



CENTERING SMALL ETHNIC BUSINESSES IN A JUST TRANSITION

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DISCLAIMER

The views expressed herein are those of the authors and not necessarily those of the University of California, Los Angeles as a whole. The authors alone are responsible for the content of this report.

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EXECUTIVE SUMMARY

Small ethnic-owned businesses (EOBs) are at risk of being left behind in the transition to renewable energy. It is critical to ensure their viability as they are essential to communities of color, providing jobs and much-needed goods and services. Entrepreneurship also offers an opportunity to address wealth gaps. Effective policies, programs, and strategies will require detailed knowledge about the challenges facing these businesses in adapting to climate change.

To better understand the challenges facing EOBs and to assist the Los Angeles Department of Water and Power (LADWP) in developing equitable policies, programs, and practices, the UCLA Center for Neighborhood Knowledge and the UCLA Latino Policy and Politics Institute embarked on a one-year community informed research project to identify the hurdles facing small EOBs and entrepreneurs in the Los Angeles region as LADWP commits to 100% renewable energy by 2035.

A survey of over 500 businesses and qualitative input yielded six key takeaways:

1. Very few EOBs understand the potential consequences of transitioning to 100% renewable energy. Only one in ten respondents stated that they were aware of the likely impacts..
2. Almost a third of small EOBs are energy-burdened and struggle to pay their utility bills.
3. Over half of EOBs reported having already been hurt by climate change, and nearly half expect negative impacts in their future.
4. EOBs identified payment programs to fund upgrades to existing equipment, multilingual educational materials to understand how their business can transition, and new energy efficiency equipment as policy priorities to transition to 100% renewable energy.
5. Direct outreach to small EOBs, small ethnic business serving organizations, and in-language accessibility is necessary to reach entrepreneurs who are typically excluded from traditional business studies.
6. LADWP does not currently have a unified strategy to collect and analyze internal data to better understand their small business customers in terms of energy consumption and program participation.

Based on these findings, we offer five key recommendations:

1. Evaluate recent and current small-business energy efficiency programs to identify which have been effective in engaging small EOBs to successfully reduce energy consumption and costs.
2. Develop more targeted policies, programs, and practices to assist small businesses and eliminate participation barriers that EOBs face.
3. Partner with business serving community-based organizations and other trusted agencies to provide technical assistance and better engage small business customers, particularly EOBs.
4. Collect and analyze more robust and precise data on energy usage, energy burden and location of small business customers in order to prioritize its outreach to the most disadvantaged businesses and neighborhoods.
5. Examine the legal mechanisms that would enable utilities to provide financial assistance to small businesses and EOBs to reduce barriers to access substantive energy efficiency equipment upgrades, which are typically cost-prohibitive.

INTRODUCTION

In 2021, the Los Angeles Department of Water and Power (LADWP), in partnership with the National Renewable Energy Laboratory (NREL), determined the technical feasibility and necessary investments to transition to 100% renewable energy.¹ In 2022, to ensure that the benefits of 100% renewable energy are equitably distributed, LADWP launched the LA 100 Equity Strategy Study in partnership with NREL and UCLA.

Recent events provide some insights into the challenges facing ethnic-owned businesses (EOBs). In the face of worsening economic inequality due to COVID-19 and climate change, it is critical that EOBs remain viable, thus creating an inclusive and sustainable economic recovery. Small EOBs are crucial for the survival of their communities and neighborhoods.

¹ Cochran, Jaquelin, and Paul Denholm, eds. 2021. The Los Angeles 100% Renewable Energy Study. Golden, CO: National Renewable Energy Laboratory. NREL/TP-6A20-79444. <https://maps.nrel.gov/la100/>

Small businesses comprise 98% of all firms in the United States and employ nearly 50% of the labor force.² However, small EOBs are less likely to receive loans compared to White businesses, and the loans that EOBs do receive are typically for smaller amounts compared to the loans that White businesses receive.³ Despite these challenges, EOBs have grown rapidly⁴ and “outpace [the] growth of non-minority firms.”⁵

As LADWP transitions to 100% renewable energy it is crucial that small ethnic-owned businesses⁶ thrive in a green economy. EOBs are a vital part of Los Angeles’ and California’s business sector, forming the backbone of our economy, generating jobs and contributing to wealth. EOBs are a critical source of employment, market services and goods, and asset building within disadvantaged communities; consequently, ensuring that EOBs can transition to 100% renewable energy is essential to ensuring equity in LADWP’s response to climate change.

■ OBJECTIVES

To better understand the challenges facing EOBs and to assist LADWP in developing equitable policies, programs, and practices, the UCLA Center for Neighborhood Knowledge and the UCLA Latino Policy and Politics Institute embarked on a one-year community-informed research project to learn more about the hurdles facing small EOBs and entrepreneurs in the Los Angeles region as they transition to renewable energy. The study included two major components: a survey of over 500 EOBs and qualitative insights provided by stakeholders and LADWP staff.

While this study focused on the Los Angeles region, the findings and recommendations can inform other utilities as they transition to 100% renewable energy and how they can best support their small business customers.

RESEARCH METHODS

■ COMMUNITY-INFORMED PARTNERSHIP MODEL

Following equity practices in research, we partnered with business-serving community-based organizations, business associations, and chambers of commerce to form a project advisory committee. The advisory committee advised and assisted with creating and deploying the online survey questionnaire to reach LADWP’s ethnic small business customers. Advisory members reviewed translated research materials and provided feedback on policy recommendations.

The following organizations served on our advisory committee: the Asian Business Association - Los Angeles, the Asian Pacific Islander Small Business Program, Restaurant Coalition of Los Angeles, the Greater Los Angeles African American Chamber of Commerce, Inclusive Action for the City, LA Legal Assistant, and New Economics for Women.

■ SURVEY METHODOLOGY

The survey questionnaire enabled us to collect information about sociodemographics, socioeconomic characteristics, energy consumption and bills, major energy-using equipment, behavioral questions related to sustainability practices, and participation in energy cost-saving programs.

