Community-Owned Real Estate (CORE): A Mission-Driven Approach to Preventing Small Business Displacement in Los Angeles

***Chih-Wei Hsu** | Research Associate*
***Prince Osemwengie** | Senior Policy Associate*

Inclusive Action for the City
2900 E Cesar E Chavez St.
Los Angeles, CA 90033

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SMALL BUSINESS Anti-Displacement Network

INCLUSIVE ACTION FOR THE CITY

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Interviewees

- **Andi,** Latin X With Plants
- **Enrique,** Aguilera's Barber Shop
- **Kris,** Boyle Heights Beat
- **Lucia,** Las Fotos Project
- **Porfirio,** Mundo's Upholstery
- **Roberto & Angela,** Eastside Cafe
- **Ruben,** Malinalli Superfoods
- **Sohi,** Sohi Threading
- **Yessica,** Dulceria Seis Oriente
- **Tak,** Little Tokyo Service Center
- **Pavlin,** GenesisLA

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If you have questions about this case study or Inclusive Action's programs, contact:

Prince Osemwengie, info@inclusiveaction.org

Executive Summary

Small business displacement, or the phenomenon where existing businesses are forced to close or relocate due to various factors linked to gentrification, such as rent hikes, urban revitalization, and pro-development policy, is not a new phenomenon. However, public discourse around small business displacement has been growing, especially after the height of the COVID-19 pandemic, in which thousands of small businesses around the nation permanently closed their doors due to the economic impact of the pandemic in addition to changes in consumer behavior, inflation, and more. In Los Angeles County, it is estimated that over 15,000 businesses closed their doors due to the pandemic and over 5,300 businesses fell behind on rent in the City of Los Angeles. While businesses seek to rebound from the impacts of COVID-19 and, more recently, inflation, it is also important to acknowledge the plight of small businesses battling displacement by gentrification.

This case study provides an overview of Inclusive Action for City, a Los Angeles-based CDFI/non-profit approach to supporting small businesses battling displacement by gentrification. More specifically, this case study details Inclusive Action's mission-driven commercial real estate acquisition and management program, called *Community Owned Real Estate* or CORE for short. In 2018, Inclusive Action, in partnership with two community-based organizations, acquired five commercial properties in LA neighborhoods—Boyle Heights, East Los Angeles, and El Sereno. CORE provides retail space for local business owners at below-market rates and wrap-around small business technical services to ensure commercial tenants are supported beyond the scope of a tenant. The objective of this case study is to highlight our small business anti-displacement tool and strategies via CORE and provide tangible steps on how other organizations can replicate our approach. While our CORE program is based in our community, this case study provides program design recommendations and key lessons learned that can be replicated or modified by any organization regardless of location.

Introduction

What happens to local small businesses when their community undergoes gentrification? How are business owners protected (if at all) against displacement from gentrification? What can local businesses do to combat displacement from gentrification?

While there is no silver bullet to stop gentrification and displacement entirely nor unanimous consensus on the causation or impacts of gentrification, the purpose of this case study is to introduce replicable community-driven approaches to preserve small businesses in gentrifying neighborhoods. This case study does not provide empirical evidence on the causes of small business gentrification or introduce a new discourse on the impacts. Instead, Inclusive Action functions within the framework that views gentrification and its consequences as a comprehensive threat to local small businesses, particularly due to predatory landlord practices.

Thus, the objective of this case study is to explore strategies to make local small businesses less vulnerable to gentrification and displacement. In short, Inclusive Action seeks to answer, by proof of concept, the following question: does community-driven stewardship and intervention make local businesses less vulnerable to displacement caused by gentrification? Ultimately, we argue affirmatively, and our goal is to share our approach and lessons learned through our small business anti-displacement interventions.

Overview: Community-Owned Real Estate (CORE)

Inclusive Action for the City's approach to small business anti-displacement interventions tests the hypothesis that providing local business owners with below-market rate rent and wrap-around services insulates commercial tenants from gentrification forces. Inclusive Action tested this hypothesis through a program called "Community-Owned Real Estate," or CORE. CORE launched in 2018 in partnership with two community-based organizations—Little Tokyo Service Center and East LA Community Corporation. The primary goal of CORE is to combat displacement and gentrification through strategic commercial real estate acquisition in gentrifying and transitioning neighborhoods, where Inclusive Action and CORE founders can serve as community stewards. Properties acquired can then be leased at below-

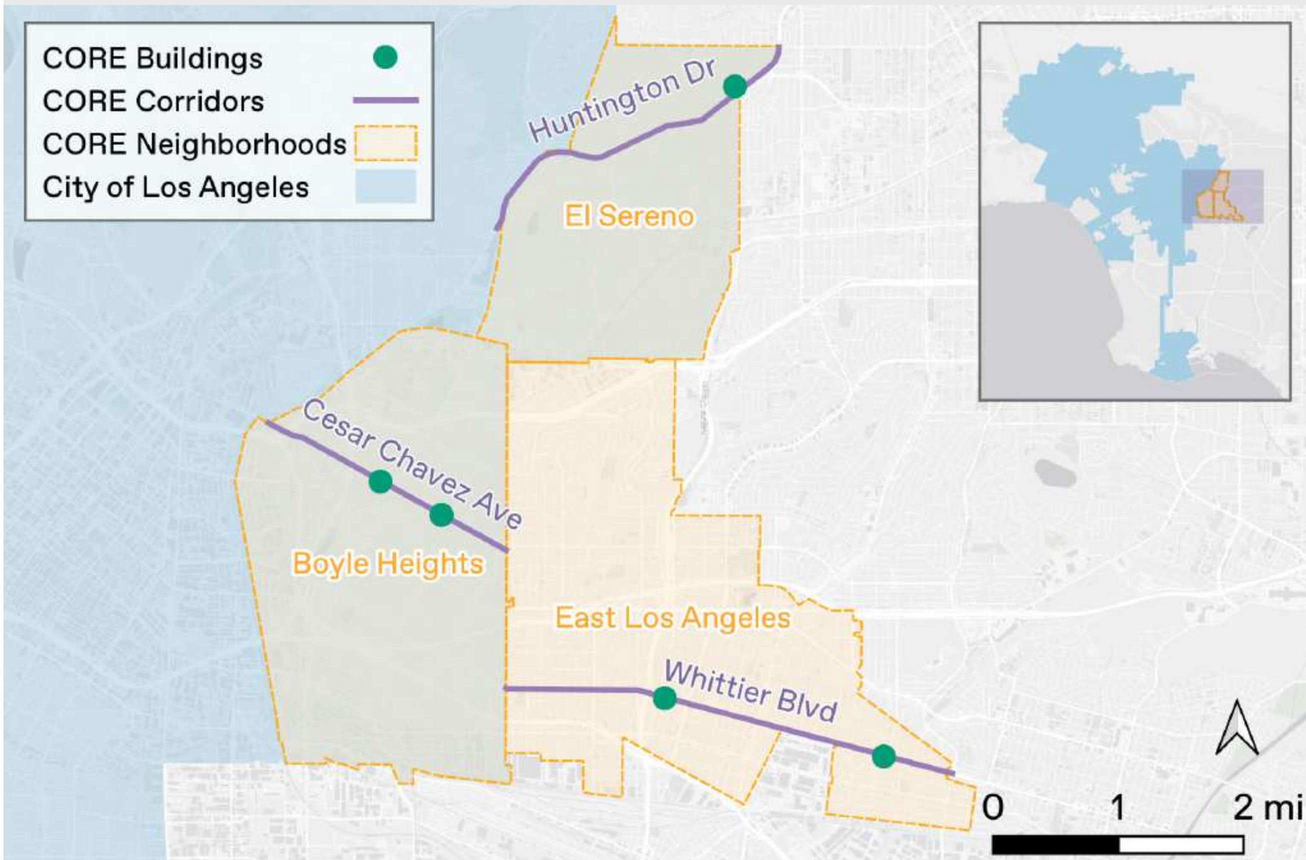
"Inclusive Action for the City's approach to small business anti-displacement interventions tests the hypothesis that providing local business owners with below-market rate rent and wrap-around services insulates commercial tenants from gentrification forces."

market rates to local business owners, who can obtain wrap-around services such as one-on-one business technical support and training. CORE also provides tenants an opportunity to build equity and/or take minority ownership in the CORE real estate portfolio as an added community benefit.

Today, the CORE portfolio encompasses five commercial properties in three gentrifying Los Angeles neighborhoods—Boyle Heights, El Sereno, and East LA. Collectively, the CORE buildings feature over 29,000 square feet of retail space and 23 retail units; presently, 21 of the 23 units are leased to 15 local small businesses, including non-profit organizations. While government and policy intervention are needed to address commercial tenant displacement and gentrification on a large scale, this case study aims to showcase how community-oriented organizations can combat gentrification and replicate anti-displacement techniques and strategies from CORE.

Figure 1

CORE building locations on the commercial corridors in El Sereno, Boyle Heights, and East Los Angeles.



Case Study Approach

Inclusive Action for the City conducted this research with advisory support from the Small Business Anti-Displacement Network. The primary goal of this case study is to illustrate a tangible approach to preserving small businesses. This study features three major components: interviews, secondary research, and commercial real estate data analysis.

- **Interviews:** In total, 11 interviews were conducted with two CORE stakeholder groups: tenants and partners. Interviews with CORE tenants were conducted to gain insight into the effectiveness of CORE's holistic tenant approach, i.e. strength, and areas of improvement. Similarly, interviews of CORE Partner stakeholders were conducted to gain insight into the efficacy of CORE's formation of strategic partnerships, tenant ownership structure goal, and approach to strategic commercial real estate acquisition.

