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New York City Restaurant, Retail and Recreation Sectors Still Face Uphill Recovery

Highlights

- In New York City, employment in the restaurant, retail and recreation (RRR) sectors was down by 169,700 jobs in November 2021, accounting for 41 percent of total private sector jobs lost since November 2019.
- The restaurant subsector still employs 30 percent fewer workers than in 2019. The arts, entertainment and recreation sector has contracted by 24 percent, while retail trade has 14 percent fewer jobs. Nationally, the sectors overall are just 3.4 percent smaller.
- About 67 percent of the RRR jobs were lost between the second quarter (2Q) of 2019 and 2Q 2021 in the State and about 9 percent of those in the nation were New York City jobs.
- Between 2Q 2019 and 2Q 2021, the RRR sectors were hit hardest in Manhattan, where jobs declined by 40 percent compared to an average of 13 percent for the other boroughs.
- In Chinatown and the Lower East Side, only 30 percent of federal Restaurant Revitalization Fund dollars made it to the 59 percent of businesses located in low- and moderate-income communities, whereas the remaining 70 percent went to businesses in more affluent communities.
- RRR businesses in historically underutilized business zones in the Bronx (77 percent) and in Brooklyn (53 percent) did not receive their fair share of Paycheck Protection Program funding in 2020 or 2021, in number or in dollar amount.

When the COVID-19 pandemic began, many businesses in retail trade, accommodation and food services, and arts, entertainment and recreation closed. These sectors are also experiencing a longer period of COVID-19 restrictions and depressed activity due to the nature of their operations and concerns over virus transmission. Reduced economic activity has had an outsized effect on New York City, the nation's initial epicenter of the pandemic, from jobs to wages to real estate, with some of the most significant impacts affecting the restaurant, retail and recreation (RRR) sectors.

The RRR sectors lost an average of 48 percent of their work forces between the first and second quarters of 2020, while the accommodation and food services sector lost 64 percent. (By comparison, the private sector overall lost 21 percent in the City). In response, a number of federal programs were established or expanded to aid affected businesses in these sectors, first through the Paycheck Protection Program and Economic Impact Disaster Loans. Continued closures and revenue losses led the federal government to create specific relief programs for restaurants, through the Restaurant Revitalization Fund, and for entertainment venues, through the Shuttered Venue Operators Grants.

This report examines the damage the pandemic has inflicted on the RRR sectors, and considers the distribution of federal funds for businesses in the City, particularly for businesses in low- and moderate-income communities and in historically underutilized business zones. While approaches to targeting federal funding have improved, the City and the State have already recognized that they need to do more to assist the City's disadvantaged businesses. The state of these sectors suggests support may be necessary for some time for them to fully recover.

Economic Impacts of COVID-19 on the RRR Sectors

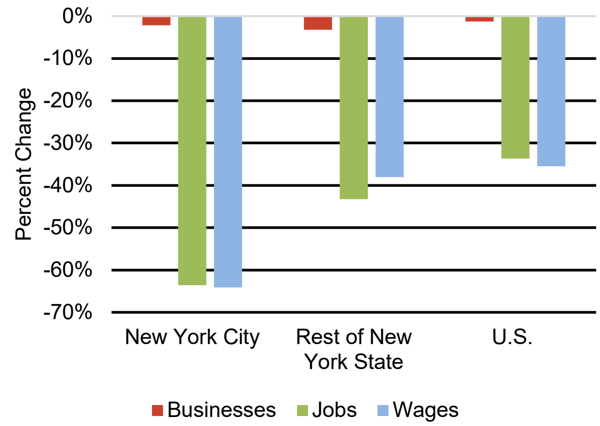
New York City's RRR Sectors Lag Behind the State's and the Nation's

The COVID-19 pandemic has had a disproportionate impact on the accommodation and food services sector, the arts, entertainment and recreation sector, and the retail trade. These sectors experienced the largest job losses nationally of any sector.[1] Of the group, the accommodation and food services sector was hit hardest. However, the sheer size of the food services, or restaurant, subsector (which refers to North American Industry Classification System (NAICS) code 722 and contributed to 85 percent of the sector's jobs at the beginning of the pandemic), made it a prime target for federal funding relief, as discussed in this report. The restaurant subsector, together with the retail trade and arts, entertainment and recreation sectors, are referred to herein as the "RRR sectors" collectively.

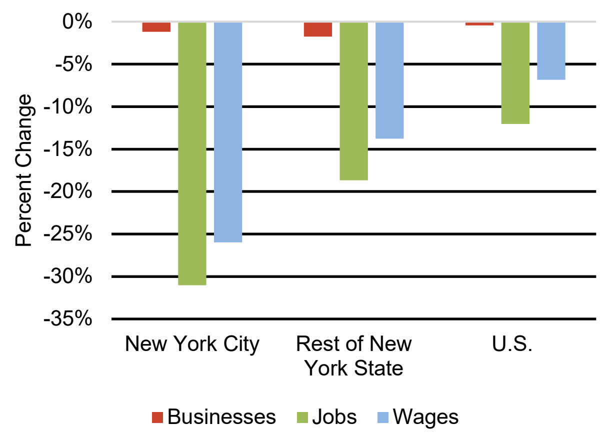
While communities across the nation felt the impacts of the pandemic on their RRR sectors, New York City was hit especially hard, with job and wage losses generally outpacing those in the rest of New York State and the nation at the onset of the pandemic (see Figure 1). For example, while restaurant jobs and wages declined by over 64 percent in the City between the first (1Q) and second (2Q) calendar quarters of 2020, they declined by 40 percent in the rest of the State and by 35 percent in the nation. The gap was even more pronounced for retail trade, where the City lost 2.5 times more jobs than the nation initially. Over the period, about 55 percent of the RRR jobs lost in the State and over 5 percent of those in the nation were New York City jobs.

