

# SMALL BUSINESS CASE STUDY

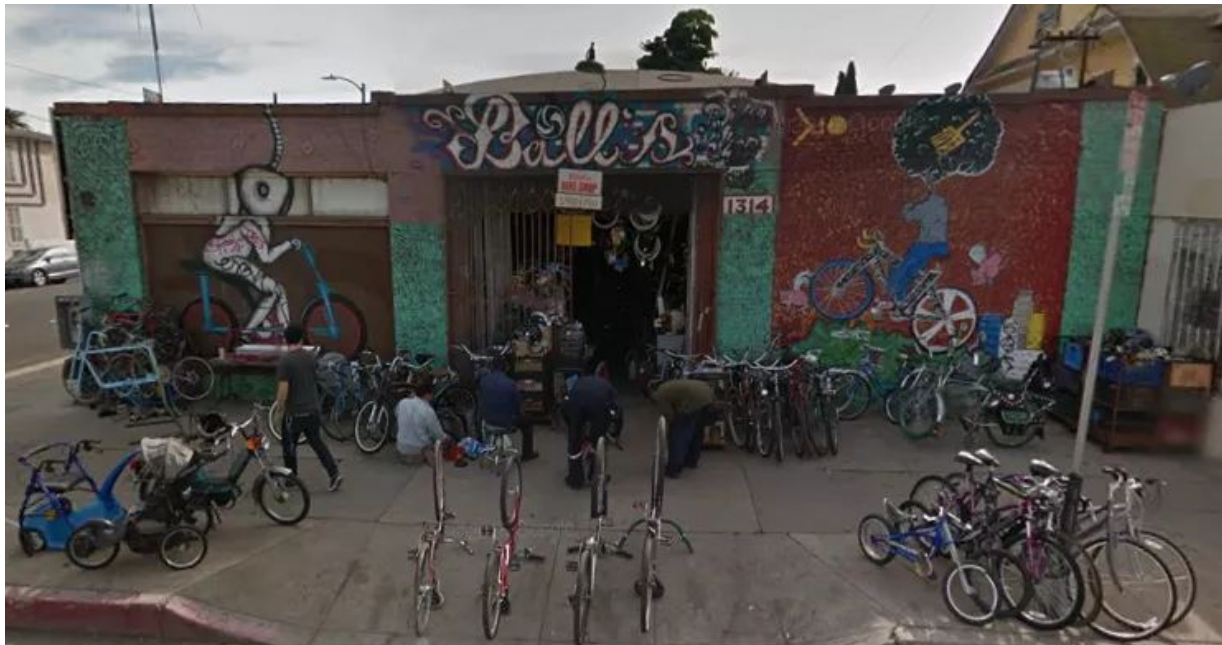
## Financing Community Resilience Displacement, Climate and Earthquakes

October 1, 2018 | Federal Reserve | Los Angeles, CA

### Purpose

The purpose of this case study is to gain a greater understanding of the displacement pressures that small business owners in low income communities in Los Angeles area face. The story of Bill's Bike shop is an example of the difficulty that small business owners face in gentrifying neighborhoods and could face from a natural disaster. Seismic and climate risks may exacerbate the displacement pressures experienced by small businesses like Bill's Bike shop and therefore need to be considered when creating a community resilience financing plan.

The goal of this case study is to brainstorm innovative solutions to find a way to finance retrofits of the building without displacing or creating unreasonable hardship for the existing tenant or owner, and to improve the financial capacity and resilience of the small business owner in order to prevent displacement and increase resilience from natural hazards, therefore advancing both building and social resilience.



## Context

- **Background:** Bill's Bike shop was a vital community asset in South Central for decades. For many community members—especially those who depend on bicycles as their primary mode of transport—relied on Bill's for affordable service and repairs. Bill's sold used-bikes for low prices, and, more importantly, the business served as a gathering place for local residents. Bill's was located just blocks from USC. For years, USC's campus and presence has been expanding into the community, driving gentrification in historic South Central. Many low income residents and small business owners in the surrounding area are being evicted and priced-out to make way for new campus-oriented development. In 2017, under financial pressure, Bill sold the building to a developer, who plans to convert the adjacent lot into an 80-unit, mixed-use development.<sup>1</sup>