- **Secondary Research:** This case study's neighborhood and cultural context were informed by publicly available scholarly articles, journals, census data, and newspaper articles.
- **Commercial Real Estate Data Analysis:** Real estate data was gathered and collected from CoStar to analyze commercial real estate trends in Boyle Heights and East Los Angeles. CoStar allows one to compare historical and present commercial real estate data and trends.

About the Organization: Inclusive Action

Inclusive Action for the City is a 501c3 nonprofit and Community Development Financial Institution (CDFI) based in Boyle Heights, Los Angeles. Inclusive Action, known initially as Leadership for Urban Renewal Network (LURN), was founded in 2008 by Alfred Fraijo, Boyle Heights native/land use attorney, and Rudy Espinoza, Executive Director of Inclusive Action, along with fellow founding members Ginger Hitzke, Ricardo Mireles, and Reagan Maechling. Then LURN's primary mission was to organize thematic meetings to highlight important issues impacting their community, such as affordable housing, the criminalization of sidewalk vendors, small business development, and more.

Since 2008, Inclusive Action's mission has expanded and formalized into serving underinvested communities, especially BIPOC, immigrant and women-owned businesses, and communities. As an organization, Inclusive Action is a team of 26 full-time staff members with nearly 50 years of combined experience in microfinance and lending, policy research and analysis, consulting, and leading grassroots coalitions and policy campaigns. Similarly, Inclusive Action's Board members feature prominent Los Angeles economic development leaders spanning relevant sectors in business lending, real estate development, law, consulting, and academia.

Organizational Mission

Inclusive Action for the City's mission is to serve underinvested communities and build thriving local economies by improving access to transformative capital and advancing policy through collaborative research and community-driven advocacy. Inclusive Action accomplishes its mission by pairing transformative access-to-capital programming via microfinance lending and business coaching with research-informed policy advocacy and anti-displacement real estate initiatives. The organizational structure is divided into three segments: (1) access to capital—leads micro-lending and technical assistance initiatives, (2) policy advocacy & research—leads policy campaigns and coalitions to support sidewalk vendors, public budget advocacy, and equitable economic development policy, (3) and last community innovation—leads organizations endeavors in real estate advising and development.

Please refer to our appendices for an in-depth dive into our organizational pillars.

TABLE 1: Socioeconomic Characteristics of the CORE Neighborhoods, Based on the 2020 American Community Survey

2020	Boyle Heights	El Sereno	East Los Angeles	Citywide
Population	77,000	38,000	120,000	3.9M
Median household income	$47,508	$60,667	$51,320	$65,290
Median home value	$475,196	$547,485	$447,857	$516,113
% of population with bachelor's degrees	11%	23%	10%	36%
% of renter occupied dwelling units	75%	47%	65%	63%
Median rent	$1,015	$1,120	$1,085	$1,393

History of Neighborhood Change

Over the past century, the CORE neighborhoods—Boyle Heights, El Sereno, and East Los Angeles—have experienced shifts in population and household demographics spurred by a combination of federal and local policies and development pressure.

Boyle Heights, El Sereno, and East Los Angeles

Unlike adjacent neighborhoods, Boyle Heights did not have a racial covenant that excluded non-white Angelenos. Boyle Heights was settled in the early 20th century, where **Jewish** residents accounted for over 40% of the population. By 1940, Boyle Heights was home to 35,000 Jewish, 15,000 Mexican, 5,000 Japanese, and 700 Black Americans (Sánchez, 2021). The neighborhood's demographics shifted in the 1940s and 1950s; federal mandates, such as the **1942 Executive Order**, forcibly removed Japanese residents from the neighborhood. Meanwhile, new Mexican arrivals continued to settle in Boyle Heights, and Jewish residents and their businesses started to relocate to other non-redlined neighborhoods. The construction and expansion of the major freeways—5, 10, 60, and 101, which bisects Boyle Heights—also contributed to the displacement and shift in population demographics. Similarly, the development of El Sereno and unincorporated East Los Angeles originated at the turn of the 20th century. Historically, monumental events such as the **East Los Angeles Walkout** and **Chicano Moratorium** took place in East Los Angeles. Today, Boyle Heights has a population of about 77,000, of which 92% is Latino, and approximately three-quarters of dwelling units are renter-occupied.[1] Whereas East Los Angeles has a population of 120,000, and over 95% of the population is Latino—the highest anywhere in the U.S. outside of Puerto Rico.[2]

Gentrification in the Eastside and CORE Neighborhoods

Major public events and infrastructure investments by the City and the County of Los Angeles are fueling development and market speculation in the CORE neighborhoods. Los Angeles is slated to host the 2026 World Cup and 2028 Olympics; these world events are ushering billions of public and private funds in infrastructure projects for the region (Uranga, 2022). Similarly, the **Los Angeles River Master Plan**, along with numerous capital improvement projects on the riverfront areas in Boyle Heights, is fueling development. Lastly, the new Sixth Street Bridge—touted as the largest bridge project in the history of Los Angeles—opened in 2022 and connects Boyle Heights to Downtown's

Figure 2
Whittier Blvd.

thriving and gentrified Arts District. While all development is not bad, rapid development without intentional safeguards to support existing residents and businesses can displace existing stakeholders and drastically alter neighborhood characteristics. Although the Boyle Heights Community Plan highlights the importance of anti-displacement priorities for residents and businesses, City and County pressure to meet the housing demand has prompted policymakers to incentivize rapid development with lax guardrails to curb displacement.

Retail Market Real Estate Analysis

CoStar market data from January 2012 to April 2023 were analyzed to obtain insight into local retail market trends impacting commercial tenants. This analysis assessed commercial retail trends: (1) average sales price per square foot, (2) market rent, (3) asking rent in the retail submarket of the CORE zip codes 90022 (East Los Angeles), 90032 (El Sereno), and 90033 (Boyle Heights), Southeast Los Angeles, and the City of Los Angeles.

Based on our analysis, we found the following: First, land value sales price per square foot (PSF) in the neighborhoods of Boyle Heights (90033) and El Sereno (90032) is experiencing a notable appreciation of over 20%, surpassing the rate of increase seen in surrounding neighborhoods in the SELA market. For local small businesses seeking to purchase or lease in Boyle Heights and El Sereno, the appreciating retail property can present a financial obstacle if they cannot pay higher rent or close on a more expensive property.

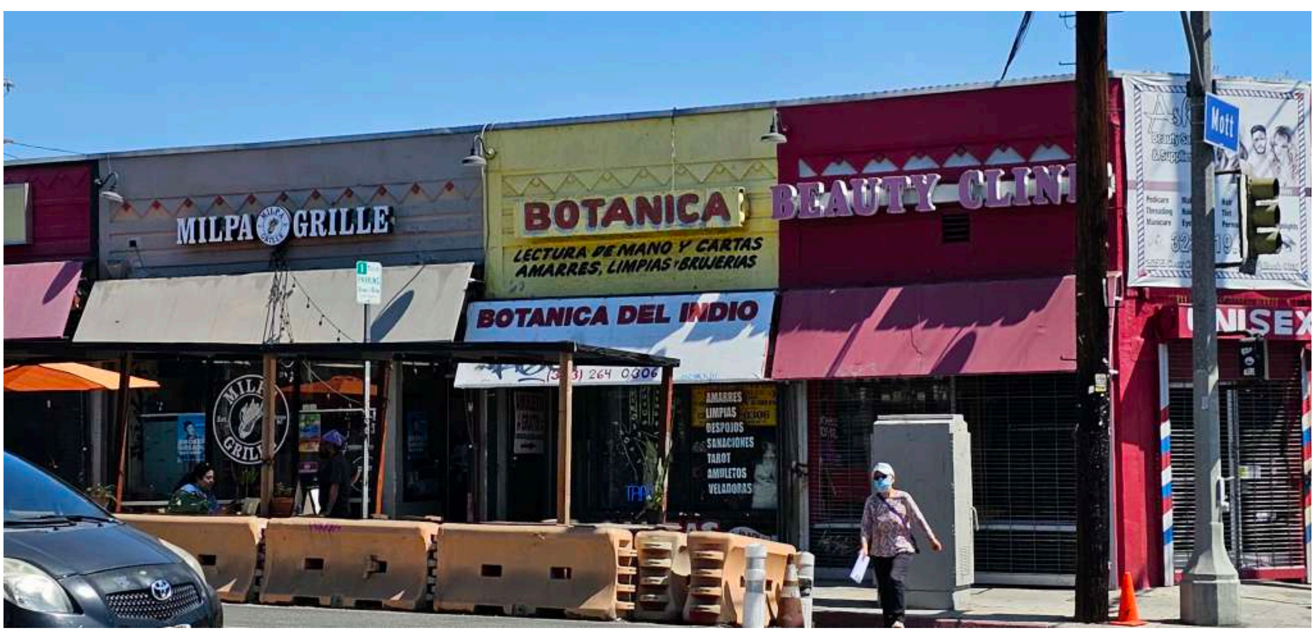
Second, property owners are constantly asking for 28%–30% more than market rent in the CORE neighborhoods. The high asking rent trend indicates that property owners in the El Sereno and Boyle Heights neighborhoods seek to raise rent in these communities. What this data doesn't illustrate is the full story of challenges local business owners are facing, such as tenant harassment and bad-faith landlord practices. Please refer to our appendices for an in-depth retail real estate market analysis.

