

SAN FRANCISCO

**ECONOMIC
STRATEGY**

2014 UPDATE

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STRATEGY**

2014 UPDATE



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EXECUTIVE SUMMARY

The City's Economic Strategy provides a framework and a roadmap for San Francisco's economy. It prioritizes goals and makes recommendations to ensure the overall economic health of the City continues to thrive; while creating jobs that align with the skills and education of San Francisco's workforce and residents.

In this update to the Economic Strategy the City provides an overview of the findings and conclusions of the 2007 Economic Strategy; evaluates the performance of San Francisco's economy; evaluates the barriers to job growth; provides an update on City's economic performance; and outlines further recommendations to ensure a robust economy that serves all San Franciscans.

The 2007 Economic Strategy found that while the San Francisco economy was strong, the overall trend was one of uncertainty: slow job growth, uneven wage growth, capacity of the infrastructure, large segments of the population with barriers to employment, and an expensive and challenging business climate. San Francisco's economy today is in a much different environment than it was in 2007; however, the overarching goals outlined in 2007 remain the same in 2014:

- 1** Create job opportunities by building on our strengths to promote greater overall economic growth
- 2** Ensure a sound fiscal footing for the City by encouraging industries with a positive fiscal impact
- 3** Ensure greater inclusion and equity in job opportunities, with an aim to reducing inequality

In order to continue to ensure the overall competitiveness of San Francisco's economy, the City needs to continue to implement programs and policies aligned with the 19 recommendations. In particular, the City should focus on the following action areas:

- Reduce labor costs by building more housing in San Francisco, especially for the middle class workforce
- Continue to develop career pathways that promote job mobility and advancement
- Ensure a successful transition to the new Gross Receipts Tax
- Streamline business regulation and process
- Assist businesses facing rising real estate costs
- Maintain and expand support for local-serving industries.
- Continue to focus on four main strategic priorities

This Economic Strategy update was prepared by the Office of Economic and Workforce Development (OEWD) in partnership with the Controller's Office of Economic Analysis (OEA) and departments throughout the City.



INTRODUCTION

In 2004, San Francisco voters approved Proposition I, which required the Office of Economic and Workforce Development (OEWD) to prepare and regularly update an Economic Strategy for the City. In 2007, the City published the Economic Strategy, *Sustaining our Prosperity: the San Francisco Economic Strategy*. This report is an update to the 2007 Economic Strategy and was prepared in partnership with the Controller's Office of Economic Analysis (OEA) as well as other departments.

Cities need a strategy to attain global competitiveness and thrive in a global economy. At the same time, they must then leverage that competitiveness to achieve broader social and economic goals that improve the quality of life for all residents. Proposition I directed the Economic Strategy to focus on identifying and developing industries that have the potential to create good jobs that align with the skills and education of San Francisco's residents.

The 2007 Economic Strategy included a framework for understanding the City's economy, identified priority industries to achieve the City's economic and workforce development goals, and included a set of policy goals and recommended actions.

This report is organized into four main chapters: Chapter 1 provides an overview of the findings and conclusions of the 2007 Economic Strategy; Chapter 2 evaluates the performance of the San Francisco economy; Chapter 3 evaluates the barriers to job growth; and Chapter 4 reports on the actions the City has taken on the recommended actions of the Economic Strategy. The Conclusion will summarize the findings of the update detail future action areas for the City.





**OVERVIEW OF THE 2007
ECONOMIC STRATEGY**

1.1

**Economic Strategy Framework:
Sustainable Prosperity Framework**

1.2

Economic Performance

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Economic Drivers and Strategic Priorities

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Economic Foundations

1.5

Policy Goals and Recommendations

ECONOMIC STRATEGY FRAMEWORK: SUSTAINABLE PROSPERITY FRAMEWORK



The sustainable prosperity framework consisted of four levels:

- Level 1 – Economic Performance: Economic Performance is the set of economic outcomes that people care about – specifically: unemployment, wages, inequality, migration, and business and asset ownership.
- Level 2 – Economic Drivers: Economic drivers are the industry sectors that power the city’s economic performance. The sustainable prosperity framework requires building globally competitive export sectors around specific industry clusters, which are based on a durable competitive advantage that cannot be quickly eclipsed by other regions.
- Level 3 – Economic Foundations: The city’s competitive advantages are rooted in its economic foundations – the local assets that distinguish it from other places and allow companies to add value in distinctive ways. Economic foundations include the educational level of the workforce, the quality of life, the region’s infrastructure, innovative institutions, and the tax and regulatory climate for business.
- Level 4 – Policies and Actions: These foundations are not the exclusive work of the private sector. Public policy and government actions have a decisive impact on the strength of these foundations.

The Sustainable Prosperity Framework summarized that to improve the City’s economic performance, San Francisco would need to support its economic drivers. These drivers, however, depended on strong foundations and these foundations could be positively or negatively affected by public policies. The 2007 Economic Strategy served as a guide for the application of policies and actions in order to achieve economic goals.

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Values and goals were at the heart of local economic strategy. Based on outreach and analysis, the 2007 Economic Strategy identified three primary goals, which shaped the strategy:

1. Create job opportunities by building on our strengths to promote greater overall economic growth
2. Ensure greater inclusion and equity in job opportunities, with an aim to reducing inequality
3. Ensure a sound fiscal footing for the City by encouraging industries with a positive fiscal impact

The 2007 Economic Strategy measured progress towards these goals through the “economic performance” of the city. The Economic Performance of the City included five key metrics – jobs, wages, inequality, population and business/asset ownership.

- **Job, Wages and Inequality:** The 2007 Economic Strategy found that overall San Francisco experienced significantly slower job growth than its neighboring suburbs for many decades. A growing number of upper-income professional and technical jobs with rising wage made San Francisco attractive to highly educated people who moved here from around the United States and the world. But, at the same time, a decline in middle-income production and office/administrative jobs, steady growth in low-wage service jobs, and highly uneven patterns of wage increases among industries meant that many workers in San Francisco were not benefitting from the rising average wage. These job trends exacerbated income inequality in San Francisco, which had a pronounced racial dimension.

- **Population:** The 2007 Economic Strategy found that more low- and middle-income longtime residents were leaving the city and were replaced by primarily young single people from elsewhere in the U.S. during the 1990s, and immigrants from around the world, primarily from Asia, and particularly from China. Along with highly skilled, high wage earners, San Francisco’s population consisted of a large number of workers with barriers to employment, and in many cases multiple barriers to employment. These barriers, which ranged from limited English proficiency, medical problems, substance abuse, mental health problems, and disability, limited both the employment prospects and earning potential of many residents.
- **Small Business/Asset Ownership:** The 2007 Economic Strategy found that between 1969 and 2003, small businesses and self-employed residents grew in San Francisco relative to salaried employment. The large business share of the City’s total job base had also fallen by 50%, and self-employment grew by over 150% over a 35-year period. During this time, salaried employment in San Francisco was essentially flat. The expansion of small businesses created an alternative path to address the City’s high rates of asset poverty and economic insecurity, but the report found that racial and gender patterns of inequality in business ownership would need to be addressed before this potential alternative path to economic security could become a reality.



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The 2007 Economic Strategy highlighted that like every major city; San Francisco's economy is fundamentally shaped and influenced by its trading relationships with the rest of the world. The sustainable prosperity framework required building global competitive export sectors, around specific industry clusters. This was based on a durable competitive advantage that could not be quickly eclipsed by other regions. The city's economic structure consisted of two export-oriented sectors composed of knowledge and experience sectors, and two local-serving sectors composed of the human services and physical infrastructure sectors. These economic drivers were the sectors that power the city's economic performance. The 2007 Economic Strategy summarized the city's economic drivers in *Figure 1*.

The 2007 Economic Strategy prioritized these four industry areas based on their ability to advance the three goals outlined in the Economic Performance section. Specifically, the Strategy evaluated industries based on the extent to which sectors created economic spillovers through the local multiplier effect, whether the industries offered quality jobs for San Franciscans without a four-year degree, and whether the industries had a positive fiscal impact. The following summarizes the major industry sectors and their role in supporting the economic performance goals:

- **Knowledge Sector:** The knowledge sector consisted of companies that created economic value because of the knowledge and know-how they develop for their customers. The 2007 Economic Strategy found that most knowledge sector industries had relatively high impacts driven largely by high wages, which created significant multiplier effects for local-serving businesses

in San Francisco. These industries did well in providing quality jobs for San Franciscans without a four-year degree. The strategy found that expanding the range of knowledge-based start-ups, and retaining those companies in San Francisco as they grew, would in time; deliver a new generation of middle-income jobs in emerging industries where the region has a strong competitive advantage.

