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Graffito + Commonwealth Kitchen Offer Policy Recommendations To Support Small Businesses In Response To The COVID-19 Crisis

Nothing Less Than A Trillion Dollar Small Business Bailout

Given the scope, scale and dramatic escalation of the COVID-19 induced small business crisis, **the Federal government must immediately pass a trillion dollar Small Business Bailout** in order to appropriately respond with the relief and recovery that millions of Americans need right now, and in the coming weeks, months, and years.

COVID-19 has a forced near total shut-down of small businesses in our community and across the country. Restaurants, retail shops, fitness studios, breweries, salons, day care centers, barber shops and everything in between that are the heart and soul of our daily lives are being shuttered through no fault of business owners or their staff. Inventory sits idle (or rotting); payroll, health insurance, vendor, rent, utilities, and loan payments can't be paid; wages and income are all being lost, and savings depleted. Soon, thousands of business owners will likely have to declare bankruptcy – and those with the fewest resources and least financial wherewithal will disproportionately bear the burden, particularly low-income women, immigrants, and people of color.

A Trillion Dollar Small Business Bailout is needed immediately to slow the looming devastation. Such a strategy is consistent with the size of the US small business economy and the impacts of this crisis. In a 2019 report, the US Small Business Administration estimated that the total share of US GDP produced by small businesses was 44% – that is equal to approximately \$5.9 trillion.¹ In Massachusetts, small businesses represent 99% of all businesses and 46% of all employees.²

For context, the Recovery Act of 2009 is estimated to have eventually cost \$831 billion.³ The impacts of this current crisis on small businesses, if left unabated, will undoubtedly be greater than during the Great Recession. This is not hyperbole.

Core Principles Of COVID-19 Small Business Relief Measures

1. The interests of independent small business owners at the front lines of this crisis and their workers must be the number one priority.
2. Relief to small businesses must come in the form of grants, not loans or tax abatements.
 - Current MA State and Federal SBA emergency loan programs may be appropriate for larger, more established businesses. But small businesses, like restaurants and neighborhood retailers, cannot be asked to take on more debt as a condition of relief programs. They are already over-burdened.
3. Relief efforts must be fast, be long-lasting, and they must meet the scale of the crisis.
 - Every small business needs an immediate cash infusion now, and any relief effort must also acknowledge that the impacts of this crisis will last for years.
4. Grant funds must also be made available immediately to the small business technical support and advocacy organizations working on the front lines to advise and support these businesses and their employees as they navigate this unprecedented crisis.

¹ <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>

² <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142650/2019-Small-Business-Profiles-MA.pdf>

³ https://en.wikipedia.org/wiki/American_Recovery_and_Reinvestment_Act_of_2009

Specific Policy Recommendations

The following are an initial set of policy recommendations that address some of the most pressing issues currently facing small businesses owners and their workers.

- **Waive State, Local Meals & Sales Tax For Q1 2020 through Q1 2021**
- **Expand Unemployment Criteria To Cover Currently Ineligible Business Owners**
- **Require Insurance Companies Pay Business Interruption Claims.**
- **Expand Federal SNAP Benefits To Allow Purchase Of Prepared Foods From Local Food Businesses**
- **Institute Anti-Eviction Protections For Both Commercial & Residential Tenants**
- **Authorize Mortgage and Real Estate Tax Relief For Property Owners Who Can't Make Payments**
- **Adjust Lending Rules To Protect Small Business Owners Relying On Personal Loans**
- **Enact Proposals By MA Delegation Members That Ensure Workers Are Supported Immediately + Fully**