FIGURE 1
Impact of the Pandemic on RRR Sectors, City, Rest of State and Nation, Q1 2020 to Q2 2020

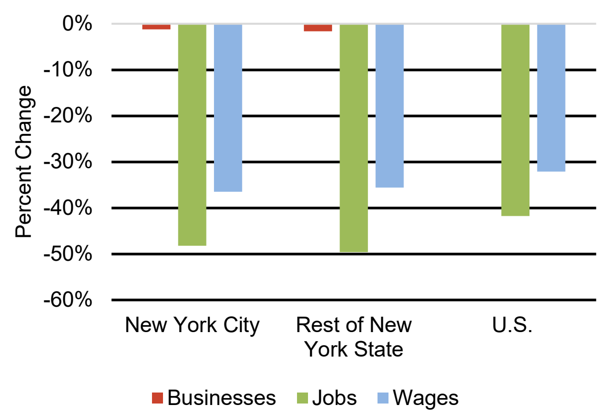
Restaurants



Retail Trade



Arts, Entertainment and Recreation



Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages; OSC analysis

Currently, New York City's overall economic recovery continues to lag behind the nation's. For example, the City lost a higher share of jobs (of all sectors) between the second quarter of 2019 and the second quarter of 2021 than any of the other five most populous counties in the nation, which overlap all or in part with the largest cities in the nation (see Figure 2). Approximately 10 percent of the jobs lost in the nation over the period belonged to the City. Even more striking, 62 percent of the jobs lost in the State were New York City jobs.

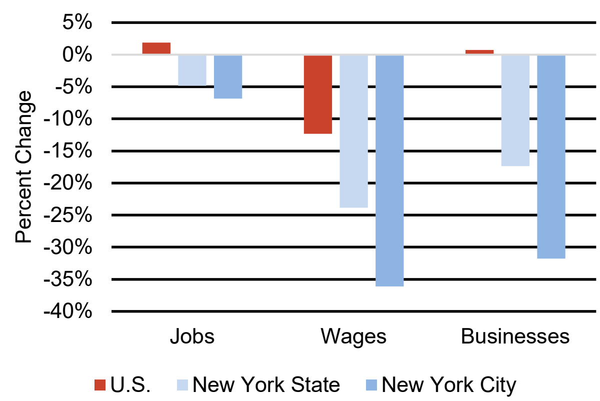
FIGURE 2
Pandemic-Era Job Loss in Select Large Jurisdictions,
Q2 2019 to Q2 2021

County	Percentage Change in Jobs
New York City	-12%
Cook County, Illinois	-8%
Los Angeles County, California	-7%
Harris County, Texas	-5%
San Diego County, California	-5%
Maricopa County, Arizona	1%
Rest of New York State	**-7%**
Total U.S.	**-4%**

Sources: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages; OSC analysis

In terms of the RRR sectors, the City accounts for about 67 percent of the lost jobs in the State and about 9 percent of those in the nation over this period. While the RRR sectors in the City have regained some employment as of the second quarter of 2021, they have not recovered to pre-pandemic levels. Moreover, compared to the State and the nation, the City's economic recovery continues to be slower, with restaurants especially worse off (see Figure 3).

FIGURE 3
Change in Select Economic Indicators for Restaurants through Pandemic,
Q2 2019 - Q2 2021



Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages; OSC analysis

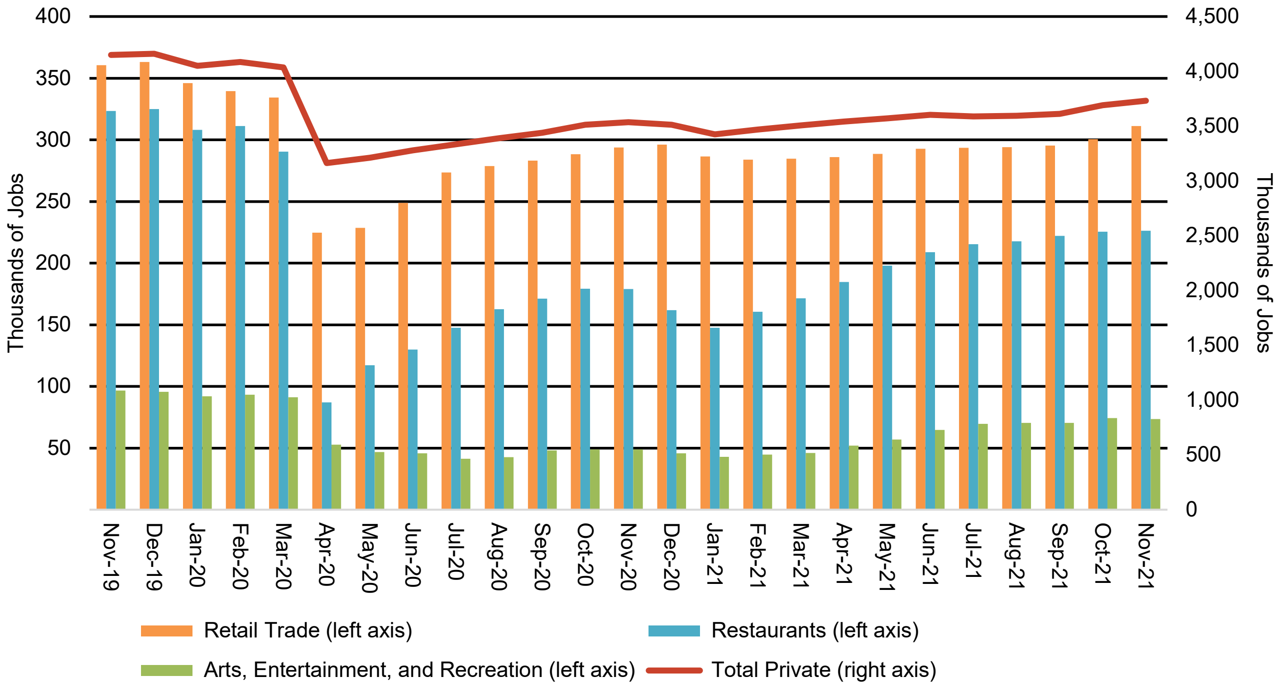
RRR Employment Share Declines

Reflecting the impact of the pandemic, the share of overall City employment represented by the RRR sectors declined from 19 percent in November 2019 to less than 15 percent in November 2020. While jobs in these sectors grew faster in the past year than in the private sector as a whole, employment is still well below pre-pandemic levels. The citywide share is a bit over 16 percent as of November 2021 (see Figure 4). As of November 2021, employment was down by 169,700 jobs in the RRR sectors, accounting for 41 percent of total private sector jobs lost since November 2019. The retail trade sector, in particular, is currently below the City's forecast of 8 percent growth year over year.

With 311,200 jobs, the retail trade sector made up 8.3 percent of total private sector employment in November 2021. Retail trade employment has increased by 6 percent since November 2020 but is still 13.7 percent less than in November 2019. This is worse than the 10.1 percent decline in private sector employment overall.

In November 2021, the restaurant subsector made up 6.1 percent of total private sector employment. While restaurant employment has grown by 27 percent in the past 12 months, it is still 30 percent smaller than it was in November 2019.

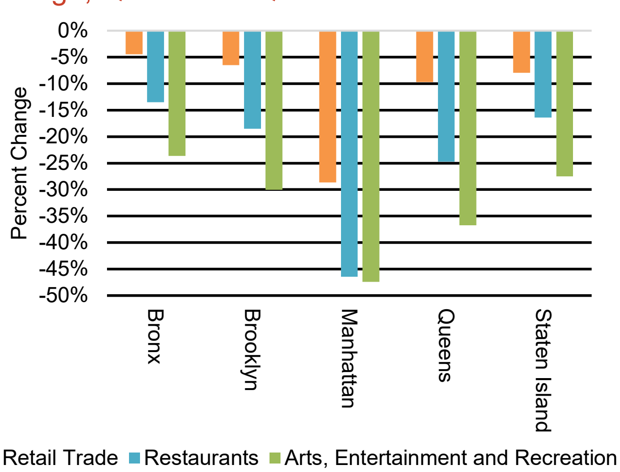
Figure 4
Employment in New York City's RRR Sectors



Source: NYS Department of Labor, Current Employment Statistics

In comparison, the arts, entertainment and recreation sector, which made up 2.0 percent of total private sector employment, is still 24.1 percent smaller.

Figure 5
RRR Sector Employment Percentage Decline by Borough, Q2 2019 to Q2 2021



Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

Among the five boroughs, all three RRR sectors were hit hardest in Manhattan (Figure 5). This is due, in part, to a decline in foot traffic, indicated by the loss of MTA ridership. MTA ridership data shows that as of November 2021, six of the 10 most impacted stations were in Manhattan.[2] In addition, Manhattan accounted for almost 40 percent of tourism businesses, which have been particularly hard-hit by the pandemic (see OSC's report on tourism).[3]

One reason for the relatively slow growth in RRR employment could be increased levels of resignations. According to the Bureau of Labor Statistics, almost 3 percent of the work force nationally quit in October 2021, following a months-long trend. Most of the losses occurred in restaurants, bars, hotels and retail businesses in response to high stress, long hours and the greater risks of contracting COVID-19.[4]

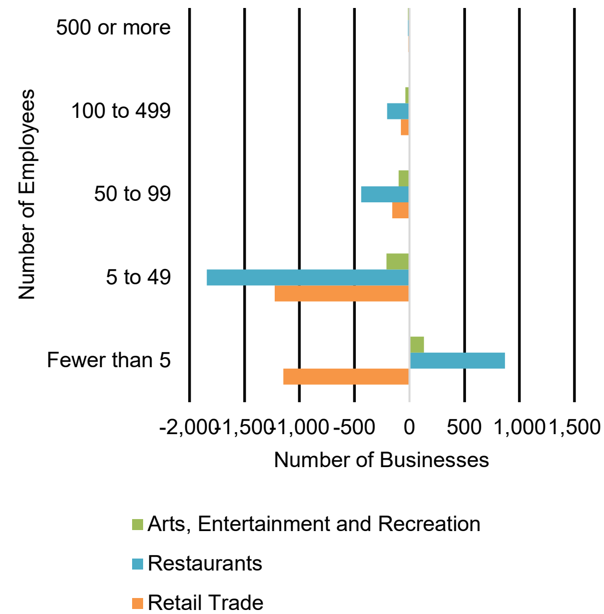
Low-Wage Sectors Face Outsized Wage Losses

Prior to the pandemic, in the second quarter of 2019, wages in the RRR sectors made up 10 percent of total wages in the private sector in New York City. The second quarter of 2019 is viewed as a baseline because many federal support programs required a business to be in operation as of at least 2019 (as discussed below). By the end of the second quarter of 2021, the RRR share had dropped to 8 percent.

