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## NC Rural Coalition Fighting COVID-19

### NC Rural Coalition Fighting COVID-19 March 31, 2021 \* 9:00-10:00am Meeting notes

Facilitator, Todd Brantley, VP of Public Affairs, NC Rural Center

Speakers: Jason Gray, Sr. Fellow for Research & Policy, NC Rural Center

Barry Ryan SVP of Strategic & Small Business Capital, NC Rural Center

Lavonda Daniels, VP Array Community Development Corporation

Sabrina Bengel, Small Business Owner and Alderman/Mayor Pro Tem, City of New Bern

Misty Herget, VP of Programs & Strategic Partnerships, NC Rural Center

Topic: The economic impact of COVID-19 on rural communities and entrepreneurs and what the post pandemic landscape will look like for them.

Todd Brantley welcomed the speakers and guests and reviewed the background of the Coalition. Leaders from the NC Rural Center, Hometown Strong, North Carolina AHEC, Governor's Office of Public Engagement, and the Foundation for Health Leadership & Innovation (FHLI), are partnering with the NC DHHS Office of Rural Health (ORH) to extend the ORH's reach in disseminating vital resources and messaging to rural communities. In addition, the Coalition provides feedback from its partners to NCDHHS regarding what is effective vs. not, and addresses concerns and questions from rural constituents.

Jason Gray addressed the small business impact. Small businesses less than 5 years old are creating new jobs, based on information provided by the Bureau of Labor Statistics that tracks that information. This trend is evident regardless of economic conditions.

The Census Bureau Small Business Pulse Survey, a weekly analysis across the country, showed the largest negative impact on accommodations and food, arts & entertainment, education and mining. Interesting to note is that the impact on retail stayed below the national average. Based on the March 21, 2021 report, 69% of those surveyed reported a large (25%) or moderate (44%) negative impact. The large impact has decreased over time, and the moderate negative impact has remained relatively steady since the beginning of the pandemic. <https://portal.census.gov/pulse/data/>

The small business credit survey, an annual survey by the Federal Reserve Bank, reported that for the first time in five years that the survey has been conducted nationally, more firms experienced decreases in revenues and employment than increases. There was a precipitous decline between 2019 and the end of 2020. <https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms>

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The differential impact by race/ethnicity and the number of employees. Non-Hispanic Asian and Black/African American owned businesses had the highest percentage of fair or poor financial conditions at 79% and 77% respectively, followed by Hispanic owned businesses (66%) and Non-Hispanic White owned businesses (54%). Also, businesses with fewer than 5 employees had the highest percentage of poor/fair financial conditions (65%) compared to businesses with 5-59 employees (52%) and 50-499 employees (32%).

During the Great Recession of 2007-2009, the economic impact was disproportionately rural compared to urban areas. The pandemic has reversed this trend. Urban areas have more arts & entertainment venues, restaurants, hotels, educational institutions which were heavily affected, however, the misery has been widely shared and the data is improving. The stimulus and government support has made a difference.

Todd asked why the Black/African American businesses were impacted the most.

Jason added that those business owners have fewer credit options and financial reserves. Thinner margins increase risk, and many of these businesses were in marginal positions before the pandemic.


Todd introduced Barry Ryan to discuss the State Level Resources.

Barry added that resources can be either abundant or inadequate to business owners. Providing tech support and coaching to help navigate all the resources is essential. Partnerships with Small Business Technology Development Centers (SBTDC) are based in the University system throughout the state. The Small Business Center Network (SBCN), based out of the 58 community colleges throughout the state are easily accessible to rural businesses. Using Cares Act funds, the SBTDC added 13 new counselors to assist rural small businesses, and assisted 4,500 clients with more than 40,000 hours of assistance. The SBCN added 1,600 new clients and 5,000 counseling hours.

The recently renamed Small Business Advisory Team is a great resource for helping to navigate different programs.

Barry named a variety of state programs mostly funded by the Cares Act, that have benefitted small businesses:

- The NC Department of Commerce offered mortgage, utility and rent relief.
- The Burr Program offered job retention.
- Rapid Recovery Loan Program has a wait list of borrowers to receive capital. So far \$110M has been distributed to small businesses affected by COVID-19. This program filled some gaps in the federal programs. <https://ncrapidrecovery.org/>
- The Retool program operated by the NC Department of Administration targeting historically underutilized businesses. They received \$8M through a recovery bill passed by the General

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Assembly. The program works in partnership with the National Institute of Minority Economic Development and the Carolina Small Business Development Fund.

