



The San Diego Union-Tribune

\$1.85
PLUS TAX

sandiegouniontribune.com

MONDAY • AUGUST 10, 2020

PPP LOANS FAVORED BUSINESSES IN AFFLUENT ZIP CODES

BY ANDREA
LOPEZ-VILLAFANA
& LAURYN SCHROEDER

More businesses in predominantly White, wealthier neighborhoods in San Diego County received federal coronavirus payroll relief loans than businesses in areas with large minority and low-income populations, an analysis of loan program data shows.

Data from the U.S. Department of the Treasury show that nearly 52,000 businesses in San Diego County received Paycheck Protection Program (PPP) loans from the federal government.

To qualify, a business had to employ 500 workers or fewer. The loans can be forgiven if companies meet goals such as retaining or re-hiring employees and maintaining salary levels.

About 85 percent of the loans going to San Diego-area business were for less than \$150,000, but 7,600 businesses received bigger loans of up to \$10 million each.

The PPP loans supported some 641,200 jobs countywide. Most of those jobs are in downtown San Diego, Sorrento Valley, Serra Mesa and El Cajon.

The San Diego Union-Tribune analyzed a database of businesses that received PPP loans of \$150,000

SEE LOANS • A8

LOANS • Wealthier areas like La Jolla got more money

FROM A1

or more and another database that lists the ZIP codes, but not the names, of businesses that received PPP loans of less than \$150,000.

The databases do not disclose how many businesses in each ZIP code applied for the loans. But the total number of loans and the range in loan values shows that some ZIP codes received much more PPP assistance money than others, including those with racially diverse, low-income residents.

For instance, the data show businesses in downtown and Sorrento Valley ZIP codes reeled in several thousand PPP loans, totaling tens of millions of dollars. That's to be expected — downtown and Sorrento Valley are business centers.

But businesses in certain high-income residential neighborhoods, including Encinitas and La Jolla, also topped the region in the number and sizes of PPP loans.

There could be a variety of reasons for that, experts said.

For instance, ZIP code areas with smaller businesses tend to get smaller loans, said Miryam Barajas, regional communications director for the U.S. Small Business Administration. Each PPP loan amount is calculated by multiplying the average monthly payroll of a business by 2.5.

"The loan numbers show that's what they needed to maintain employees on payroll," Barajas said.

She said more work needs to be done to help businesses in underserved areas, and the business administration is dedicated to providing programs for those businesses.

"We want to help them grow, compete and excel regardless of what ZIP code they are located in," Barajas said. "We want to help create jobs in these communities because it helps lift those who are in the community."

But there are obstacles. Businesses in higher-income areas often have access to certified public accountants, banks and consultants to help with the PPP application process. Businesses in struggling neighborhoods often don't, said Danny Fitzgerald, acting regional director of the San Diego and Imperial Small Business Development Center.

"In the lower-income minority areas, businesses are mostly micro-enterprises, with owners that have to do everything," Fitzgerald said.

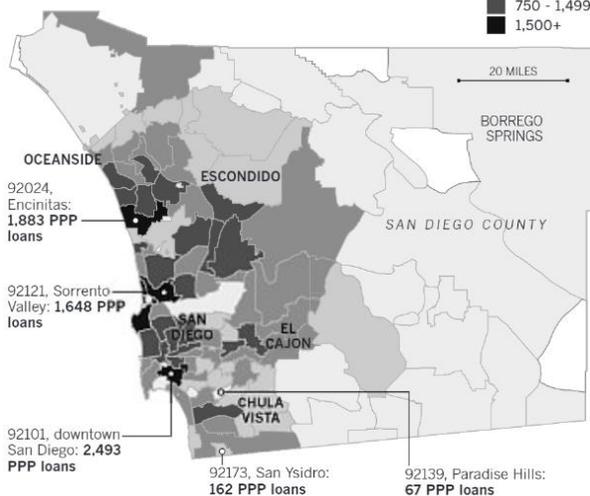
Andy Sanchez, owner of San Diego City Painting in Paradise Hills, said he had to learn how to fill out the annual income statements and profit and loss statements he needed to apply for federal assistance from watching YouTube videos.



Christian Benitez of San Diego City Painting paints cabinets at a La Jolla home. The Paradise Hills business was denied a PPP loan. EDUARDO CONTRERAS U-T

PPP loans in San Diego's neighborhoods

A greater number of businesses in predominantly White, wealthy neighborhoods received Paycheck Protection Program aid than those in areas with larger minority and low-income populations.



Sources: U.S. Small Business Administration; Esri; SANGIS

MICHELLE GILCHRIST U-T

were for less than \$150,000. Data show 44 percent of 92139's residents are Latino, a quarter are Asian, 15 percent are White, and 12 percent

face obstacles when applying, such as language barriers, finding banks or lenders to help them apply, not having their finances in order,

In the ZIP code 92173, which represents areas of San Ysidro, some 160 businesses received federal funds, with more than 90



Waiter David Juarez serves customers at Breakfast Company in the Gaslamp Quarter. The restaurant received a loan between \$150,000 and \$350,000. SANDY HUFFAKER

cludes about 2,500 businesses that received loans. That represents about 5 percent of all businesses receiving federal loans in the county.

According to the Census Bureau's annual economic survey, the downtown ZIP code had more than 4,200 businesses with fewer than 500 employees in 2017, the most recent year for which data is available. If that total holds true today, nearly 60 percent of businesses in the area received federal loans.

Fitzgerald said the large number of loans in downtown makes sense, given the kinds of businesses that were affected by the pandemic.

ber of businesses receiving federal loans. Both areas are not known as business centers but have largely White, affluent populations.