The questionnaire was translated into an online platform using Qualtrics. The research team provided the survey in English, Spanish, Chinese, Vietnamese, Thai, and Korean based on feedback from our community partners to ensure we reached non-English speaking business owners and entrepreneurs in the Los Angeles region.

The survey responses were validated by using multiple metrics to ensure that the final analytical dataset contained legitimate businesses operating in the Los Angeles region.

² Katare, B. Marshall, M. Valdiva, C. (2021). Bend or break? Small business survival and strategies during the COVID-19 shock. *International Journal of Disaster Risk Reduction*. 61. <https://doi.org/10.1016/j.ijdrr.2021.102332>

³ Kymn, C. (2014). Access to Capital for Women- and Minority-owned Businesses: Revisiting Key Variables. Office of Advocacy Issue Brief Number 3. <https://advocacy.sba.gov/2014/01/29/access-to-capital-for-women-and-minority-owned-businesses-revisiting-key-variables/>

⁴ Bates, T. Jackson, W. Johnson, J. (2007). Advancing Research on Minority Entrepreneurship. *The ANNALS of the American Academy of Political and Social Science*, 613(1), 10–17. <https://doi.org/10.1177/0002716207303405>

⁵ Fairlie, R. & Robb, A. (2010). Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced by MBEs. U.S. Department of Commerce Minority Business Development Agency. <https://www.mbda.gov/disparities-capital-access-between-minority-and-non-minority-owned-business-enterprises-troubling>

⁶ For the purpose of this study, we chose to use the term “ethnic-owned businesses” rather than “minority-owned businesses” or “minority business enterprise” when referring to businesses owned by a person or persons of color. “Minority” implies a demographically smaller population, however, in the City and County of Los Angeles, people of color make up the majority of the population and are therefore not in the numerical “minority.” EOBs includes both incorporated and unincorporated enterprises, micro and small businesses, and traditional brick-and-mortar and other types of operations.

QUALITATIVE INPUT

In addition to the survey, we solicited qualitative input through several avenues. The first was input from our community/business partners. As a part of our frequent meetings to develop the survey, we asked community partners what they considered to be the major challenges facing their affiliates, which businesses are the most vulnerable, and what actions and programs are necessary to help businesses transition to 100% renewable energy.

The second avenue was comments from LADWP staff, including those focusing on commercial customers. In meetings with them, we asked what small-business programs existed, what outreach efforts to EOBs and disadvantaged communities were put into action, and future plans for relationship building with small EOBs.

The third source of qualitative insights came from pilot workshops organized in partnership with our community-based partners and LADWP. The workshops aimed to connect small business owners and entrepreneurs to LADWP's energy efficiency programs and resources. This effort allowed the utility to gain experience in collaborating with groups closely tied to and trusted by EOBs. These pilot workshops can serve as a blueprint for future outreach efforts.

KEY FINDINGS

Like previous research, the findings reveal that small EOBs face significant challenges in adapting to climate change due to a lack of access to capital, educational materials, and knowledge of energy efficiency and sustainability programs in place.

We specifically performed outreach to EOBs in the Los Angeles region (see Figure 2.) (Los Angeles and Orange County; n=549), with 38% of respondents identifying as African American/Black, 22% Latino,⁷ 19% Asian, and the remaining 21% identifying as non-Latino White, two or more races, other, or refused to respond.^{8,9}

⁷ We chose to use "Latino" rather than "Hispanic" in this report. Please see the following for more information on "Latino" versus "Hispanic:" <https://ajph.aphapublications.org/doi/abs/10.2105/AJPH.77.1.61> and <https://journals.sagepub.com/doi/10.2190/HN6N-P1TH-8CHL-KW5X>.

⁸ From here on out, we refer to "non-Latino White, two or more races, other, or refused to respond" as "Other."

⁹ Please see full report [here](https://escholarship.org/uc/item/3g28f3v6) (<https://escholarship.org/uc/item/3g28f3v6>) for all the respondent characteristics.