Small Business Strengths, Weaknesses, Opportunities, and Threats (SWOT)

Inclusive Action has a unique advantage as a community development financial institution (CDFI) that provides technical assistance and financial products (i.e., loans and grants) directly to hundreds to thousands of local small businesses annually. Ultimately, our SWOT analysis is a synthesis of observational analysis of our community, commercial real estate data analysis via CoStar, and qualitative and quantitative analysis of our CDFI clients. Please refer to our appendices for an in-depth SWOT analysis.

Figure 3

Caesar Chavez Ave.



Anti-Displacement Tools and Strategies

Figure 4

Inclusive Action's CORE office.

Community Owned Real Estate (CORE), established in 2018, is an evolving community ownership collaborative in Los Angeles with two primary goals: (1) combat small business displacement via strategic commercial real estate acquisition and (2) expand access to community ownership to CORE tenants.

CORE's founding partners include two community development corporations (East LA Community Corporation (ELACC) and Little Tokyo Service Center (LTSC)) and a community development financial institution (Inclusive Action for the City (IAC))—the collaborative works closely with non-shareholding partner Genesis LA on organizing the financing for the project. The founding partners acquired, rehabilitated, and continue to manage the five commercial properties in neighborhoods where they have a solid connection.

Major Components of CORE's Small Business Anti-Displacement Strategy

ORGANIZATIONAL & OPERATIONAL STRUCTURE

CORE's organizational and operational structure is built on the existing working and personal relationships the partners already have. A mutualistic legal partnership was established with three separate LLCs—Community Owned Real Estate LLC (CORE LLC), CORE Manager LLC, and CORE Leverage Lender LLC. The LLCs are owned to a different extent by each of the founding partners. CORE LLC owns the commercial properties in the portfolio. CORE Leverage Lender LLC consolidates the capital for the New Market Tax Credit (NMTC) investment fund used to acquire and rehabilitate the properties. Lastly, CORE Manager LLC manages the properties, although the day-to-day property management is split among the two majority holders of CORE LLC—ELACC and IAC.

FINANCE & FUNDING STRATEGY

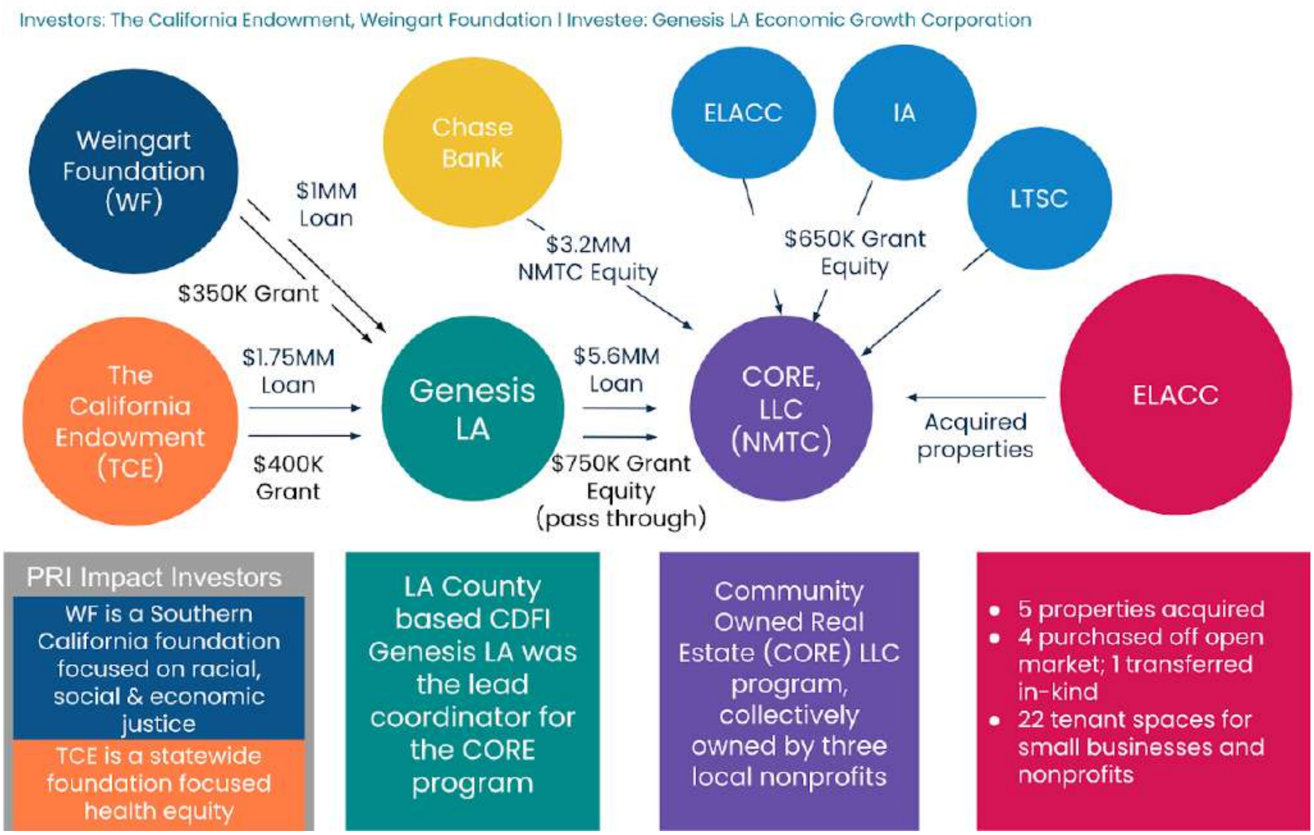
CORE's finance and funding strategy is predicated on leveraging public and philanthropic funds. The NMTC fund includes $7M philanthropic support from the Weingart Foundation and the California Endowment in the form of grants, program-related investments, and affordable loans made to the founding partners and $3.2M of NMTC equity from Chase Bank enabled through the federal public tax credit finance program (Figure 5). The fund was used to purchase, rehabilitate, and operate the properties.

There are three distinct phases of CORE—the acquisition phase, interim operation phase, and ownership transfer phase. CORE is currently in the operation phase and actively planning out

"Community Owned Real Estate (CORE), established in 2018, is an evolving community ownership collaborative in Los Angeles with two primary goals: (1) combat small business displacement via strategic commercial real estate acquisition and (2) expand access to community ownership to CORE tenants."

Figure 5

CORE financial breakdown.



the ownership transfer phase. In the acquisition phase, CORE acquired the properties with a loan from Genesis LA's community development fund, that's funded by the New Market Tax Credit investment fund. CORE LLC added an additional $1.7M worth of value to the properties through rehabilitation. The acquisition and interim operation phases helped achieve CORE's two primary goals—remove commercial properties from the speculative market and preserve local businesses and organizations.

CORE's first two phases resemble a short-term land bank in which land is preserved on behalf of the community. These first phases are similar to the **Community Asset Transition Fund** model providing loans to help the local organizations temporarily acquire properties to buy time for ultimately transitioning the ownership to the community, for example, via **a cooperative or alternative investment methods**.

COMPREHENSIVE TECHNICAL ASSISTANCE SUPPORT FOR TENANTS

CORE's third small business anti-displacement strategy is comprehensive technical assistance support. CORE provides tenants access to below-market-rate retail and office space, wrap-around technical assistance support services such as one-on-one business coaching, grant writing support, and loan application assistance.

Future Implementation Plans: CORE and Tenant Ownerships

CORE's last stated goal is to provide tenants an opportunity to build equity and/or take ownership in the CORE real estate portfolio. Below are the important questions that need to be answered to determine the model for CORE's community ownership transfer:

- What will be the new governance structure, and who will be the primary decision-makers after the ownership is transferred?
- What financial mechanism is going to be used for the ownership transfer?
- What mechanisms will be utilized to ensure community ownership in the long run?

- What mechanisms will be put in place to protect community investors?
- What role do CORE founding members play after the ownership transfer?

CORE's next phase, in the broadest sense, will likely rely on some form of community equity investment model to transfer the ownership of the properties. The mechanism will likely vary per building and neighborhood. If ownership were to be limited to tenants, the model would resemble a cooperative commercial property or tenancy in common in which the members co-own the business that owns the property or the property directly. The tenants and owners-to-be can obtain ownership at a more affordable cost via a cooperative or tenancy in common compared to individually owning property directly. The broader community, however, does not directly reap the wealth-building benefit from a cooperative commercial property model.

If the ownership opportunity is extended to the broader community, CORE would resemble a community investment trust. This model provides community members and tenants the opportunity to purchase equity shares of the commercial properties in the portfolio. There are a few variations for the ownership transfer mechanism, such as **community development IPO** (initial public offering), **selling of shares of common stock**, as well as a **real estate investment trust**. Under these mechanisms, the local residents and the business patrons too could own a part of the properties, but these mechanisms are often more complex to set up and are subject to more regulations compared to the cooperative commercial property model. All in all, CORE is a hybrid community property ownership model that incorporates short-term land banking with property rehabilitation, the interim operation with tenant support to improve overall project financial viability, and finally, the community equity investment mechanism for ownership transfer.

Evaluation and Analysis of CORE Tools and Strategies

To evaluate CORE's three tools and strategies, Inclusive Action interviewed two CORE stakeholder groups: tenants and partners. Interviews with CORE tenants were conducted to gain insight into the effectiveness of CORE's comprehensive technical assistance support. Whereas interviews with CORE's founding partners were conducted to gain insight into the effectiveness of CORE's strategic organizational & operations structure and finance and funding strategy. To analyze CORE's affordability value-add and savings to tenants, CoStar data was analyzed in contrast to CORE's rent schedule.

