



## **Asian American Federation**

### **Testimony for New York State Joint Legislative Budget Hearing on Economic Development**

**Submitted to the New York State Senate Committees of Ways and Means, Small Business, and Finance And New York State Assembly Committee on Economic Development, Job Creation, Commerce and Industry**

*February 23, 2021*

Thank you to Committee Chairs Krueger, Weinstein, Kaplan, and Bronson for holding today's hearing on the economic development-related proposals in the Governor's Fiscal Year 2021-2022 Executive Budget.

My name is Ahyoung Kim, and I am the Associate Director of Small Business Programs at the Asian American Federation (AAF). AAF's mission is to raise the influence and well-being of the pan-Asian American community through research, policy advocacy, public awareness, and organizational development. We represent a network of 70 member and partner agencies that support our community through their work in health & human services, education, economic development, civic participation, and social justice. Through our Small Business Program, we work together with groups that support thousands of Asian small business owners across the state.

In our rapid response efforts during this pandemic, AAF set up a resource site to share policy changes and in-language government assistance programs, and continue to provide direct services for business owners who need marketing and administrative assistance. AAF is also a member and convener of United for Small Business NYC (USBNYC), a coalition of 15 community groups in NYC fighting to protect small businesses and non-residential tenants from the threat of displacement, with a focus on owner-operated, minority-run businesses that serve low-income and minority communities.

**We ask that the legislature allocate \$500 million in this budget to create an equitable and widely accessible commercial rent relief program.**

#### **Impact of COVID-19 on Asian Small Businesses**

Since 2000, the Asian population in New York State increased by 62%, growing from 1.2 million in 2000 to over 1.9 million in 2019. In the counties outside of New York City, the Asian population grew even faster (94%), from 296,000 in 2000 to almost 577,000 in 2019. Overwhelmingly, Asian New Yorkers are immigrants, with 2 out of 3 in the state being foreign-born.

COVID-19's strain on our community is set against the backdrop of some disturbing statistics. Overall, 14.1% of Asians in the State live in poverty, compared to a statewide poverty rate of

13.6%. Among seniors, 1 in 5 Asian New Yorkers lived in poverty compared to just over 1 in 10 of all seniors in the state.

Amidst this backdrop, Asian American small businesses across the state were left in the dark in this struggling time of COVID-19 pandemic. All levels of government failed mom-and-pop small businesses by assuming assistance will be reached. Governments have introduced loans and assistance programs but without meaningful language access. The lack of access to information and capital created a perfect storm for our small business community.

While employee retainment grants and SBA loans were pushed as a form of relief for small business owners, the notion of paycheck protection was largely irrelevant to microbusiness owners whose business and the employment of their staff depend on whether their storefront can stay open.

From July to August 2020, AAF conducted a survey<sup>1</sup> to assess the impact of the pandemic on Asian small business owners across the state, through which we collected over 400 responses. **The majority of survey respondents had answered their business was operating in limited capacity at the time of the survey, and over 31% of them said their business was temporarily closed. Over 99% of business owners reported decrease in revenue—55% of them suffering from over 75% loss in revenue.** At the same time, over 60% of respondents said they are worried about the anti-Asian bias or hate crime for the safety of themselves, their staff and business establishment.

Our small business owners face multi-faceted challenges for the survival of their livelihood, yet have spent their limited resources to comply with the fast-changing pandemic regulations for public safety, even at the cost of lost revenues. We ask the state legislature to recognize their contributions and sacrifice by creating an equitable and widely accessible commercial rent relief program.

### **Rent is the Biggest Concern for the Survival of Small Businesses**

Even if business owners managed to secure **some** assistance, many found the assistance insufficient. For the Paycheck Protection Program (PPP), the loan amount calculation was not favorable for the smallest businesses who had little to no payroll. For other programs like grants from a municipal government, much of the Asian community was ineligible for various reasons. More importantly, business owners have consistently told AAF they could not afford to get more loans at this time--that they need immediate relief such as forgivable loans or grants that will not add to their burden into the future, or an immediate rent relief program to lessen their burden. Left with little help to stay afloat, many middle-aged small business owners are now resorting to early retirement without any personal safety nets in place instead of sourcing for capital to keep their stores open.

From our survey, we learned that small business owners were most concerned with rent and non-payroll fixed costs, like debt obligations and utilities. In the survey, **more than one in three (37%) respondents cited rent as a primary concern for the survival of their businesses.**

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<sup>1</sup> AAF conducted a survey of Asian American small business owners in New York, from July 14 to August 31, 2020. A brief report summarizing the findings from this survey will be published in the near future.