Bill's son, Aaron Flournoy, worked at the shop alongside his father for decades. In 2015, Flournoy opened his own bike shop, Lil' Bill's Bike Repair, out of a shed on a church parking lot located on USC's campus. Flournoy built a strong relationship with students, who appreciated his kind-hearted personality and quality, affordable service. But when USC acquired the land that the church was on, Flournoy was told to move his bike shed, or else they would bulldoze it. Determined to keep his business going, Bill decided to convert his business into a mobile bike shop with his truck. Today, Bill continues to serve the USC and South Central communities with affordable bike repairs; however, Bill is now forced to run his businesses on the street, often in sweltering heat, because commercial property has become so expensive in the neighborhood he was raised in.<sup>2</sup>



<sup>1</sup> LA Dept of City Planning, case [ENV-2016-1132](#)

<sup>2</sup> Sulaiman, 2017. "[USC Poised to Displace Black-Owned Bike Repair Business.](#)" Streetsblog LA.

- **Building:** Bill's Bike Shop was located in small a one-story commercial brick building in historic South Central.<sup>3</sup>
  - **Location:** 1314 W Jefferson Blvd, Los Angeles, CA 90007
  - **Year built:** 1927
  - **Construction type:** brick building commercial store (code 1100; class D5A)
  - **Number of stories:** 1
  - **Building area:** 2,300 sq ft
  - **Site area:** 2,600 sq ft
  - **Transit oriented community:** TOC Tier 2 (within ½ mile of Expo light rail station)
  - **Last owner change; sale amount:** 1/2017; \$400,004
  
- **Neighborhood:** Bills' Bike shop is located in the historic core of South Central.<sup>4</sup> The median household income is \$24,688. 81% of residents are renters, and 33% are extremely rent-burdened (pay at least 50% of income on rent). 75% of the units in this tract are rent-stabilized. The median rent in this tract rose 40% from 2000 to 2014. 72% of residents in the tract identify as Hispanic/Latino; 14% identify as Black/African-American. Unemployment in the tract is 4.7% and 11% of those working have more than one job. An astonishing 83% of jobs in the tract are in small businesses with less than 20 employees, compared to 23% state- and county-wide.<sup>5</sup>
  - **Displacement risk:** South Central is going through a period of rapid change, and, according to the LA Index of Neighborhood Change, future displacement pressure for this particular census tract is "High."<sup>6</sup>

## Seismic Context<sup>7</sup>

Small businesses are particularly susceptible to the economic effects of earthquakes and natural disasters. According to Federal Emergency Management Agency (FEMA) and the US Department of Labor (2014), immediately after a natural disaster, 40% of small businesses will not reopen; one year later, 25% more small businesses will close, and three years later, 75% of businesses "without a continuity plan will fail." The average daily loss of small businesses that close due to a disaster is \$3,000. This is important because small businesses account for 99% of all companies in the US and employ 50% of all private sector employees.<sup>8</sup>

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<sup>3</sup> Building information collected from the LA Department of City Planning "Zone Information and Map Access System," [ZIMAS](#)

<sup>4</sup> [LA Index of Displacement Pressure and Neighborhood Change](#)

<sup>5</sup> Data collected from [PolicyMap](#)

<sup>6</sup> [LA Index of Displacement Pressure and Neighborhood Change](#)

<sup>7</sup> Climate context data collected from the LA Department of City Planning "Zone Information and Map Access System," [ZIMAS](#)

<sup>8</sup> FEMA, 2014. "Why should organizations care about earthquake risk?" FEMA and US Department of Labor.

#### Active Fault Near-Source Zone

Nearest Fault (Distance in km)	2.19901008
Nearest Fault (Name)	Puente Hills Blind Thrust
Region	Los Angeles Blind Thrusts
Fault Type	B
Slip Rate (mm/year)	0.70000000
Slip Geometry	Reverse
Slip Type	Moderately / Poorly Constrained
Alquist-Priolo Fault Zone	No
Landslide	No
Liquefaction	No
Preliminary Fault Rupture Study Area	No
Tsunami Inundation Zone	No

## Climate Context

<b>Climate Change Population Vulnerability Screening Tool Indicators</b> (CA Dept. of Public Health) <sup>9</sup>	Census Tract (2226.00)	LA County average
Households without a car	21.9%	12.2%
Households elderly (over 65) living alone	6.6%	2.6%
Proximity to transit	315ft	2640ft
A/C ownership (% of households)	47%	39%
Tree canopy coverage (average % of land coverage)	1.8%	2.2%
Impervious surface coverage (average % of land coverage)	72.2%	48%
Sea-rise risk	0	1.1
Flood risk	1.51	4
Fire risk	2.45	4