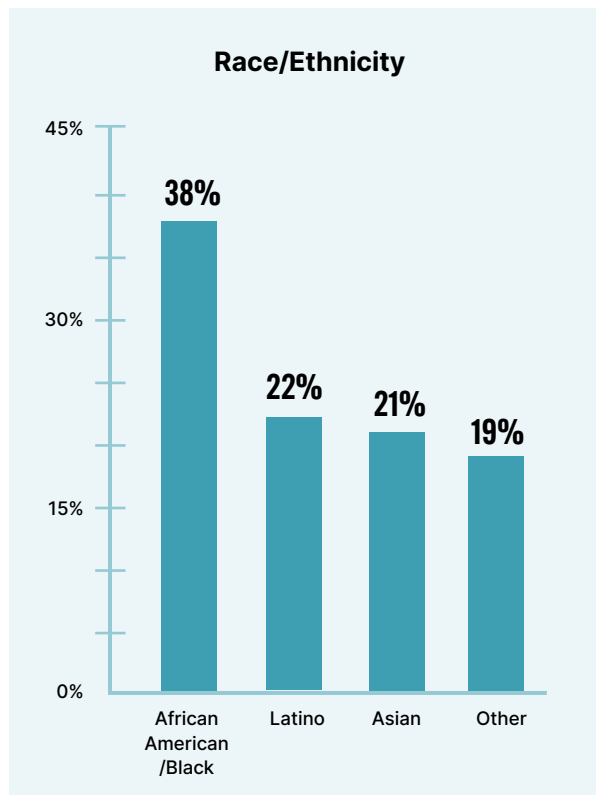


Figure 1. Racial & ethnic background of survey participants

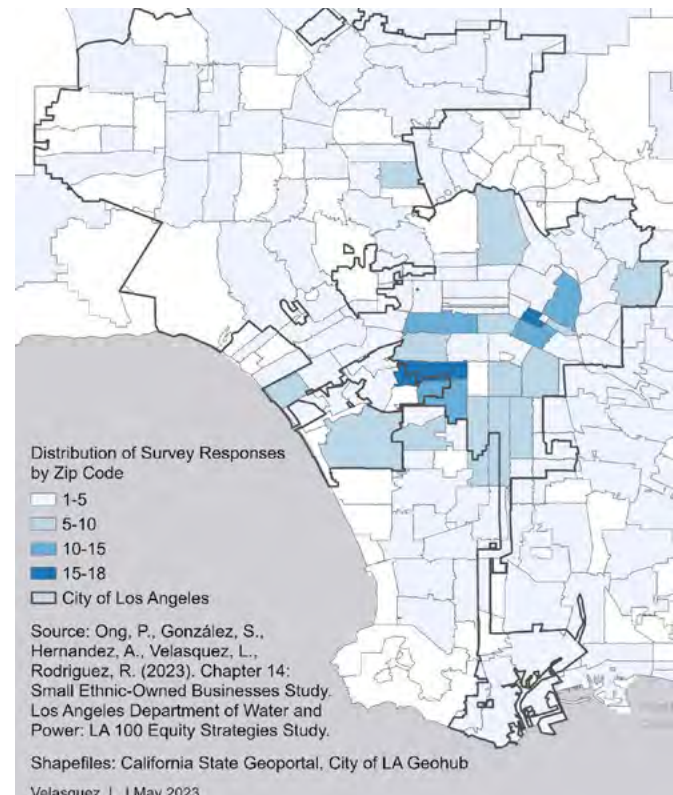


Figure 2. Distribution of survey respondents in the City of LA

KEY SURVEY FINDINGS

1. Very few EOBs understand the potential consequences of transitioning to 100% renewable energy. Only one in ten respondents stated that they were aware of the likely impacts.

For Los Angeles EOBs, nearly half are not aware of the LADWP's plan to transition to 100% renewable energy. Even among those aware of the plan, the vast majority do not know what that means for their business.

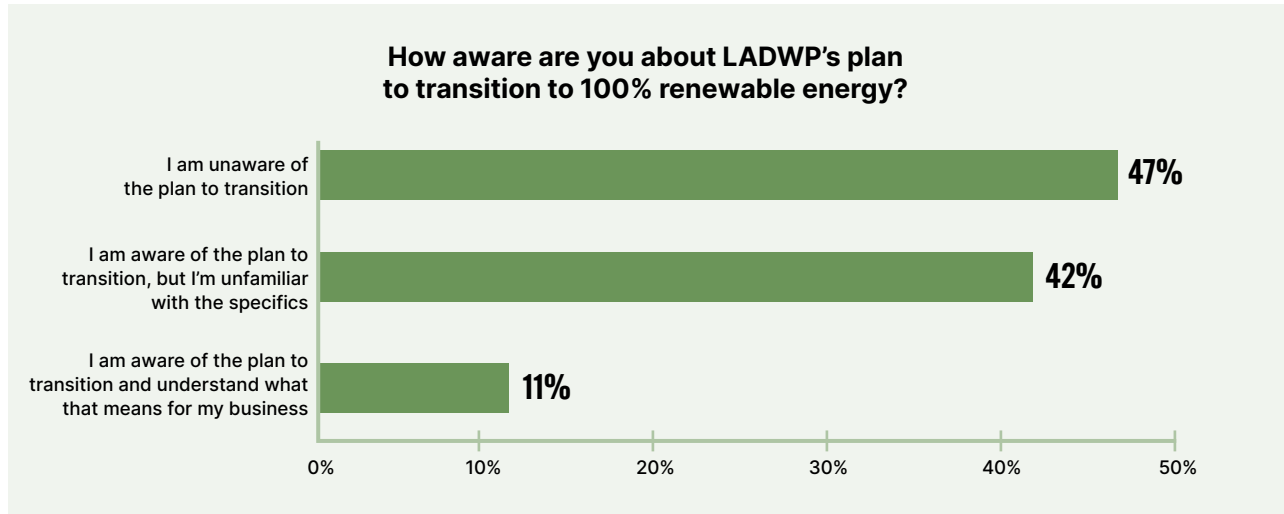


Figure 3. Awareness of LADWP's plan to transition to 100% renewable energy amongst survey respondents

2. Almost a third of small EOBs are energy burdened and struggle to pay their utility bills.

The large majority of survey respondents (66%) have been behind on their utility bill for only one month or less. A fifth to a quarter (23%) of survey respondents have been two or more months behind on their utility bill this year, indicating that they are experiencing challenges in paying their utility bills.

