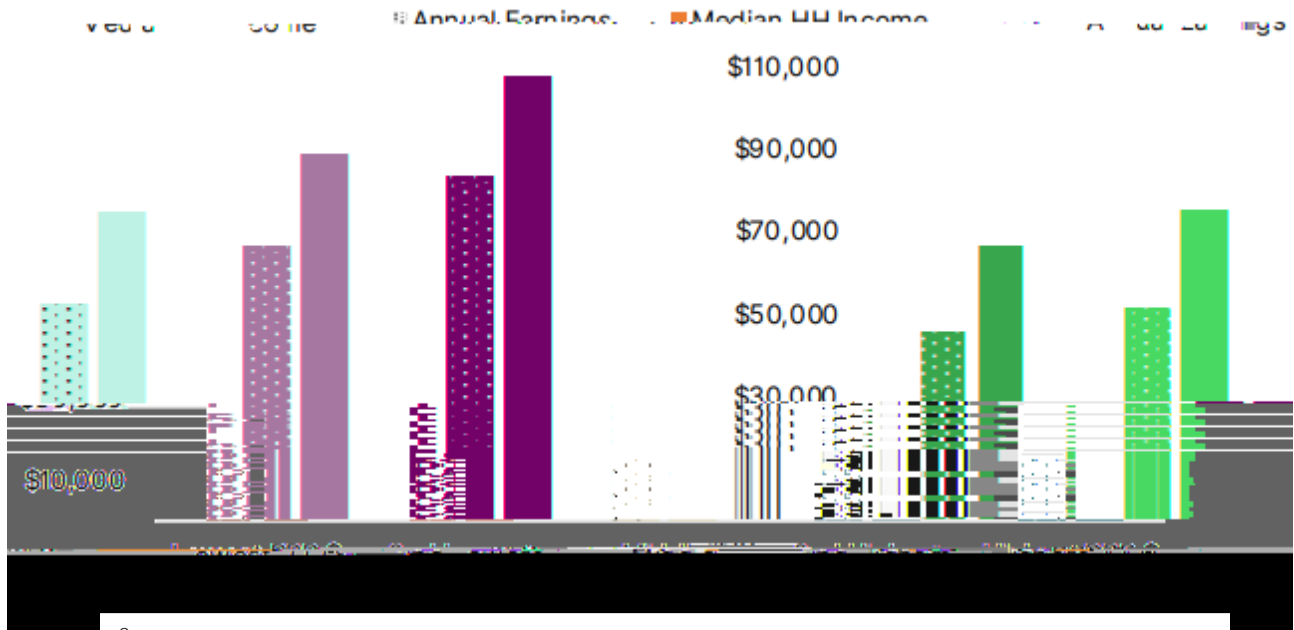


American Indian or Alaska Native 11



Administration must look into how it can better target loan programs towards the communities and businessowners in most need of said aid. Accomplishing such a task is easier said than done.

California Districts' PPP Quintiles



Source:

Besides PPP, another means for small businesses to receive aid was the State of California's Great Plates Delivered Program. By the end of January 2021, LA County GPD had served 3,767,079 meals to 8,828 seniors through 76 restaurants. With each meal being compensated at \$66, this means a \$248,627,214 influx to LA County restaurants, their employees, and the food supply chain. The distribution of meals contracted by county district is; 498,831 in the 1st, 405,756 in the 2nd, 307,551 in the 3rd, 784,467 in the 4th, and 609,954

in the 5th. The distribution and divergence of GPD meals and job losses by district can be seen in Table [6].

### Great Plates Delivered Meals by Supervisorial District Los Angeles County

Source: Great Plates Delivered Program Report Program Summary (Cumulative Data from Start of Program 05/01/20) As of 1/28/2021





expanded program based on the Great Plates model may aid even more businesses, their owners, employees, and individuals served.