Tenant Profiles

CORE currently has 15 tenants: four nonprofit organizations and 11 small businesses; each business occupies one unit, with the exception of Inclusive Action, which occupies four units, including a **community event rental space**. The CORE tenants provide a wide range of products and services, ranging from barbers, a plant nursery, a tattoo parlor, restaurants, an indigenous vegan cafe, a candy store, and more. On average, the CORE tenants have been in operation for 15 years, similar to the averages for the corridors; half of the tenants moved into the area at CORE's launch.

CORE's Positive Impacts On Tenants

RENT AFFORDABILITY

The positive impacts CORE has on its tenants include rent affordability and flexibility, tenancy stability stemming from potential ownership stake and mission-driven property owners, and meaningful locations. These are also the same reasons why many tenants decided to move into CORE locations after CORE acquired the buildings in the first place.

CORE's affordable rent is an intentional program design enabled by the mission-driven sources of the initial project capital stack—a mix of grants, program-related investments, affordable loans, and New Market Tax Credit equity—from philanthropic support and public capital. On average, the rent for CORE properties is double digits percent lower than the surrounding areas' retail market rent prices.[3]

FLEXIBILITY IN BUSINESS OPERATIONS AND REPAYMENT TERMS

Tenants expressed rent payment flexibility as another positive feature of CORE. During the COVID pandemic, CORE partners adopted new equitable processes to enable CORE tenants to pay back owed rent. CORE does not penalize tenants on late payments and designs repayments

Figure 6: Small business Latinx With Plants in Boyle Heights.

"One of the main reasons why I gravitated towards staying at Inclusive Action [and CORE] was because I know and trust Rudy [IAC's executive director] and he knows what I'm about. And I feel supported by him. But also, you know, we've been seeing this anti-gentrification movement, and all the issues have been popping up and I wanted to know how I could combat that."

— Andi, Owner

around how much the tenant can afford based on their revenue, debt owed, and current rent; the goal is to help tenants by meeting them where they are opposed to burdening them with unsustainable repayment plans.

STABILITY

According to tenants, having property owners that have their best interest in mind is a major benefit. Interviewees shared that prior to CORE, they routinely dealt with property owners drastically raising their rent or not renewing their lease agreement so they could sell the property. For these business owners, finding a storefront property with a good property owner like CORE was crucial for both their mental health and their strategic business goals. For local businesses, moving and relocating can be a disruptive process that can significantly impact their client base, revenue, and business operations.

> *"CORE is great because I don't have to worry about the owner selling the property underneath me or drastically raising my rent. I can sleep better at night knowing that I would really have to mess up [their business plan] to be evicted here."*

— CORE Tenant #1

Challenges Faced by Tenants

CORE has shortcomings, primarily from a lack of commercial property managing experience and unclarity and changes in CORE partner roles and responsibilities.

LACK OF CLARITY ON PROPERTY MANAGER ROLES

The division of management duties between CORE partners has contributed to some tenant confusion on who to contact for support and inconsistency in tenant services provided. This, combined with a lack

Figure 7: Small business Malinalli Superfoods in East LA.

"The patience that CORE had with me and the intention that we had here [assisting small businesses], you can't imagine that."

— Ruben, Owner

of dedicated property managers and standardized communication channels, has contributed to tenant confusion. In one instance, a tenant was notified that they had missed rent payments only to find out they had been sending rent checks to the wrong organization. Whereas in another case, available services, such as business coaching, were not initially shared with all CORE tenants.

CONSTRUCTION DELAYS AND TIMELINES

During the height of the pandemic, project construction timelines were shifted and delayed due to unforeseen circumstances. While tenants were empathic to uncontrollable delays. The overall lack of timeline clarity and communication negatively impacted their business operations and sales.

MISCOMMUNICATION AND MISALIGNMENT WITH CORE PARTNERS

Misalignment and miscommunication are natural phenomena when engaging community stakeholders, and so, disputes between CORE tenants and partners are to be expected occasionally. Unbeknownst to the CORE partners, one tenant, in particular, had sought to acquire their building prior to the CORE partners purchasing the property. Since CORE partners have acquired the building, said tenants have expressed their frustration in not obtaining ownership of their building outright from the start of CORE.

Figure 8

CORE property Big Whittier building rehab.

CLARITY ON COMMON SPACE ACCESS

Lack of clarity on shared common spaces has spurred unexpected conflicts between tenants and business plan changes. In one instance, one tenant shared they had to make a last-minute blueprint change for a site renovation after learning the backyard was shared. Fortunately, these tenants, who had a pre-established relationship before joining CORE, were able to reach an agreement. In another case, a CORE tenant shared they had to advocate for their right to use the shared space equitably with another tenant.

Analysis: What Worked Well

AMICABLE PARTNERSHIPS

Historically, CORE was founded through like-minded community-based organizations that complement each other with their strength and experiences who banded together to manage and operationalize CORE. The CORE partner organizations play the following roles. Inclusive Action provides small business technical assistance and supports with property management; ELACC provides property management; and Little Tokyo Service Center oversees portfolio financial management. While CORE partners have experienced challenges due to COVID-19, and changes in organizational capacity, ultimately, the partnership has remained strong. The partners have formalized consistent monthly check-ins and planning sessions as a team in the past year.

RAISING CAPITAL TO ACQUIRE PROPERTIES

Similarly, CORE founding partners' relationships with Genesis LA, a local community development financial institution, gave the partners an opportunity to pursue NMTC to finance the commercial acquisitions of properties. In addition to NMTC equity, CORE partners, in addition to Genesis LA, were successful in attracting philanthropic funding to supplement their capital stack.

Analysis: What Can Be Improved

TENANT SUPPORT

Depending on the site location, tenants are managed according to their assigned CORE partner organization. A drawback of this approach is that tenant management and services can vary depending on the organization and project manager's lead. A few critics expressed by tenants were lack of awareness of which partner to outreach to elevate issues.

OPERATIONAL CAPITAL

While CORE was undoubtedly successful in obtaining funding to acquire properties using philanthropic funding and NMTC equity, CORE founders expressed that more thought could have gone into planning for securing funds to sustain CORE's operating costs, such as rehabilitation costs, repair expenses, maintenance, and tenant improvements.

IN-DEPTH STAKEHOLDER ANALYSIS

Ultimately, mission-driven real estate processes are about the people in the community and the stakeholders that inhabit the space. Admittedly, more time could have been allocated to thoroughly understanding existing relationships between CORE partners and CORE tenants, as well as existing relationships amongst business owners in their respective buildings and communities. A tenant stakeholder analysis could have informed how CORE partners structured its contracts and management style with tenants from the get-go.

CORE Assumptions and Limitations

CONSISTENCY IN PROJECT MANAGEMENT SUPPORT

An assumption made early on was that CORE partners would manage tenants in a similar manner across organizations. Additionally, assumptions were made regarding the chain of communication between tenants and CORE partners if a primary project manager could not respond to a tenant's request promptly.

TENANT COMRADERY

While CORE is a community development initiative, that alone does not equate to CORE tenants engaging one another, unprompted, in solidarity. Although CORE partners encourage tenants to engage and learn from each other, we cannot assume that busy business owners will naturally engage each other, especially if they are scattered across five properties.

STAKEHOLDER AWARENESS OF CORE

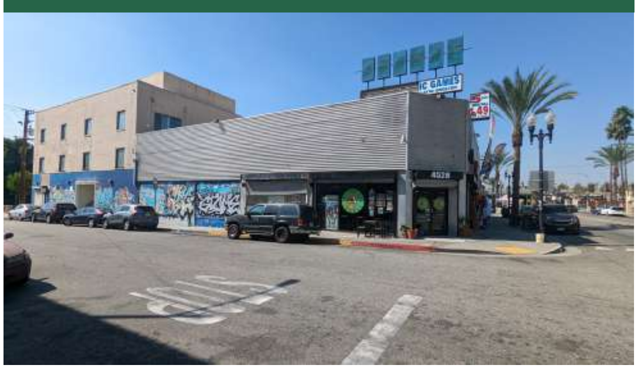
Surprisingly, we found not all tenants were aware of CORE, let alone had any knowledge of the founding organizations outside of the property managers organization that works with them. As noted previously, one cannot assume each managing organization will onboard a tenant the same and inform them of CORE and its mission. Its critical concentrated effort is put into adequately onboarding tenants that explain what CORE is, who the partners are, and the benefits of CORE.

REHABILITATION AND PERMITTING

The construction process to renovate and rehabilitate commercial buildings can be complex, costly, and time-consuming, as well as require multiple stakeholders and capital to complete. Much of the construction process, such as obtaining permits and executing construction plans, is outside the direct control of a developer. In particular, the rehabilitation of one CORE property experienced numerous delays in the permitting process from the planning department, setbacks in the construction timeline, and unexpected new additions to the construction scope of work.

Figure 9

CORE property Big Whittier exterior.



Acquiring and Managing Commercial Properties: Key Lessons Learned

COMPREHENSIVE FINANCIAL PLANNING

For traditional commercial development projects, a developer or property owner acquires, rehabs, or constructs a new commercial unit and offsets total cost and maintenance by charging tenants market rent. However, for mission-driven projects such as CORE, which sets tenants below market rate rent, providing pro-bono technical assistance services, offsetting costs through high market rent is not an option. To successfully maintain a program like CORE over time, it is critical to develop a strategic plan to raise capital through alternative sources, such as philanthropic organizations, fundraising, and government grants and resources. Furthermore, securing capital should be an ongoing initiative and requirement for all partners to make valid efforts to secure capital to subsidize maintenance and operation costs.