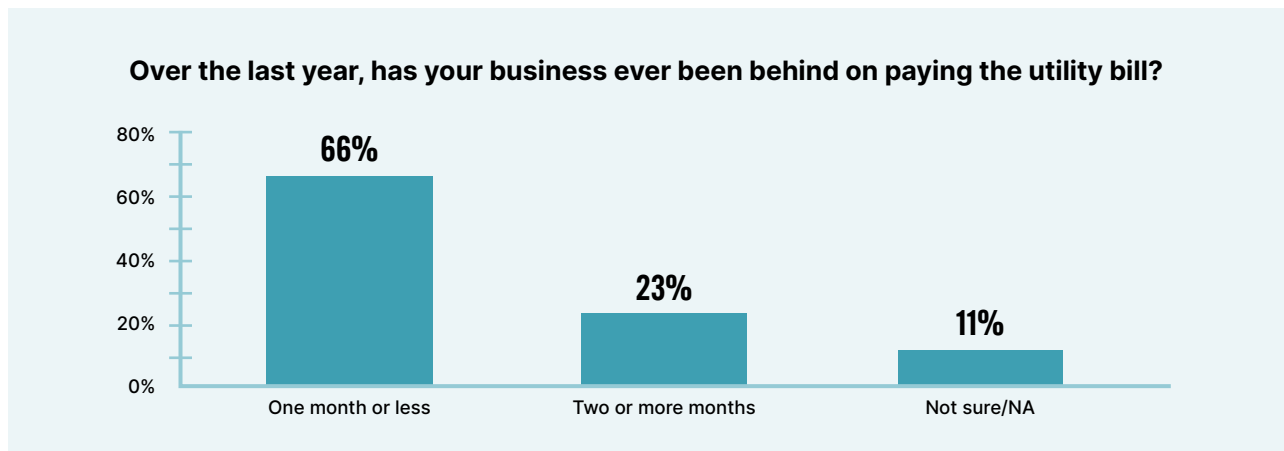


Figure 4. Utility bill burden amongst survey respondents

We cross-tabulated and performed statistical tests for how the respondent's energy burden is related to race/ethnicity, industrial cluster, and business type. Energy burden (odds of being behind on utility bill) does vary by race/ethnicity and business type, but not by industrial clusters.

African American/Black respondents made up 38% of the total survey respondents and over half of the respondents who were behind on their utility bill for two or more months over the last year. This indicates that African American/Black businesses may face more challenges in paying their utility bills compared to other racial/ethnic groups.

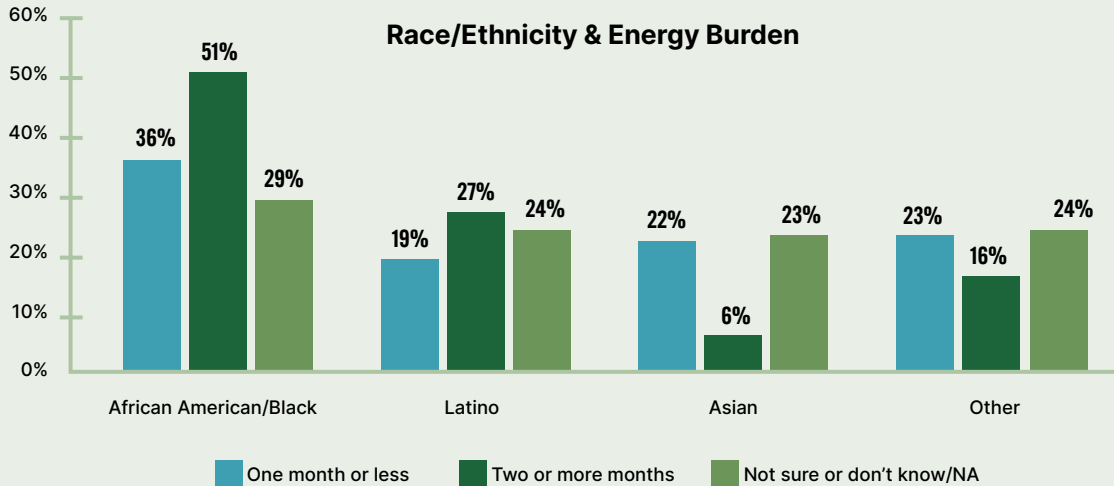


Figure 5. Energy burden based on race/ethnicity amongst survey respondents

Home-based businesses made up 41% of the total survey respondents, but 54% of respondents who were behind on their utility bill for two or more months over the last year. This indicates that home-based businesses may face more challenges in paying their utility bills than traditional storefront businesses.

3. Over half of EOBs reported that they have already been hurt by climate change, and nearly half expect negative impacts in their future.

Over half of survey respondents stated climate change has had an observable negative impact on their businesses either through difficulties in operation due to higher costs, by lowering the amount of revenue or number of customers, or both. A small minority (13%) stated that climate change has created new opportunities to expand their business.

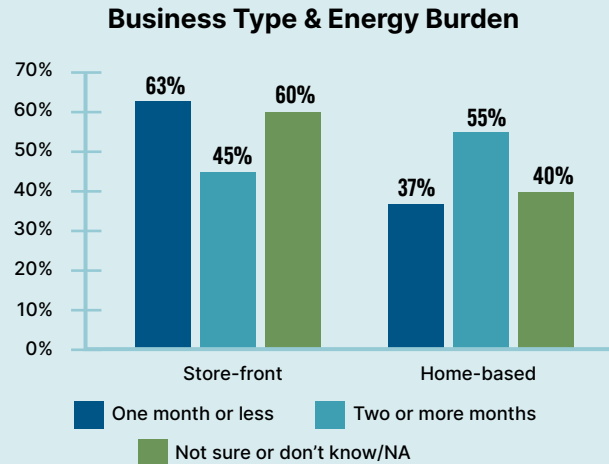


Figure 6. Energy burden based on business type amongst survey respondents

Has climate change had an observable impact on your business so far?

SELECT ALL THAT APPLY

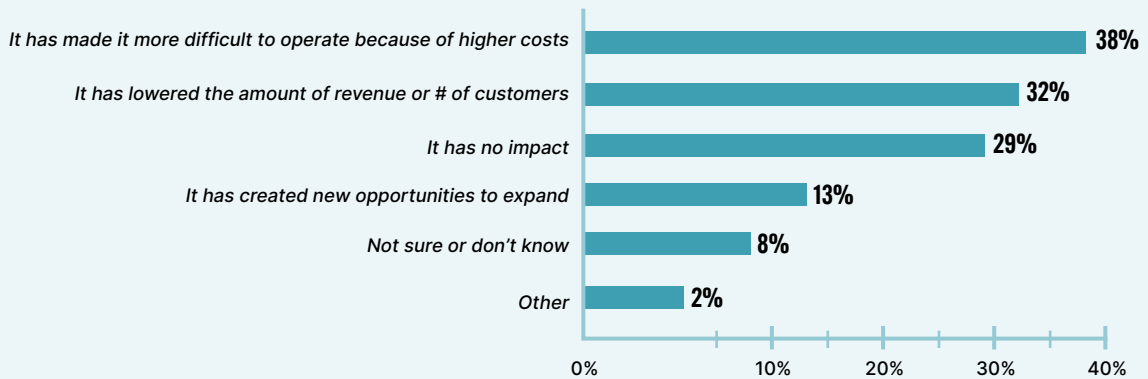


Figure 7. Climate change impact on business amongst survey respondents

Nearly half of the survey respondents (46%) expect climate change to have a negative impact on their business through decreased revenues, increased cost, or decreased investment.

