

SUPPORTING NORTHERN VIRGINIA'S minority-owned businesses

Findings and Recommendations from the Northern Virginia
Minority-Owned Businesses Working Group



Acknowledgments

This report summarizes the findings and recommendations of the Northern Virginia Minority-Owned Businesses Working Group, composed of members from the Community Foundation for Northern Virginia, the Northern Virginia Regional Commission, the Fairfax County Economic Development Authority, the Loudoun County Department of Economic Development, the Prince William County Department of Economic Development, Arlington Economic Development, and the Alexandria Economic Development Partnership.

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EXECUTIVE SUMMARY

At the end of 2019, just before the COVID-19 pandemic took hold in the United States, Northern Virginia was home to an estimated 128,000 minority-owned businesses—42 percent of all establishments—that included approximately 26,000 businesses with paid staff and 102,000 self-employed and family-run businesses.

These businesses represent a diverse cross-section of Northern Virginia’s residents; 56,000 (18 percent) businesses are under non-Hispanic Asian ownership, 40,000 (14 percent) are under Hispanic ownership, 27,000 (9 percent) are under non-Hispanic Black ownership, and 5,000 (2 percent) are under other minority ownership.

The COVID-19 pandemic has had a complex effect on the region’s local economy and on the wellbeing of its minority-owned businesses. Overall, area businesses saw both lost revenue (as measured by taxable sales) and reduced staff (as measured by workforce size and initial unemployment claims). The total number of businesses with paid staff operating in Northern Virginia held steady, likely due to businesses reducing staff in lieu of permanently closing and new businesses replacing those that closed. Churn among self-employed and family businesses occurred but is difficult to measure.

Nationally, minority-owned businesses have experienced the effects of the pandemic most acutely. At the height of the pandemic, business owners of color were less likely to be actively working, and at the end of 2020, minority-owned businesses were more likely to report being in “poor or fair” financial health than their non-Hispanic White (non-minority) counterparts.

In Northern Virginia, minority-owned businesses have experienced heightened risk associated with COVID-19, in part due to most being small in size, concentrated in higher-risk industries, and struggling with access to capital. These attributes impact businesses in unique ways; while non-Hispanic Asian-owned and Hispanic-owned were at higher risk due to their size, non-Hispanic Asian-owned businesses had an additional risk factor of being concentrated in industries that were hit hard during the pandemic. Hispanic and non-Hispanic Blacks business owners were at higher risk due to limited access to capital.

To aid in the recovery of its businesses, Northern Virginia’s jurisdictions provided \$89.2 million in loans and grants to over 9,600 local small businesses during the pandemic. Rates of minority-ownership among these recipients varied from 18 percent to 51 percent for those programs that collected demographic information. Recommendations follow on additional ways for leaders across sectors to support the region’s minority-owned businesses, including:

1. continuing to monitor the region’s economic recovery;
2. collecting data regularly on Northern Virginia’s economy and businesses;
3. continuing to support small, minority-owned businesses in elevated risk industries; and
4. helping residents of color access and secure capital.

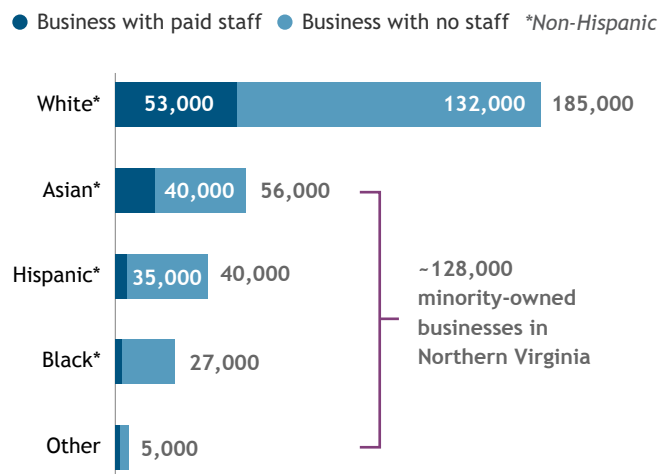
NORTHERN VIRGINIA'S minority-owned businesses

Northern Virginia is home to just under 128,000 minority-owned business establishments, including approximately 26,000 business establishments with paid staff and 102,000 with no staff (typically self-employed).

These businesses represent a diverse cross-section of Northern Virginia's residents; approximately 56,000 (18 percent) businesses are under non-Hispanic Asian ownership, 40,000 (14 percent) are under Hispanic ownership, 27,000 (9 percent) are under non-Hispanic Black ownership, and 5,000 (2 percent) are under other minority ownership.¹ See **Figure 1**.

All told, approximately 42 percent of the 312,000 total establishments operating in Northern Virginia are minority-owned, a rate well above the national average of 29 percent and which closely mirrors the 45 percent of working age Northern Virginians of color. Compared to the US average, Northern Virginia had less of a disparity between the percent of its businesses under minority ownership and the percent of its working age population of color (3 percent, versus 7 percent nationally).² See **Figure 2**.

Figure 1.
Demographic Composition of Northern Virginia's Businesses

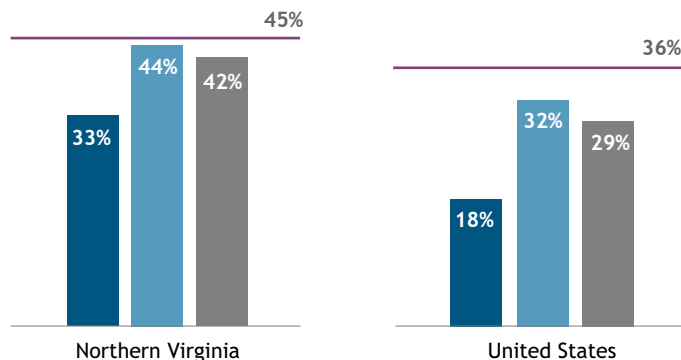


Sources: U.S. Census Bureau. (2021). Survey of Business Owners, 2012 [Data File]; U.S. Census Bureau. (2021). Population Estimates Program 2019 Vintage, 2012 Estimates [Data File].

Figure 2.

Percent of business establishments under minority ownership, compared to the percent of working age (25-64) residents of color, in Northern Virginia and the United States

● Business with paid staff ● Business with no staff ● All Businesses ● Working Age Population



Sources: Working group's analysis of data from U.S. Census Bureau. (2021). Survey of Business Owners, 2012 [Data File].

the impact

OF THE COVID-19 PANDEMIC ON BUSINESSES

In the year following the pandemic, the total number of business establishments with paid employees has remained flat across the region, a trend that has been observed nationally and holds true even among industries considered particularly at risk of failure, such as retail and accommodation and food services.

This finding does not mean that all businesses survived the pandemic—on the contrary, national data suggest that by April 2020, there were 22 percent fewer business owners actively working compared to just two months prior, due to either temporary or permanent closure.³ Rather, the lack of a net change in business establishments with paid employees is likely due to a spike in new business formations balancing out closures (Figure 3), a trend driven in part by the increased number of unemployed individuals pursuing entrepreneurship as a means of generating income.⁴ These data also do not reflect temporary closures (that is, where a business suspends activity but intends to reopen) or the number of business establishments with no staff (self-employed).

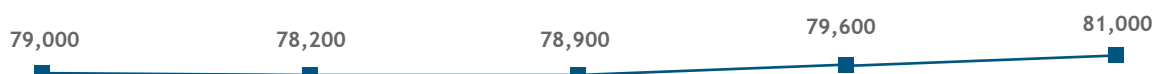
Although the number of businesses with paid staff operating in Northern Virginia has remained flat, many businesses experienced a drop in revenue (as measured by changes in taxable sales revenue) and staffing (reflected in both the decrease in total workforce size and the dramatic rise in initial unemployment claims). See Figure 4.

Overall, the main driver of pandemic unemployment appears to be businesses fluctuating in size. A recent report by the U.S. Bureau of Labor Statistics found that the majority of job losses (86 percent) during the pandemic were associated with businesses downsizing instead of closing, and that most job gains (78 percent) resulted from existing businesses hiring back workers rather than from new startups.⁵

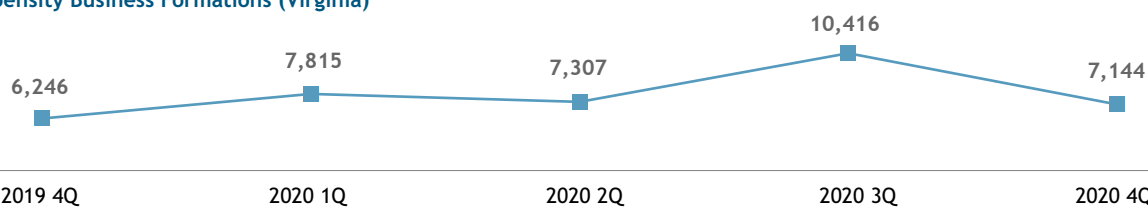
Figure 3.