- **Experience Sector:** The experience sector is the visitor industry and it included companies who created economic value for non-residents based on the quality of the experience they provide, whether in hospitality, arts and culture, museums, or other sources of recreation and entertainment. The 2007 Economic Strategy found that the impact of the experience sector industries was mixed. While they offered significant entry-level employment opportunities, they did not provide as many higher-paying jobs for the less-educated as other sectors. While retail generally had low multipliers, the experience sector industries scored very strongly on fiscal impact. They were the largest source of sales tax and accommodations tax revenue for San Francisco. The economic strategy concluded that by upgrading the experience sector, it would ensure that San Francisco remained a global leader in tourism, thus keeping higher quality jobs in the city.

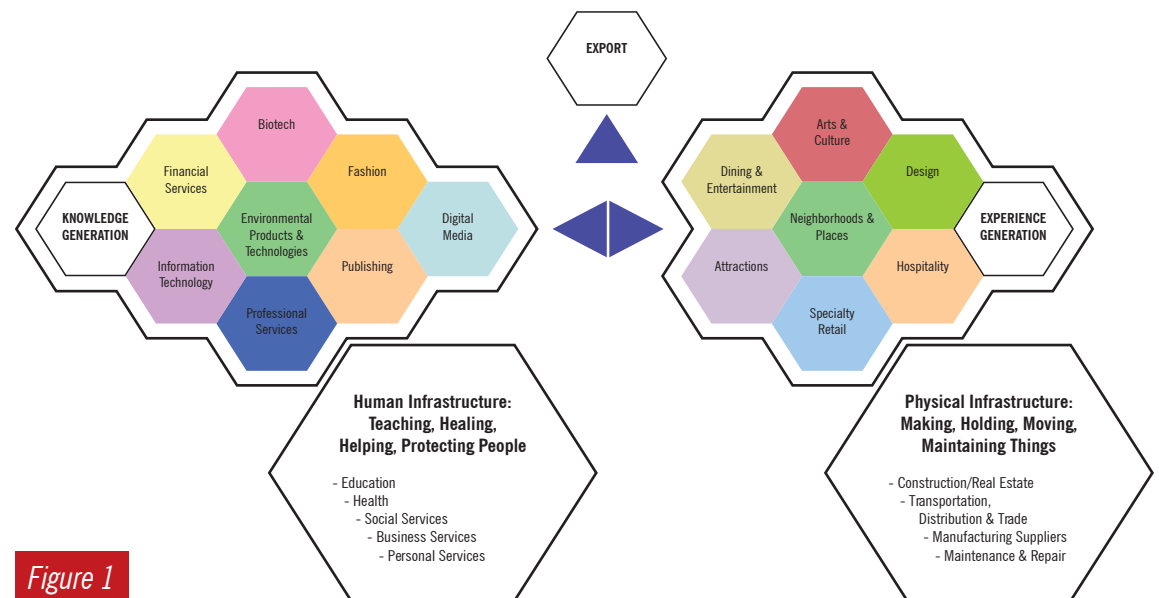


Figure 1

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- **Human Services:** The human services sector includes all businesses and non-profit organizations that provided services to residents, ranging from education and health to business and personal services. The 2007 Economic Strategy found that the human services sector industries had an average impact, with several industries offering many quality job opportunities through the offset by the average multiplier effects and low fiscal impacts, due to the tax-exempt status of many organizations.
- **Physical Infrastructure:** The physical infrastructure sector included organizations that created value by working with physical things: manufacturing, construction, transportation, warehousing, storage and distribution, and maintenance and repair. The 2007 Economic Strategy found that the physical infrastructure industries, along with those in the knowledge sector, had the highest overall impacts. Physical infrastructure industries offered the highest-paying employment to workers without a four-year degree, and their multiplier effects were relatively strong. The Strategy concluded that strengthening the physical infrastructure sector would stem the rate of job decline in these industries; protecting and creating the conditions to add more middle-income jobs.

Within these four industry sectors, the 2007 Economic Strategy recommended four “Strategic Priorities.” The strategic priorities were those segments of the economy whose targeted development would advance the goals of the strategy because these industries had the desired impacts with feasible growth. The four strategic priorities are described below:

1. **Strengthening the Physical Infrastructure Sector:** Jobs in the physical infrastructure sector had declined. Because these industries provided relatively good jobs for workers without a four-year degree, the Strategy prioritized strengthening this sector.
2. **Upgrading the Experience Sector:** The City needed to continue to grow the experience sector in ways that would deepen and enhance the experience. In addition to increasing the number of visitors, San Francisco needed to continuously develop new ways of encouraging visitors to spend more during their stay. The Strategy prioritized broadening the range of experience in various neighborhoods with events by developing more unique restaurants, museums, attractions, boutiques, theaters, architecture, and other forms of the urban experience, in both core tourism areas and in the neighborhoods.
3. **Retaining Large Knowledge Sector Companies:** Larger companies tended to create greater numbers of middle income jobs including – administrative, operations, finance and in other similar fields. San Francisco was losing middle-income knowledge-based jobs in larger financial services and from companies with corporate headquarters located in San Francisco. The Strategy prioritized retaining large knowledge sector companies in order to retain middle income jobs in San Francisco.
4. **Expanding Knowledge Sector Start-Ups:** San Francisco was a strong location for knowledge sector firms within emerging industries to start. These firms tended to create jobs mainly for workers with a four-year degree. The Strategy prioritized continuing to grow a more diverse set of knowledge-based start-ups, and encouraging these companies to stay and expand in San Francisco. By keeping early stage companies in San Francisco as they grew, it would increase the number of middle income jobs in the city.

While different, all four sectors were interconnected. Export sectors depended on local serving to support and sustain their growths. Similarly, local-serving sectors were heavily dependent on the competitiveness and success of the export sectors.

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Economic foundations are the city's attributes that drive the competitiveness of San Francisco's key sectors. The 2007 Economic Strategy identified five core foundations of San Francisco's economy: education and training, governance and business climate, quality of life, infrastructure and technology and innovation. These foundations were powerfully shaped by government policy and actions. Strong economic foundations could promote economic development, while weak foundations could become barriers to business growth. The 2007 Economic Strategy summarized each foundation:

- **Education and Training:** San Francisco's labor force was perhaps the City's greatest asset. Despite having one of the highest educational attainment rates in the country, key challenges remained. In particular, there was a disconnect between the skill-level of San Francisco's residents and the employment potential in the growing knowledge sector.
- **Governance/Business Climate:** San Francisco was one of the most expensive locations in the world for both businesses and consumers. Several aspects of the business climate in San Francisco were serious deterrents to competitiveness, including a relatively high business tax, a regulatory climate that is perceived as burdensome and high costs for new commercial and residential development.
- **Quality of Life:** San Francisco's quality of life was the fundamental driver of the City's experience sector, and central to retaining and attracting talent. Maintaining San Francisco's quality of life was critical to the City's competitiveness. The 2007 Economic Strategy identified several key challenges: enhancing neighborhood commercial areas, continuing to promote San Francisco as a

center for arts and creativity, and improving parks and open space.

- **Infrastructure:** Quality infrastructure drove the city's economic development; however, San Francisco's ability to grow hinged on the capacity of local and regional transit systems to transport large numbers of workers into its employment centers, in a timely and efficient manner. The City would need to ensure appropriate levels of real estate are set aside to achieve key sector priorities, in addition to taking steps to reduce the cost of new residential and commercial development.
- **Innovation and Entrepreneurship:** San Francisco was a strong location for starting a new business. In order to position the city for continued growth in new and emerging sectors, the city would need to focus on new business financing, research and development, business incubation and other inputs critical to the launch of new businesses.



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The 2007 Economic Strategy concluded by proposing policies and actions to strengthen the City’s economic foundations (education and training, governance/business climate, quality of life, infrastructure and innovation) so that they aligned with the four strategic priorities (strengthen the physical infrastructure sector, upgrade the experience sector, retain large knowledge sector companies and promoting knowledge sector start-ups). Below is a summary of the policies and actions organized by the four strategic priorities.

