

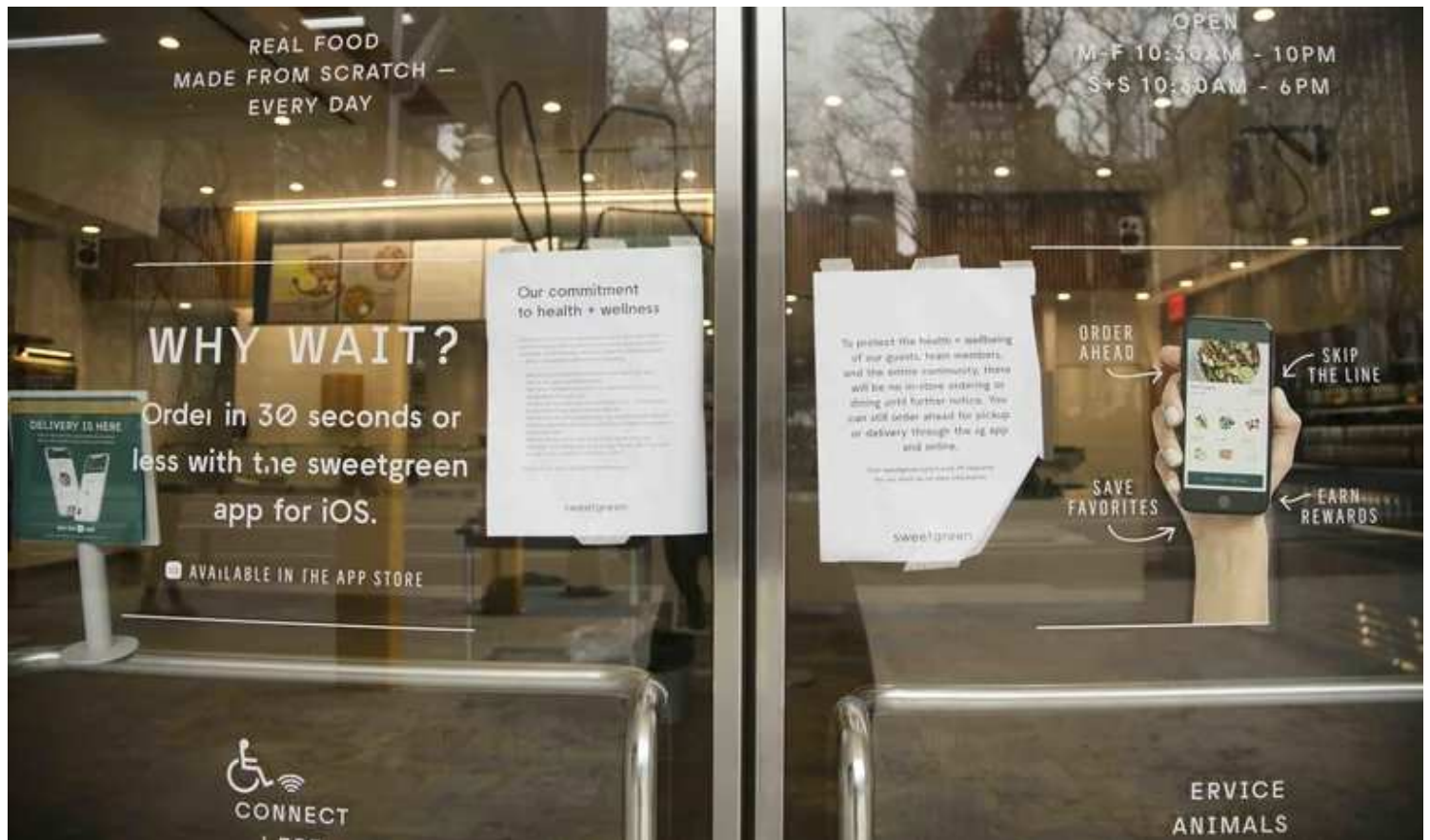
# CRAIN'S NEW YORK BUSINESS

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March 31, 2020 02:20 PM | UPDATED 22 HOURS AGO

## Small businesses need cash in hand, not debt-based solutions

Justin Brannan and Randy Peers



Buck Ennis

Entering Week 3 of the **Covid-19 pandemic**, city and state lawmakers now have to balance keeping people safe and healthy with protecting small businesses and hourly wage employees who have shouldered the lion's share of the **virus' economic impacts**.

And rightfully so. **Small businesses** are desperately trying to figure out how to survive. More than 80,000 New Yorkers filed for unemployment last week. And many of us are watching the first of the month approaching with growing dread.

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The problem with the bulk of the [economic relief plans proposed](#) so far is that they are debt-based solutions. The popular panaceas seem to be zero-interest loans, rent delays and extensions to pay property taxes and small-business sales taxes.

Underlying all the proposals is a false assumption that life and business will resume as usual as soon as the virus lets up.

Nothing could be further from the truth. When this is all over, we likely will enter the worst recession most of us have lived through. Many New Yorkers will have lost their jobs, had virtually no income for several months, and will barely be able to cover expenses, let alone begin to pay back all the debt accrued during the pandemic. Business owners who squeaked by will have to ramp back up in a market where nearly every business is desperate for customers, and customers will have less money to spend.

So, it's understandably dangerous to support debt-based solutions that kick the can down the road for two to three months and call it relief. Instead, we're proposing policies that put actual cash into the hands of New Yorkers and provide real relief when it's needed most.

Any business in New York City that is required to close by government order must have its rent or mortgage forgiven for the period of time the order is in effect. And landlords and banks must be backed up by the government to prevent defaults from rippling through the economy.

Further, New York state's small-business sales tax remittance must be converted into cash grants to help businesses cover expenses and support their employees.

Unfortunately, Washington's \$2 trillion stimulus bill also falls short of what's needed in New York.

First, while it's true that a temporary universal income will be a just and welcome relief, a one-time average \$1,200 per person payment for a three-month shutdown will barely cover one

month's worth of bills and groceries for the average New Yorker. The right option would be a temporary universal income that matches 100% of a person's pay at the time of job loss—subject to a maximum—prior to the shutdown, including for independent contractors. New York City should explore ways to supplement that income to match the standard of living in our city.

The federal bill appears to propose loans as a form of aid to small businesses that were forced to close during the crisis. Again, loans—even zero-interest loans—are *debt*, no matter the terms of repayment, and they should be the absolute last resort.

The federal stimulus bill will be disastrous for New York City and the state because it appears to provide only minimal funding for city and state governments as we navigate this crisis. States such as South Dakota are getting nearly five times more per capita in aid than New York, even though we are at the epicenter of the pandemic.

As we've all learned the past few weeks, the best way to deal with a virus is to act quickly and boldly, and the more half-measures we employ, the more of a problem the virus becomes. So, too, with the economy. We need to provide real relief immediately, not merely various forms of debt to deal with later.

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Inline Play

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**Source URL:** <https://www.crainsnewyork.com/op-ed/small-businesses-need-cash-hand-not-debt-based-solutions>