Trends in Northern Virginia business establishments with paid employees and statewide business formations

Business establishments with paid staff (Northern Virginia)



High-Propensity Business Formations (Virginia)



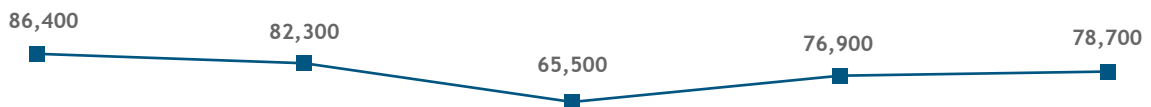
Source: U.S. Bureau of Labor Statistics. (2021). Quarterly Census of Employment and Wages [Data File]; U.S. Census Bureau. (2021). Business Formation Statistics [Data File].



Figure 4.

Trends in taxable sales, workforce size, and initial unemployment claims in Northern Virginia

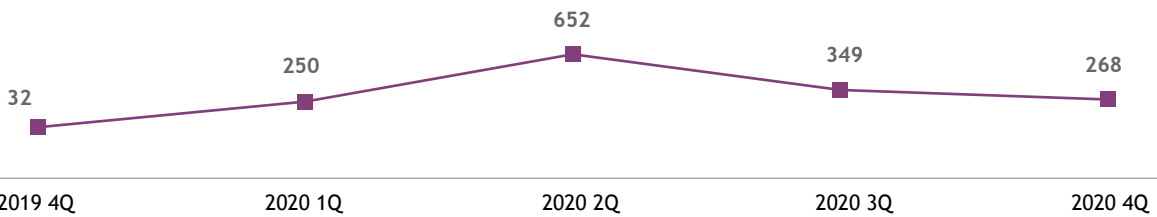
Taxable Sales (hundreds of thousands)



Workforce (thousands)



Initial Unemployment Claims (thousands)



Sources: U.S. Bureau of Labor Statistics. (2021). Quarterly Census of Employment and Wages [Data File]; Virginia Department of Taxation. (2021). Taxable Sales Revenue [Data File]; Virginia Employment Commission. (2021). Unemployment Insurance (UI) Claims Data for Virginia [Data File].

the acute risk

TO MINORITY-OWNED BUSINESSES

Nationally, businesses under minority ownership have experienced the economic effects of COVID-19 more acutely.

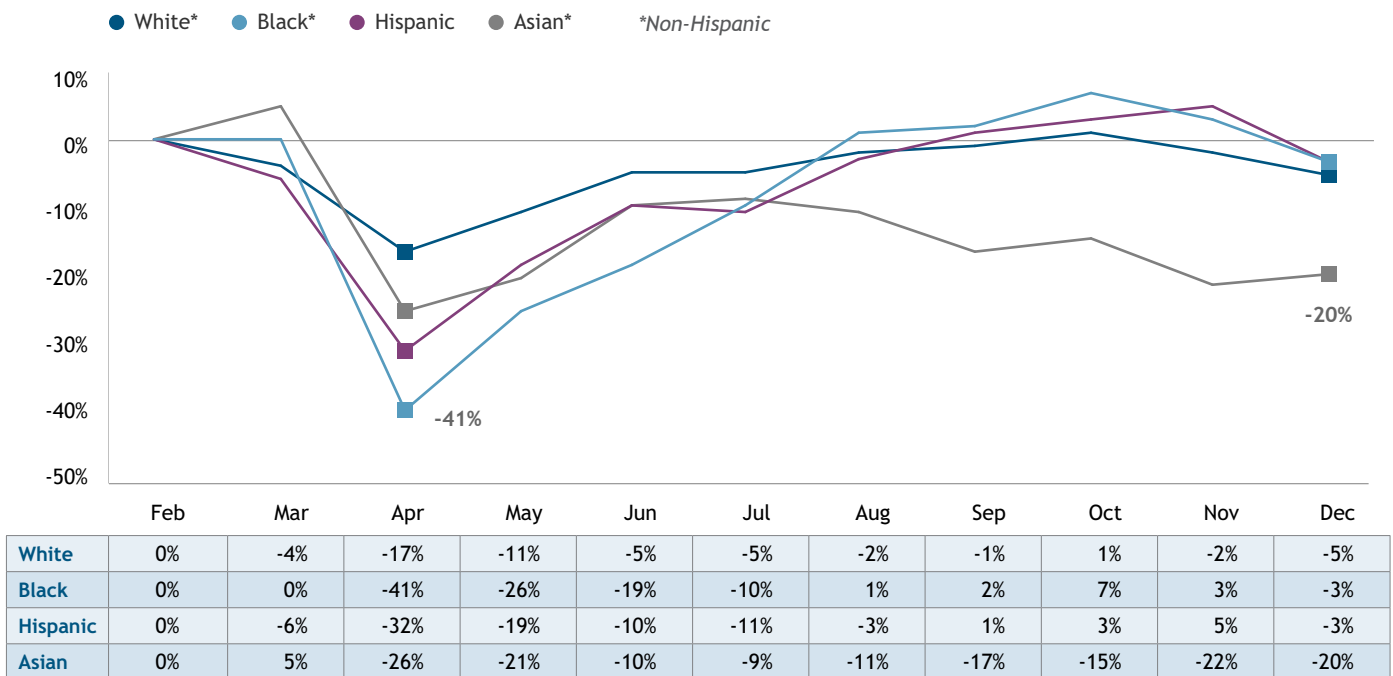
In a recent national survey, minority-owned businesses were more likely to report being in “poor or fair” financial health at the end of 2020; 79 percent of non-Hispanic Asian-owned businesses, 77 percent of non-Hispanic Black-owned businesses, and 66 percent of Hispanic businesses reported this precarious financial position, compared to 54 percent of non-Hispanic White-owned businesses.⁶

In April 2020, there were 41 percent fewer Black business owners actively working in the United States compared to

just two months prior, whereas a 17 percent reduction in non-Hispanic White business owners was observed over the same time span.

While most groups have rebounded from their April 2020 lows, Asian business owners have not—in December 2020, there were 20 percent fewer active Asian business owners than in February 2020, compared to 3 percent fewer Black and Hispanic business owners and 5 percent fewer non-Hispanic White business owners.⁷ See Figure 5.

Figure 5.
Percent change in number of active business owners since February 2020, nationally



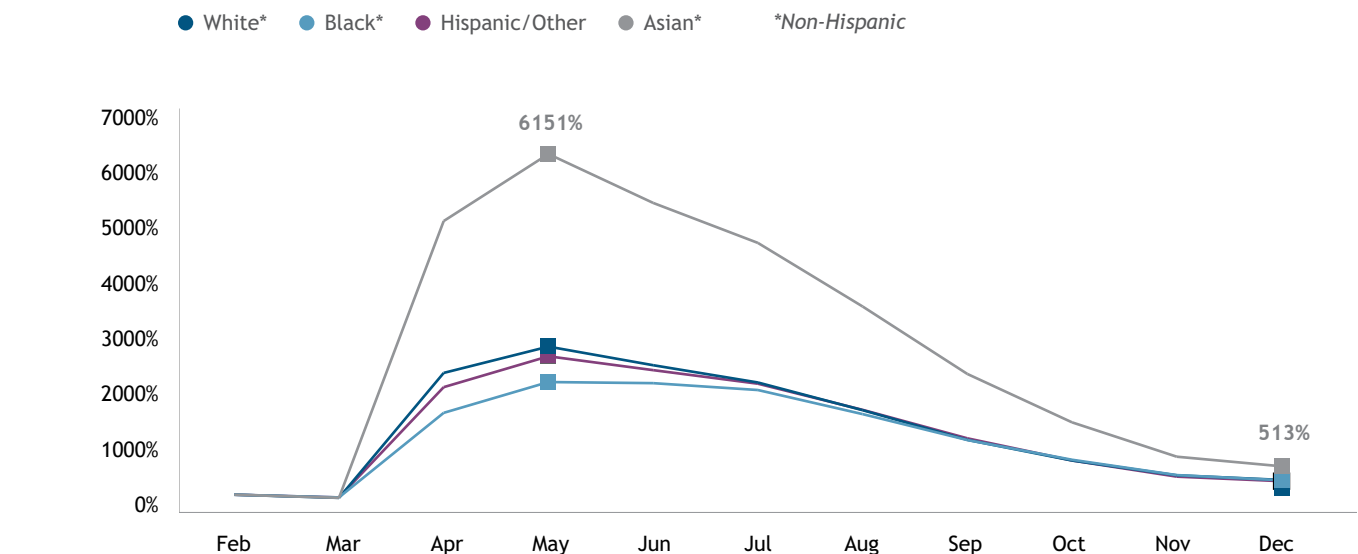
Source: Fairlie, R. (2020). *Recent Estimates for Impacts on Small Business Owner Activity [Data File]. Update to Fairlie, R. (2020). The Impact of COVID-19 on Small Business Owners: The First Three Months after Social-Distancing Restrictions. Journal of Economics and Management Strategy.* Retrieved from <https://people.ucsc.edu/~rfairlie/current/>.