1. **Strengthen the Physical Infrastructure Sector:** Strengthening the physical infrastructure sector of the economy would require creating competitive industrial areas in the city — space for industrial firms, infrastructure that services industrial firms, as well as workforce programs and business financing and assistance programs that are tailored to the unique needs of this sector.
2. **Upgrade the Experience Sector:** Upgrading the experience sector — by improving the quality and value of the experience the City provides to all visitors — would increase spending visitor spending and drive job opportunities (and wages) in San Francisco. As the San Francisco Travel business plan states, the mission should be to “ensure that San Francisco is the most compelling destination in the world.” The city could support this mission by focusing on the economic foundations of quality of life and workforce. From a workforce perspective, an upgraded experience sector would hinge on a workforce that is able to offer high-quality service. This would require specialized training and allow the city to eventually be able to offer a broader range of quality jobs within the industry.

3. **Retain Large Knowledge Sector Companies:** Retaining growing knowledge-sector firms in San Francisco would require making the City as competitive as possible with alternative locations in the Bay Area. San Francisco’s business taxes were very high by Bay Area standards and housing costs contributed to the high labor costs. Both of these factors encouraged large businesses, in particular, to expand outside of the City. The city’s proximity to regional transit made San Francisco an optimal city for workers; especially for those to access the downtown area where it had the highest density. Infrastructure, governance/business climate, and workforce were the most important economic foundations related to this priority.
4. **Expand Knowledge Sector Start-Ups:** Expanding knowledge sector start-ups in San Francisco would require actions across all five economic foundations. The 2007 Economic Strategy found that success required a greater emphasis on commercializing research to generate businesses and jobs, continuing to improve the quality of life to attract talented people to San Francisco, making the most of its telecommunications infrastructure, and renewing efforts to support entrepreneurship and small businesses in the City. Success also would require building and enhancing workforce development programs in emerging industries in order to prepare San Francisco residents for new jobs.

To achieve accelerated growth in these four areas, the strategy proposed policy goals and recommended actions that were aligned with the five economic foundations, which is summarized in *Figure 2*.

<i>Figure 2</i>	Workforce	Governance/ Business Climate	Quality of Life	Infrastructure	Technology
Expand Knowledge Sector Start-Ups					
Retain Large Knowledge Sector Companies					
Upgrade the Experience Sector					
Strengthen the Physical Infrastructure Sector					

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The following is a summary of the 19 policy goals and recommended actions in the 2007 Economic Strategy:

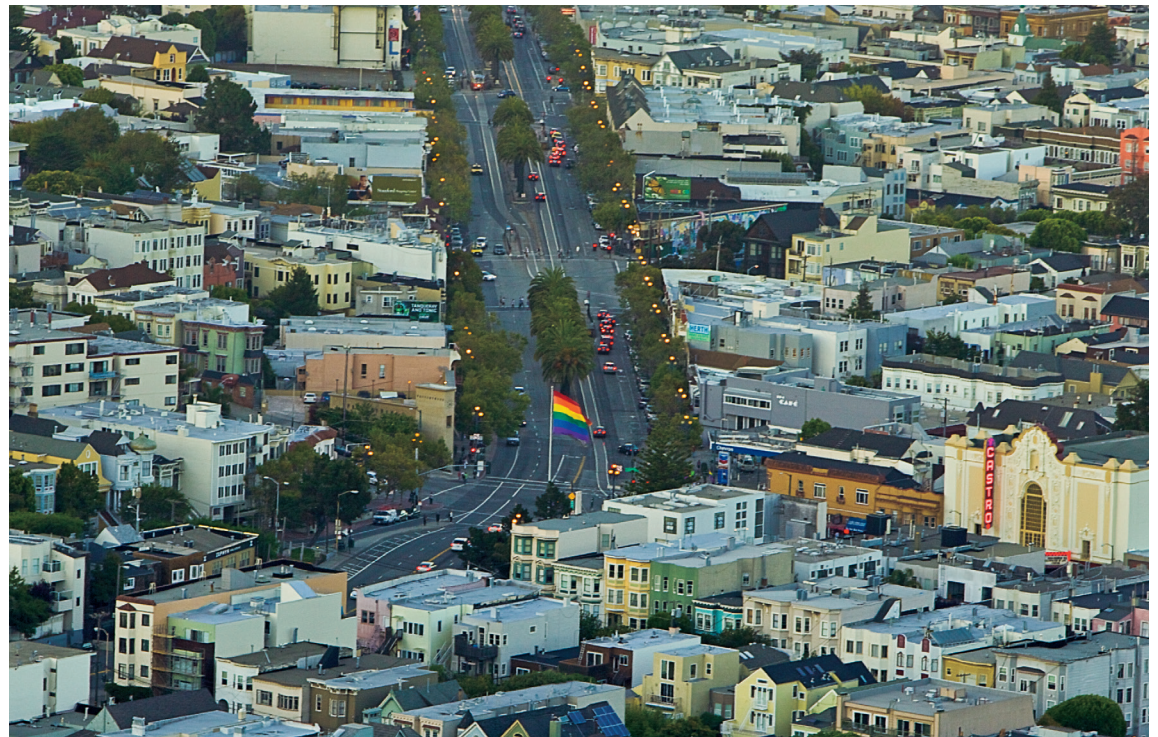
1. Education and Training

The 2007 Economic Strategy found that San Francisco's pool of highly educated workers forms the basis of the city's competitiveness in the knowledge sector. Significant work was needed to better prepare many residents, particularly youth, and those with multiple barriers to employment, for sustainable positions in these and other industries. The strategy proposed the following goals for improving education and job training opportunities to better link residents to opportunities in the priority sectors of the economy.

- 1.1. Create a Coordinated Workforce Development Strategy for the City around the Economic Development Priorities: The City should consolidate authority over workforce policy within the Office of Economic and Workforce Development (OEWD), in order to improve accountability and outcomes. OEWD should immediately revamp the federally mandated Workforce Investment Board (WIB), adding senior employer representatives from priority industry sectors and develop a customer-driven workforce training system that focuses on the dual needs of employers and employees. OEWD and the WIB should create a City-wide strategic workforce plan based on the priority sectors of this strategy that identifies the job training needs of San Francisco residents, and creates multiple access points and streamlined pathways to assist job-seekers in moving toward self-sufficiency.
- 1.2. Better Prepare San Francisco's Youth for Careers: OEWD should collaborate with the San Francisco Unified School District

(SFUSD) to establish formal school-to-work and pathways to jobs in priority sectors and promote better collaboration between SFUSD and employers. OEWD should collaborate with the Department of Children, Youth, and their Families (DCYF) to strengthen alignment of their programs with industry sectors.

- 1.3. Close the Digital Divide: Implement Digital Inclusion Initiative to support all San Franciscans in acquiring the technology and skills needed to use the Internet to access jobs, education, healthcare, government services and other information services. Increasing Internet access and competence among disadvantaged residents would significantly expand opportunities for those San Franciscans to participate in the growing knowledge sector and economy.



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2. Governance and Business Climate

The high cost of doing business in San Francisco, and perceptions of an unfriendly business climate were the two most-cited barriers to business growth and economic development in the City. The 2007 Economic Strategy found if the City is to attract, retain and grow jobs — across all sectors and job types - it must work to offer a competitive business climate relative to Bay Area standards.

- 2.1. Create a Local Tax Policy That Promotes the City's Economic Development Priorities: The City should convene a working group to develop alternative tax systems to the City's payroll tax, which disincentives job growth.
- 2.2. Increase Business Outreach and Private Sector Partnerships: OEWD should create an ongoing citywide marketing and outreach program to inform businesses about incentive programs, business assistance and relevant policies. OEWD and private sector economic development organizations should increase coordination and expand efforts around external business development and marketing.
- 2.3. Streamline Business Interaction with the City Government: The City should ensure that 311 can take initial business assistance requests. OEWD should deploy a web portal that includes a clear and detailed road map for starting a business. OEWD should create a physical "one-stop" technical assistance center for small businesses staffed by a team of case managers.
- 2.4. Evaluate and Refocus the City's Assistance Programs for Businesses: The City needs to evaluate and coordinate business assistance programs. The City should evaluate the needs, and level of demand, of the local business community for technical and financial assistance. OEWD should develop a strategic plan

for business assistance that designates roles and responsibilities.