While the drop in share was small, the loss in wages compared to other sectors was significant. In fact, when the pandemic hit, the restaurant subsector saw wages drop by over 64 percent (from $2.4 billion to $860 million) between the first and second quarters of 2020, whereas the office sector, for example, experienced a drop of 45 percent.[5] While restaurant wages were still down 32 percent by the end of the second quarter of 2021 compared to the second quarter of 2019, wages in the office sector were up 10 percent.

The effects on wages in the RRR sectors in the City are significant for the State as well. Over 57 percent of restaurant wages, 46 percent of retail trade wages, and 71 percent of arts, entertainment and recreation wages in the State were paid in the City in the second quarter of 2019. The City's shares are much smaller when compared to the nation, yet the economic impacts remain outsized. About 4 percent of restaurant wages, 3 percent of retail trade wages, and 8 percent of arts, entertainment and recreation wages in the nation belonged to the City over the same period. By the end of the second quarter of 2021, these shares had declined to 3 percent for restaurants and to 6 percent for recreation, and remained at 3 percent for retail trade.

Figure 6
Change in RRR Businesses by Employment Size, Q2 2019 to Q2 2021



Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

Restaurant, Retail and Recreation Businesses Impacted

The total number of private sector businesses in the City decreased by 1 percent between the second quarter of 2019 and the second quarter of 2021 due to a sustained decline in businesses with 500 or more employees. The number of very small businesses with fewer than five employees increased by 3 percent in that period, however. A likely explanation for this divergence is that as larger businesses were forced to downsize and lay off employees during the pandemic, many unemployed workers decided to start their own businesses.[6] The U.S. Census Bureau's Business Formation Statistics show that business applications in New York City increased by 12 percent in 2020, the largest year-over-year growth since 2010, despite the disruptions caused by the pandemic.[7]

Within the RRR sectors, the number of businesses with fewer than five employees increased for restaurants and recreation but decreased for retail (see Figure 6).

Commercial Corridors Reflect RRR Weakness

The impact of the pandemic extends to real estate, where reduced foot traffic in key corridors has negatively affected market demand.[8] In fact, average asking rents for New York City retail spaces overall (food and beverage make up the largest part of retail occupancy, at 30 percent) have declined significantly, as vacancies across premier shopping corridors, for example, increased 5.5 percent between the first and second quarters of 2021 alone.[9]

These results followed a downward trend in occupancy and rents that was present before the pandemic, although current levels of vacancy are the highest on record.[10] This slump in demand is due, in part, to the decimation of the tourism industry, which is heavily reliant on commuters and international and business travelers.[11] Consequently, the market values of store buildings, for example, were down nearly $14 billion between fiscal year 2021 and 2022 (or over 21 percent). (Store buildings make up over 4 percent of the market value of all taxable real property in the City.) Though retail properties comprise a relatively small share of real estate in the City, the decline in values noted in the FY 2022 final assessment roll is expected to lower property tax collections by nearly $160 million.

Use of Federal Funding for Pandemic Relief

The federal government provided a range of COVID-19 relief options to businesses through the U.S. Small Business Administration (SBA).[12] These include the Paycheck Protection Program (PPP), the Economic Injury Disaster Loan (EIDL) program, the Shuttered Venue Operators Grant (SVOG) program and the Restaurant Revitalization Fund (RRF) program (see Figure 7 for a summary of the federal funding of the programs).

As businesses in New York City, particularly those in the RRR sectors, were hit hardest by the pandemic, the SBA's relief options were crucial for getting them back on track after being forced to shutter. Many of these businesses tried to take advantage of various COVID-19 relief programs as they became available.

As noted in OSC's reports on the retail sector and on the arts, entertainment and recreation sector, initial rounds of the U.S. Census Bureau's Small Business Pulse Survey showed that business owners sought assistance from both the PPP and EIDL programs.[13] Later survey rounds showed businesses seeking assistance from the RRF and the SVOG as well.[14]

Administration of Federal Funds

This section examines the extent to which federal funding for New York State businesses was distributed to the City (see Figure 7). Note that all programs referenced in this section have now closed.

Figure 7
COVID-19 Relief Program Funds Distribution
(in billions)

COVID-19 Relief Program	Total appropriations or allowances*	Total funds requested or distributed	Remainder
PPP[1]	$813.5	$800.0	$13.5
COVID-19 EIDL[2]	$367.0	$316.7	$50.3
Emergency EIDL Advance[3]	$20.0	$20.0	$0.0
Targeted EIDL Advance[4]	$30.0	$4.8	$25.2
Supplemental Targeted EIDL Advance[5]	$5.0	$2.2	$2.8
SVOG[6]	$16.3	$13.6	$2.7
RRF[7]	$28.6	$28.6	$0.0
TOTAL	$1,280.4	$1,151.6	$128.8

Note: 1. Funded through the Coronavirus Aid, Relief, and Economic Security (CARES) Act; Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA); Consolidated Appropriations Act (CAA); American Rescue Plan Act (ARPA). 2. Funded through the CARES Act; PPHCEA; ARPA. 3. Funded through the CARES; PPPHCEA. 4. Funded through the CAA; ARPA. 5. Funded through the ARPA. 6. Funded through the CAA; ARPA. 7. Funded through the ARPA.

Sources: U.S. Small Business Administration; U.S. Government Accountability Office; OSC analysis

Paycheck Protection Program

The PPP was designed to provide small businesses with forgivable loans for the purposes of covering payroll costs, rent and utilities.[15] The PPP was allocated a total of over $813 billion in three rounds of funding between 2020 and 2021 (see Figure 8). As of May 31, 2021, when the program closed, more than 11.8 million PPP loans had been approved in the United States, totaling nearly $800 billion.[16] More than 755,000 loans were approved in the State, of which approximately 400,000 totaling more than $31 billion were approved in New York City. Across both years, the City accounted for an average 51 percent of the total loan dollars approved in the State and 4 percent of those approved in the nation.