Similar to the decline in active business owners nationally, Northern Virginia saw a substantial increase in continued unemployment insurance claims filed by workers of all races and ethnicities, with the largest percentage point increase observed among non-Hispanic Asian workers (Figure 6).⁸ Compared to February 2020, there were over six times more continued unemployment claims among non-Hispanic Asian workers, compared to double to triple the amount among other races and ethnicities. While not all workers of color are employed by a minority-owned

business or are running their own company, these data do serve as a useful indicator of economic distress within their specific racial-ethnic communities.

Minority-owned businesses have a number of characteristics that have made them more likely to experience hardships related to COVID-19, including many being small in size, concentrating in high-risk industries, and experiencing difficulty securing capital.

Figure 6.
Percent change in continued unemployment claims since February 2020, Northern Virginia



Percent Chg											
White (non-H)	0%	-57%	2199%	2674%	2338%	2026%	1526%	990%	617%	350%	267%
Black (non-H)	0%	-49%	1478%	2034%	2014%	1890%	1455%	987%	631%	354%	261%
Hispanic / other	0%	-49%	1942%	2499%	2249%	2004%	1532%	1018%	618%	326%	244%
Asian (non-H)	0%	-56%	4941%	6151%	5268%	4546%	3398%	2180%	1306%	686%	513%

Total Claims	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
White (non-H)	1,805	780	41,497	50,066	44,008	38,368	29,341	19,666	12,935	8,126	6,632
Black (non-H)	993	502	15,670	21,193	20,991	19,760	15,437	10,794	7,256	4,510	3,581
Hispanic / other	771	392	15,744	20,039	18,114	16,222	12,586	8,622	5,533	3,286	2,655
Asian (non-H)	391	171	19,710	24,443	20,989	18,167	13,676	8,915	5,498	3,075	2,395

Source: Virginia Employment Commission. (2021). Unemployment Insurance (UI) Claims Data for Virginia [Data File].

RISK FACTOR 1: Minority-Owned Businesses Tend to be Smaller

Minority-owned businesses tend to have fewer employees and to generate less revenue than White-owned businesses (Figure 7).⁹

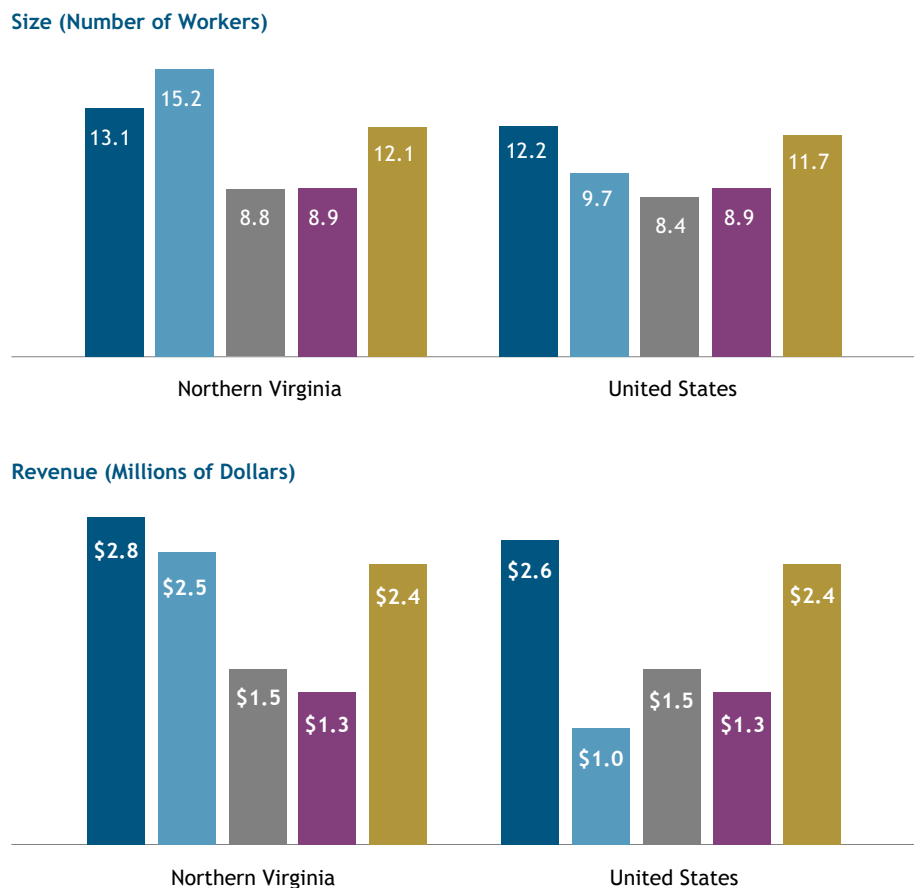
In Northern Virginia, White-owned businesses with paid staff employed an average of 13.1 workers, substantially higher than Asian-owned businesses (8.8 staff) but slightly lower than Black-owned businesses (15.2 staff). Hispanic-owned companies (of any race) employed an average of 8.9 staff, compared to 12.1 staff for non-Hispanic owned firms.

On the revenue side, non-Hispanic White-owned businesses with paid staff in Northern Virginia generated an average of \$2.8 million in revenue in 2017, compared to \$1.5 million generated by Asian-owned businesses and \$2.5 million generated by Black-owned businesses. Hispanic-owned businesses (any race) generated an average of \$1.3 million compared to \$2.4 million generated by non-Hispanic owned companies.

For the most part, these levels mirror the national average, except for Black-owned businesses, which employed substantially more workers and generated more revenue than the national average.

Figure 7.
Average workforce size and revenue by race-ethnicity of businesses with paid staff

● White (Non-Hispanic) ● Black (all ethnicities) ● Asian (all ethnicities) ● Hispanic ● Non-Hispanic



Source: U.S. Census Bureau. (2021). Annual Business Survey, 2017.