We cross-tabulated and performed statistical tests for the anticipated climate change impacts with race/ethnicity, industrial cluster, and business type. All three cross tabulations demonstrated a significant relationship with anticipated climate change impacts.

African American/Black respondents felt the most optimistic about climate change's impact on their business. Despite making up 38% of total survey respondents, they made up over half (52%) of respondents who felt that climate change would have a positive impact.

Hispanic/Latino and Asian respondents did not feel as optimistic. Hispanic/Latino respondents indicated that they were unsure of how climate change would impact their business. Asian respondents disproportionately felt that climate change would have no impact on their business.

Low wage industries made up 55% of total survey respondents, but 61% of respondents who felt climate change would have a negative impact on their business.

Do you expect climate change to have an observable impact on your business's revenues, costs, or investments in the future?

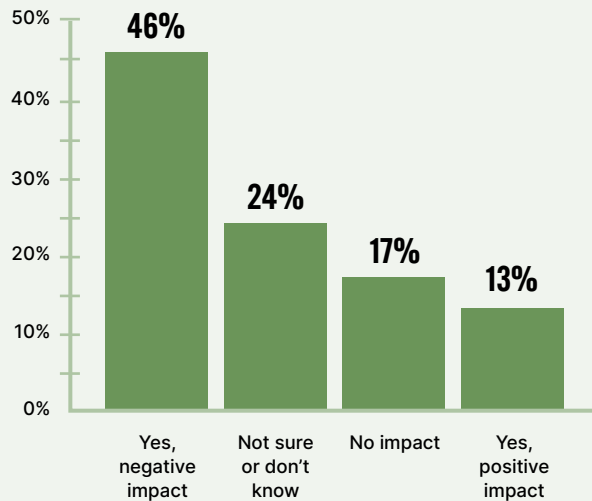


Figure 8. Anticipated climate change impact on business amongst survey respondents

Race/Ethnicity & Anticipated Climate Impacts

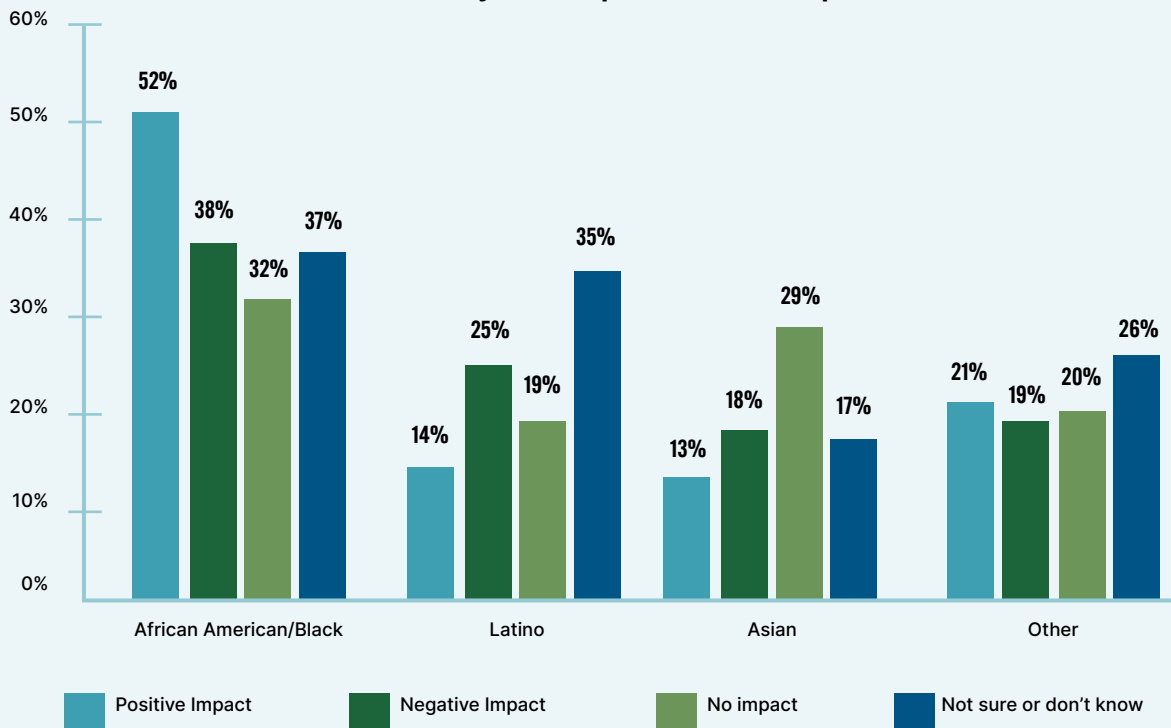


Figure 9. Anticipated climate change impacts based on race/ethnicity amongst survey respondents