FIGURE 8
Total PPP Loan Dollars by Region and Borough
(dollars in billions)

	2020		2021	
Region	Amount	Share	Amount	Share
Capital District	$1.7	4.4%	$0.9	3.8%
Central New York	$1.3	3.3%	$0.6	2.6%
Finger Lakes	$2.0	5.1%	$0.9	4.1%
Long Island	$6.9	17.7%	$3.8	16.5%
Mid-Hudson	$4.1	10.7%	$2.3	10.3%
Mohawk Valley	$0.5	1.2%	$0.2	1.0%
New York City	$18.8	48.6%	$12.2	53.7%
Bronx	$1.1		$1.0	
Brooklyn	$3.7		$2.5	
Manhattan	$10.7		$6.1	
Queens	$2.8		$2.3	
Staten Island	$0.5		$0.3	
North Country	$0.4	1.1%	$0.2	1.0%
Southern Tier	$0.8	1.9%	$0.4	1.8%
Western New York	$2.3	6.0%	$1.2	5.1%
TOTAL	**$38.7**		**$22.7**	

Note: "Share" refers to each region's share of the State.
Source: U.S. Small Business Administration; OSC analysis

Analyzing loans by industry, the City's accommodation and food services; arts, entertainment and recreation; and retail trade businesses received 5 percent of the PPP loan dollars approved for accommodation and food services; arts, entertainment and recreation; and retail trade businesses nationally in 2021.[17]

Economic Injury Disaster Loan

The EIDL program (appropriated $50 billion to support over $367 billion in loans),[18] meant to cover damages related to the pandemic (called COVID-19 EIDL), provides long-term, low-interest loans to small businesses and nonprofit organizations which experience temporary loss of revenue as a result of a disaster. To provide emergency economic relief, advances that were not required to be repaid were created later.

As of December 23, 2021, over 3.8 million EIDL loans were approved in the nation, totaling approximately $317 billion.[19] Additionally, over 990,000 EIDL advances were approved in the nation, totaling almost $7 billion. More than 330,000 loans totaling $31 billion and 119,000 advances totaling $850 million were approved in the State. Data at the City level is not available for 2021 but is for 2020. Over half (56 percent) of the EIDL loans approved in the State were approved in the City in 2020, totaling more than $9.9 billion (see Figure 9). This amounted to 5 percent of those approved in the nation at that time.[20]

The SBA has not released granular data on the industry composition of EIDL recipients. However, the SBA's COVID Relief Program Report from May 2021 finds that 13 percent of EIDL advance funds went to retail trade industries nationally.[21] Retail was followed by the agriculture, forestry, fishing and hunting industry at 12 percent, and the accommodation and food services industry at 10 percent.

Shuttered Venue Operators Grant

The SVOG program was created to provide grants to shuttered entities such as theatrical producers and museum operators. The program closed as of August 2021. As of December 20, 2021, more than 12,800 initial SVOG awards were awarded in the nation, totaling $10.6 billion.[22] More than 1,450 awards were approved in the State. Of that amount, 923 awards totaling over $1.3 billion went to businesses in the City (see Figure 10). This amounted to 82 percent of initial SVOG awards approved in the State and 12 percent of those approved in the nation.

Figure 9
2020 EIDL Dollars by Region and Borough
(dollars in millions)

	EIDL		EIDL Advance	
Region	**Amount**	**Share**	**Amount**	**Share**
Capital District	$486.4	2.8%	$45.5	3.4%
Central New York	$273.5	1.6%	$27.5	2.1%
Finger Lakes	$451.0	2.6%	$48.2	3.6%
Long Island	$3,374.6	19.2%	$225.8	17.0%
Mid-Hudson	$2,076.6	11.8%	$151.5	11.4%
Mohawk Valley	$117.7	0.7%	$12.1	0.9%
New York City	$9,919.9	56.4%	$727.1	54.6%
Bronx	$933.0		$97.7	
Brooklyn	$3,218.4		$217.7	
Manhattan	$3,164.6		$210.9	
Queens	$2,220.6		$173.0	
Staten Island	$383.3		$27.8	
North Country	$125.4	0.7%	$13.4	1.0%
Southern Tier	$218.8	1.2%	$21.6	1.6%
Western New York	$542.1	3.1%	$58.7	4.4%
TOTAL	**$17,586.0**		**$1,331.4**	

Note: "Share" refers to each region's share of the State.
Sources: Small Business Administration; OSC analysis

The prolonged shutdown for the pandemic in the City devastated a large number of arts, entertainment and recreation businesses, which may explain why the City received a higher share of SVOG funds (82 percent of those approved in the State and 12 percent of those approved in the nation) than its share of arts, entertainment and recreation wages (71 percent of those paid in the State and 8 percent of those paid in the nation).[23]

Figure 10
SVOG Dollars by Region and Borough through December 20, 2021
(dollars in millions)

	Initial		Supplemental	
Region	**Amount**	**Share**	**Amount**	**Share**
Capital District	$41.6	2.6%	$9.8	2.7%
Central New York	$17.2	1.1%	$8.9	2.4%
Finger Lakes	$27.6	1.7%	$5.3	1.4%
Long Island	$68.6	4.3%	$27.1	7.4%
Mid-Hudson	$60.4	3.8%	$19.9	5.4%
Mohawk Valley	$2.2	0.1%	$1.1	0.3%
New York City	$1,310.1	81.8%	$277.4	75.5%
Bronx	$22.0		$.8	
Brooklyn	$148.8		$35.9	
Manhattan	$1,108.8		$230.6	
Queens	$26.7		$8.5	
Staten Island	$3.8		$1.6	
North Country	$5.0	0.3%	$1.8	0.5%
Southern Tier	$24.9	1.6%	$6.3	1.7%
Western New York	$43.7	2.7%	$10.0	2.7%
TOTAL	**$1,601.3**		**$367.5**	

Note: "Share" refers to each region's share of the State.
Sources: Small Business Administration; OSC analysis

At the end of August 2021, the SBA announced a supplemental award program for prior recipients of initial SVOG awards. As of December 20, more than 8,500 supplemental awards were approved nationwide, totaling $3 billion.