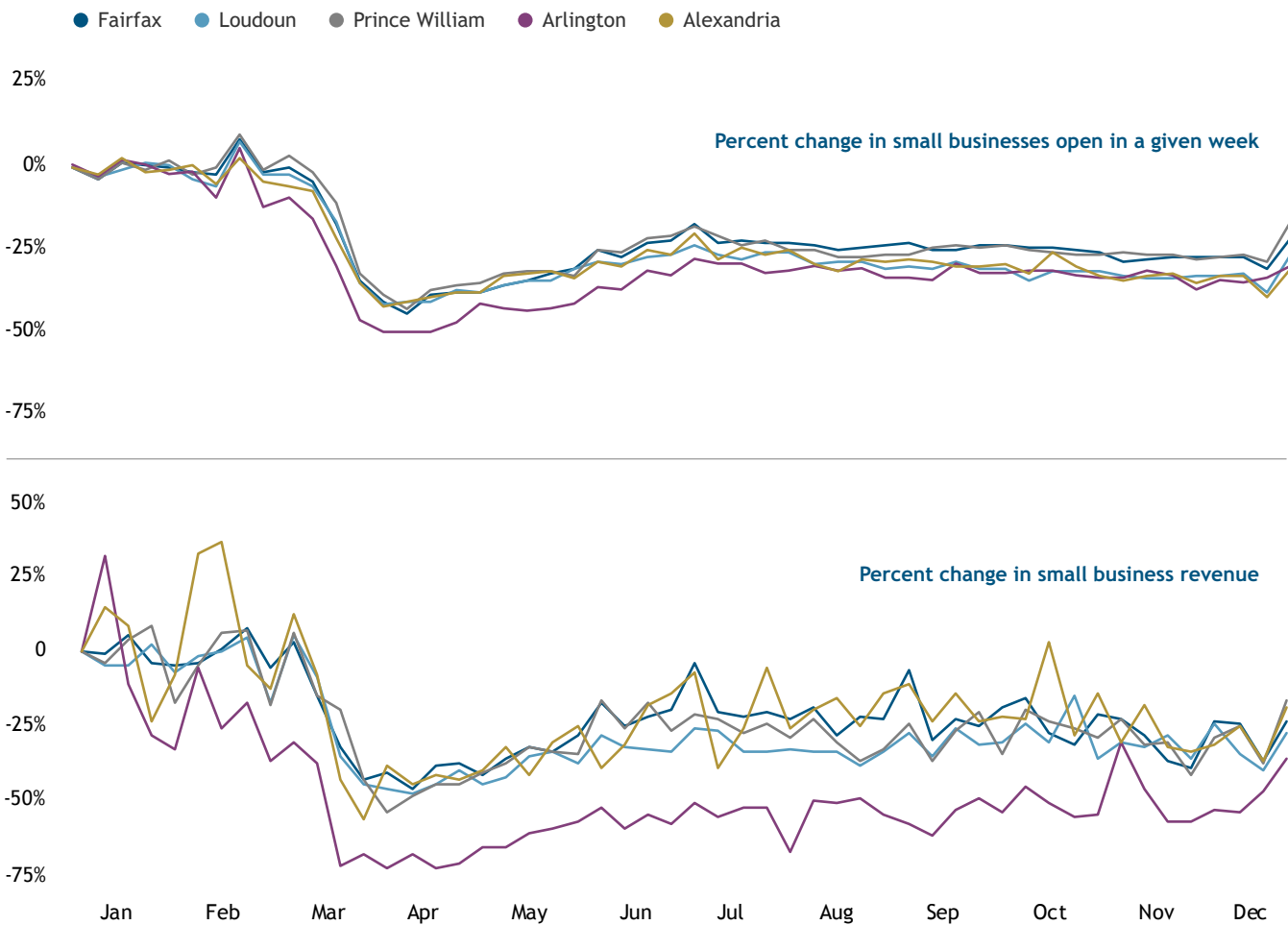
Minority-owned businesses' relatively small size has placed them at risk during the pandemic.

In a recent national survey, nearly two-thirds of businesses (minority-owned and nonminority-owned) that employ fewer than 5 people report being in "poor or fair" financial health, compared to just one-third of those with at least 50 employees.¹⁰

Locally, Opportunity Insights' Economic Tracker provides data on small business open status (defined as having

one or more financial transactions in a given week) and revenues in Northern Virginia in 2020.¹¹ The precipitous drop in April 2020 and gradual recovery are visible, with revenues still down between 29 percent and 45 percent compared to the previous year and nearly one-third of small businesses still closed (Figure 8). Nationally, businesses with no staff were less likely than employer firms to apply for Paycheck Protection Program loans and were less likely to be approved to receive funding.¹²

Figure 8.
Change in small businesses' open status and revenue since the start of 2020



Source: Chetty, R., Friedman, J. Hendren, N., Stepner, M., & the Opportunity Insights Team. (2020). *The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data [Data File]*. Retrieved from https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf.

RISK FACTOR 2:

Minority-Owned Businesses Cluster in Elevated-Risk Industries

In Northern Virginia, seven industries were found to be at elevated risk of negative COVID-19 impact (Figure 9) based on the number of initial unemployment insurance claims filed during the pandemic compared to their pre-pandemic workforce.¹³ The businesses in these industries were also more likely to be minority-owned.

Among industries that employ more than 1,000 workers, those considered at elevated risk met the following two criteria:

1. **Percent of Pandemic Initial Unemployment Claims to Pre-Pandemic Workforce greater than 30%**
Elevated-risk industries had the equivalent of over 30 percent of their pre-pandemic workforce (in the last quarter of 2019) file for unemployment from March 2020 through March 2021.

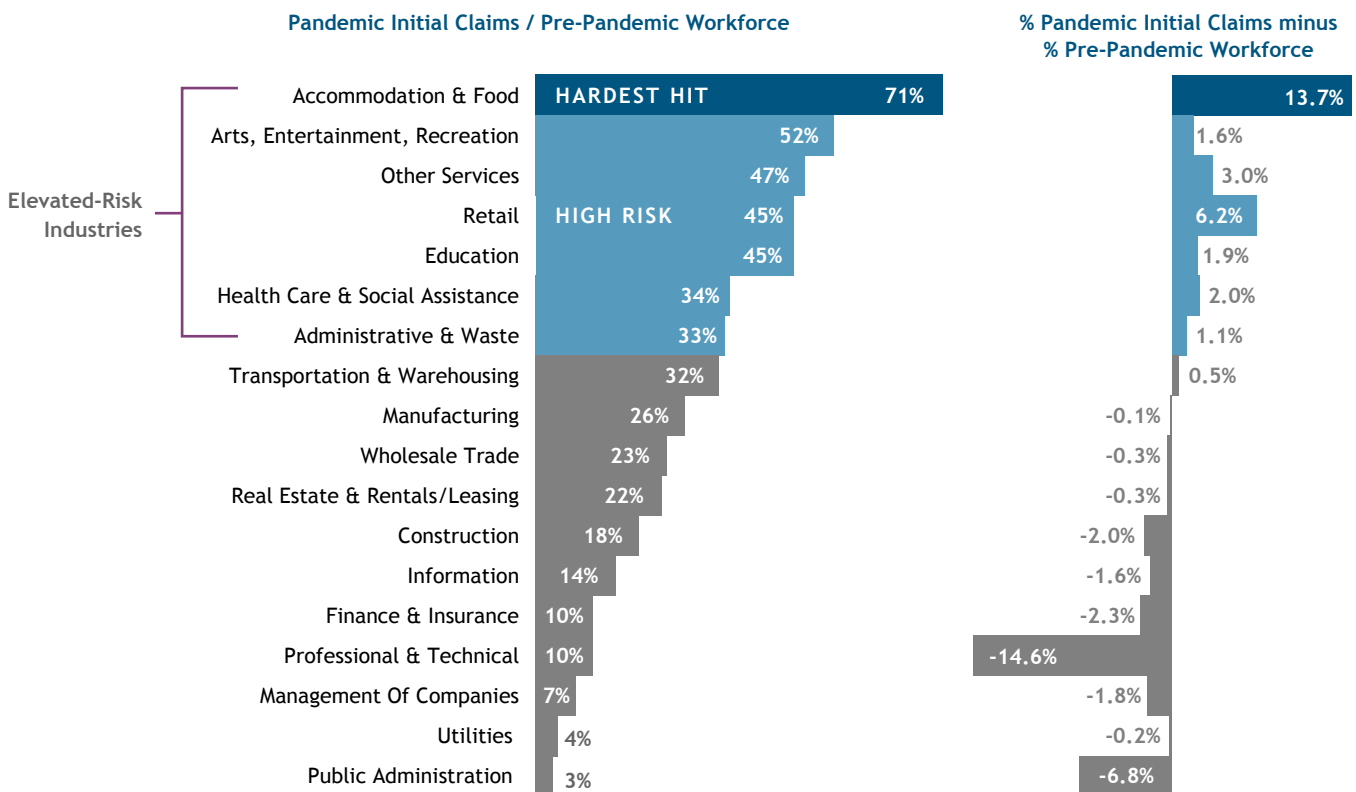
2. **A percentage point difference between % Pre-Pandemic Initial Claims and % Pandemic Workforce greater than 1%**

Elevated-risk industries had a share of total initial unemployment insurance claims greater than one percentage point higher than their share of the total pre-pandemic workforce.

For example, “Accommodation and Food Services”—the hardest hit industry in Northern Virginia—saw 76,000 initial unemployment insurance claims filed between March 2020 and March 2021, equivalent to 71 percent of the 108,000 workers employed in the industry prior to the pandemic (fourth quarter of 2019). This industry’s share of initial unemployment insurance claims (23 percent in Northern Virginia) was 13.7 percentage points higher than its share of pre-pandemic workforce (9 percent).