PROACTIVE, TAILORED TENANT SUPPORT THROUGH CASE MANAGEMENT

Small business owners manage a plethora of business operations and commercial tenant duties. According to business owners, more often than not, their immediate duties limit their ability to find and apply to government programs, connect with fellow CORE tenants, and plan for the future. While CORE offers pro-bono technical assistance support to commercial tenants, interviewees shared that they struggle to leverage resources due lack of understanding about what CORE partners do and how they can support them. Ultimately, the mere existence of technical service offerings is not enough for most tenants. To ensure technical needs are adequately met, assigning tenants a ‘case manager’ who can proactively and thoroughly support their specific needs via routine check-ins and consistent resource sharing may be key to a tenant’s future success.

CONTINGENCY PLANNING FOR UNFORESEEN CIRCUMSTANCES

Strategic planning is critical to ensuring CORE is financially stable and key stakeholders are satisfied. While planning is critical, it is impossible to plan for everything. In the case of CORE, the COVID-19 global pandemic impacted CORE tenant business operations and CORE’s original financial projections. Additionally, unexpected delays or expanded construction scope of work can also adversely impact projects like CORE. To hedge against unforeseen circumstances, it’s important to develop contingency plans and set aside capital reserves for crisis management and in any event that the financial health of the program is jeopardized.

Recommendations

The recommendations in this section were developed based on the triangulation of information from interviews with CORE tenants and managing partners, analysis of real estate data, and review of commercial tenant law. These recommendations are categorized into three buckets of consideration: (1) operations & management, (2) tenant relations and case management, and (3) policy. It is important to underscore the importance of the existing strategic partnerships, finance and funding strategy, and organizational and operational framework deployed to jumpstart and maintain CORE. These proposed recommendations are considerations to support enhancing CORE's sustainability, impact, and replicability.

Operations and Management

Interviews with CORE founding partners and tenants informed recommendations to strengthen the operations and management of the CORE program. These two recommendations are not exclusive to CORE and are applicable to all community-oriented commercial real estate projects that share multi-organizational ownership.

DEVELOP A STRATEGIC FINANCIAL PLAN

There are two costs associated with CORE, the upfront cost to acquire and rehabilitate the five CORE properties and the recurring cost to maintain the properties. The cost to operate and maintain a commercial property can easily be overlooked. On average, it costs approximately $200K a year to maintain and operate CORE. In traditional commercial property management projects, landlords tend to offset operation costs by charging market-rate rents and rising rents. However, in the case of CORE, which charges below-market rents, managing partners must raise additional capital by fundraising through philanthropic organizations or applying for public grants.

For a project the size of CORE with multiple managing partners, it is critical that partners commit to creating a co-fundraising plan and set annual or quarterly targets to reach them. Each partner should be responsible for contributing to the pot of funds. The specific dollar amount and frequency will vary depending on the project's specifics. Beyond managing income and decentralizing fundraising, managing partners must stay on top of expenses and forecast what might cost more or less over time. In sum, managing partners must develop a robust financial plan to ensure that operation costs can be covered regardless of the situation.

DEVELOP A CONTINGENCY PLAN

According to Tak Suzuki, CORE founding partner and Director of Lending at LTSC, "without the strategic partnership and good relationships LTSC personally had with GenesisLA, Inclusive Action, and ELACC's leaders, CORE would have never happened." While trusted partnerships are crucial, developing a contingency plan for the partnership is just as important. A contingency plan helps partner organizations adapt if one or more partnered organizations experience hardships or management changes that can impact the project's mission and services.

Five factors to consider in a contingency plan:

1. **Establish Communication Protocols:** Establish clear communication protocols, regularly scheduled meetings, and preferred modes of communication, i.e., email, text, and call. Communication protocols should also clarify how to best document and share how and what decisions were taken, and who and how people managed the changes in project goals, scope, and timeline.

2. **Forecast Potential Risks:** Forecast potential risks that could impact the real estate program. Internal risks can relate to program management, financing unexpected expenses, partnered organizations' stability, overall funding, and tenant case management, including unreasonable tenant demands and nonpayment. External risks may relate to property management (e.g., maintenance), construction, including delayed entitlement and permitting processes, lawsuits (e.g., personal injury), and tenant pipeline.

3. **Develop Scenarios and Tradeoffs to Mitigating Risks:** Risks are hard to forecast and manage proactively, but developing multiple scenarios to those identified early on can help draw out other less visible risks. Scenarios should focus on how risk may play out over time. With each scenario, approaches to mitigating the risk can be outlined. With each approach, a list of tradeoffs can be laid out to determine which approach would work best under which conditions.

4. **Assign and Establish Clear Responsibilities:** Assign clear roles and expectations for each organization. Roles should indicate leads and support for each operation and management task.

5. **Establish a Financial Plan:** Create a financial plan that outlines all expected costs, sets a target fundraising goal, and specifies expectations of each organization to contribute to grant finding and securing capital to maintain management and operations and add to a reserve fund.

Tenant Relations and Case Management

One of the most important metrics of a successful community-oriented and owned commercial real estate project is the overall well-being of the commercial tenants. Projects such as CORE take a "whole person" approach to supporting commercial tenants and hence offer comprehensive wraparound services such as business coaching, tax assistance, referrals to legal support, media engagements, marketing opportunities, and event placement. The three recommendations to strengthen tenant relations and case management support are heavily informed by the lessons learned from the experiences shared by CORE tenants.

FORMAL TENANT ORIENTATION WITH MANAGING ORGANIZATIONS

Strategic partnerships are one of the primary key strengths of CORE's operations and management. As previously noted, there would be no CORE without the partnerships of the founding organizations. While managing partnerships is critical, a key finding from CORE tenants was the discrepancy or lack of consistency in the case of management support between managing partners. An unintended consequence of this CORE tenants' limited awareness of available technical assistance services. Community-based organizations seeking to replicate a program like CORE should provide all tenants a structured, in-person orientation to walk existing or new tenants through their rights as a tenant and all the available wrap-around services they can access. All managing partners should collaborate to develop the orientation plan and a written document outlining critical information.

Key orientation materials to develop and provide to tenants:

1. **Property Management Contact List:** Key points of contact within managing organizations and their contact information for tenants to ask questions and voice concerns as needed.

2. **Third-Party Contact List:** A list of recommended third-party contacts for plumbing, repair, electric, and city-related issues.

3. **Wraparound Service Guide:** A list of all available technical assistance services such as business coaching, grant writing support, tax assistance, loan application assistance, business marketing support, and more.

4. **Community Agreements:** A list of community agreements that includes rules for shared common spaces, including what is permitted and what is prohibited. Contact information to report any issues related to the shared common space areas should be provided to tenants.

ASSIGNED SITE LEADS & PROACTIVE TECHNICAL ASSISTANCE SUPPORT

For CORE-like projects with multiple managing organizations, tenants can grow frustrated if not provided clear direction about which organization or key staffer should be contacted to address particular issues. It is recommended that each tenant be assigned two property managers, a lead full-time property manager who can be their first line of contact and a second part-time property manager to be their backup contact if they are unable to reach the lead. This is especially important when a tenant is making an informed business decision based on a site repair or renovation, and they must stay current on the project timeline.

Additionally, for some tenants, having a property manager who plays a proactive technical assistance role and helps them apply for and secure available local, state, and federal public funding and programs is important. According to one CORE tenant, small business owners are not accustomed to tracking public policy because they focus on running their businesses; tenants appreciate unprompted support r to acquire a small business grant. To best service, a commercial tenant's technical assistance needs, a part-time staffer should be hired to track policies and programs and help tenants apply for and secure public funding.

FOSTER TENANT NETWORKING AND ORGANIZING

CORE tenants have a lot in common, including challenges to entrepreneurship and tactics to overcome them, so it is only natural that they might benefit from sharing their experiences with each other. Several interviewed tenants expressed an interest in networking and building relationships with other CORE tenants. Facilitating an environment for tenants to meet, network, and connect formally or informally would enable CORE tenants to collaborate with other local business owners, grow their client base, and provide services or sell their goods to other CORE tenants.

To promote networking opportunities, consider these two recommendations:

1. **Bi-Annual Social Events:** Host bi-annual social events for CORE tenants to celebrate their businesses and entrepreneurial successes. This can also serve as a learning exchange for tenants to share their business experiences and learn from each other.

2. **Quarterly Group Meetings:** Provide CORE tenants with a stipend to schedule quarterly group in-person or virtual check-in meetings. These meetings enable tenants to meet one another, share ideas and news, discuss opportunities to collaborate and gather collective input to update management on-site or business issues to be aware of.

TRANSPARENT OPERATIONS AND MANAGEMENT DECISIONS

Transparency and effective communication are important to sustaining a strong tenant-to-property management relationship. A key trend that was identified from CORE tenant interviews was the need to improve communication between CORE tenants and managing partners. It is critical to ensure that tenants are informed and allowed to provide input to inform big decisions impacting their well-being. Tenant input is especially needed for a community-driven project like CORE, which will eventually provide tenants with some form of ownership in the CORE portfolio. Tenant engagement and input should always be a priority rather than an afterthought, and this can be accomplished by involving tenants in the entirety of a major decision-making process.

Policy and Advocacy

Changing the political systems that govern development is critical to preserving local businesses. Policymakers must be engaged and activated to address the unjust inequities impacting local small businesses, especially those in gentrifying communities. Below are four recommendations to do this.