The SBA has kept the SVOG portal open to active applicants and awardees. More than 64 percent of all awards, both initial and supplemental, went to businesses with fewer than 10 employees nationally, although SBA does not provide details on the extent to which that applies to the State or the City.[24] This information is especially important for the City, where nearly 90 percent of arts, entertainment and recreation businesses had fewer than 20 employees in 2019.[25]

Restaurant Revitalization Fund

The RRF program was created in 2021 by the ARP Act, which appropriated $28.6 billion to provide funding to help restaurants and other eligible businesses keep their doors open. The program closed after depleting all funds.

More than 101,000 RRF awards were approved in the nation.[26] More than 9,700 awards worth nearly $3.7 billion were approved in the State, of which nearly 5,500 awards totaling approximately $2.8 billion went to businesses located in the City (see Figure 11). City restaurants received 75 percent and 10 percent, respectively, of the RRF awards approved in the State and the nation.

Figure 11
Total RRF Award Dollars by Region and Borough
(dollars in millions)

Region	Amount	Share
Capital District	$91.1	2.5%
Central New York	$62.6	1.7%
Finger Lakes	$79.1	2.2%
Long Island	$265.5	7.2%
Mid-Hudson	$202.2	5.5%
Mohawk Valley	$19.7	0.5%
New York City	$2,761.5	75.4%
Bronx	$69.4	
Brooklyn	$382.0	
Manhattan	$1,940.1	
Queens	$327.4	
Staten Island	$42.5	
North Country	$17.9	0.5%
Southern Tier	$51.9	1.4%
Western New York	$112.3	3.1%
TOTAL	$3,663.7	

Note: "Share" refers to each region's share of the State.
Sources: Small Business Administration; OSC analysis

As with the arts, entertainment and recreation venues, large numbers of restaurants closed in the wake of the pandemic. Many of these restaurants applied for RRF funding, which amounted to nearly $10 billion in the State.[27] However, only 35 percent of those restaurants received funding before the program ran out of money.

Distribution Across Low-Income and Underutilized Areas

While federal programs were critical lifelines for businesses across the country, initial examination of these programs, such as the PPP, showed that they suffered from inequitable distribution. This section examines whether and to what extent distribution based on income groups has improved.

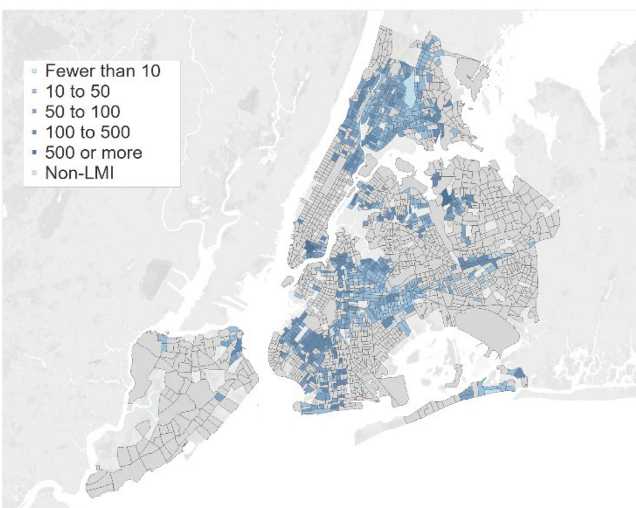
In a report on the first two rounds of the PPP, OSC discussed the importance of collecting demographic information on the race and ethnicity, gender and veteran status of loan applicants in the 2021 round.[28] This recommendation was spurred by the fact that in 2020, in the City, 77 percent of applicants did not provide data on race and ethnicity (meaning they left both unanswered) and 72 percent did not provide data on gender, making it difficult to track the success of the programs in benefiting diverse recipients. Unfortunately, little progress was made on gathering applicant data. In fact, gaps in information widened in 2021, as 70 percent of applicants did not provide data on race and ethnicity and 62 percent did not provide data on gender.

Low- and Moderate-Income Communities

While gaps in demographic information remain, the PPP, as well as the RRF, includes a nearly complete indicator of whether a business was located in a low- and moderate-income (LMI) community. LMI communities, as defined by the federal Home Mortgage Disclosure Act and the Community Reinvestment Act, correspond with census tracts where households earn below 80 percent of the area median income. In the absence of reliable demographic information, funds made available for LMI community businesses serve as a useful measure for understanding whether loans made it to those communities, as well as a proxy for serving minority communities, since the average LMI census tract in the City is over three-quarters minority.[29]

To understand the economic recovery of businesses in LMI communities, OSC matched the State Department of Labor's Quarterly Census of Employment and Wages (QCEW) data with the Federal Financial Institutions Examination Council's tract income level data. (See Figure 12 for the geographic distribution of the businesses in LMI census tracts). In Manhattan, for example, these census tracts are concentrated in Chinatown & the Lower East Side, and the Battery Park City, Greenwich Village & Soho neighborhoods. In Brooklyn, they are concentrated in the Borough Park, Kensington & Ocean Parkway, and Sunset Park & Windsor Terrace neighborhoods.