<https://theinstitutenc.org/retoolnc/>

Regarding federal programs, the PPP program has new funds. The SBA has changed the way it approaches PPP and has engaged a broader network of partnerships to administer it and is giving more small businesses access to funds.

The SBA, with the American Recovery Act, has a new program that has not been launched yet, will offer \$100M in Community Navigator Grants using a hub and spoke model. Core resource providers work in partnership with community led organizations and the people who they serve live in the communities they're serving. This will give more resources to businesses owned by people of color, who were more likely to have been impacted by COVID-19 than others.

The Shuttered Venue Operator Grants, due to launch in April after many delays, will provide funds to entertainment venues that had to be shuttered during the pandemic. Most were not eligible for PPP grants and had layoffs. <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/shuttered-venue-operators-grant>

A Restaurant Relief Fund valued at \$28.6 billion will be launched soon, targeting restaurants affected by COVID. They need access to specialized resources.


Part of the American Recovery Plan Act is the reauthorization of the state's small business credit initiative. This is a long term solution to help businesses recover. The Rural Center is the NC Administrator for the small business credit initiative. This fund will provide private capital to support small businesses across the state.

Todd asked Barry to discuss what the Rural Center learned from this pandemic and how it has changed the response toward this and future disasters.

Barry emphasized that partnerships are critical. The Rural Center partnered with eight community development financial institutions and six technical assistance providers, which were needed for a crisis of this scale. The partnerships are expected to be long lasting and are necessary to build a stronger ecosystem for North Carolina.

Todd introduced Lavonda Daniels and asked her to share the work she does to support small businesses and what she has heard.

Lavonda described her experiences with UNCG and her entrance to entrepreneurship. She worked on the incubator project across the state and found that many business owners needed help. She joined the Array Community Development Center, whose mission is to contribute to the health and wellbeing of communities in Eastern NC, in 2017 and was involved in grassroots efforts. She has also

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been involved in work on a national scale such as the National Black Chamber and several foundations and associations.

Once the pandemic hit, she partnered with the Rural Center and the Golden Leaf Foundation and worked to bring the NC Rapid Recovery Program to NC to help businesses fund their operations until other relief funds became available. Her team of experts, in partnership with the Small Business Centers in local colleges, linked in with the local community and provided 500 technical assistance hours from October to December and offered support to 800 small businesses across the state.

Lavonda and her team reached out to provide support asking, what are your pain points? Business planning, obtaining credit, which was the highest need, access to free resources, tax issues, and getting the lender preparedness packages together to apply for loans were the most urgent concerns. Another matter was whether information was being disseminated accurately. They are still getting calls.

Todd asked if there was anything that they still need but are missing.


Lavonda said many businesses are shutting down and there is a big need for emergency business management and business succession.

Todd introduced Sabrina Bengel, who is a small business owner of a restaurant. Todd asked what changes she has seen in business operations and what is the outlook for the next 12 months.

Sabrina recalled that the initial COVID shutdown was only expected to last two weeks and ended up much longer. Most businesses only had a 30 day cushion of cash on hand, since restaurants are cashflow heavy, so they quickly ran out of money and couldn't pay bills or employees. She was fortunate to secure some funds from the Rural Center loan process to pay her bills, along with some other resources, which reduced the strain of the lost cash flow.

The restaurant closed for several months and they tried to retain their employees, but the promise of \$600/week unemployment was better than a weekly wage, so most of the employees left. When the restaurant reopened in May, it was difficult to lure them back. Capacity was reduced by 50%, so it was a challenge to make a profit on reduced capacity. The city and Main Street Group started allowing outdoor dining in the streets, which enabled them to double their capacity in the warmer weather. They lost 38% of their sales last year, but they were pleased with the resources that they received.

Sabrina suggested that the Rural Center programs and loans should be processed through the Main Street programs throughout the state. Many cities are tourism driven and they distributed information and resources and promoted conversations to help each other.