Figure 9.

Hardest Hit Industries due to COVID-19 in Northern Virginia



Source: Working group’s analysis of data from Virginia Employment Commission. (2021). Unemployment Insurance (UI) Claims Data for Virginia [Data File]; and Bureau of Labor Statistics (2021). Quarterly Census of Employment and Wages [Data File].

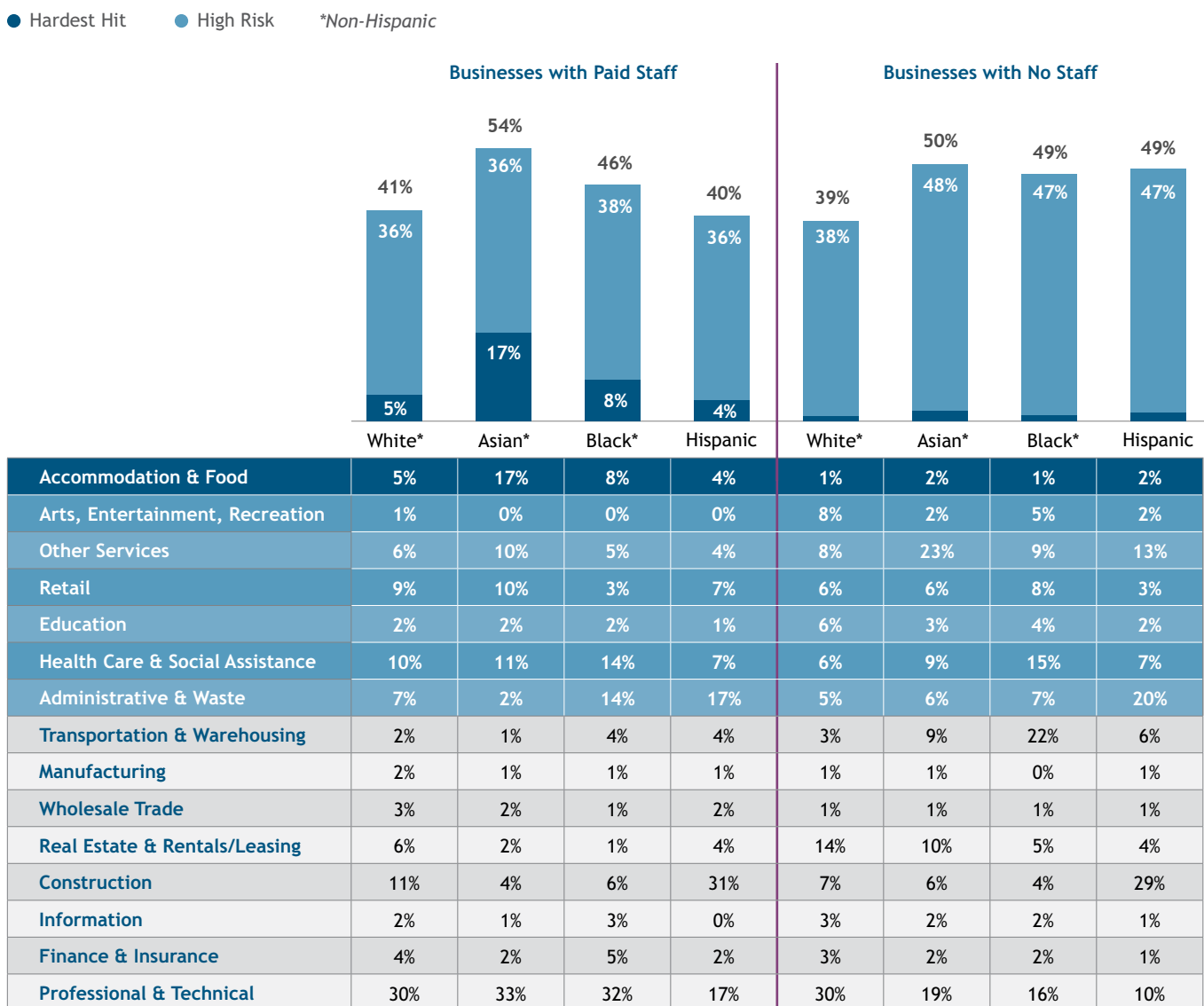
Overall, non-Hispanic Asian-owned businesses with paid staff had the highest concentration in elevated-risk industries (54 percent), with 17 percent operating in accommodation and food service, the hardest hit industry. Non-Hispanic Black-owned businesses with paid staff also clustered in elevated risk industries (46 percent), and non-Hispanic White-owned and Hispanic-owned businesses

with paid staff were nearly equal in their concentration (41 percent and 40 percent, respectively).

The story changes slightly for businesses with no staff, where about half of businesses under Hispanic, non-Hispanic Black, and non-Hispanic Asian ownership operate in an elevated-risk industry, compared to 39 percent of non-Hispanic White-owned businesses. See Figure 10.

Figure 10.

Industry Risk to Businesses during COVID-19, by employer-owned firms owners' race-ethnicity in Northern Virginia



Note: Figures may not sum due to rounding. For more information on how risk was calculated, see Figure 9. Data on race-ethnicity of owners derived from U.S. Census Bureau. (2021). Survey of Business Owners, 2012 [Data File].

RISK FACTOR 3:

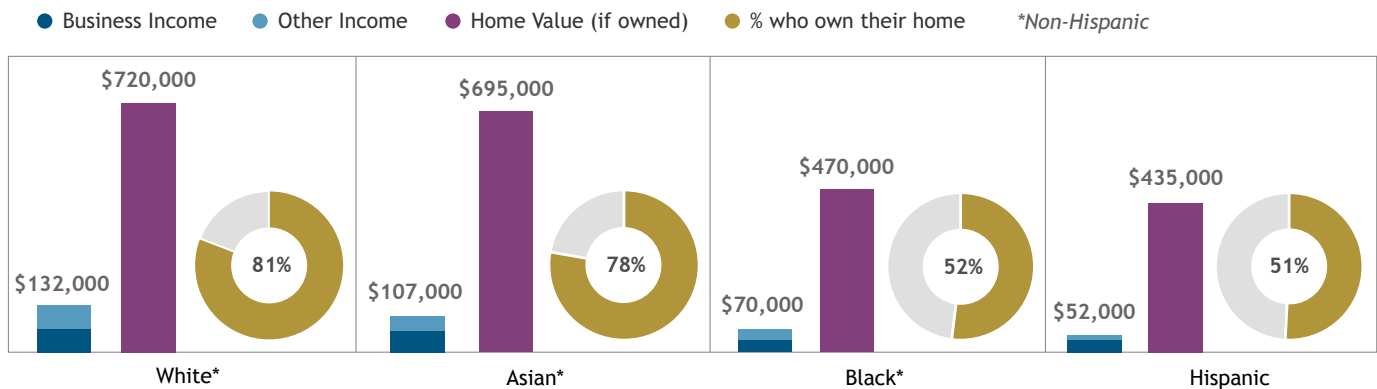
Business Owners of Color have Less Access to Capital

Research suggests that just ten percent of business owners—of any race or ethnicity—receive funding from outside investors,¹⁴ with business owners of color (particularly non-Hispanic Black business owners) most likely to tap into their personal funds in response to their firms’ financial challenges.¹⁵

Unfortunately, persistent disparities—persons of color tend to make less money, accumulate less wealth (assets-debts),¹⁶ have fewer liquid assets,¹⁷ have less equity in their homes,¹⁸ and have fewer savings¹⁹ — mean that minority-owned businesses are less financially equipped to weather an economic downturn or to suspend business operations and remain solvent.

In Northern Virginia, non-Hispanic White business owners (defined here as residents of Northern Virginia who reported at least \$5,000 in business income) tended to have more income from business and to derive more of their income from other sources, suggesting a certain level of “buffer” in the event the business can no longer operate.²⁰ They also had higher home values and higher rates of home ownership than other racial-ethnic groups, an important asset as many business owners use their home’s equity to pay for expenses, especially when starting a new business.²¹ See Figure 11.

Figure 11.
Average income and home value among Northern Virginia business owners



Source: Working group’s analysis of data from Ruggles, S. Flood, S. Foster, S., Goeken, R., Pacas, J., Schouweiler, M., & Sobek, M. (2021). IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS.