<sup>9</sup> CA Dept of Public Health, [Climate Change Vulnerability study](#), 2015; [indicator map](#)

# Climate-Smart Cities, Los Angeles

## Parcel Report

September 27, 2018

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Parcel ID: 5040019006      Owner: SMITH,WILLIAM Q AND NANCY M TRS & SMITH FAMILY TRU0.06  
 Address: 1314 W JEFFERSON BLVD LOS ANGELES CA 90007 3435

### Administrative Boundaries:

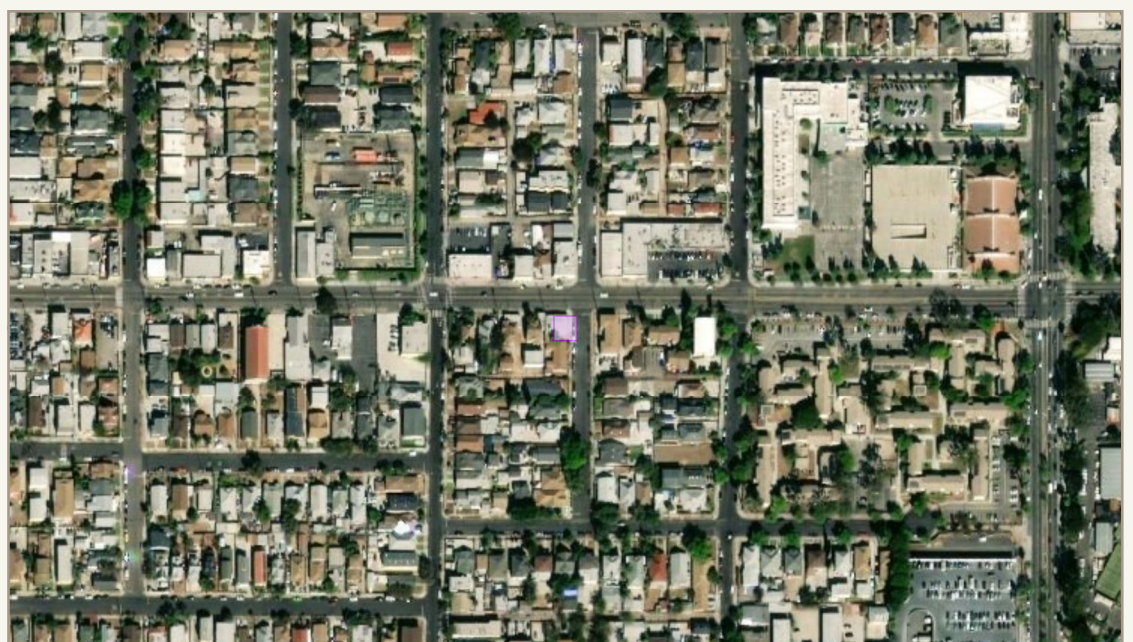
State Assembly District: District 59  
 Senate Assembly District: District 30  
 Los Angeles Neighborhood Council Boundary: EMPOWERMENT CONGRESS NORTH AREA NDC  
 Public Owned: No

### Green Infrastructure Suitability Indicators

Canopy Cover Minimum (%): 0.00	Cal EnviroScreen Asthma: 42.14
Canopy Cover Maximum (%): 0.00	Cal EnviroScreen Asthma (%): 54.55
Canopy Cover Mean (%): 0.00	Cal EnviroScreen Low Birth Weight: 0.06
Impervious Surface Minimum (%): 90.00	Cal EnviroScreen Low Birth Weight (%): 99.01
Impervious Surface Maximum (%): 96.00	Cal EnviroScreen Pollution: 43.84
Impervious Surface Mean (%): 91.50	Cal EnviroScreen Pollution Score (1-10): 4.38
Parking Lot (sq. ft.): 0.00	Cal EnviroScreen Pollution (%): 59.09
Available Solar (sq.ft.): 500.00	Cal EnviroScreen Population: 71.74
Cal EnviroScreen Ozone: 0.01	Cal EnviroScreen Population Score (1-10): 7.17
Cal EnviroScreen Ozone (%): 31.63	Cal EnviroScreen Population (%): 85.98
Cal EnviroScreen Particulate Matter: 15.02	Cal EnviroScreen Score Pct Range: 21 - 25%
Cal EnviroScreen Particulate Matter (%): 87.94	Cal EnviroScreen Score: 31.45
Cal EnviroScreen Toxic Releases: 3192.17	USC PERE EJ Scrn. Cum. Impact Score: 11.00
Cal EnviroScreen Toxic Releases (%): 77.32	USC PERE EJ Scrn. Cum. Imp. Vuln. Ind. Score: 16.00
Cal EnviroScreen Traffic Density: 1070.42	Park Need Assessment Results: Very High
Cal EnviroScreen Traffic Density (%): 62.19	Vacant: No