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Another struggle for New Bern was that they were less than one year into surviving a 500 year flood due to Hurricane Florence, which hit in late 2018. People were just barely coming out of it when the pandemic hit. The New Bern Trolley Tours were shut down and just started to reopen in the spring. The Shuttered Grant Opportunity coming in April will be meaningful to small businesses.

Todd asked if she, as a business owner, is optimistic.

Sabrina answered yes and no. All restaurants are desperate for help. Dining in the street starts this weekend and no one is participating because there is no help. It's still more beneficial to be on unemployment than work full time. Her restaurant offered six interviews last week and no one showed up. More people are coming in to the community, older people are getting vaccinated and the tourists are returning. There are long lines at the restaurants. They are working at 75% capacity because they don't have the manpower to work at 100%.

José Alvarez asked Barry whether minority businesses are accessing PPP due to changes made.

Barry indicated that lots of changes were made to PPP. They are now oriented to business owners who are people of color, Latino, and Asian that the initial program didn't serve. The first wave went through banks and those audiences were left out of the program. Community development financial institutions and partners with exclusive access to small businesses are involved now. The state run level programs track data and holds partners accountable for equitable distribution of funds and this could be improved on the federal level. The goal is to target communities that were heavily impacted by the pandemic.

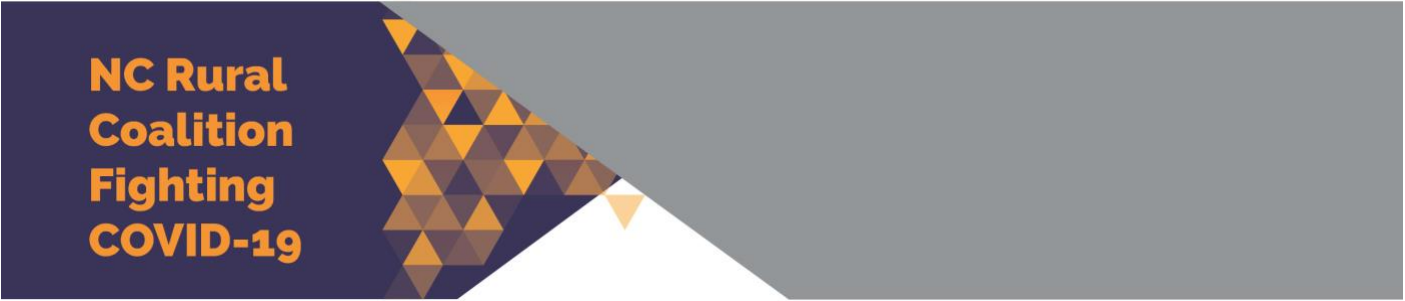
José added that last year in the first nine months of the pandemic, they were able to help only 9 Latino owners. This year, in 2.5 months, they were able to help 50 Latino owners, thanks to the changes in the program.

Lavonda added that the Navigator Program uses a different approach to reach minority communities rather than through the banks. The Institute had a ReTool NC grant that her organization helped businesses apply for. Another organization, IDEA, has resources available for minorities.

<https://ncidea.org>

Dale Caveney said that business owners are having trouble filling job openings in all sectors. He asked whether unemployment accounts for this or other factors.

Another attendee, Jason, countered that NC has a dashboard on unemployment claims, which tracks new and ongoing claims. It also tracks what percentage of claims come from food/accommodation industry, what percentage are part-time employees, college students, and individuals working multiple jobs. Many are nervous about coming back into lower paying employment with high contact with the public, creating increased health risks.

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A question was asked whether increasing pay would draw employees back to the industry.

Sabrina responded that she has considered that scenario. If wages increase, the price of the product has to increase to support it. People will be scared off at higher food prices. Her restaurant is offering higher wages than pre-pandemic and still have no applicants. She is willing to pay more, commensurate with experience. People have been asking for wages between \$8-\$20.

She suggested a better method. Give unemployment dollars to the employer, who can look at the weekly payroll and allocate funds to keep employees.

Resources are available on the foundation webpage: [bit.ly/ruralfightscovid](https://bit.ly/ruralfightscovid)

There will be no meeting next week on April 7. On April 14, Dan Gerlach will discuss the American Rescue Plan and its impact on the rural and healthcare communities.