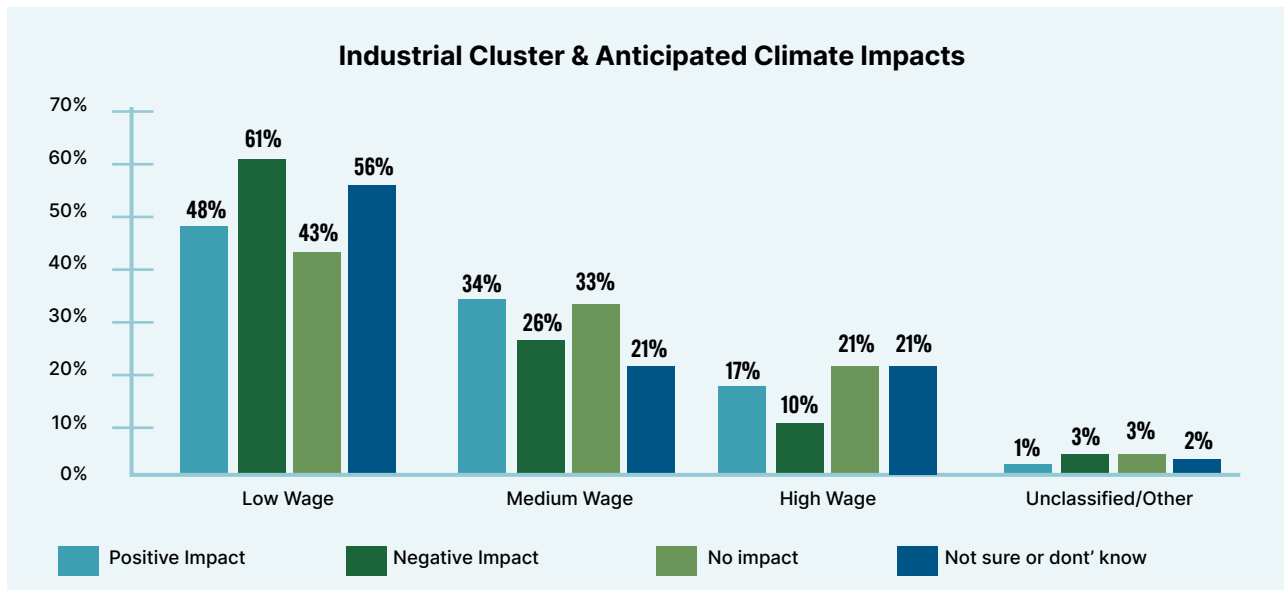


Figure 10. Anticipated climate change impacts based on industry amongst survey respondents

Business type also had a significant relationship with anticipated climate change impacts. Home-based businesses felt more strongly that climate change would have no impact on their business. In contrast, businesses with a storefront building felt climate change would have either a positive or negative impact on their businesses. This may indicate that home-based businesses have less information on how climate change will impact their businesses and that they may require more educational materials or technical assistance on the effects of climate change and interventions.

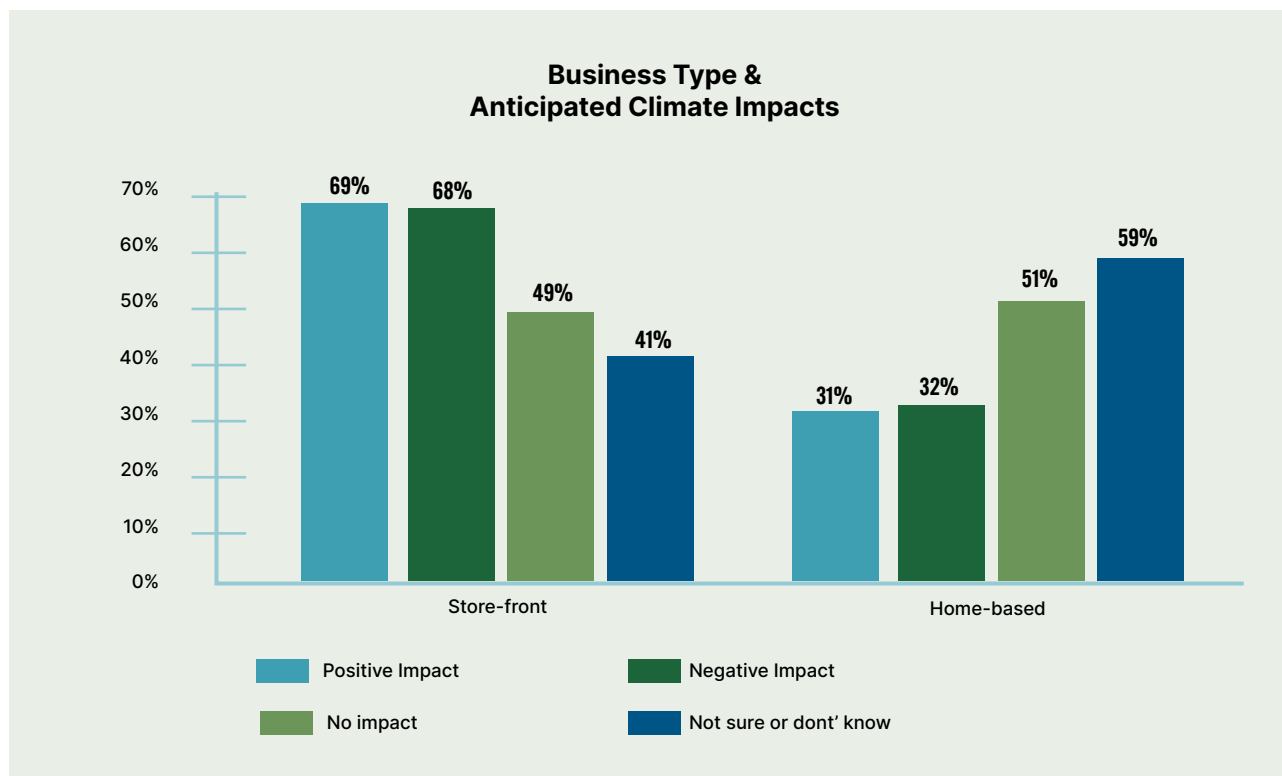


Figure 11. Anticipated climate change impacts based on business type amongst survey respondents

4. EOBs identified payment programs to fund upgrades to existing equipment, multilingual educational materials to understand how their business can transition, and new energy efficiency equipment as policy priorities to transition to 100% renewable energy.