An area of Encinitas had the second-largest number of businesses receiving loan assistance, some 1,880 businesses. In Encinitas, more than half the residents are White.

Census data in 2017 show that the Encinitas area had 2,500 businesses with fewer than 500 employees. If that total holds true for this year, three in four businesses received federal assistance.

SANDAG data show that 71 percent of residents in La Jolla are White, 12 percent

Sanchez said his small business still was denied a federal payroll loan because his painters are independent contractors. His crew is still painting houses, he said, but Sanchez worries about his company surviving as COVID-19 cases increase.

"I'm a little bit on the ropes," he said.

In his ZIP code, 92139, which encompasses parts of the Paradise Hills and Bay Terraces neighborhoods, 67 businesses received loans. All but one of those loans

cent are Black. About 52 percent of households have annual incomes of less than \$60,000, according to 2018 data from the San Diego Association of Governments, or SANDAG.

Fitzgerald said the San Diego and Imperial Small Business Development Center helped more than 1,500 businesses apply for PPP loans. Nearly one in five, some 290 businesses, received payroll loans totaling \$72 million.

He said business owners

and not understanding what documents they need.

In the 92154 ZIP code, which represents neighborhoods in southern San Diego, 730 businesses received federal PPP loans; more than 80 percent of those loans were for less than \$150,000.

More than 66 percent of residents in that area are Latino, 14 percent are White, and 6 percent are Black. Nearly half of households have annual incomes of less than \$60,000.

percent getting loans of less than \$150,000.

Of the nearly 28,000 residents in the area, 92 percent are Latino, 5 percent are White, 2 percent are Asian, and less than 1 percent are Black. Nearly 60 percent of the 7,700 households have an annual income of less than \$45,000.

Census data show that the area had 560 businesses with fewer than 500 employees in 2017. If that number holds true today, less than 30 percent received federal PPP loans.

"All the hospitality and tourism businesses, those are the ones that are just getting hit so hard," Fitzgerald said.

Breakfast Company in downtown San Diego received a loan between \$150,000 and \$350,000. Owner Johan Engman also owns 16 other restaurants across San Diego and Orange County, which also received federal assistance.

When the county ordered restaurants to stop indoor dining, Engman said, his business was far from being able to break even with take-

are Latino, 11 percent are Asian, and less than 2 percent are Black. Half of its households have annual incomes of \$100,000 or more — some \$25,000 more than the median household income in San Diego County.

By comparison, 46 percent of San Diego County's residents are White, 35 percent are Latino, 11 percent are Asian, and 4 percent are Black. Thirty-two percent of its households have incomes of \$100,000 or more.

In La Jolla's 92037 ZIP code, about 25 businesses



COVID-19 Testing

It's important to know if you have COVID-19 to better protect yourself and others around you.

Most insurance providers cover 100% of diagnostic testing.

invivoscribe | **LabPMM**
Improving Lives with Precision Diagnostics | an invivoscribe company

Call Now to schedule your COVID-19 Test today.
858-264-1388

Imperial Beach is another area where many of the 150 businesses that got loans received less than \$150,000. All but six of its PPP loans were for less than \$150,000.

Data show that more than half of Imperial Beach residents are Latino, 32 percent are White, 8 percent are Asian, and 4 percent are Black.

Chambers of commerce representing ethnic groups in San Diego County are aware of discrepancies in financial assistance given to businesses across the region, said Iris Garcia, chair of the San Diego County Hispanic Chamber of Commerce.

The Strategic Alliance, a group composed of the San Diego County Hispanic Chambers of Commerce, the Central San Diego Black Chamber of Commerce and the Asian Business Association of San Diego, is working to conduct outreach and marketing to reach minority communities, she said.

On the opposite end of the loan trend is downtown San Diego, which had the greatest concentrations of businesses in the region receiving PPP loans.

The 92101 ZIP code in-

out orders, but he kept seven locations open.

As the county eased restrictions for restaurants, Engman reopened all but one restaurant. He reopened Breakfast Company downtown in June.

Engman currently employs 425 people — 125 fewer than before the pandemic. The restaurants require significant staffing levels to keep up with cleaning and sanitizing policies, he said.

"We are just hoping to break even through this," he said. Some 1,650 businesses in the ZIP code 92121, representing Sorrento Valley, also received federal loans.

About 1,100 were for less than \$150,000, and 101 received more than \$1 million.

Census data show the area had 3,100 businesses with fewer than 500 employees in 2017. If that number holds true today, more than half of businesses received federal assistance.

The neighborhood of Sorrento Valley is known as a center for high-tech and biotech industries, so it's expected that there would be a lot of loans in that area.

Encinitas and La Jolla also topped the list for num-

received loans of more than \$1 million. Five received loans in the \$5 million to \$10 million range.

Generally, fewer businesses in lower-income areas received federal aid. Some exceptions were ZIP codes for Miramar and parts of Camp Pendleton, which encompass military operations, and in some rural parts of San Diego County, which received few loans despite having largely White populations. Across the county, close to 40 percent of the 52,000 businesses that received loans described themselves as corporations, more than any other business type listed. Sole proprietorship represented 18 percent of the total loan recipients, followed by Subchapter S Corporations and Limited Liability Companies, or LLCs, representing 15 percent.

About 1,200 businesses identified as nonprofits; about 70 percent of them received less than \$150,000 in loans.

andrea.lopezvillafana
andrea.lopezvillafana@sduniontribune.com
 lauryn.schroeder
lauryn.schroeder@sduniontribune.com

The San Diego Union-Tribune features Breakfast Company
 8.10.20