STRENGTHEN LOCAL COMMERCIAL TENANT LAW

Despite local and State commercial tenant ordinances and civil codes to regulate commercial tenant property owners, commercial tenant laws tend to favor the rights of property owners. Inclusive Action has found three common challenges impacting commercial tenants in gentrifying neighborhoods: (1) significant increases to their rent beyond their financial thresholds, (2) inability to renew their lease agreement, and (3) 'not-at-fault' evictions due to landlords seeking to remove all tenants to sell their property to a developer to demolish and build new.

To overcome the challenges posed by existing commercial tenant law in Los Angeles, the following commercial tenant protection policies should be advocated for:

1. **Just Cause Eviction Protections:** Require landlords to have a valid reason for evicting a tenant. Reasons for eviction include non-payment of rent, violation of the lease agreement, damage to the property, illegal activity on the premises, and nuisance behavior that negatively affects other tenants or neighbors.

2. **Longer Notice for Commercial Tenants:** Require landlords to provide 60 to 90 notices to commercial tenants for the following: (1) 60-day notice for increases in rent of more than 10%, (2) 90-day notice for terminations of tenancies.

FLEXIBLE PUBLIC CAPITAL

A key component of CORE's finance and funding strategy was its use of public dollars, such as New Market Tax Credits (NMTC), to acquire five commercial buildings totaling $10 million. While NMTC offers developers access to affordable commercial financing, solely relying on NMTC is not sustainable. According to Pavlin, Director of Lending at Genesis LA, NMTC has two primary drawbacks. First, NMTCs is a scarce resource and highly competitive, so obtaining funds or finding a project to make it worthwhile is not guaranteed. Second, NMTC has fixed transactional costs, so any deal that is under $8M to $9M does not make sense because the transactional cost will eat up the subsidy that remains in the project. Fixed transaction costs include, but are not limited to, legal and accounting fees, transaction management fees (i.e., underwriting, due diligence), closing costs, administrative fees, and compliance costs (i.e., monitoring, financial reporting, and tax compliance).

A flexible public capital program is needed to help supplement the capital required to acquire, rehabilitate and/or construct, and subsidize affordable commercial rent for local business owners. A possible program local governments should consider is a guaranteed loan program for community-based organizations for commercial real estate. This loan product should be readily accessible to nonprofits and designed to be patient capital, so it can support alternative community-ownership approaches to commercial real estate development. The County and City should consider referencing the SBA 504 loan program to develop a guaranteed commercial loan program.

To implement the program, the local governments should partner with philanthropic organizations to set aside a pool of funds for the guaranteed loan program. Similarly, trusted local financial institutions and partners should lead in providing technical assistance, administration, and underwriting the loans. At the Federal level, more tax credits and incentive programs should be considered based on the success of NMTC.

EXPEDITED PERMITTING FOR COMMUNITY-ORIENTED COMMERCIAL PROJECTS

The permitting process emerged as a critical pain point and threat to this work. For commercial developers, the permitting process delays obtaining required building and safety reviews and documents, such as certificates of occupancy. Delays in the permitting process can impact both the commercial developer seeking to lease a space and the commercial tenant seeking to open a shop to provide services and goods. The entitlement process for CORE from the schematic phase to the construction/rehabilitation phase was 14 months. An interviewed CORE tenant stated unexpected delays in waiting to occupy a retail space going through permitting and rehab resulted in a loss of tens of thousands of dollars in projected revenue.

To streamline the permitting process for commercial developers that create affordable and community-oriented retail space for local businesses, the City and County of Los Angeles should consider piloting a fast-track permitting process for community-oriented commercial retail developers. This program can mirror LA City's Mayor Bass's Fast Track Affordable Housing Permitting program by prioritizing community-driven commercial development projects with affordable commercial tenant rates and bumping them into the front line for review.

It is important to clarify that commercial development projects should not compete with affordable housing development projects. Rather, community-oriented commercial development projects should be assessed within their pool of commercial development projects and be prioritized accordingly. To validate authentic "community-driven" commercial development projects, the initial property assessment review should provide an online and in-person option for developers to outline their project's commercial tenant affordability components and their organization's mission. Evaluation of self-identified affordable commercial development projects should then be assessed accordingly and streamlined based on their project readiness to be leased to a commercial tenant, affordability components, the community it's serving, and the intended goal of the project.

Conclusion

Local small businesses are vital assets to the communities they serve; they provide jobs, resources, culture, and charm to communities. Despite the vital role local small businesses play, they are vulnerable to displacement spurred by multiple factors - some natural market forces and some through aggressive real estate development pressures. What CORE sets out to do is put forth a replicable small business anti-displacement strategy that addresses critical issues impacting business owners and provides stable rent and property management, wrap-around technical assistance services, and a stake in their property. Our goal is to share our approach and lessons learned with mission-driven organizations and entities, so they can continue iterating on our approach and better service businesses in their community.

ENDNOTES

1 U.S. Census Bureau, 2020 American Community Survey 5-Year Estimates, Table B25008.

2 U.S. Census Bureau, 1980 Decennial Census.

3 Based on CoStar commercial asking rents per square foot for the properties in the following ZIP codes: 90022, 90032, 90033.

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APPENDIX A: ORGANIZATIONAL MISSION

Inclusive Action is working toward a future where diverse communities have equitable and sustained access to resources and exercise agency over their futures. Inclusive Action's organizational structure permits us to scale our impact and implement various small business anti-displacement interventions across all facets of our organization.

Below are a few examples of our small business anti-displacement interventions within the scope of each of our three organizational structures.

Access to Capital

To better serve local entrepreneurs and small businesses, Inclusive Action has developed microloan programs informed by the needs of our clients. Inclusive Action has developed five loan products with equitable underwriting terms and below-market interest rates. These loans offer local business owners opportunities to acquire non-predatory financial services, which is critical given that many of our clients have poor or limited credit histories and reside in underserved/underbanked communities. In 2022, IAC deployed over $1,000,000 in micro-loans and grants to small businesses and entrepreneurs.

Community Innovation

Inclusive Action's community innovation programs span across three areas: (1) land & real estate in which CORE resides, (2) micro-equity, and (3) people power. An example of micro-equity in our micro-equity work is the Open Air-Economy program and Cultivate program. Both of these programs are technical assistance programs, which provide non-financial resources and support provided to business owners through business coaching, financial literacy/credit counseling, business plan reviews, business incubation, technology services support, and loan/grants application assistance.

Policy Advocacy and Research

Policy advocacy and research are significant components of Inclusive Action's anti-displacement intervention strategies. Inclusive Action's Policy Advocacy & Research is composed of three focus areas, (1) budget advocacy, (2) justice-oriented investments, and (3) removing red tape. These three focus areas help advance Inclusive Action's public policy advocacy which is informed by the community and stakeholders we serve. Most recently, the California Sidewalk Vendor Campaign (CASVC) celebrated a successful state regulatory win with the passage of SB 972; SB 972 ensures street food vendors will no longer get misdemeanors or criminal citations in California. Policy advocacy and coalition building enable Inclusive Action to advocate for equitable policies and community-oriented programs that have a large-scale impact on small businesses and entrepreneurs' access to resources, services, and ability to operate.

APPENDIX B: RETAIL MARKET REAL ESTATE ANALYSIS

To best understand the market conditions impacting commercial tenants and the effectiveness of CORE's retail space affordability, it's critical to understand the neighborhood's commercial retail market at large. Please note, Inclusive Action is not asserting that any increase in property value or rent alone equates to gentrification and displacement; however, we do assert, based on the local entrepreneurs we serve as CDFI, that changes in rent do impact small business owners. The extent of the impact of rent increases can ultimately lead to small business displacement if rent is going up faster than local small businesses can absorb. This data alone doesn't tell the entire story of the experiences of local businesses in the area. What this data doesn't show is the cases of tenant harassment and predatory practices landlords are engaging in to pressure tenants to pay back owed rent from COVID or evict tenants to sell their properties.

To obtain insight into local retail market trends, CoStar market data from January 2012 to April 2023 were analyzed. This analysis assessed commercial retail trends: (1) average sales price per square foot, (2) market rent, (3) asking rent. The geographic scope of our analysis included the retail submarket of Southeast Los Angeles, the City of Los Angeles, and zip codes 90022 (East Los Angeles), 90032 (El Sereno), and 90033 (Boyle Heights), where the five CORE properties are located. The Southeast Los Angeles (SELA) submarket is a macro-market view that includes the CORE neighborhoods, in addition to communities of East Los Angeles, Whittier, Commerce, Pico Rivera, and La Mirada (Costar).

Retail Market Sales (PSF): East Los Angeles and Los Angeles Market

Across all geographic study areas, the average retail market sales PSF has risen since 2012. Upon initial glance, the SELA market and 90022 zip (East Los Angeles) have followed an almost identical growth and decline trend, with the 90022 zip code retail market PSF generally lagging 40 - 60% under the SELA retail market. Whereas zip codes

Figure 10

Retail market sales. 2023 data is still being gathered and analyzed, so this chart does not include 2023 Southeast Los Angeles (SELA) sales PSF.

90032 (El Sereno) and 90033 (Boyle Heights) since 2013, have generally outperformed the SELA retail market sales PSF.

In 2018, for the first time, both zip codes 90032 and 90033 retail PSF sales outperformed the SELA market. Most notably, zip code 90032 retail sales PSF jumps 15% from 2018 - 2019, and 45% from 2019 - 2020 before cooling off in 2020. A notable explanation for the decline in price PSF from 2020 to the present could be the COVID-19 health pandemic, which shuttered thousands of small businesses across the nation. Nonetheless, from 2019 - 2022, zip 90032, surpassed the Los Angeles retail market sales PSF by as much as 34% in 2022. This is interesting to note, because the Los Angeles retail market includes prime commercial real estate neighborhoods such as Fairfax and Hollywood.