Historically, minority-owned businesses that do apply for external financing will be less successful than White-owned businesses. The Federal Reserve’s Small Business Credit Survey consistently finds that firms owned by persons of color tend to have weaker banking relationships and experience worse outcomes on credit applications. For example, the survey has shown overtime that minority-owned firms were less likely than non-Hispanic White-owned firms to receive all of the financing for which they applied. Non-Hispanic Black-owned firms were the least likely to receive complete financing, and Black-owned firms with good credit scores were nearly half as likely as non-Hispanic White-owned firms to receive all of the financing they sought.²²

In the most recent survey, 30 percent of non-Hispanic Black-owned businesses and 20 percent of Hispanic-owned businesses cited credit availability as the greatest challenge they anticipate facing related to COVID-19, compared to 14 percent of non-Hispanic Asian-owned businesses and 12 percent of non-Hispanic White-owned businesses.²³ Minority-owned businesses were also more likely to report failing to secure a loan during the pandemic. For example, 79 percent of White-owned firms received all of Paycheck Protection Program funding they sought, compared to 43 percent of Black-owned firms.²⁴



GOVERNMENT RESPONSE

All levels of government have responded to the needs of business and industries most impacted by the COVID-19 pandemic. Through a variety of programs and initiatives, funds were awarded to assist primarily small businesses, many of which were minority-owned.

FEDERAL GOVERNMENT

(administered through the Small Business Administration, or SBA)

- **The Paycheck Protection Program (PPP)** first round (ending May 31, 2021) distributed \$525 billion nationally in forgivable loans to businesses to cover payroll and select operational costs. In Northern Virginia, approximately 41,000 businesses (13%) received a total of \$5.5 billion in support. While recipient demographics are incomplete, it is known that the region's 216 (42%) majority-minority census tracts accounted for 45% of businesses receiving loans and 46% of the total funds loaned in Northern Virginia.²⁵ The program's second round of funding (started March 31, 2021) seeks to address known weaknesses from the first round by focusing on equity and support for very small businesses.
- **The Restaurant Revitalization Grants Program**, which began accepting applications on May 3, 2021, will provide \$28.6 billion in federal funds to restaurants and similar establishments to cover expenses incurred from February 2020 through December 2021.
- **Businesses are eligible to receive up to the amount of their 2019 revenue, less their 2020 revenue and PPP funds received. SBA prioritized grants to small businesses owned and operated by women, veteran, and/or socially or economically disadvantaged individuals for the first 21 days of operation.**
- **The Shuttered Venue Grant Program**, which began accepting applications on April 8, 2021, provides over \$16 billion in economic relief to shuttered venues in target industries, such as theaters, museums, zoos, and aquariums. Grants can be awarded in an amount equal to 45% of the business's gross earned revenue, with the maximum amount available for a single grant award of \$10 million. Two billion is reserved for small businesses with up to 50 full-time employees. The first 14 days of the program were open only to venues that suffered a 90% or greater revenue loss between April and December 2020; the subsequent 14 days were for venues that suffered a 70% revenue loss or more in that time.

COMMONWEALTH OF VIRGINIA

- **The Rebuild Virginia Grant Fund**, administered from August 2020 to early 2021, provided \$140 million in grants to over 3,000 small businesses and non-profits with 250 or fewer employees in sectors that included restaurants, non-essential retail, exercise and fitness, personal care/grooming, entertainment and public amusement, and private campgrounds/summer camps. Approximately one-third of awarded businesses and funds went to small businesses and non-profits located in Northern Virginia. Overall, 91 percent of the funds going to Northern Virginia went to businesses with less than \$2 million in annual revenue. In Northern Virginia, 28 percent of funds went to small businesses and non-profits located in low-income communities. Over half (58 percent) of grant recipients in Northern Virginia that declared their ownership's demographic status reported being minority-owned. The state plans to use the American Rescue Plan funds to provide continued relief in 2021.
- **The Small, Women-owned, and Minority-owned Business (SWaM)** business certification program encourages minority and woman-owned businesses to participate in state and local government funded projects. This program is administered at all times, not just during the pandemic.

LOCAL GOVERNMENT

Northern Virginia's nine jurisdictions have provided \$89.2 million in loans and grants to over 9,600 local businesses during the pandemic. Depending on the program and the data collected, anywhere from 18 percent to 51 percent of businesses supported through these grants were under minority ownership.²⁶ See **Figure 12**.

Fairfax County and Fairfax City created programs that directly targeted at least 30 percent of funding to woman-owned, minority-owned, and/or veteran-owned small businesses (SWaM). Both jurisdictions exceeded that expectation with 72 percent of recipients in Fairfax County and 67 percent of recipients in Fairfax City self-reporting as woman-owned, minority-owned, and/or veteran-owned. About half of recipients in both jurisdictions were specifically under minority ownership (Figure 12). For other programs, the race-ethnicity of the business owner was not a consideration.

Program funds supported a range of businesses across the region. Several jurisdictions targeted aid directly to small businesses, such as Arlington's Small Business Emergency GRANT program, which provided support to small businesses with fewer than 50 employees that experienced a 35 percent or greater loss in revenue, and the City of Falls Church, which provided grants to businesses with fewer than 50 employees and gross receipts up to \$700,000. The Loudoun Business Interruption Fund targeted small-mid sized businesses with fewer than 100 employees and less than \$5 million in gross annual receipts that had lost a substantial percent of their revenue (25 percent) due to COVID-19. The FireUp program (in Prince William County, the City of Alexandria, Fairfax County, and Loudoun County, with support from the Community Foundation for Northern Virginia) provided programs focused on business mentoring and coaching for small businesses, particularly those under minority ownership. The ELEVATE program focused on skills training to help employers in the City of Manassas and Prince William County maintain their workforce and become more competitive and profitable.²⁷

Other programs focused on helping customer-facing businesses pay for the unique costs associated with COVID-19. For example, several jurisdictions—including Loudoun County and the cities of Alexandria and Fairfax—offered “weatherization” funds to help businesses continue to serve customers in the colder months while maintaining guidelines around social distancing and indoor safety. Similarly, Prince William County provided funds to business owners to make physical improvements to adhere to health and safety guidelines. The City of Manassas provided rent relief to eligible businesses operating in its historic downtown.

Figure 12.

Government Funds Provided to Local Small Businesses During the Pandemic

LOCALITY/PROGRAM	Total Funds	Total Recipients	% Minority-Owned
City of Alexandria			
Back to Business (B2B) Grant	\$5,910,000	554	40%
All Weather Grant	\$470,000	94	18%
Arlington County			
Small Business Emergency GRANT	\$2,800,000	393	34%
City of Fairfax			
ReConnected Grant Program	\$1,550,000	250	50%
ReConnected Winter Preparedness Initiative	\$213,000	105	n/a
Fairfax County			
Fairfax Rise	\$52,570,000	4,809	51%
City of Falls Church			
EDA Grant	\$500,000	125	n/a
Loudoun County			
Business Interruption Fund	\$11,602,500	1,997	21%
Outdoor Seating Grant	\$250,000	53	n/a
City of Manassas			
CARES Act Grant Round 1 and 2	\$450,000	180	n/a
Small Business Brant Fund for Marketing and Advertisement	\$91,000	31	n/a
Historic Downtown Rent Relief Grant	\$60,000	24	n/a
City of Manassas Park			
--	n/a	n/a	n/a
Prince William County			
Small Business Relief Micro-Grant	\$4,670,000	640	45%
Capital Investment and Innovation Grant	\$7,207,431	117	n/a
Small Business Technical Assistance Program	\$560,000	56	n/a
Regional			
ELEVATE for businesses (Prince William, Manassas)	\$140,126	120	n/a
FireUp (Alexandria, Loudoun, Fairfax, Prince William)	\$139,200	87	n/a
TOTAL	\$89,183,257	9,635	18%-51%

Note: n/a = not available

Source: Obtained through special request or online from government partners.



RECOMMENDATIONS

The Northern Virginia Minority-Owned Businesses Working Group offers the following recommendations to leaders across the business, government, philanthropy, and nonprofit sectors.

Continue to monitor the region's economic recovery.