FIGURE 12
Number of Businesses in LMI Census Tracts



Sources: Federal Financial Institutions Examination Council; NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

Of the nearly 5,500 RRF awards that went to the City, approximately 28 percent went to businesses in LMI communities. Many of these loans were for relatively small amounts, as the average business in an LMI community received a grant of approximately $276,000, compared to over $590,000 for the average business in a non-LMI community. As a result, businesses in these communities received only 15 percent of the total RRF dollars allotted to City businesses.

This disparity is even more pronounced at the borough and neighborhood levels. For example, in Manhattan, businesses in LMI communities received only 6 percent of the borough's RRF dollars, with the average business receiving approximately $314,000. This compares to a grant of over $855,000 for the average business in a non-LMI community. In the neighborhood of Chinatown & the Lower East Side, the 59 percent of businesses located in LMI communities received only 30 percent of the RRF dollars, whereas the remainder went to businesses in non-LMI communities. In the Bronx, the 74 percent of businesses located in LMI communities received only 60 percent of the RRF dollars. As explained above, the program was so saturated with applications that it ran out of money, leaving out the majority of applicants.

To survive the pandemic, restaurants applied to the City's Open Restaurant program, which enabled them to place outdoor seating in front of their businesses on the sidewalk and/or roadway. About 29 percent of total applications in 2020 came from restaurants in LMI communities, comparable to the overall share of City businesses in LMI communities.[30] (There are over 280,000 businesses in the City.) Notable differences arose in Queens, where a larger-than-expected share of restaurants in LMI communities applied (41 percent compared to their borough share of 28 percent), and in Brooklyn, where a smaller-than-expected share applied (33 percent compared to their share of 40 percent). Additional data on shared attributes of businesses applying is not available, making it difficult to understand why these differences exist and how to remedy them.

In terms of the PPP, over 364,000 total loans were made to City businesses in 2020 and 2021, totaling $31 billion as shown in Figure 8. The City overall, and every borough, received a larger number of PPP loans and a smaller amount of dollars in 2021 than in 2020. This was the result of a concerted effort by advocates and officials to ensure that the smallest businesses had access to funding. Prior to this effort, the majority of loan dollars disbursed in the first phase in 2020 made up large loans exceeding $1 million.[31] By 2021, the average loan amount was just under $50,500.

This year-over-year trend followed for businesses in LMI communities citywide. In 2020, 30 percent of the PPP loans went to City businesses located in LMI communities. In 2021, this share jumped to 43 percent. Staten Island saw the largest percentage point increase from the previous year, but in Queens, 31 percent of businesses in LMI communities received loans in 2020 compared to only 29 percent in 2021.

FIGURE 13
Federal Funds Distribution to Businesses in RRR Sectors in LMI Communities

Borough	Share of Total (Percent)						
	LMI	RRF		PPP 2020		PPP 2021	
		#	$	#	$	#	$
Bronx	78	60	49	80	74	71	67
Brooklyn	49	43	38	47	36	50	36
Manhattan	20	15	6	20	8	25	9
Queens	38	32	37	37	31	28	26
Staten Island	11	19	14	9	8	27	18
NYC TOTAL	**37**	**28**	**15**	**38**	**19**	**41**	**20**

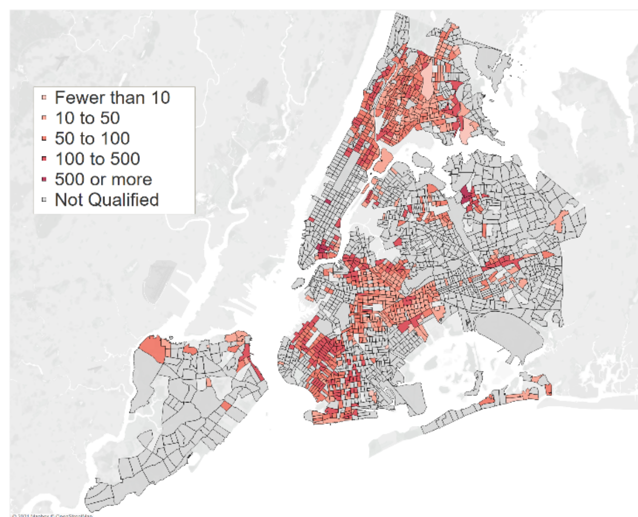
Sources: Small Business Administration; NYS Department of Labor NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

Of the total PPP dollars received in the City, close to $6 billion (19 percent) went to businesses in the RRR sectors. Of this total, about 19 percent went to those in LMI communities in 2020, and about 20 percent did so in 2021 (Figure 13). While the distribution appears to have somewhat been equitable citywide, disparities exist at the borough level. For example, in Queens, businesses in the RRR sectors in LMI communities did not receive their fair share of funding in either year, by number or by amount. In Brooklyn, while a larger share of these businesses received PPP loans in 2021 than in 2020, the share of dollars remained the same in both years, falling short of reaching the large percentage of businesses in the RRR sectors in LMI communities.

Historically Underutilized Business Zones

The federal funding data also include an indicator of whether a business was in a historically underutilized business (HUB) zone. (See Figure 14 for the geographic distribution of the businesses in HUB zones.) These zones correspond with census tracts where households earn below 80 percent of the State median income or have an unemployment rate of not less than 140 percent of the statewide average.[32] While HUB zones appear to be like LMI communities in definition, the data shows they are not exactly the same. For example, while 70 percent of the total recipients of PPP loans in LMI communities also identified with HUB zones, 30 percent did not, suggesting the importance of studying both indicators.

