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### **Cal-in-Sac Undergraduate Research on Diversity and Entrepreneurship**

#### **Title**

How the Covid-19 Pandemic Exacerbated the fight between POC-Owned Small Businesses & Gentrification

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# CAL-IN-SACRAMENTO FELLOWSHIP PROGRAM, FALL 2022

## DIVERSITY AND ENTREPRENEURSHIP IN CALIFORNIA

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*Author:* Lesly Castro



In the spring of 2021, IGS launched a two-year Diversity and Entrepreneurship Fellowship as part of the Cal-in-Sacramento Fellowship program. Now in year two, IGS and the Matsui Center are proud to showcase students' original research on the challenges and opportunities facing women- and POC-owned small businesses and diverse entrepreneurs in California. This series includes op-eds, blog posts, policy briefs and other research products. Learn more at <https://igs.berkeley.edu/matsui-center/fellowships/cal-in-sacramento>.

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## **How the Covid-19 Pandemic Exacerbated the fight between POC-Owned Small Businesses & Gentrification**

**By: Lesly Castro**

**G**entrification reconfigures the urban landscape by reducing the residential options within cities for minority residents and increasing them for affluent residents. Because of this, the negative effects of gentrification are felt disproportionately by minority communities. The reconfiguration of a community affects not just individuals that live in the neighborhood, but also those that operate businesses in the area.

When exploring the issue of gentrification, it is necessary to explore the insights of business owners. [Commercial gentrification](#) is the force that leads to the displacement of small businesses. Prior to the outbreak of the Covid-19 epidemic, small businesses in gentrifying neighborhoods faced much of the same worries as residents. Small businesses, especially those owned by people of color, were at risk of closure and displacement. Traditional clientele were pushed out of neighborhoods, leaving small business owners in a battle against large chain stores. Unlike these large chain stores, small businesses are not widely viewed as critical to a community's livelihood in ways that justify public policy interventions. When the Covid-19 pandemic hit, displacement and closures further exacerbated the war that small businesses were fighting against gentrification.

### **Small Businesses Amidst the Covid-19 Epidemic**

Nationwide, small businesses owned by people of color faced some of the worst impacts of the pandemic. In the early months of the pandemic, active businesses [fell by 21%](#) – Black owned businesses [fell by 41%](#), Latinx businesses [fell by 32%](#) and Asian businesses [fell by 26%](#).

POC-owned small businesses are often concentrated in industries that produce below average returns. During the pandemic, businesses that were in the food, personal services, and retail industries were hit the hardest. Disproportionately, these businesses were also often located in neighborhoods with the highest infection rates. With limited resources than their affluent and white counterparts, POC-owned small businesses are emerging less prepared to combat prolonged closures, and ultimately less prepared to adapt to the new regulations of business conduct within a post-covid society.

Vy Bui, co-owner and hairstylist at Tip N Toes Nail Salon in San Pablo, CA, discussed how Covid-19 significantly impacted his salon's profitability. Coupled with the effects of gentrification, Bui stated that individuals were less likely to support small businesses. This can be attributed to various factors including racial rhetoric—fueled in part by political media,

stigmatization of socioeconomic class, and the negative stereotype of small business services as inferior to their affluent counterparts. Whilst he tried to apply for the numerous amounts of government aid to keep business expenses afloat, the qualifications for businesses were often too narrow – requiring that businesses be registered as a limited liability company (LLC) and have extensive documentation on things like payroll and business expenses. For small business owners like Bui, whose business has been in his family for years, extensive documentation is simply not practiced and kept. This means that small businesses that have operated on their own accord for generations and have “informal” contracts or agreements have no access to relief despite having a costly business.

Although not as talked about, commercial gentrification significantly [impacts social and cultural displacement](#). When discussing with a number of POC small business owners, it was evident that they were not as aware of the negative impacts of gentrification. However, it was evident to them that once new businesses and customers began to move into the area, there was an increase in rental property. This left many business owners with property taxes they cannot afford to pay. Commercial tenants, like owner of For the Culture and M2 in Oakland, CA Chris Rachal, often faced harassment, racial discrimination, and rising costs of living from landlords and community members in rising gentrifying neighborhoods.

As state and local moratoriums come to an end, many experts believe that the worst effects of commercial gentrification are still to come for POC-owned small businesses.

### **Systemic Inequalities in Relief Programs**

The issue of commercial gentrification, and its unequal effects on POC-owned small businesses, is more than ever relevant. POC-owned small businesses are often left to their own devices to survive in our economic system. As we have witnessed during the pandemic, systemic barriers keep minority-owned businesses from accessing the relief offered from the government. Whilst the federal Paycheck Protection Program (PPP) was meant to provide support to small businesses by providing forgivable bank-issued loans, the majority of relief went to [white-owned businesses and larger companies](#). Less than 2% of Black-owned businesses were granted the loans, compared to 83% of the loans that went to white businesses.

### **What can we do? How can we recover?**

The road to recovery is centered on the acknowledgement of the lack of funding for minority owned businesses.

- Create Racially Conscious Relief Programs
  - We must continue the aid for minority owned businesses since they have been impacted by the pandemic and gentrification the hardest.

- Keep demographics on where the aid is going to in order to address inequities in relief.
  - After realizing the systemic barriers to access government funding, Oakland's African American Chamber of Commerce created a \$1 million [Resilience Relief Fund Program](#) that helped keep Black-owned businesses stay afloat during the pandemic. It was selected in 2020 as the "Top Chamber" by the U.S. Black Chambers.
- Eliminate the Narrow Criteria in Governmental Relief Programs
  - The criteria to apply for government relief funds was extremely narrow, especially for POC-owned small business owners. This prevented many from applying. In order to ensure equity in governmental relief programs, there needs to be accommodations made for businesses who are not run in a "traditional" manner.
- Invest in ALL Neighborhoods
  - Under the [rent gap theory](#), the issue of gentrification is essentially the product of investment and disinvestment. Policy makers must begin to look at communities as the site of solutions rather than looking at them as the problem. They must begin figuring out where there has been a disinvestment in communities and then focus on rebuilding and strengthening them.