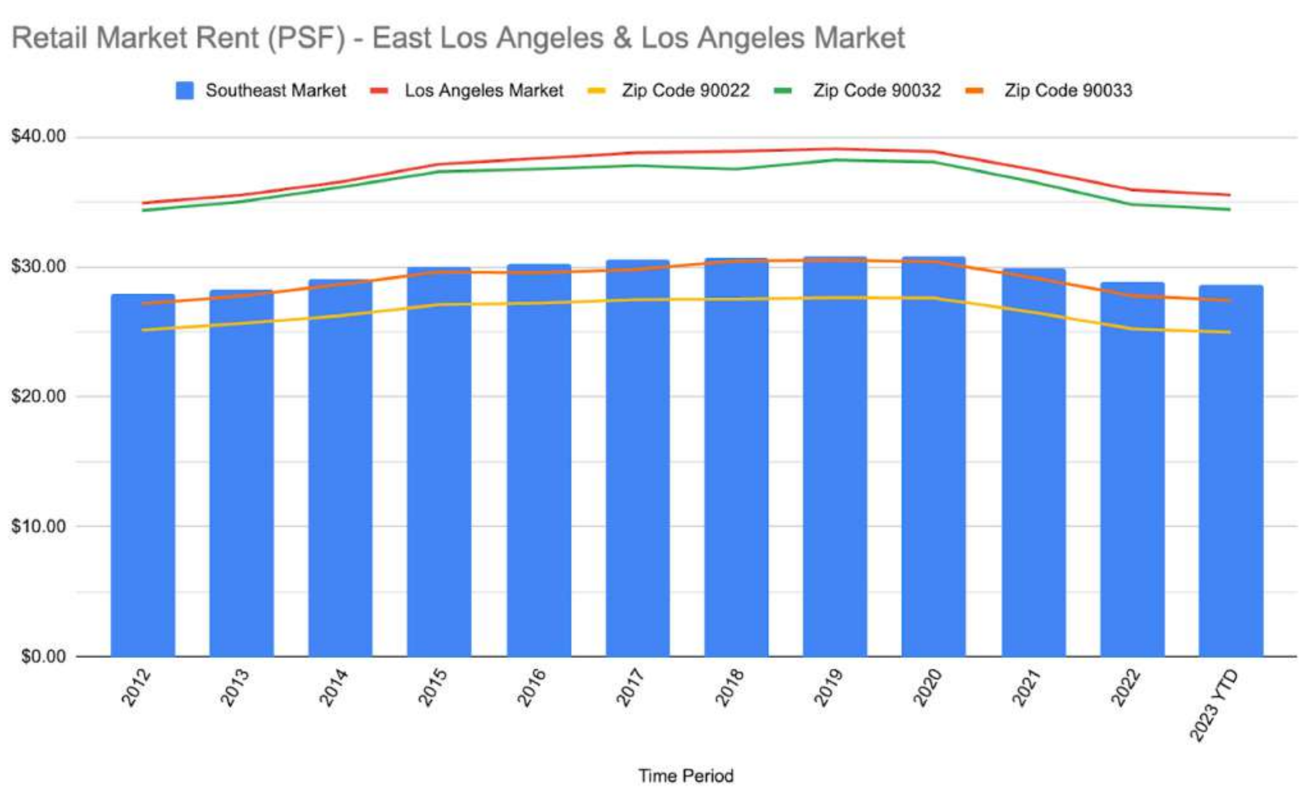
Ultimately, what this data indicates is that land values in the neighborhoods Boyle Heights (90033) and El Sereno (90032) are appreciating at a higher rate, ≥ 20%, than surrounding neighborhoods in the SELA market. What this data doesn't illustrate is the volume of sales, vacancy rate, and absorption rate which can provide more insight into the retail market conditions of these communities. All in all, for local small businesses seeking to purchase or lease in Boyle Heights and El Sereno the appreciating retail property can present a financial obstacle if they are unable to pay either higher rent or close on a more expensive property.

Retail Market Rent (PSF): East Los Angeles and Los Angeles Market

Figure 11 illustrates the retail market rent (PSF), from 2012 - April 2023; this chart is adjusted for inflation. Market rent refers to the prevailing rental rate tenants are willing to pay for a specific market at a specific time; the market is based on the actual rates observed in the market for comparable properties (Costar). Furthermore, similar to the retail market sales (PSF), the SELA market and zip 90022 (East Los Angeles) in contrast to the zip 90033 and the Los Angeles market, tend to be relatively less expensive to rent by upwards of 20% since 2012. Whereas the retail market sales (PSF) had double-digit percentage increases and decreases over

Figure 11

Retail market rent over the last 10 years.



time, the retail market rent (PSF) across all geographic areas has remained fairly constant over time. From 2020–present, all geographic areas experienced an average 4% decline, which is mostly due to the impact of the COVID-19 pandemic. For commercial tenants, the relatively stagnant retail market rent is a positive because their rent expenses are not drastically going up.

Retail Asking Rent (PSF): Zip Codes 90032 and 90033

Figures 12 and 13 illustrate the asking rent for zip codes 90032 and zip 90033; please note the incomplete CoStar data for zip 90032 for year 2021. The asking rent represents the initial listed or advertised rent set by property owners; the asking is primarily influenced by the property owners' perceived value and financial goals (Costar). In both charts we can see in 2019, the asking rent surpasses the market rent in both zip codes. At its peak, property owners asked for 30% more than market rent in zip code 90022 in 2019 and 28% in zip code 90033 in 2020. For local small businesses, the high asking rent can deter them from renewing their lease or signing a new lease in the area from the get-go. What is not shown is the absorption rate which will provide insight into how fast tenants are filling retail spaces.

At this point in time, the market in both zip codes is less than the asking rent by double-digit percentage points. Nonetheless, the high asking rent trend indicates that property owners in the El Sereno and Boyle Heights neighborhoods seek to raise the rent in these communities by upwards of 20% above market rent.

Figure 12

Market and asking rent for zip code 90032.

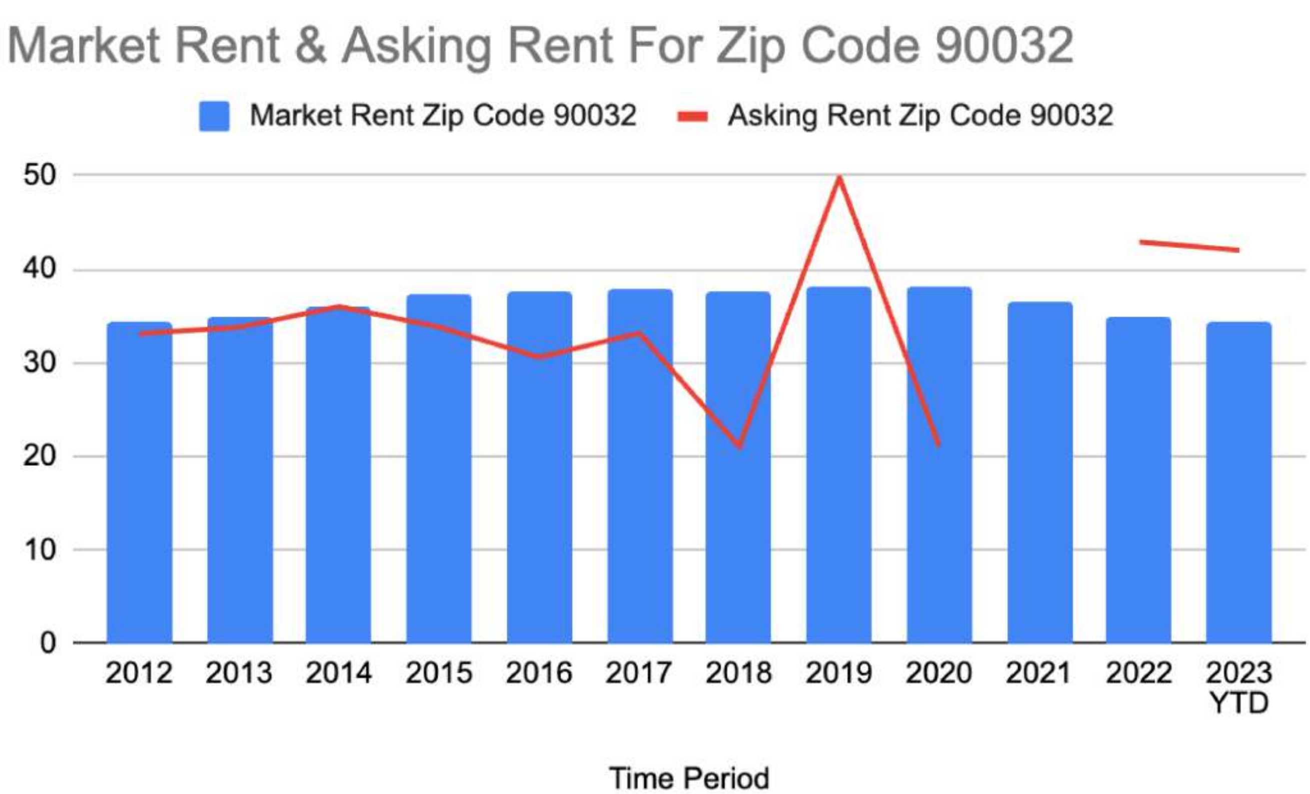
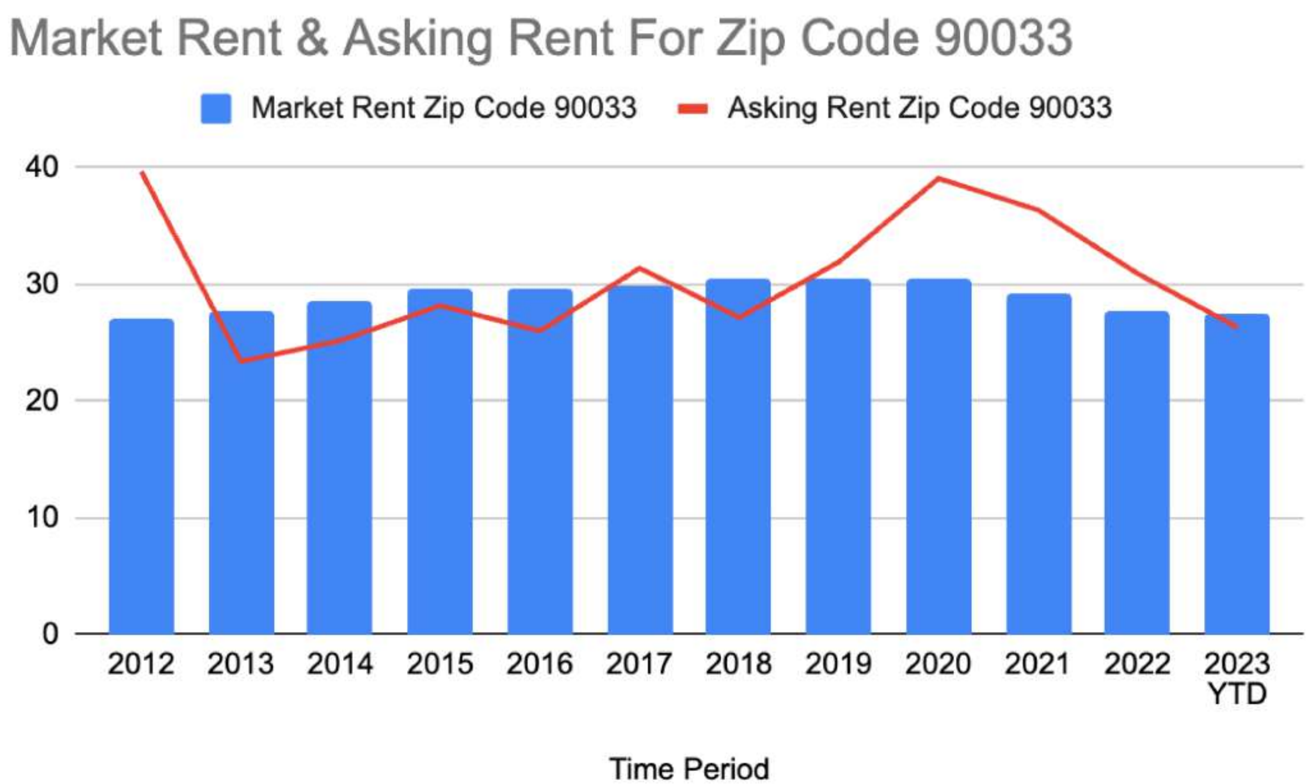