FIGURE 14
Number of Businesses in HUB Zone Census Tracts



Sources: U.S. Department of Housing and Urban Development; NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

Approximately 33 percent of the 5,500 RRF loans went to businesses in HUB zones (see Figure 15). To assess whether this funding was equitable, OSC matched the QCEW data with the U.S. Department of Housing and Urban Development's designated area data for HUB zones and found that approximately 71,000 (25 percent) of the City's nearly 280,000 businesses are in a HUB zone. The Bronx has the highest share of qualified and redesignated businesses (those approved for HUB zone status through the end of 2021) at 68 percent, followed by Brooklyn with 47 percent.

The distribution of RRF resources appears to be equitable in Queens and Staten Island. This could be the result of: the program initially prioritizing socially and economically disadvantaged businesses with limited financial resources; businesses in the RRR sectors in HUB zones being aware of the program; and these businesses successfully navigating the application process. In the Bronx and Brooklyn, however, businesses in the RRR sectors in HUB zones received fewer loans and dollars than would be expected from their share of businesses.

In terms of the PPP, about 30 percent of loans went to businesses of all sectors in HUB zones in 2020, and about 40 percent did so in 2021. Of the $6 billion received by businesses in the RRR sectors, 20 percent went to those in HUB zones in 2020, while 23 percent did so in 2021. As with the analysis of LMI communities, while the distribution appears to have been equitable citywide, disparities exist at the borough level.

For example, in the Bronx and in Brooklyn, businesses in the RRR sectors in HUB zones did not receive their fair share of PPP loans or dollars in either 2020 or 2021. In both boroughs, the share of loans declined year over year, suggesting that these businesses did not gain as much as their non-HUB zone counterparts from the efforts to improve funding in subsequent rounds of the PPP.

FIGURE 15
Federal Funds Distribution to Businesses in RRR Sectors in HUB Zones

	% HUB	% RRF		% PPP 2020		% PPP 2021	
		#	$	#	$	#	$
Bronx	77	68	73	72	68	65	66
Brooklyn	53	48	45	52	44	50	42
Manhattan	19	20	13	19	9	25	11
Queens	28	39	44	31	29	30	32
Staten Island	14	14	10	13	12	22	17
NYC TOTAL	**35**	**33**	**22**	**36**	**20**	**39**	**23**

Sources: U.S. Small Business Administration; NYS Department of Labor NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

Outlook

Businesses in the restaurant, retail trade, and arts, entertainment and recreation sectors, which require face-to-face interaction, were among the first to shutter because of the COVID-19 pandemic. As a result, the RRR sectors in New York City lost a significant number of jobs, and employment has not yet returned fully to pre-pandemic levels. With the recent reopening of national borders to vaccinated visitors, the City expects that international and business travelers will arrive and help reignite the City's economy by shopping, dining, attending Broadway shows and visiting museums, among other characteristic activities. To support this effort, the Governor announced a recovery package to revitalize the State's tourism industry and support businesses. However, the recent surge in COVID cases and new variants pose a risk to the ongoing recovery.

The City received a large amount of federal funding that, in turn, helped many small businesses manage payroll and operating expenses, pay rent, bolster protective equipment and cleaning materials, and construct outdoor dining structures. However, not all businesses received funding. For example, the SBA was so overwhelmed with applicants for RRF awards that the money ran out quickly, leaving countless restaurants unfunded.

In the City, many businesses operate in LMI communities and HUB zones, where the number and dollar amounts of RRF awards to such businesses in the RRR sectors paled in comparison to their share of the City's restaurants overall. These inequities were especially acute in the Bronx. Worse disparities existed for awards through the PPP, despite some improvement in the third round of funding, which suggests that, absent additional funding, better targeting of funding is crucial for uplifting disadvantaged businesses in New York City.

As of December 2021, the City has launched a $100 million NYC Small Business Resilience Grant to provide immediate funding to small businesses in the accommodation and food services and the arts, entertainment and recreation sectors in LMI communities. The administering agency, the Department of Small Business Services, has agreed to partner with community groups to reach these businesses. Such partnerships with advocates who know the local landscape intimately and are devoted to the community's success can play a critical role in helping distribute the moneys equitably and effectively.

Even with these partnerships, the City will likely face challenges in identifying disadvantaged businesses due to the paucity of good data. While many organizations, including OSC, have recommended that lenders request information on gender, race and ethnicity, and veteran status from loan applicants, the reported data is still sparse across all of SBA's COVID-19 relief programs. For example, the data reported provides no details on who the business owners are, and does not characterize the communities where they operate (e.g., an LMI community and/or a HUB zone). In its absence, the City and the State must make every effort to gather this data and provide ongoing information on the results of the programs meant to close the gaps in the federal relief programs for small businesses.

This data is especially important for program evaluation. As the NYC Small Business Resilience Grant, and any future aid, are disseminated to struggling communities, the City and the State must regularly assess their approach in order to identify any barriers to reaching those communities and improve results. While some policymakers have championed these types of efforts, program evaluations are not often completed, meaning the performance and success of a program cannot be determined. Ultimately, whether the moneys have reached the right communities will be left unknown.

As economic activity returns, foot traffic in key corridors should improve and reinvigorate market demand. Policy makers must carefully monitor employment across the RRR sectors, which continue to grow, albeit slowly, and remain far from their pre-pandemic levels of employment. Officials and community leaders must also recognize that many businesses in these sectors, particularly those in disadvantaged communities, are likely to need continued support and resources made available to them.

ENDNOTES

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