Specific Policy Recommendations: Further Details

- **Waive State, Local Meals & Sales Tax For Q1 2020 through Q1 2021**
 - Helpful to restaurants' and retailers' immediate cash flow challenges; keeps some modest of flow funds moving through the local economy.
 - However, since today's near-universal closure of retail small businesses is expected to last months, Gov. Baker's proposed relief from meals and sales taxes through the April 1st Q1 due date is a moot point for most business owners.
- **Expand Unemployment Criteria To Cover Currently Ineligible Business Owners**
 - Sole proprietors, independent contractors and small businesses such as barbers, hair stylists, home-based child care providers, craftspeople, artists + creative professionals, farmers, food truck operators, and caterers - who are not currently required to pay into government unemployment programs - are not eligible for unemployment benefits.
 - Eligibility requirements should be expanded so that these crucial benefits can be made available for all effected by this crisis.
- **Require Insurance Companies Pay Business Interruption Claims.**
 - Insurance companies are already routinely rejecting business interruption insurance claims for COVID-19 related costs, declaring the claims ineligible. Given the current state of emergency, and near lock-down issued by government agencies, insurance companies should be held responsible to pay claims.
- **Expand Federal SNAP Benefits To Allow Purchase Of Prepared Foods From Food Businesses**
 - Low income families should be allowed to use benefits to purchase healthy, time and cost-efficient prepared meals from food businesses that are still operating during this crisis, including food trucks.
 - This rule change would also allow SNAP recipients to support more neighborhood businesses close to home that need customers' business more than ever, and keep funds circulating in the local economy
- **Institute Anti-Eviction Protections For Both Commercial & Residential Tenants**
 - Few small businesses will be able to pay rent in the coming months.
 - Commercial retail leases typically include a number of provisions in addition to rent payment that tenants may inadvertently violate during this crisis, any of which could trigger default and eviction (i.e. "minimum hours" a tenant must be open that are now impossible due to forced closure, prohibition on take-out, etc).

- As strategies and solutions are devised to navigate myriad lease provisions beyond just rent payments, protections for commercial tenants unable to meet all lease requirements must be implemented in order to prevent costly evictions processes.
- Equally important to the small business community, residential eviction protections are critical to the well-being of both staff and business owners.
- **Authorize Mortgage + Real Estate Tax Relief For Property Owners Who Can't Make Payments**
 - Due to the expected loss of rental income from retail small business owners, mortgage relief should be considered for certain commercial landlords.
 - In most commercial leases, the cost of real estate tax is passed through to the tenant. Waiver of commercial real estate taxes should be authorized specifically to offset a portion of tenant rent, so that small business owners do not go even further into debt, and property owners are not put in further jeopardy.
- **Adjust Lending Rules To Protect Small Business Owners Relying On Personal Loans**
 - Many small business owners rely on personal loans instead of business loans for starting or working capital since personal loans are easier to qualify for.
 - A Small Business Bailout must take this into consideration and offer relief to those business owners who are at risk of defaulting on personal loans that serve their business.
 - o Late or missed payments on personal loans damage individuals' personal credit score, making it harder to apply for future loans or financing – including current relief loans described above.
 - o Defaulting on personal loans may result in a bank seizing personal property, including a house or car.
 - o Provide immediate debt consolidation for business owners relying on credit cards to pay bills during this extended crisis.
- **Enact Proposals By MA Delegation Members That Ensure Workers Are Supported Immediately + Fully**
 - The sudden onset of this crisis means unemployment payments must be expedited to support workers now.
 - Since many restaurant workers' income is heavily dependent on tips, unemployment benefits for these workers must be calculated based on both base wages and expected tips.
 - The uncertain duration of the COVID-19 public health emergency and resulting economic crisis means that calculations for duration of benefits and maximum benefits must be changed to cover business owners and workers throughout this challenging period.

We hope these recommendations serve as a starting guide for the types of policies and relief efforts we know are critical to the survival of our small business community. As relief and recovery funds begin to flow, Graffito and CommonWealth Kitchen also hope that government supports investment in the smaller businesses at the front lines of this crisis by prioritizing contracts and purchasing from small, local, and diverse businesses, reducing insurance and bonding requirements, and splitting contracts to the greatest extent feasible.

Above all else, all levels of government must act fast with bold and long-lasting support that matches the scope and scale of this crisis.

Graffito is a Boston-based real estate development + urban design firm focused on complex ground floor planning, retail leasing, and place activation projects. Our approach embraces a local-first mentality steeped in the context of the places and spaces we work. Our work includes Neighborhood Strategy + Urban Design, Retail Leasing (with a focus on local, independent businesses), Retail Development, and Branding + Creative Services. Read more about our efforts to support the Boston-area small business community during the COVID-19 crisis: graffito.com/covid-19

CommonWealth Kitchen is on a mission to build a new food economy grounded in racial, social and economic justice. We do this by strengthening the capacity, connections, and collective power of diverse entrepreneurs to start and grow successful food businesses in order to build a just, equitable, sustainable food economy in which everyone can participate and prosper. Learn more about our work + our entrepreneurs: CommonwealthKitchen.org