Figure 13

Market and asking rent for zip code 90033.



APPENDIX C: SMALL BUSINESS STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS (SWOT)

Inclusive Action has a unique advantage as a community development financial institution (CDFI) that provides technical assistance and financial products (i.e., loans and grants) directly to hundreds to thousands of local small businesses annually. A big advantage of being a CDFI is that Inclusive Action is able to gather data and insight into the challenges impacting local small businesses through our loan application process, technical assistance services, and small business development workshops.

Additionally, through Inclusive Action's small business coalition advocacy and on-the-ground canvassing, we're able to gather insight into the challenges we are seeing in the field. As well as through anecdotal reports we hear from our community-based organization partners that provide legal assistance, micro-financing, and business coaching services to local small businesses. Ultimately our SWOT analysis is a synthesis of observational analysis of our community, commercial real estate data analysis via CoStar, and qualitative and quantitative analysis of our CDFI clients.

Strengths

Local small businesses in Boyle Heights, El Sereno, and East Los Angeles generally have four key advantages to leverage based on the neighborhoods' culture and population demographic. First, CORE neighborhoods have a diversity of business typologies ranging from swapmeet markets, sidewalk vendors, franchise stores, and sole proprietor entrepreneurs that sell everything from medical supplies to fresh food, clothing, jewelry, and more. The majority of the businesses located on the CORE commercial corridors are single-location businesses that are predominantly run by Latino owners (see Table 2 below).

Second, sidewalk vending and food truck businesses in CORE neighborhoods are welcomed and provide residents access to quality goods and employment opportunities for residents. Third, the majority of residents in the CORE neighborhoods are Latino, accounting for 90%+ of residents, which provides a large customer base with similar cultural characteristics and product preferences.

Last, Boyle Heights and East Los Angeles have a strong history of community activism where under-represented groups challenged and fought back against public and private entities seeking to displace, gentrify and disinvest the community. Today, the spirit of activism is seen through the community's organizing efforts to ensure affordable housing is prioritized and local businesses are not pushed out in place of non-culturally relevant stores.

TABLE 2: Profiles of Commercial Corridors Where CORE Properties are Located

Corridor	Top 5 business sectors by business count	Average business age	Single location business %	Business executive ethnicity			
				Latino	AAPI*	White	Black
Huntington Blvd (El Sereno)	Restaurants, dentist offices, salons, insurance, auto repair	16	94%	40.2%	10.3%	17.1%	1.7%
Cesar Chavez (Boyle Heights)	Medical businesses (mostly in one single medical plaza), restaurants, travel agents, dentists, tax services	18	97%	26.1%	18.2%	17.2%	0.4%
Whittier (East Los Angeles)	Physicians & surgeons, restaurants, dentists, salons, insurance	18	95%	30.9%	11.2%	9.5%	0.3%

**Asian American and Pacific Islanders*

Weaknesses

Boyle Heights and East Los Angeles are historically redlined communities. Like most redlined communities, limited access to capital is a common challenge. Boyle Heights and East Los Angeles are underbanked communities. The limited access to financial institutions leaves residents vulnerable to predatory lenders (i.e., Payday, Cash Advance), which fill the financial institution void. Additionally, the lack of financial institutions hinders local business owner's ability to build working relationships with banks to acquire lending products needed to scale their businesses.

Opportunities

Two policies have created new opportunities for small businesses in CORE neighborhoods to leverage. First, the passage of **State Bill-972** modifies the California Retail Food Code to streamline the health permitting process, update the outdated food cart requirements, and open up underutilized kitchen spaces for sidewalk food vendors. Furthermore, SB-972 ultimately provides sidewalk vendors a viable pathway to vend in their communities without fear of their goods being confiscated by the local Department of Health authorities. Second, in 2022, the City of Los Angeles launched its **Legacy Business Program**. The Legacy Business Program is accessible to businesses that have been in operation for 20 years or more and contribute significantly to their community's history or identity. In addition, enrolled legacy businesses are provided legal services to help negotiate lease terms, grants, and marketing support from the City.

Threats

Small businesses in CORE neighborhoods face three key challenges based on our assessment of these communities: bad faith landlords, growing commercial investor interest, and residential displacement. First, bad faith landlords, or landlords that seek to take advantage of commercial tenants by charging above market rate rent, exploiting vulnerable tenants in lopsided lease agreements, and pushing existing tenants out to make way for higher-paying tenants. The actions of bad-faith landlords can impact small businesses' stability by drastically raising the rent or outright evicting tenants. Regardless of the cause, when businesses are forced to relocate, they risk losing their customer base, paying even higher rent, and starting from scratch in an entirely new neighborhood.

Second, in Boyle Heights, El Sereno and East Los Angeles, small businesses and residents are at risk of growing investor interest in their communities. Throughout Los Angeles, we're seeing a rise in the closures of swapmeets by property owners seeking to sell their property to the highest bidder. For example, in March 2023, over 600 vendors were displaced from the Alpine Village Swap meet near the City of Torrance. In surrounding neighborhoods, thousands of vendors in swapmeets are at risk of being displaced by property owners who are evicting vendors to sell or redevelop their property.

Third, CORE neighborhood residents are at risk of displacement. Roughly 75% of Boyle Heights is renter occupied and vulnerable to being priced out or pushed out through not-at-fault evictions. For small business owners relying on their clients, the threat of their clients being pushed out threatens their sales.

Figure 14

Sidewalk food vendors.

SMALL BUSINESS
Anti-Displacement Network

antidisplacement.org
sban@umd.edu

The Small Business Anti-Displacement Network (SBAN) is a network of organizations across the United States and internationally that work to prevent the displacement of BIPOC- and immigrant-owned small businesses in gentrifying neighborhoods. Housed at the University of Maryland's National Center for Smart Growth Research and Education, SBAN includes policymakers, nonprofit advocates, technical assistance providers, developers, financial institutions, scholars, and small business owners, who share knowledge and collaborate to advance innovative policies and practices that keep small businesses in place.

INCLUSIVE ACTION FOR THE CITY

inclusiveaction.org

Inclusive Action for the City (IAC) is a nonprofit, community development financial institution (CDFI) with a mission to serve underinvested communities and build thriving local economies by improving access to transformative capital and advancing policy through collaborative research and community-driven advocacy. IAC exists to eliminate income inequality, reduce the racial wealth gap, and turn community agency into power. Fueled by this commitment, IAC builds community-led economic development programs and advances policy advocacy and research to ensure that low-income entrepreneurs, workers, and families have increased economic opportunity and improved lives.