

## MOTION

Entrepreneurship and business ownership are critical for building community wealth, advancing innovation and most importantly, closing the racial wealth gap. Past research has shown that entrepreneurship and business formation within communities of color has the potential to increase opportunities for upward economic mobility and reduce wealth disparities (Bradford, 2014).

Sadly, the COVID-19 crisis has exacerbated wealth disparities across U.S. cities. Nationally representative data on small businesses indicate that the number of active business owners fell by 22 percent between February and April 2020, the largest drop on record (U.S. Census Bureau, 2020). The economic fallout of COVID-19 is already painfully evident in communities of color where Black business ownership has sharply declined. Current research by Rob Fairlie at UC Santa Cruz shows that Black businesses experienced a 41 percent drop in active business ownership. Latinx-owned business ownership fell by 32 percent and Asian business ownership dropped by 26 percent (Fairlie, 2020).

Similarly, in Los Angeles County more than 7,500 small businesses permanently closed last year, upending the region's economy (LAEDC, 2020). In response, federal, state and local governments as well as businesses and foundations have allocated millions in COVID-19 relief efforts to support small businesses. While these efforts are important on the pathway towards economic recovery, the Los Angeles City Council can do more to close the equity gap and increase opportunities for entrepreneurship and business ownership, specifically across communities of color.

Many Black and Latinx business owners and entrepreneurs face economic, market, sociocultural, and institutional barriers throughout the business-building process that perpetuate racial wealth gaps. Current research shows that Black entrepreneurs lack access to business networks and relationships. They are also less likely to gain exposure and access to business opportunities, expertise and mentorship as compared to White peers. Additionally, many Black business owners and other entrepreneurs from marginalized communities struggle to secure capital and access to credit.

In a small business survey conducted by the Federal Reserve, Black business owners were half as likely as their White counterparts to receive full financing (Federal Reserve, 2017). These disparities are also reflected in access to start-up capital. Black entrepreneurs are three times as likely to report that a lack of access to capital negatively affects their profitability and twice as likely to cite the cost of capital (Ewing Marion Kauffman Foundation, 2016). Similarly, research conducted by the Stanford Institute for Economic Policy Research shows that Black entrepreneurs start their businesses with \$35,000 of capital, while White entrepreneurs start with an average of \$107,000 (Fairlie et al., 2017). As a result, Black owned businesses and entrepreneurs report higher levels of debt, which translates to lower revenues.

To overcome these structural barriers and build an inclusive Los Angeles, we must create and sustain business ecosystems that provide business owners and entrepreneurs in communities of color equitable access to resources and opportunities throughout the business building process. Entrepreneurship Leadership Programs can help close equity gaps and connect aspiring innovators to opportunity, supportive networks and capital. Several corporations and public entities such as Apple and Michigan State University are developing Leadership Academies to provide Black entrepreneurs and creators across all levels of experience with space and funding to develop and hone their skills and ultimately launch their own businesses. These public-private partnerships have potential for inspiring a whole new generation of entrepreneurs to activate change and opportunity in their own communities.


I THEREFORE MOVE that the Economic and Workforce Development Department (EWDD), with the assistance of the City Administrative Officer and the Chief Legislative Analyst and in consultation


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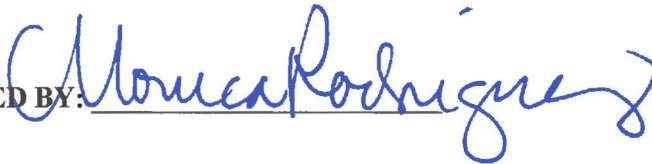


with outside contractors, as appropriate, be directed to report to the Economic Development and Jobs Committee within 60 days with an assessment of Entrepreneurship Leadership Programs across other U.S. cities, with potential features and components for developing a similar program to serve the City of Los Angeles, and utilizing the \$1,000,000 Equity Fund allocated as part of the FY 2021-2022 Budget for this purpose, with the goal of launching the program 120 days following their assessment. The program features and components should include but not be limited to:

- Engagement with philanthropy and corporations to leverage funding for the program to increase access to capital;
- Collaboration with LAUSD high schools and community colleges as well as start-up firms, small and large businesses to expand opportunities for mentorship and sponsorship; and
- Resources to foster entrepreneurship in high-growth industries and support rising entrepreneurs in communities of color with successful tools to navigate the business building process.

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