- 2.5. Evaluate Economic Impact of City Policies on Business: Prepare an economic impact report whenever proposed legislation affects the goals, strategic priorities, or broad policy directions of this economic strategy.
- 2.6. Use City Purchasing and Regulation to Promote Competitiveness in Priority Sectors: Increase outreach, assistance and efficiency of the City's contracting process. Take a strategic approach to government procurement to advance the goals of the Economic Strategy.

3. Quality of Life

The quality of life foundation determines San Francisco's ability to upgrade its experience sector by helping to build and sustain the City's pool of skilled workers, which is vital to continued growth and innovation in the knowledge sector. The 2007 Economic Strategy found that while San Francisco had great economic strength in its quality of life, it also faced many challenges. The strategy proposed the following goals and recommendations related to quality of life:

- 3.1. Upgrade Neighborhood Commercial Areas: The San Francisco Travel Association should expand its tourism marketing to include neighborhood districts, in order to increase the number of visitors to these areas. OEWD should continue and expand neighborhood economic development programs. The City should increase investment in maintaining and beautifying neighborhood commercial districts.
- 3.2. Encourage Creativity by Continuing to Develop San Francisco as a Center for the Arts: The City needs to retain and expand its role as major national center of the arts. The City should increase the supply of affordable housing, support new presenting opportunities for artists, connect artists to business assistance resources, and coordinate with San Francisco Travel on expanding arts and cultural tourism.
- 3.3. Recognize and Enhance the Value of Parks and Open Spaces: The City needs to identify long-term funding solutions for park and open space maintenance to ensure that these remain high-quality amenities that continue to be valued by residents and visitors.

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4. Infrastructure

The 2007 Economic Strategy found that creating and maintaining the City's infrastructure is especially necessary in order to both retain large knowledge sector companies in San Francisco as they grow, and strengthen physical infrastructure businesses that focus on making, moving, and storing manufactured goods. The strategy included the following goals for infrastructure:

- 4.1. Provide Sufficient Real Estate for Strategic Priorities: The Planning Department should ensure the needs of the four strategic priorities are reflected in its area plans and community benefits programs. The City needs to provide a clear and rational land use entitlement process. Future land use planning should emphasize the creation of zoning that supports emerging, growth industries and other priorities of this strategy, including sufficient space for companies in the physical infrastructure sector.
- 4.2. Maximize San Francisco's Accessibility to a Local and Regional Workforce: The City along with other government agencies, should fund, implement, and support major transit investments with priority placed on projects that increase the regional accessibility to San Francisco including the Transbay Transit Center, the extension of Caltrain, high speed rail and through the expansion of BART to increase capacity in the city. The SF Municipal Transportation Agency (MTA) and the City should fund efforts to improve the reliability and efficiency of the transit system and develop bicycle and pedestrian projects.
- 4.3. Work to Reduce the Cost of Residential and Commercial Development: The City should improve the entitlement and permitting process to reduce development costs and improve

efficiency. It should also create area plans with program environmental impact reviews (EIRs) that reduce the need for EIRs associated with specific projects.

5. Technology and Innovation

Across the region, there was an impressive array of facilities, institutions, and infrastructure that effectively convert ideas into jobs and economic development. As the City seeks to broaden its base of high technology businesses to take advantage of those opportunities, strong technology foundations must be a central element of San Francisco's economic strategy. The City should pursue the following policies to strengthen its technology and innovation foundations:

- 5.1. Support Commercialization of Research and Technology: OEWD should support the creation of incubators and other space for early-stage companies. OEWD should explore partnerships with universities and research institutions to develop additional research institutes in San Francisco.
- 5.2. Improve Telecommunications Infrastructure for Information-Intensive Industries: The City should ensure that broadband infrastructure is available at competitive prices and levels of service. The City should consider making the unused capacity of broadband infrastructure available to businesses at a reasonable cost.
- 5.3. Support Efforts to Create More Investment Vehicles for Startups: Support private sector efforts to create a San Francisco focused seed-capital investment fund, support state and federal policy changes that facilitate investment, and work with entrepreneurs and investors to develop recommendations on supporting new company growth and success in San Francisco.
- 5.4. Identify, Evaluate and Support Emerging Industries: OEWD should leverage the expertise of industry representatives to advise the City on which emerging industries both best meet the City's economic development objectives and can succeed in San Francisco.



**ECONOMIC PERFORMANCE
2004-2010**

2.1

San Francisco's Economy in Context

2.2

**The Structure of the
San Francisco Economy**

2.3

Workforce Trends

2.4

Demographic Trends



SAN FRANCISCO'S ECONOMY IN CONTEXT

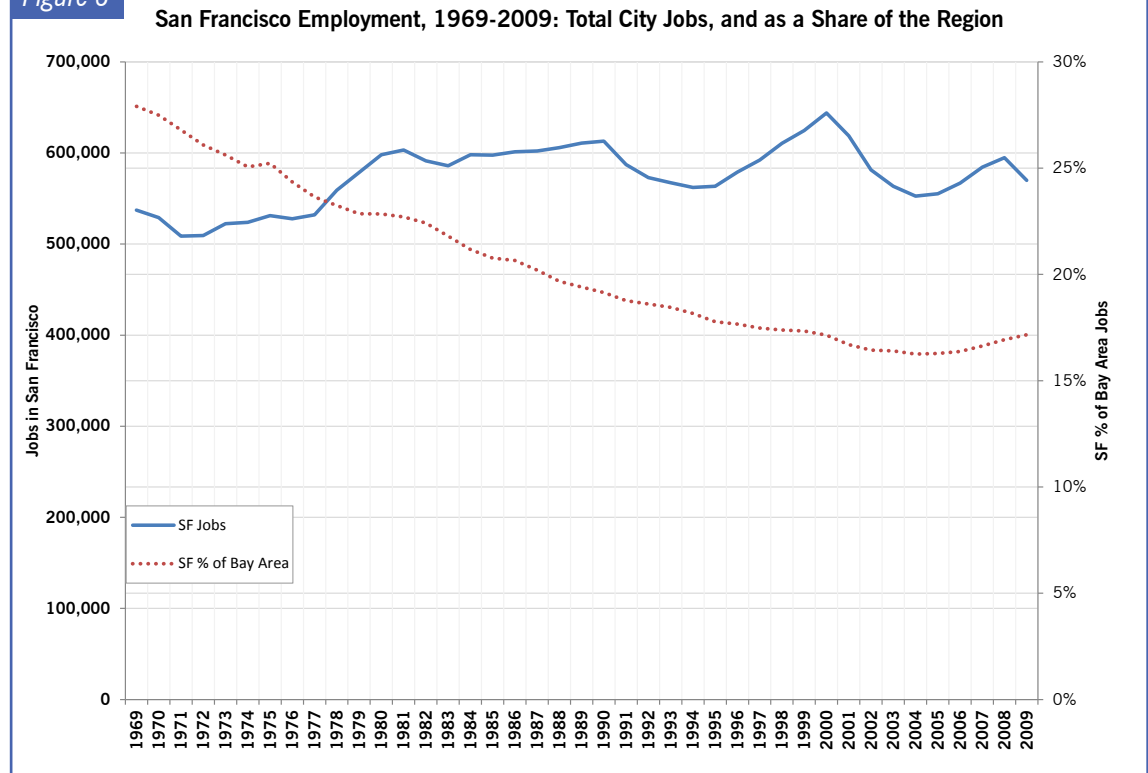
The analysis presented in this report is drawn from data produced in the last full business cycle, – 2004 to 2010, drawing on trends that emerge from the trough of the 2004 business cycle to the trough of 2010. The economic strategy takes a long-term perspective on growth and change in the city's economy. To get the clearest sense of the longer-term direction of the economy, the report is adjusted for the state of the business cycle. In areas where more recent information is relevant to the discussion, it is presented.

By comparing low point to low point in the economic cycles as has been done here, we can be sure that the results are comparable – comparing a peak in an economic cycle to a valley, would provide skewed results would not be helpful for analysis.

Historically, employment in San Francisco has changed little over the past 30 years. Comparing business cycles, the City had fewer jobs during the 2008 peak than it did at the peak of the 1981 business cycle. Over the past 40 years, the number of jobs has remained the same while the percentage of San Francisco's jobs in relation to jobs throughout the Bay Area has declined. See *Figure 3*.