We found that the top three needs for survey participants to transition to 100% renewable energy were payment programs to fund upgrades to existing equipment (60%), educational materials to understand how their business can transition (55%), and new energy efficiency equipment (47%).

Race/ethnicity and industrial clusters did not have a significant relationship with the top needs to adapt, but business types had a significant relationship with needs to adapt.

Home-based businesses' top choice for needs to transition was educational materials while storefront businesses' top choice was payment programs to fund upgrades.

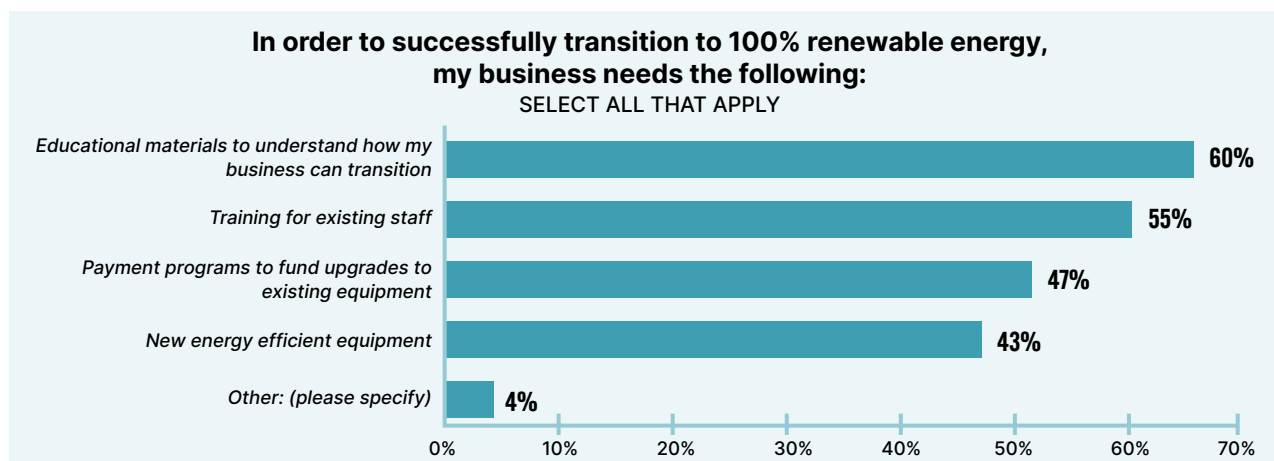


Figure 12. Business needs for a successful transition to 100% renewable energy amongst survey respondents

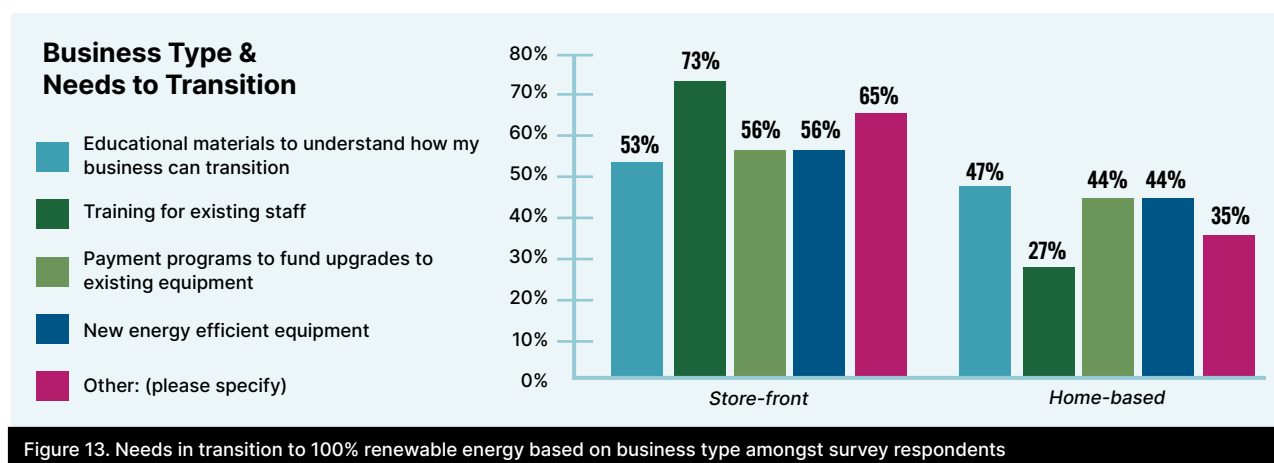


Figure 13. Needs in transition to 100% renewable energy based on business type amongst survey respondents

QUALITATIVE INSIGHTS

1. Direct outreach to small EOBs, small ethnic business serving organizations, and in-language accessibility is necessary to reach entrepreneurs who are typically excluded from traditional business studies.

A successful element of the pilot workshops was the ability for small business entrepreneurs to interact with LADWP and voice their concerns. LADWP was able to provide information on a variety of their energy efficiency programs for both commercial and residential customers, and small business entrepreneurs were able to ask questions to better understand the programs and discuss barriers to participation (i.e. landlords, language, etc.). Through this method of

conversation, LADWP was able to directly understand what challenges small businesses face when applying for energy efficiency programs and debunk any misconceptions about the programs. Importantly, the small business entrepreneurs were able to voice their concerns and create a dialogue with their utility company.

For one workshop, our community partner hired Spanish translation services as many of their small business clients were Spanish speakers. The translators were well utilized, especially for the question-and-answer portion of the workshop. Individuals who do not speak English often face institutional barriers and discrimination; in order to not perpetuate these inequalities and reach a wider audience, utilities should provide translation for other languages besides English.

The pilot workshops were hosted by trusted community-based organizations. Utilities can partner with community-based organizations or small business centers who currently provide small business coaching, technical assistance, etc. to more effectively outreach to their small businesses and host successful workshops.

2. LADWP does not currently have a unified strategy to collect and analyze internal data to better understand their small business customers in terms of energy consumption and program participation.