### Legend

 Los Angeles Parcels



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# Climate-Smart Cities, Los Angeles

## Parcel Report

September 27, 2018

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Parcel ID: 5040019006      Owner: SMITH,WILLIAM Q AND NANCY M TRS & SMITH FAMILY TRS      Acres: 0.06  
 Address: 1314 W JEFFERSON BLVD LOS ANGELES CA 90007 3435

### AB31 Criteria:

Acres of Park per 1k Residents: 0.03  
 Median Household Income <80%: Yes  
 Less than 3 acres Park per 1k Residents: Yes

Overall Stacked Priorities	Acres	Percent	Present
<b>Stacked Priorities</b>	<b>0.06</b>	<b>100.0%</b>	<b>Yes</b>
<b>Goal: Cool</b>	<b>Acres</b>	<b>Percent</b>	<b>Present</b>
Daytime Urban Heat Islands	0.06	100.0%	Yes
Nighttime Urban Heat Islands	0.06	100.0%	Yes
<b>Cool Priority Areas</b>	<b>0.06</b>	<b>100.0%</b>	<b>Yes</b>
<b>Goal: Absorb</b>	<b>Acres</b>	<b>Percent</b>	<b>Present</b>
Riparian Areas	0.00	0.0%	No
Flood Prone Areas	0.00	0.0%	No
Permeable Soils	0.06	100.0%	Yes
Spreading Grounds	0.00	0.0%	No
Wetland Areas	0.00	0.0%	No
Lakes and Ponds	0.00	0.0%	No
Groundwater Forebay	0.06	100.0%	Yes
Groundwater Basin	0.06	100.0%	Yes
<b>Absorb Priority Areas</b>	<b>0.06</b>	<b>100.0%</b>	<b>Yes</b>
<b>Goal: Protect</b>	<b>Acres</b>	<b>Percent</b>	<b>Present</b>
Coastal High Hazard Areas	0.00	0.0%	No
Projected Storm Inundation Areas	0.00	0.0%	No
Cliff Erosion Areas	0.00	0.0%	No
Shoreline Change	0.00	0.0%	No
Flood Prone Areas	0.00	0.0%	No
<b>Protect Priority Areas</b>	<b>0.00</b>	<b>0.0%</b>	<b>No</b>

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Goal: Connect	Acres	Percent	Present
Connect Low-Income Communities to Job-Rich Districts	0.00	0.0%	No
Connect Low-income Communities to Shopping Centers and Medical Facilities	0.00	0.0%	No
Connect Low-income Communities to High Quality Transit	0.06	100.0%	Yes
Connect High Bike/Walk Communities to Job-Rich Districts	0.00	0.0%	No
Connect High Bike/Walk Communities to Shopping Centers and Medical Facilities	0.00	0.0%	No
Connect to the LA River Sustainable River Revitalization Projects	0.00	0.0%	No
Provide Access to Public Schools	0.06	100.0%	Yes
Provide Access to Colleges and Universities	0.06	100.0%	Yes
First Last Mile Walkable Areas	0.06	100.0%	Yes
<b>Connect Priority Areas</b>	<b>0.06</b>	<b>100.0%</b>	<b>Yes</b>
Goal: Equity	Acres	Percent	Present
Populations with People of Color	0.06	100.0%	Yes
Low-Income Populations	0.06	100.0%	Yes
Populations with Less than High School Diploma	0.00	0.0%	No
Populations with Linguistic Isolation	0.00	0.0%	No
Populations under 5	0.00	0.0%	No
Populations over 64	0.00	0.0%	No
Populations with Unemployment	0.06	100.0%	Yes
Populations with Asthma	0.06	100.0%	Yes
Populations with Low Birth Weight	0.06	100.0%	Yes
<b>Equity Priorities</b>	<b>0.06</b>	<b>100.0%</b>	<b>Yes</b>