In 1969, 28 percent of the jobs in the Bay Area were in San Francisco. By 2009, only 17 percent of the region's jobs were in the City. However, San Francisco's share of the Bay Area's jobs increased slightly since 2005, in part due to slower regional growth caused by the severity of the recession in other parts of the Bay Area. Since 2010, trends show a fundamental change in the preferences of businesses. It is expected that San Francisco will continue to see its share of the regional job growth continue to climb.

Figure 3



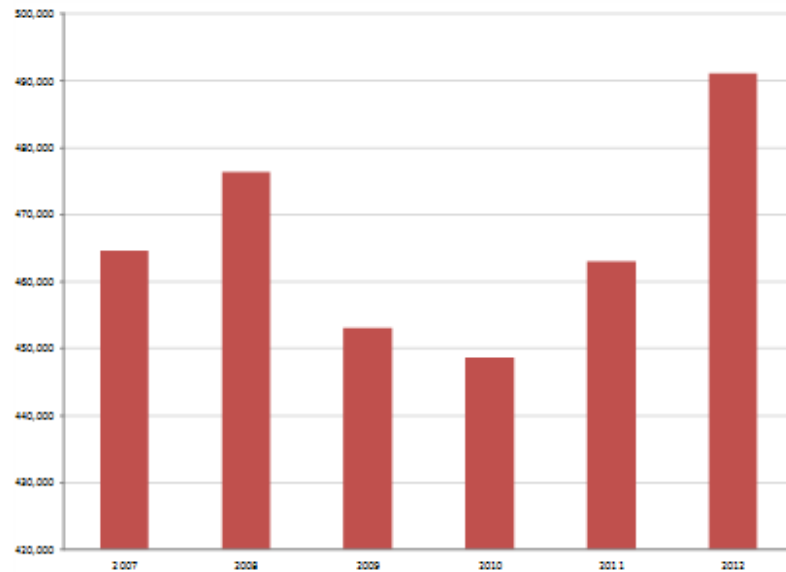
During the 2004-2010 business cycle, San Francisco's relatively slow employment growth was attributed to population growth in other Bay Area counties. As cities throughout the Bay Area increased in population, they also had a greater need for Local-Serving Industries, such as retail and healthcare resulting in slower growth within these industries in San Francisco. There was also a slower growth trend in key parts of the city's economic base that was not tied to the local population, such as advanced Financial & Professional Services.

Economic Recovery – 2010 to Present

Since hitting the trough of the last business cycle in 2010, San Francisco has demonstrated its economic resiliency and recovery. In 2012, total employment in the City reached pre-recession levels¹, and, since reaching this milestone, the unemployment rate has continued to steadily decline – standing at 4.4% as of the publishing of this report².

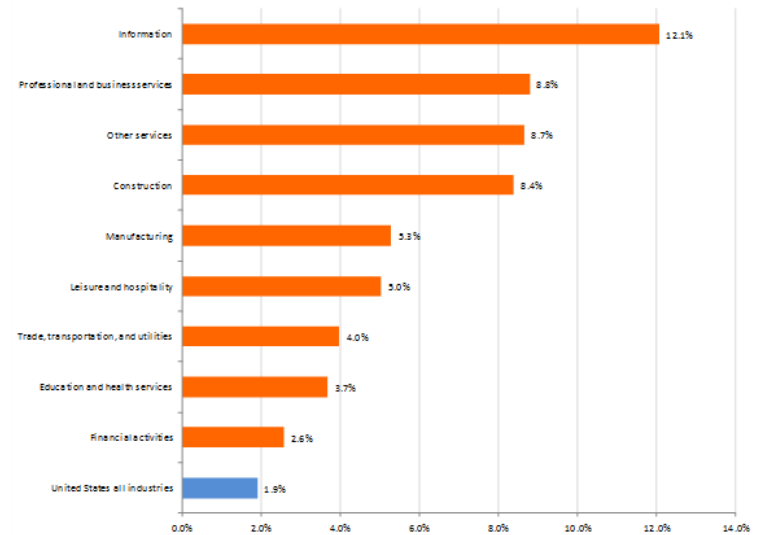
Today, the city is also out performing other large counties throughout the country. Between 2011-2012, San Francisco was the fastest growing large county in the United States as measured in annual private sector job growth. San Francisco’s recovery occurred across sectors with every sector in the city’s economy outpacing the US growth rate³.

San Francisco Private Sector Employment: 2007-2012



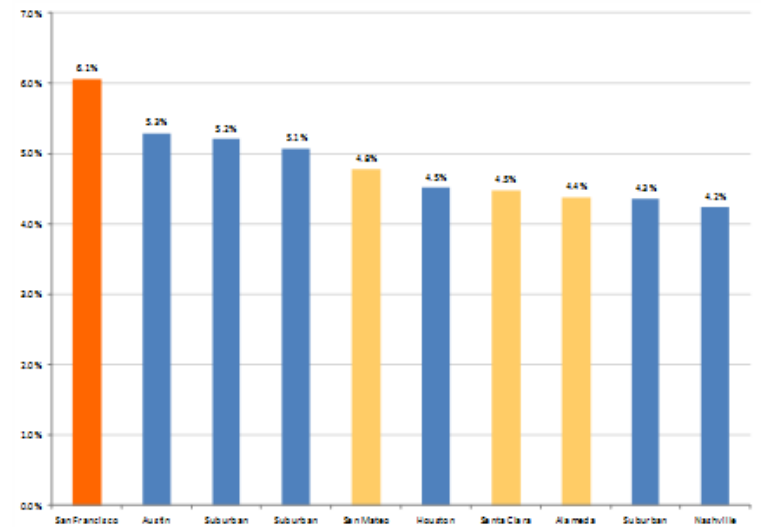
Source: Bureau of Labor Statistics

Employment Growth Rate, 2011-12: San Francisco Sectors and the U.S. Average



Source: Bureau of Labor Statistics

Annual Private Sector Employment Growth Rate, 2011-12: Ten Fastest Growing U.S. Counties with > 250,000 Employees



Source: Bureau of Labor Statistics

1 Bureau of Labor Statistics, 2013

2 California Employment Development Department, 2014

3 Bureau of Labor Statistics, 2013

STRUCTURE OF THE SF ECONOMY

Export Industries Driving Local Serving Industries

In Chapter One, the 2007 Economic Strategy divided the city's economy into two categories: Export Industries and Local-Serving Industries. The Export Sector created connections through the trade of ideas and services with the region, nation and the world. San Francisco's economy continues to be fundamentally shaped by its Export Sector's relationship with the rest of the region, country and world today. *Figure 4* illustrates the structure of San Francisco's private sector economy.

Export Industries: In the 2007 economic strategy, there were two types of export sectors – the knowledge sector and the experience sector. Given the growth of the technology sector, media, and design, as drivers in the city's export sector, and its differentiation from the financial and professional services, this update divides the knowledge sector into two separate groups: "Financial and Professional Services" and the "Creative Industries". The Experience sector remains unchanged. San Francisco's Export Sectors can be summarized as the following:

1. Financial & Professional Services: Includes businesses that provide accounting or legal services, administrative services as well and banking and insurance companies.
2. Creative Industries: Includes technology companies, education, architecture, advertising, and design firms as well as traditional media.
3. Experience Industries: Are primarily related to San Francisco's tourism sector. Businesses in this group include hotels, restaurants and nightlife, performing arts and sports, museums, and accommodations.

Local-serving industries generally provide goods and services within San Francisco. These local-serving industries primarily fall into two groups: human services and physical infrastructure. However, because businesses in both human services and physical infrastructure sectors experienced the same trends over the last business cycle, they were combined into the Local-serving industry sector for the purpose of this analysis.

- Human services include businesses and non-profits that provide services, such as healthcare and social services
- Physical infrastructure includes businesses that produce physical things: manufacturing, real estate, construction, transportation, maintenance and repair.