- Update regularly the Northern Virginia Regional Commission data dashboard that was created as a complementary product to this report, including data on business establishments, business formations, workforce size, unemployment insurance claimants, and taxable sales revenue.
- Monitor data provided by the Opportunity Insights Economic Tracker on the recovery for small businesses in Northern Virginia jurisdictions.
- Use existing working groups—such as NVRC, MWCOG, and the NOVA EDA Alliance—to debrief what worked and what did not work in responding to COVID-19's effect on the local economy and to identify strategies that can be applied to the next financial downturn/crisis.
- Promote participation in the Federal Reserve's Small Business Credit Survey to increase survey responses from Northern Virginia businesses.
- Encourage regional analysts to meet regularly to share research, ideas, resources, and strategies for working with federal datasets.

Collect data regularly on Northern Virginia's economy and businesses.

- Develop a regional annual survey of licensed businesses, similar to the Census Bureau's COVID-19 Small Business Pulse Survey or the City of Alexandria's 2021 survey of business owners²⁸, that would monitor changing business conditions and the recovery across different types of businesses in Northern Virginia. Each agency in Northern Virginia responsible for issuing business licenses would be asked to distribute the survey to the population of business owners in Northern Virginia. The project could potentially be funded using American Rescue Plan local funding.
- Conduct a regional annual survey of residents, including questions about self-employment (including gig workers), contracted work, and family-owned businesses that may not be captured in the business survey noted above.
- Identify and survey regional organizations/representatives that serve and support minority-owned businesses to identify: (a) common challenges in providing outreach and support; and (b) potential solutions that can be shared for future outreach efforts.

Continue to support small, minority-owned businesses in elevated risk industries.

- Continue to provide grant funding to small businesses—particularly in industries identified in this report as being at elevated risk—over the next few years, perhaps with American Rescue Plan local funding.
- Target outreach and support to help minority-owned businesses with the following: applying to and accessing funding, business stabilization and resiliency, rehiring workers, and other needs identified during the annual survey noted above. Materials should be accessible in multiple languages and formats (e.g., door-to-door visits, webinars, online tools, community groups) to reach a wide audience. New businesses could be targeted for outreach upon applying for their business license.

- Develop a business outreach strategy that uses principles from emergency/disaster preparedness and response to better identify and serve the small business community in a future economic crisis.
- Launch a program to advertise minority businesses, in close collaboration with the area chambers of commerce, Northern Virginia Economic Development Alliance, philanthropy, and public affairs offices.
- Bolster/assist groups such as the Northern Virginia Black Chamber of Commerce, Virginia Hispanic Chamber, NOVA Hispanic American Chamber, Asian American Chamber, and Virginia Asian Chamber to develop robust business networks where minority business owners can learn from each other and public sector organizations can raise awareness of available programs and services.
- Identify ways to use American Rescue Plan Act funding to develop tools that will enhance data collection, outreach efforts to minority communities, and support for businesses in pandemic-impacted industries.

Help residents of color access and secure capital.

- Establish a small regional working group to develop strategies and creative ideas to improve capital access and address hurdles faced by residents of color - especially Black-owned businesses.
- Identify creative ways to educate residents of color (including children and adults) about finance/banking/wealth building resources and strategies.
- To support wealth accumulation, work on skills development and workforce training to help residents of color secure higher paying and more resilient jobs so they have more assets available and skill sets that can command higher sales revenue in the marketplace.

KEY TERMS & SOURCES

Key Terms

Business Establishment: A single physical location at which business is conducted or services or industrial operations are performed. It is not necessarily identical with a company or enterprise, which may consist of one or more establishments.

- **Business Establishment with Paid Staff:** A business establishment that (a) has paid employees, (b) filed a 941, 944, or 1120 tax form, and (c) is not a farm. A business establishment can be either the main location (an “employer firm”) or a branch office. See U.S. Census Bureau, Annual Business Survey for more information on business establishments and firms.
- **Business Establishment with No Staff:** A “non-employer firm” that has no paid employees, and includes primarily self-employed individuals (such as contractors, gig workers, and hobbyist entrepreneurs) as well as family-run businesses that do not pay wages.

Business Owner of Color: The owner of a business establishment who self-reports as a racial-ethnic minority.

Continued Unemployment Insurance Claims: A claim submitted weekly to continue unemployment benefits following the initial claim week. This measure provides the best localized estimate of ongoing jobless claims, or the total number of people at any given point in time who were unemployed.

COVID-19 (may be used in combination with COVID-19 pandemic or pandemic): A respiratory disease caused by SARS-CoV-2, a new, particularly virulent coronavirus discovered in 2019. Adults 65 years and older and people of any age with underlying medical conditions are at higher risk for severe illness. For more information, see www.cdc.gov/coronavirus.

High Propensity Business Formations: New businesses that are likely to have paid employees, based on the initial business application: (a) being for a corporate entity; (b) indicating the intent to hire employees, to purchase a business, or to change organizational type; (c) providing a first wages-paid date (planned wages); or (d) having a NAICS industry code in manufacturing (31-33), retail stores (44), health care (62), or restaurants/food service (72). See U.S. Census Bureau, *New Business Formations* for more information.

Initial Unemployment Insurance Claims: A claim submitted by an individual seeking unemployment benefits for the first time after losing a job. While an individual may file for unemployment multiple times within a period (e.g., if they secure and subsequently lose a new job), this measure provides the best localized estimate of the total number of people who have lost their job over a period.

Minority / Of Color: A characteristic to describe an individual who does not self-identify as non-Hispanic White, including Hispanic, non-Hispanic Black, and non-Hispanic Asian (including Indian, Japanese, Hawaiian, Chinese, Korean, Filipino, Vietnamese, Samoan, Guamanian, and other). Note that individuals of Middle Eastern or North African descent are considered ‘Asian’ by the U.S. Census Bureau’s American Community Survey and ‘White’ by the U.S. Census Bureau’s Annual Business Survey / Survey of Business Owners.

Minority-Owned Business: A business establishment where sole control or at least 50 percent of the stock or equity in the business is owned by a person or persons who self-reports as a racial or ethnic minority. See U.S. Census Bureau, *Annual Business Surveys*.

Non-Hispanic White: A characteristic to describe an individual who self-identifies as White and does not claim Hispanic origins. This term is used throughout the report to describe individuals who are non-minority.



Data Sources & Limitations

Federal. This study uses several publicly available datasets produced by federal agencies, including:

- U.S. Census Bureau’s Annual Business Survey, Survey of Business Owners, Non-Employer Survey, Population Estimates Program, American Community Survey, and Current Population Survey (conducted jointly with the U.S. Bureau of Labor Statistics);
- U.S. Bureau of Labor Statistics’ Quarterly Census of Employment and Wages;
- Federal Reserve Board’s Survey of Consumer Finances and Small Business Credit Survey).

These sources provide a number of key data points on minority-owned businesses and the overall economy but are not without limitations. For example, minority-owned employer firms’ county-level statistics are updated every year through the Annual Business Survey, though the reporting year lags the current year by three to four years (e.g., 2017 is the most current data available).

The Annual Business Survey also does not include jurisdiction-level data on non-employer firms, which account for a growing portion of the local economy. These data must be obtained through the Non-Employer Survey, which is updated annually, but has a three-year lag. The Non-Employer Survey does not provide a demographic breakdown of firms at the county level. Rather, it only provides the overall total number of non-employer firms.

The Annual Business Survey also does not include the industries in which businesses operate—requiring analysts to use data from the 2012 Survey of Business owners—and

does not provide data on mutually exclusive racial and ethnic groups, which leads to reporting challenges. Data is also limited on wealth, assets, and liabilities at the local/regional level. This study did not utilize data collected by Small Business Administration, as this program did not require applicants of its Paycheck Protection Program to declare whether they were under minority ownership.

State. This study uses unemployment claims data and taxable sales data from the Virginia Employment Commission and the Virginia Department of Taxation. A list of minority-owned businesses is available at the state level through the Virginia Department of Small Business and Supplier Diversity, though the records include only the subset of minority-owned businesses who are certified as minority-owned.

Local. This study uses data collected by local governments in their administration of different grant programs associated with COVID-19 relief. Local government generated data on businesses is unavailable for use in this report. Business data is collected and maintained with the business license programs of every county/city in Northern Virginia, but the data are secure, cannot be shared, and may not include owner demographic information or complete data on self-employed individuals.

Private. This study does not use any data derived from private or proprietary sources. Some private sources maintain lists of minority-owned businesses, including location and demographic data, but accessing these records requires a subscription and resulting listings may not be as comprehensive, current, or accurate as desired.

