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MOTION

On March 27, 2020 the Federal Government signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law – a $2 trillion economic relief package aimed at providing direct financial assistance and increased unemployment payments to Americans impacted by COVID-19, supporting state and local government efforts to respond to the pandemic, preserving jobs in adversely impacted industries, and providing small businesses with the resources they need to maintain their payroll, hire back employees who may have been laid off, and cover overhead expenses.

The Paycheck Protection Program (PPP), a guaranteed loan program and hallmark of the Act, was created to support small businesses impacted by COVID-19. Businesses with fewer than 500 employees were eligible for a loan of up to two and a half times their average monthly payroll costs up to a maximum of $10 million. Additionally, a provision of the law allows for loan forgiveness if at least 60 percent of the funds are used for payroll and employee benefits costs. While the program was hastily created, often struggling to get loans approved and into the right hands, since April it has injected $523 billion into the economy, allowing many small-business owners to stay afloat and keep their employees on payroll. A recent economic analysis from the Massachusetts Institute of Technology concluded that the paycheck program preserved at least 1.4 million jobs through early June, and more than five million companies received loans, averaging $102,000 each.

On August 8, however, with the country in the midst of a pandemic-driven recession, the federal Paycheck Protection Program expired, leaving millions of workers without jobs and struggling small businesses – the backbone of our national, state, local economies – without the capital to continue operating. Many small and mid-size businesses did not receive this vital aid, which should have been the first priority. Economists estimate that 30 million Americans are unemployed, and a recent analysis from the City Controller's Office showed that more than 200,000 jobs have been lost during the pandemic. The job losses were greatest in Council District Four, which lost 21,565 jobs, primarily in the information, accommodation, and food service industries. By the time the economy gets back on track, which could take months if not years, entire industries — especially restaurants, bars, hotels, movie theaters, concert venues, gyms and others dominated by small businesses — could be decimated, shrinking the pool of jobs available post-pandemic.

The evidence to date suggests the PPP was certainly not perfect. Its implementation was haphazard. Its targeting was poorly aligned, often failing to reach the businesses or regions in greatest need. And it neglected to consider the financial requirements of specific industries and firms, without consideration of available resources, industry or firm type and size, or operational requirements. That being said, data suggests that the Program boosted employment at eligible firms, ensuring that a number of essential businesses were able to keep their doors open, continue paying workers, and crucially, provide healthcare benefits to employees and their families.

93 percent of businesses in Los Angeles have 20 employees or fewer, many of which open their doors every morning in areas of the city that are disproportionately impacted by the physical and economic impacts of COVID-19 -- often lacking banking relationships and are more likely to rely on payday lending institutions. A program tailored to the needs of those communities that are impacted most will have a much larger effect on the city's long-term economic resilience and recovery. The City of Los Angeles has an economic interest and a responsibility to ensure businesses continue to operate, workers continue to receive a paycheck, and families can continue to keep a roof over their heads, food on their tables, and have access to much needed healthcare services.

I THEREFORE MOVE that the Chief Legislative Analyst, City Administrative Officer and Economic and Workforce Development Department be instructed to report back on the feasibility of

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implementing an up to $100 million City of Los Angeles Paycheck Protection Program for small businesses within the city limits, including but not limited to:

- An analysis and estimation of program costs and the identification of potential sources of funding,including CARES Act funding, future COVID-19 related stimulus funding from the Federal or State Government, and private funding, among others.
- Recommendations for program structure, implementation and monitoring.
- Develop varied classifications of businesses, with particular attention paid to the operational scope of firms and industries and prioritizing lending to businesses and industries with high payroll costs.
- The prioritization of businesses that did not receive federal Paycheck Protection Program funding, particularly those in areas of the city that are underbanked and/or unbanked and have high numbers of pay-day lending storefronts.
- A requirement that the existing workforce be retained as much as possible in order for loans to be forgiven.
- Recommendations for program outreach, education and the provision of technical assistance.

PRESENTED BY: ______________________
DAVID E. RYU
Councilmember, 4th District

SECONDED BY: ______________________
JOE BUSCAINO (verbal)
Councilmember, 15th District