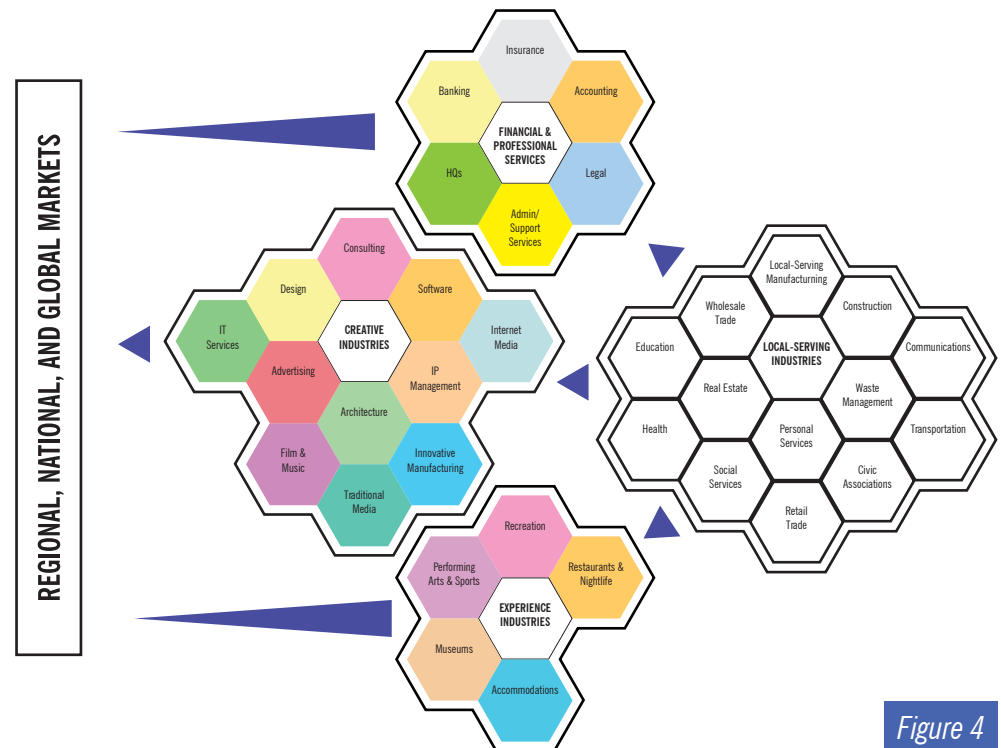


Figure 4

Sector Performance: 2004-2010

Each of San Francisco's export-based sectors – financial and professional services, experience industries and creative industries, are “established clusters”. Established clusters are industries that are more concentrated in San Francisco than in other cities of a similar size. For example, San Francisco's Experience Industry is 40 percent more concentrated than the national average (Professional Services 50 percent; Creative Industries 70 percent). *Figure 5* illustrates San Francisco's four key industries, their concentration in San Francisco and their employment growth in the last full business cycle.

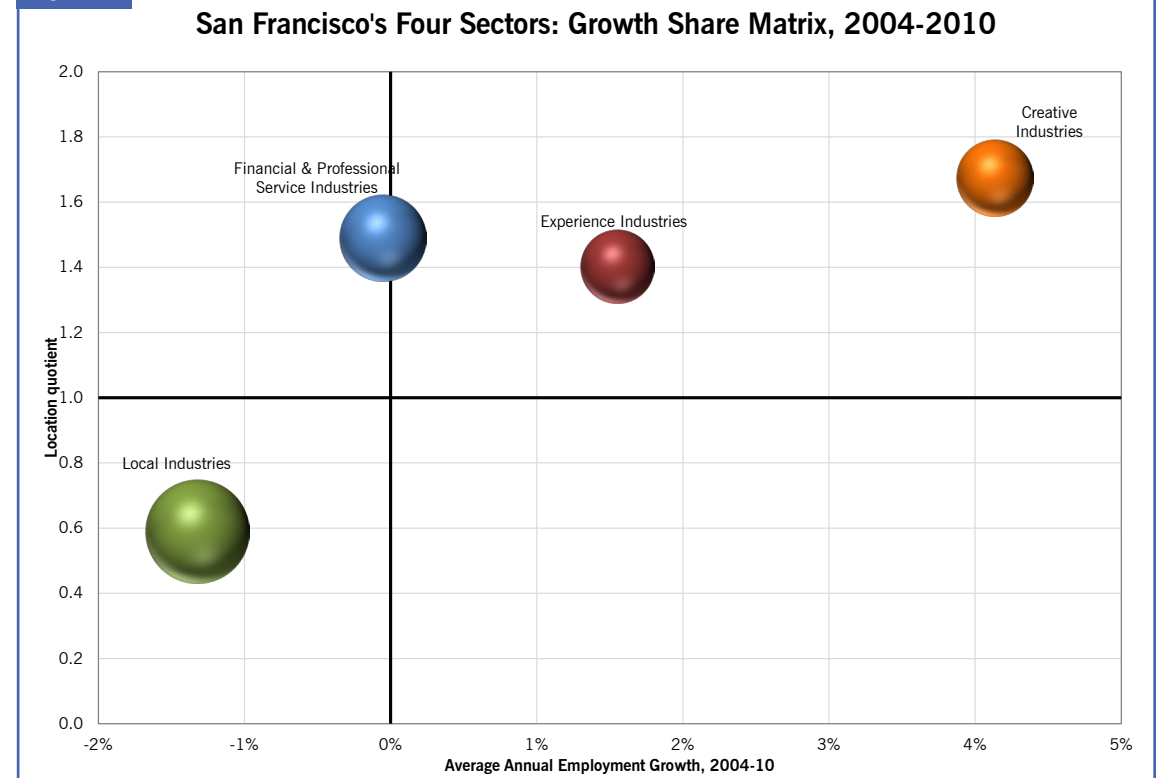
While each of the city's three export sectors are established clusters, only the experience and creative industries grew between 2004 and 2010. Creative industries experienced four percent annual employment growth over the last business cycle increasing to 69,000 jobs, while experience industries annually grew by 1.5 percent, for a total of 78,000 jobs, and financial services experienced a slight decline in job growth to 107,000 jobs.

The local-serving industries employed over 186,000 people and averaged over one percent annual job loss over the last business cycle. Local-serving industries are less concentrated in San Francisco than other cities, 60 percent less than the national average. These two contributing factors, negative growth rate and a declining concentration, indicate weak competitiveness for local-serving industries.

The competitiveness of the export sector strongly determines how much the city's businesses and residents can afford to spend on goods and services. This relationship between the strength of the export sector and local spending affects the performance of Local-Serving Industries.

During the last economic recovery, both the creative and experience industries led the city's economy out of the 2010 recession. As the export sector strengthened, the local-serving industries followed, but at a slower pace thus the export based sectors helped to drive local-serving industries.

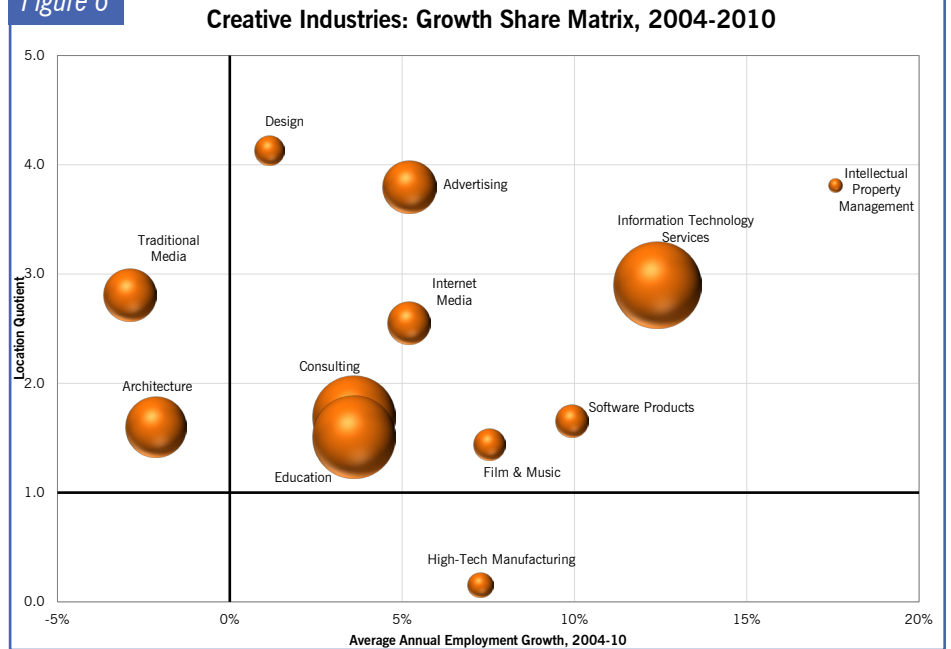
Figure 5



Creative Industries

Creative Industries include technology companies, education, architecture, advertising, and design firms, and traditional media. Within the creative industries cluster, information technology services is both the largest industry and its most successful major component. Over the last business cycle, covering the recession, the industry grew over 10% per year. Consulting and private-sector education were also major sources of employment in this cluster. Among creative industries, only traditional media (newspapers, magazines, radio and television) and architecture lost jobs during the last business cycle.