ENDNOTES

1. This report estimates that there were 312,000 total business establishments operating in Northern Virginia prior to the pandemic, calculated as the sum of business establishments with paid staff in 2019 Q4 (79,000) and non-employer firms in 2017 (233,000). To estimate the number of business establishments under minority ownership, this analysis applied the rate of minority-ownership of employer firms (33.0 percent of 79,000) and non-employer firms (43.9 percent of 233,000) as reported in the 2012 Survey of Business Owners to estimate 26,000 businesses with paid staff under minority ownership and 102,000 businesses with no staff under minority ownership in Northern Virginia. Rates were compared against the percent of working age residents of color in 2012 since that is the year on which estimates were built.
2. Note that even with perfect parity, the percent of residents of color will be higher than the percent of businesses that are minority owned due to differing classifications of individuals of Middle Eastern or North African descent across data sources (working age residents of color include this group, whereas businesses under minority ownership exclude this group).
3. Note that estimates are based on current work activity of business owners as reported in the Current Population Survey, which does not distinguish between temporary and permanent business closures. Fairlie, R. (2020). *Recent Estimates for Impacts on Small Business Owner Activity* [Data File]. Update to Fairlie, R. (2020). The Impact of COVID-19 on Small Business Owners: The First Three Months after Social-Distancing Restrictions. *Journal of Economics and Management Strategy*. Retrieved from <https://people.ucsc.edu/~rfairlie/current/>.
4. Liu, St. & Parilla, J. 2020. Businesses owned by women and minorities have grown. *Will COVID-19 undo that?* Washington, DC: Brookings Institution.
5. U.S. Bureau of Labor Statistics. (2021). Business Employment Dynamics Summary. Retrieved from <https://www.bls.gov/news.release/cewbd.nr0.htm>.
6. Federal Reserve Board. (2021). *Small Business Credit Survey: 2021 Report on Employer Firms*. Retrieved from <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-employer-firms-report>.
7. Fairlie, 2020.
8. Due to Virginia Employment Commission errors with reporting for Hispanic claimants, the Hispanic population and other minority races were combined.
9. Data on Black-owned and Asian-owned businesses include those who identify as Hispanic. Employer firms that were under equally minority / non-minority ownership were excluded from this analysis.
10. Federal Reserve Board, 2021.
11. For additional data on the effect of the pandemic on small businesses, see Womply. (2021). *Data Dashboard: How Coronavirus / COVID-19 is Impacting Local Business Revenue across the U.S.* Available online at <https://www.womply.com/blog/data-dashboard-how-coronavirus-covid-19-is-impacting-local-business-revenue-across-the-u-s/>.
12. Federal Reserve Board, 2021.
13. Unemployment initial claims were used because this measure most closely approximates the number of workers losing jobs, although some workers may be double counted if they file for unemployment benefits more than once.
14. Perry, A.M. & Romer, C. (2020). *To Expand the Economy, Invest in Black Businesses*. Washington, DC: The Brookings Institution.
15. Federal Reserve Board. (2019). *Survey of Consumer Finances*. Retrieved from <https://www.federalreserve.gov/econres/scfindex.htm>.
16. Federal Reserve Board, 2019.
17. For example, 60.8 percent of White respondents to the Federal Reserve Board's 2019 Survey of Consumer Finances indicated that their family had direct or indirect equity, compared to 53.8 percent of Asian families, 33.5 percent of Black families, and 24.2 percent of Hispanic families. Federal Reserve Board, 2019.
18. National data from the 2019 Survey of Consumer Finances shows that White business owners had almost five times the amount of home equity as their Black and Hispanic counterparts. Avenancio-Leon, C. & Hacamo, I. (2020). Why Black and Hispanic Small Business Owners have been so Badly Hit in the Pandemic Recession. *The Conversation*.
19. The Survey of Consumer Finances showed that Black and Hispanic entrepreneurs were 25 percentage points less likely to have emergency savings than White business owners Avenancio-Leon & Hacamo, 2020. Related, research has found that just 10 percent of Hispanic families and 14 percent of Black families have enough savings to cover six months of expenses, compared to 36 percent of White families and 27 percent of other families. Bhutta, Blair, Dettling, & Moore, 2020 c.f. Federal Reserve Board, 2019.
20. A business owner is defined as any resident who reported at least \$5,000 in business income.
21. Perry & Romer, 2020.
22. Federal Reserve Board, 2020. *Small Business Credit Survey*. Retrieved from <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2020/2020-sbcs-employer-firms-report>.
23. Federal Reserve Board, 2021.
24. U.S. Chamber of Commerce. (2020). *Coronavirus Pandemic Hits Minority-Owned Small Businesses Disproportionately Hard, New Poll Shows*. Retrieved from <https://www.uschamber.com/press-release/coronavirus-pandemic-hits-minority-owned-small-businesses-disproportionately-hard-new>.
25. Northern Virginia Regional Commission. (2020). *Paycheck Protection Program Loans: Northern Virginia Analysis*. Retrieved from <https://experience.arcgis.com/experience/8b1635f64e7142a4af6b8f306b3785d7/>.
26. Not all programs collected demographic data on the businesses served by their program, and not all businesses disclosed the demographic status of the business owner.
27. The City of Manassas Park participated in ELEVATE through its support of individual employees but did not provide funds for employers.
28. In 2021, the City of Alexandria distributed a voluntary demographic survey to all business owners as part of the City's annual business tax filing process to collect demographic information on business owners. Results will be available later in 2021.

about

THE WORKING GROUP MEMBER ORGANIZATIONS

- **The Community Foundation for Northern Virginia** helps grow local philanthropy to respond to need, seed innovation and lead and convene the community. Comprised of donor advised funds, permanent funds, giving circles, and other charitable endowments, the Community Foundation is committed to building a community that works for everyone. In 2020 the Community Foundation awarded \$13 million in grants and scholarships and now reports \$84.9 million in managed philanthropic assets. www.cfnova.org
- **Alexandria Economic Development Partnership** is a public-private partnership that promotes the City of Alexandria as the premier location for businesses of all sizes, entrepreneurs, and nonprofits as well as cutting-edge institutions of science and learning. Visit our website to learn more about our workforce, location, scale, livability, and transportation capabilities. www.alexandriaecon.org
- **Arlington Economic Development (AED)** is dedicated to the preservation and enhancement of an economically competitive and sustainable community, and the creation of exciting, diverse and amenity-rich places. AED provides visionary leadership and superior services to Arlington's business community, its tourism industry and its real estate development. www.arlingtoneconomicdevelopment.com
- **The Fairfax County Economic Development Authority** promotes Fairfax County as a business and technology center. The FCEDA offers site location and business development assistance, and connections with county and state government agencies, to help companies locate and expand in Fairfax County. In addition to its headquarters in Tysons, Fairfax County's largest business district, the FCEDA maintains business investment offices in six important global business centers: Bangalore/Mumbai, Berlin, London, Los Angeles, Seoul and Tel Aviv. www.fairfaxcountyedea.org
- **Loudoun Economic Development** is dedicated to your business success, a commitment that we call #LoudounPossible. Our target industries include data centers, health IT, AI/ML and other innovative technology, aviation and logistics, highly specialized manufacturing, government contracting and agriculture. We're a full-service partner in your success, providing ombudsman services for real estate, permitting and workforce, as well as resources for early-stage entrepreneurs and high-growth firms. www.biz.loudoun.gov
- **The Northern Virginia Economic Development Alliance** is a collective of ten jurisdictions aligned to promote Northern Virginia as the best place to do business. Member jurisdictions include the Virginia counties of Arlington, Fairfax, Fauquier, Loudoun, and Prince William; and the Virginia cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. www.novaeda.org
- **The Northern Virginia Regional Commission (NVRC)** is a public body and planning district of the Commonwealth of Virginia whose programs and policies are established by a 24-member Board of Commissioners composed entirely of elected council and board members appointed by the governing bodies of thirteen member localities. NVRC's localities represent 2.5 million residents and more than 40% of State GDP. NVRC's focus is providing information, performing professional and technical services for its members, and serving as a mechanism for regional coordination. NVRC's work covers a wide range of issues of concern to the member governments and the region as a whole. www.novaregion.org
- **The Prince William County Department of Economic Development** offers services to support and promote existing business expansion and attract new businesses to the County. Offering unmatched access to Northern Virginia's 1.5 million workers and unparalleled quality of place, Prince William County provides businesses fast access to top U.S. markets, a diverse workforce, and the world. www.pwcded.org