Other business aid has been available in LA County. The county has had a commercial eviction moratorium from March 4, 2020 until February 28th, 2021, although it may be extended further. Though this is a temporary relief for owners, once the moratorium ends, they still have to repay their back rent. Businesses with nine or fewer employees would have up to twelve months to do so. Businesses with between ten and one hundred employees would have up to six months to pay. Some localities are even less generous. Los Angeles City for example will require commercial tenants to pay back debts within three months. For many business owners, continuing their operations may only seem like an invitation to rack up more debts as their ability to pay them remains low. Understandably many businesses are wary of the moratorium or even prefer to shut down permanently given the uncertainty of the industry's economic prospects. In early 2021 LA began its Keep L.A. County Dining Grant Program, which provides \$30,000 grants to accepted restaurants.

## POLICY RECOMMENDATIONS:

Though state and countywide business closures affect all businesses in the LA County area, businesses in more infected areas carry a greater likelihood and burden of infected staff and dealing with infected customers. It would be difficult to know which areas of the city to prioritize when the infection concentrations are ever-changing as with COVID-19. However, once the COVID-19 pandemic wanes, it will be important to note which areas of the city were more ravaged by and vulnerable to the virus. This way, the county could better focus economic and health aid where it is more needed. An example of this would be Los Angeles' decision to reserve a certain amount of COVID-19 doses for distribution in minority neighborhoods.

A common complaint of GPD is the reimbursement process. 75% of expenditures are to be reimbursed by FEMA and 18.75% by the state of California. This results in a local cost of 6.25% post reimbursement. However, all the upfront costs are placed upon the locality, in this case study Los Angeles County. The issue many localities had was a lack of clarity regarding when FEMA and the state would be reimbursing, as well as fear that they may not be reimbursed at all. This led some localities, like Pasadena, to end their participation in GPD.

During the COVID-19 pandemic cities are spending much more than they are accustomed to. This, coupled with looming budgetary shortages and uncertainty of reimbursement makes it difficult for some of these cities to continue fronting the significant upfront costs of the program without clarification about reimbursement. Even with greater clarity, more cash strapped localities would need periodical reimbursement rather than a lump sum after the end of the crisis.

The first County district faced the most job losses and restaurant job losses yet was still underrepresented in GPD. The disparities in job losses have been noticed and published by the county itself. Moving forward, relief efforts such as PPP and GPD should be weighed with consideration to which parts of the city tend to suffer the economic losses. If they know the first district is more vulnerable to economic loss, then at bare minimum a representative portion of the aid should be sent there. This would aid in attaining more consistency of the economic burden of the pandemic rather than differing areas of the cities experiencing vast differences in impact and aid.

County hopes to administer aid and support all of its populations there must be greater outreach in these areas, including canvassing or calling. Furthermore, culturally relevant and translated informational materials must be a part of the outreach, as well as technical support for the application process.

#### DISCUSSION AND CONCLUSION:

In the preexisting literature surveyed for this study, inequities of allocation were found in Small Business Administration loans following natural disasters. In this study 5(v.-)8(U)5(S)-5(S)



The fallout of the COVID-19 pandemic has further exposed the myriad inequality that pervades the health and economic systems of the United States and Los Angeles County. Business closures are found to disproportionately affect minority and immigrant business owners. Minority neighborhoods, particularly lower income working class Hispanic and Black ones face much higher COVID infection rates than higher income as well as whiter neighborhoods. Compared to their representation in the county's population, as well as in the businessowner population; Hispanic and Black businesses were vastly underrepresented in the Federal PPP program. The GPD program had greater considerations to include mostly minority owned businesses, yet said program had its flaws as well. Analysis by supervisorial district showed that the most impacted districts from business closures were vastly underrepresented in meals contracted compared to the less impacted districts. Disparities in aid by county region as well as race will only worsen if they are not used in consideration for how to better administer future aid. Based on my findings, these recommendations should be considered when distributing future disaster relief for businesses.



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APPENDIX A.