

Payroll Protector: Madelyn Alfano of Maria's Italian Kitchen.

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FAMILIES SEEK FUNDING

Chief executives at family firms say relationships with banks, vendors are crucial to survival.

By **AMY STULICK** Staff Reporter

When Madelyn Alfano, owner of **Maria's Italian Kitchen**, sought financial assistance at the beginning of the pandemic, she knew that the relationship she built with her bank, along with vendors, would help her survive.

Maria's in Van Nuys is No. 12 on the Business Journal's list of Family-Owned Businesses, with eight locations in the Los Angeles area.

The quickest path to federal funding for family-owned businesses, known as the Payroll Protection Program, was made less bumpy thanks to a close relationship with **Mission Valley Bank**, Alfano said.

Her business relationship with the lender in Sun Valley, stemming from a one-on-one conversation between herself and **Paula Bahamon** with Mission Valley at a **National Association of Women Business Owners** panel years ago, has built trust on both sides.

"In hard times, if you've been loyal to your vendors, they'll be loyal to you because we're all in this together," said Alfano. "Banking is the same way. I've always been a community bank person. ... When it came time for this PPP, I called them up and said I needed help, and they helped me through, and we did get through and I got funding. Had it not been for the funding and the timing of the funding, it would have been very, very hard for survival."

Alfano did not disclose the amount of PPP funding her company received.

Despite the good footing with her bank, the application process still had its challenges, mainly an initial window of only eight weeks.

"They had to extend it because the virus wasn't going away in eight weeks, people's fear factor wasn't going away in eight weeks,

and the different municipalities, not just California but the cities, were making choices of when to open and when to close," Alfano explained.

"The government finally realized (they had to extend the program), and I think it was pressure from small businesses, to be honest with you, and the **California Restaurant Association** and the **National Restaurant Association**," Alfano continued.

Other family-owned Valley businesses have had varying degrees of success accessing federal funds. **Clay Lacy Aviation**, No. 6 on the Business Journal's list of family-owned businesses and also based in Van Nuys, received \$27 million in federal grant money as part of the CARES Act program to "compensate aviation industry workers and preserve jobs," according to a report from **CNBC** in May.

Lay Bare Waxing Salon in Studio City got PPP funding, but had to apply multiple times before getting money.

Lay Bare applied three times before getting approval for \$47,000, plus an \$8,000 advance the first week of May, according to owner **Fiona Hilario**.

"First time was with Chase, which is our own bank, and then I attended a webinar and they recommended a lending company," Hilario told the Business Journal. "We applied a third time with OnDeck as we already had an existing relationship with them and they approved us after a week and funded after another week. It was pretty seamless with OnDeck."

The waxing salon also received a \$20,000 **LA Microloan** and \$2,500 grant through **Loan Initiatives Support Corp**. Hilario said she is awaiting reconsideration after denial for an Economic Injury Disaster Loan through the

U.S. Small Business Administration.

Lay Bare's owner admitted PPP funds have long been exhausted and the company is struggling to pay bills right now; she hasn't paid rent for August, negotiating with creditors to delay collection.

"I was so frustrated and emotional during the first round of PPP applications when million-dollar companies were getting approved and I wondered how they even qualified," added Hilario. "It was tough, but then again the SBA turned around and corrected that mistake and small businesses like us finally got approved."

As a consumer-facing salon, Lay Bare was caught in California's rollback on business reopening in June.

"This second lockdown (still ongoing) has been more challenging — a lot more than the first one, as we have not gotten any funding to help us out so we had to be creative in staying afloat," continued Hilario. "We are pushing products online, but it does not even bring in one tenth of what we normally make with salon sales."

Hilario said if it wasn't for her relationship with creditors, and their willingness to work with her, the business would be in worse shape.

"Once we go back open again, we will be in a better position to catch up on old bills that have piled up during this second lockdown," she added.

Shallow cuts

Hard-hit industries such as restaurants and salons still had to make payroll cuts even after receiving funding; Maria's closed two locations, bringing its restaurant count from 10 to eight this year.

The restaurant chain's employee count went

from 338 to 218. Thirty-nine percent of its employees chose to be furloughed — 10 percent did not come back after offered work and little more than 1 percent chose to be laid off due to family issues, Alfano told the Business Journal.

Hilario has managed to keep her small team of eight, including herself, employed and ready to return to work once the state allows it.

Alfano said she has been cross-training her team to keep as many people on as possible — one of the main requirements to allow PPP loan forgiveness at a later date.

"For me, I made sure that I offered everyone a position," added Alfano. "If they were a server and we're no longer doing dining, I'd say, 'you want to be a delivery driver, a cashier?' We're cross-training everyone and have a complete tip share with everyone."

Not all business relationships have been positive, Alfano admitted, during the ongoing pandemic. Commercial landlords in particular, at least in the case of some of Maria's locations, have not been realistic with lease obligations, she said.

"Even if you do get PPP money, the purpose of it is payroll protection. The purpose of it was to keep your employees employed, and then you had to keep your lights on so your utility companies aren't giving you any breaks. ... I'm trying to negotiate (with landlords), but there are some that are just tyrannical."

Alfano said she understands that landlords have insurance, mortgages, taxes and other obligations to pay. But negotiations should share the pain.

"That's where common sense and good relationships, partnerships, communication has to come in," she said. "It happens with some, but not all."