We thank the legislature for your leadership in sponsoring the recent package of bills, including the COVID-19 Emergency Protect Our Small Businesses Act. We welcome this positive step that addresses some key concerns, such as unemployment insurance premiums, third-party delivery fees, and commercial evictions. **However, without rent relief, mass closures of small businesses across the state will be inevitable.** There has not been a comprehensive rent relief program available to commercial tenants, and those who have entered into individual negotiations with their landlords have no yardstick to guide their negotiations; in turn, landlords find that commercial mortgages are structured to make rent forgiveness difficult without some form of external reimbursement<sup>2</sup>.

### **Role of Asian Small Businesses in Pandemic Recovery**

Asian New Yorkers are the fastest-growing population in New York City, comprising almost 16% of the overall population and representing at least 10% of the population in more than half of the City Council districts. Of this population, 70% are immigrants and approximately 50% have limited English proficiency.

Asian-owned businesses are a vibrant and essential part of the city's economy, accounting for about half of net new economic activity and half of net new employment from 2002-2012 in New York City, according to AAF's 2016 report on *NYC's Economic Engine: Contributions & Challenges of Asian Small Businesses*<sup>3</sup>. New York State cannot afford to lose this economic engine at this time—without our small businesses, the road to recovery will be extended to a perilous journey for all.

**For immigrant communities, small businesses are more than just business entities.** Small businesses owned by immigrants serve their community in ways that is valued beyond cash transactions. They are job creators, training platforms for newcomers to develop their language skills, information and outreach hubs where government agencies fail.

The impact of mass business closure extends far beyond the commercial corridor where businesses are present. AAF's recent report, *The Impact of COVID-19 on Asian American Employment in NYC*<sup>4</sup> highlights how different Asian communities in New York State were impacted by job losses. During the height of the pandemic in early 2020, the growth of Asian New Yorkers filing for unemployment claims outpaced all other groups. **Asians went from filing hundreds of claims a month to thousands of claims a month.** Many of the industries that employ low-income Asian workers and operate as small businesses were hardest hit by job losses, including beauty and nail salons; laundromats; food services; and retail. Failure to support businesses to survive this pandemic will result in greater spending for the State, as the low-income community will require extended assistance while they look for employment in lieu of small businesses offering these jobs.

### **Recommendations**

In order for the program to reach the most vulnerable businesses, it is important that all eligible commercial tenants receive the abatement and landlords be eligible for relief.

We believe that commercial rent relief must be a critical component of a statewide economic recovery program, and we ask you to include it in the FY22 budget.

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<sup>2</sup> <https://www.nytimes.com/2020/10/11/opinion/nyc-commercial-rent-reform.html>

<sup>3</sup> <https://www.aafederation.org/nycs-economic-engine-contributions-challenges-of-asian-small-businesses-2016/>

<sup>4</sup> <https://www.aafederation.org/the-impact-of-covid-19-on-asian-american-employment-in-nyc/>

- **Allocate \$500 million in this budget to create an equitable and widely accessible commercial rent relief program**
  - Commercial rent relief must be a critical component of a statewide economic recovery program
- **Introduce rent-specific assistance and zero-interest loans for micro business owners**
  - The biggest concern for small businesses at this time is rent<sup>5</sup>. Even those who were able to secure capital through SBA programs have depleted their funds and have months of rent backed-up.
  - The fact that small businesses were unable to secure meaningful capital to hold their businesses over the pandemic while they took a dramatic hit in their revenues due to forced closure turns a blind eye to the most vulnerable group of our economy. Small business owners who are unable to pay rent but face unrelenting pressure from their landlords find the current system of prioritizing paycheck protection irrelevant to the survival of their businesses.
  - While much appreciated, the current policy of announcing eviction moratorium for commercial spaces in a piecemeal fashion does not help relax the anxiety for small businesses who are worried about back-rent and eviction as soon as the moratorium is lifted. The need for state-funded rent relief could not be more emphasized.
- **Expand eligibility for State loan programs**
  - Small business owners are struggling to keep their stores open even if they managed to secure some funding through SBA programs, as in most cases the approved loan amount was not sufficient to keep their stores open.
- **Implement application assistance for immigrant small business owners**
  - Work with community-based organizations to make loan process more approachable, with meaningful language access.
  - Introduce customer protection mechanisms for fraudulent or predatory professional services who offer services to business owners.
- **Mandate language access for top 10 languages spoken in New York State for government assistance and loans**
  - Translated materials on what grant/loan is available stops short of providing meaningful language assistance in the application process. Small business owners must be able to access in-language application forms for programs.
  - Identify intermediary partners who can provide in-language and culturally-competent services to immigrant applicants.
  - Any State-funded loan or assistance programs managed by municipalities be mandated to provide language access, providing translated information at the time of launching such programs as well as follow-up process in major New York State languages.

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<sup>5</sup> In our survey, over 36% of small business owners said ability to pay rent is the single biggest concern for the survival of their businesses—followed by retaining customers (21.9%) and payroll (10.3%).