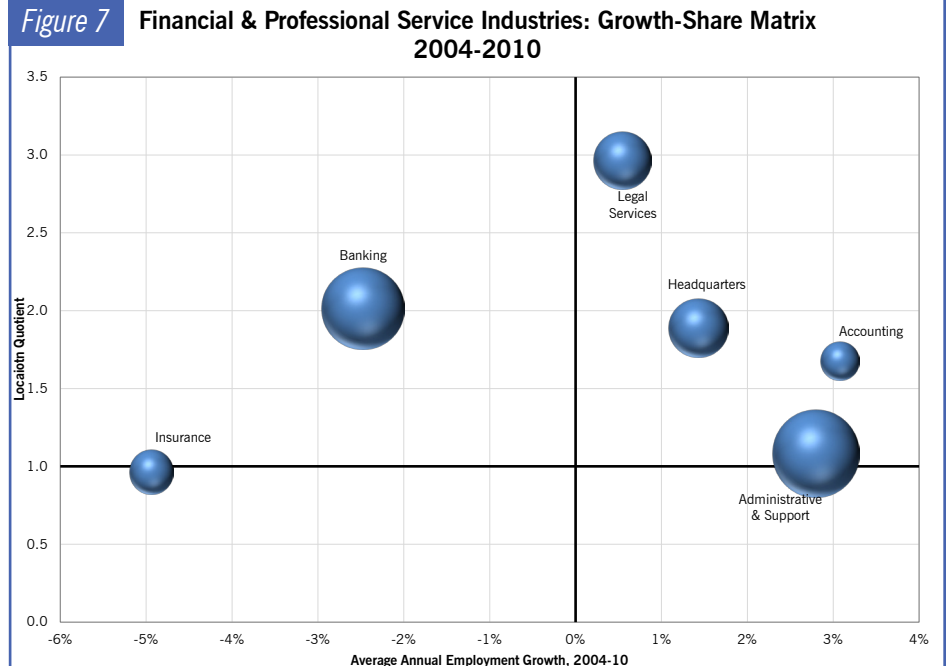
Figure 6



Financial & Professional Services

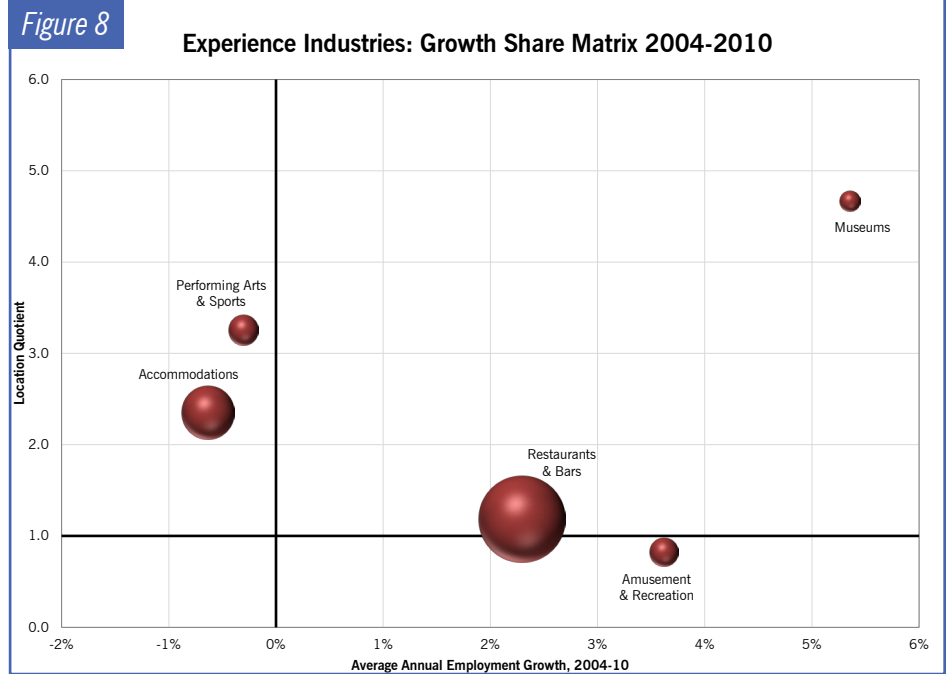
The financial and professional services cluster is split between the relatively healthy growth of corporate headquarter establishments and traditional professional and business services such as law and accounting, and the decline of banking and insurance. Financial services was hard-hit across the country during the recent recession, but the decline of this industry in San Francisco has been a historic trend.

Figure 7



Experience Industries

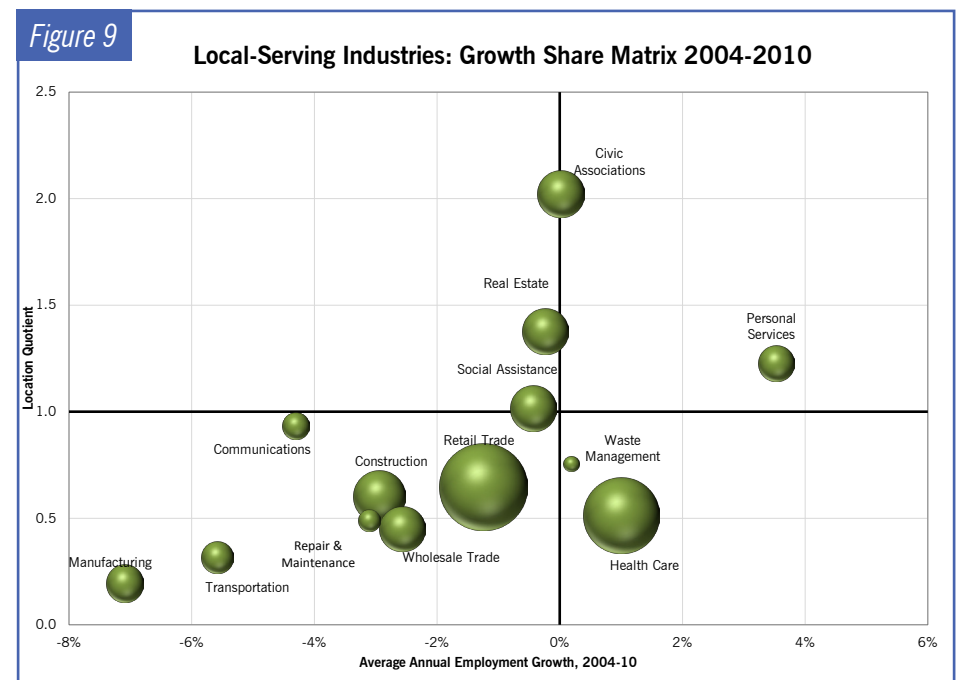
Restaurants and bars make up the bulk of the city's experience industry cluster with a health annual growth rate of 2.3% between 2004 and 2010. The growth in the city's museums and recreation businesses offset the decline in performing arts and accommodations.



Local-Serving Industries

As mentioned earlier, while the local serving businesses as a group lost jobs during the last business cycle personal services (e.g. laundry, beauty salons) grew at a significant pace, and the large private health care industry also added jobs. Other industries including retail trade, wholesale trade, transportation, and manufacturing, lost jobs and generally have significantly fewer jobs in San Francisco than in an average city of similar size.

At the end of the 2010 business cycle, there was resurgence in the manufacturing industry, with a 5.3% growth rate in San Francisco which outpaced the U.S. growth rate. This growth, while modest for a City of this size, showcases the importance of how supporting this industry is working and that San Francisco can be a leader in new types of manufacturing jobs.