LADWP currently differentiates their customers via account type (commercial or residential). LADWP has around 350 premier accounts (larger commercial customers) that they provide more services and outreach to due to their large energy consumption. Because LADWP primarily focuses on their larger premier accounts, they have not created a unified strategy to analyze energy usage amongst their smaller customers. Various LADWP program teams have strategies to analyze energy usage and program participation data for their commercial customers, but no unified strategy exists.¹⁰ Further, because LADWP does not necessarily have unified parameters to define small businesses, it is challenging to

¹⁰ For some energy efficiency programs, LADWP defines small businesses through energy usage, like the Commercial Direct Install Program, in which businesses whose average monthly electric demand is 250 kilowatts or less qualify for the program.

disaggregate small business energy usage.

POLICY RECOMMENDATIONS

Based on our study's findings we provide five recommendations, not only for LADWP, but for other utility providers as well, who serve small business customers.

1. Evaluate recent and current small-business energy efficiency programs to identify which have been effective in engaging small EOBs to successfully reduce energy consumption and costs.

To ensure that utility providers' energy efficiency programs are achieving their intended goals of energy savings in terms of energy usage and monetary cost, the utility should conduct evaluations of their programs that target their small business customers. The utility should collect data on the number of small businesses which participated (as well as business characteristics and demographic data), and quantify the energy savings in terms of kilowatt-hours and monetary savings.

2. Develop more targeted policies, programs, and practices to assist small businesses and eliminate participation barriers that EOBs face.

To better understand the needs of their small business customers, utilities should collect demographic (race/ethnicity, age of business, annual earnings, etc.) and business characteristic data (industry, number of employees, etc.). Small businesses' needs vary depending on many factors which can impact their ability to participate in energy efficiency programs and aid utilities in their transition to 100% renewable energy.

In addition to collecting more data related to the demographics and business characteristics of their small business customers, utilities should create a standard definition of what constitutes a small business customer that goes beyond account type and energy usage. By better defining small businesses and collecting data on the small businesses that utilities serve, they can better provide services and programs which will help the economic resilience of vulnerable communities.

3. Partner with business serving community-based organizations and other trusted agencies to provide technical assistance and better engage small business customers, particularly EOBs.

The survey shows that many participants are unaware of or are not sure how LADWP's plan to transition to 100% renewable energy will affect their businesses. Utilities should engage with small businesses through trusted business serving community-based organizations to design, implement, monitor, and evaluate the energy

policies and programs which impact their small business customers. Utilities should invest in culturally and linguistically appropriate educational materials to connect with hard-to-reach businesses that typically do not participate in energy efficiency programs.

4. Collect and analyze more robust and precise data on energy usage, energy burden and location of small business customers in order to prioritize its outreach to the most disadvantaged businesses and neighborhoods.

Small businesses, especially EOBs, are often understudied or not included in typical business studies. Their unique needs and characteristics are underexplored. We found that many small businesses in the Los Angeles area utilize residential utility accounts for their business needs, operate out of their personal dwelling units, and/or rely on a landlord or building owner to receive their utility bills. Utilities should outreach to these non-traditional businesses that have different needs from businesses that have their own commercial utility accounts and operate out of a brick-and-mortar establishment. Utilities should conduct more technical assistance to understand what

these businesses need to transition to 100% renewable energy.

5. Examine the legal mechanisms that would enable utilities to provide financial assistance to small businesses and EOBs to reduce barriers to access substantive energy efficiency equipment upgrades, which are typically cost-prohibitive.

We found that the top choice for transitioning to 100% renewable energy was payment programs to fund upgrades to existing equipment. Many small businesses feel that energy efficiency upgrades and transitioning to renewable energy broadly is cost prohibitive and are discouraged from applying to energy efficiency programs and rebates. Additionally, many energy efficiency equipment upgrade programs operate as a reimbursement system. Small businesses are discouraged or unable to pay this upfront cost and are unable to participate. Utilities should examine the legal mechanisms that would enable them to provide financial assistance to their small business customers, and EOBs in particular, to encourage them to upgrade their equipment or participate in energy efficiency programs.

CONCLUSION

The purpose of this study is to provide insights and information to assist the Los Angeles Department of Water and Power to develop equitable and effective policies, programs and practices for small businesses transitioning to 100% renewable energy. The existing literature indicates that small ethnic-owned businesses are relatively disadvantaged because of structural disparities in access to capital, resources and government programs. Some have argued that these challenges would also hinder EOBs in adapting to climate change, which is a reasonable hypothesis. These potential adverse outcomes would have a ripple effect because EOBs are a vital part of many disadvantaged communities, providing much-needed jobs and services. To avoid exacerbating existing socioeconomic inequalities, the government and utilities must be proactive, taking actions that ensure fairness. Effective action should be guided by knowledge. Unfortunately, there does not appear to be any existing study that tests this assertion, nor any study that documents the pattern, magnitude, and consequences of systemic inequity.

This study, conducted by the UCLA Center for Neighborhood Knowledge and Latino Policy and Politics Institute, starts to fill that knowledge gap. As far as we know, this is the first of this type of applied research effort in the nation. The study was a collaborative effort that included community-based organizations, chambers of commerce, and business associations which serve EOBs in the Los Angeles region. These partners and LADWP provided critical input in designing the study, reviewing the findings, and disseminating the results. The study used both quantitative and qualitative methods—a survey of over 500 EOBs in the LA region, and extensive grounded comments and insights. Overall, the study confirms the key hypothesis that EOBs face multiple challenges in adapting to climate change.

LADWP has taken some important first steps to achieve equity for small businesses and EOBs, however much more is required. Implementation of new equity and impactful policies, programs and practices will not be easy, and will require joint efforts with governmental energy agencies and utilities. As daunting as this may sound, these entities share a common goal of a just transition to 100% renewable energy. While the study focuses on LADWP, many of the findings, recommendations and potential solutions are applicable and relevant to other entities as well.

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