WORKFORCE TRENDS

This report analyzed the workforce trends of our economy by examining the types of jobs created by each industry. Two factors were examined: the educational level of an employee and the hourly wage that employee was paid. Within each sector, this report looked at employees who had the following education levels:

- Low education (high school or less)
- Medium education (some college, Associates Degree)
- High education (four or more years of college)

It looked at the hourly wage those employees were paid based on the following wage levels:

- Low wage (less than \$17.50/hour)
- Medium wage (\$17.50-35/hour)
- High wage (\$35/hour)

The 2007 Economic Strategy concluded that the city needs to maximize good paying jobs for all residents, particularly those without four-year degrees. Each of the four sectors achieves this goal to varying degrees and are examined in more detail as follows.

Figure 10

	Low Wage (<\$17.50/hr)	Med. Wage (\$17.50-35/hr)	High Wage (\$35/hr +)	Total
Low Education (High School or less)	2%	3%	3%	7%
Med. Education (Some College)	1%	4%	6%	11%
High Education (Four yrs. +)	1%	20%	60%	81%
Total	4%	27%	69%	100%

Creative Industries

As illustrated in *Figure 10*, the creative industries tend to create medium- and high-wage jobs for the highly-educated. While these industries provide good wages to employees – 69% of all workers in these industries earn more than \$35 an hour – the vast majority of those working in these industries were highly educated with 81% having a four-year degree or higher.

Figure 11

	Low Wage (<\$17.50/hr)	Med. Wage (\$17.50-35/hr)	High Wage (\$35/hr +)	Total
Low Education (High School or less)	7%	4%	3%	13%
Med. Education (Some College)	1%	6%	7%	17%
High Education (Four yrs. +)	3%	13%	53%	69%
Total	13%	23%	63%	100%

Financial and Professional Services Industries

Similar to the creative industries, the financial and professional services industries also tends to create medium- and high-wage jobs for the highly-educated. The Financial and Professional Industries pay good wages with 63% of all workers in these industries earning more than \$35 an hour. However, 69% of those working in these industries had a four-year degree or higher. *Figure 11*.

Figure 12	Low Wage (<\$17.50/hr)	Med. Wage (\$17.50-35/hr)	High Wage (\$35/hr +)	Total
Low Education (High School or less)	33%	9%	2%	43%
Med. Education (Some College)	15%	7%	2%	25%
High Education (Four yrs. +)	12%	12%	8%	32%
Total	61%	28%	12%	100%

Experience Industries

The experience industries provide jobs to workers without a four-year degree – 68% having only some college or less – but those jobs tended to pay lower wages, with 61% earning less than \$17.50 an hour. However, 11% of experience industry jobs paid medium or high-wage for those with the lowest educational attainment level, suggesting that these industries provide opportunities for wage growth for those with just a high school education or less.

Figure 13	Low Wage (<\$17.50/hr)	Med. Wage (\$17.50-35/hr)	High Wage (\$35/hr +)	Total
Low Education (High School or less)	14%	14%	4%	31%
Med. Education (Some College)	7%	10%	5%	21%
High Education (Four yrs. +)	6%	19%	23%	47%
Total	26%	42%	32%	100%

Local-Serving Industries

The local-serving industries provide a more balanced distribution of job opportunities with 42% of workers earning medium wages of between \$17.50 and \$35 an hour. The local-serving industries also provided jobs for workers without a four-year degree with 52% of workers having some college or less. This intersection of good wages for those with less educational attainment indicates that the key opportunities for job creation across education levels are the local-serving industries that have potential for job growth, particularly in health care, construction and the retail sector.



DEMOGRAPHIC TRENDS

Trends by Population Types

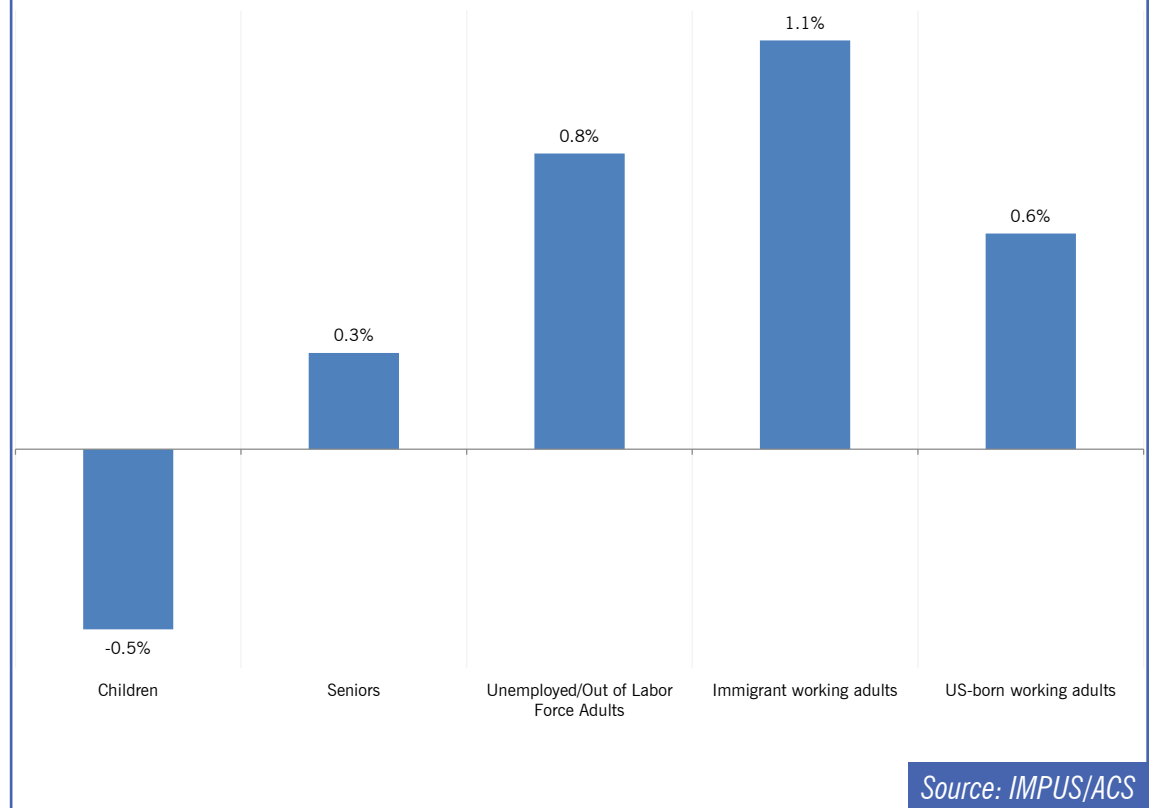
Between 1990-2010, the city's population as a whole increased by 81,000 residents. This represented a growth of 11 percent over 20-years, or an average annual growth rate of just over 0.5 percent.

In 2010, 55 percent of San Francisco's population consisted of working age adults. This included 34 percent that were born in the United States and 21 percent that were immigrants. Fourteen percent of the population was children and another 14 percent were seniors. 2010 also represented the worst year of the recession – 17 percent of adults were unemployed or out of the labor force.

During that same period, immigrant working adults were the fastest growing segment of the city's population, with an average annual growth rate of 1.1 percent. The number of seniors in San Francisco grew very slowly, at 0.3 percent and the number of children declined significantly, reducing at an average of 0.5 percent a year.

Figure 14

Average Annual Growth Rate, San Francisco Population Categories, 1990-2010



Trends by Household Income

When broken down by household income, there was a trend towards a City of high income and low income residents with a stagnant or declining middle class as illustrated in *Figure 15*.

These population trends by income categories are described in more detail below:

- **Extremely / Very Low Income:** A family of four with an annual income of less than \$50,000 is classified as extremely/very low income. The largest component of this segment of the population is adults that were unemployed or out of the labor force. Working adults represent the majority of growth San Francisco has seen within this segment.
- **Low Income:** The classification of low income represented a family of four with an annual income between \$56,000 and \$80,950. Overall, there was little growth in the low income population.
- **Moderate Income:** There was an absolute decline in the moderate population which represented families of four with an annual income between \$80,950 and \$121,450.
- **Middle Income:** The City's Middle income population was made up of families of four with an annual income between \$121,450 and \$151,800 experienced slight growth due to the increase in working adults.
- **Upper Income:** Families of four with an annual income above \$151,800 made up San Francisco's upper income population and were the only section of our population in which the number of children is growing. The majority of growth in this group came from both U.S. born and immigrant working adults.

Conclusions

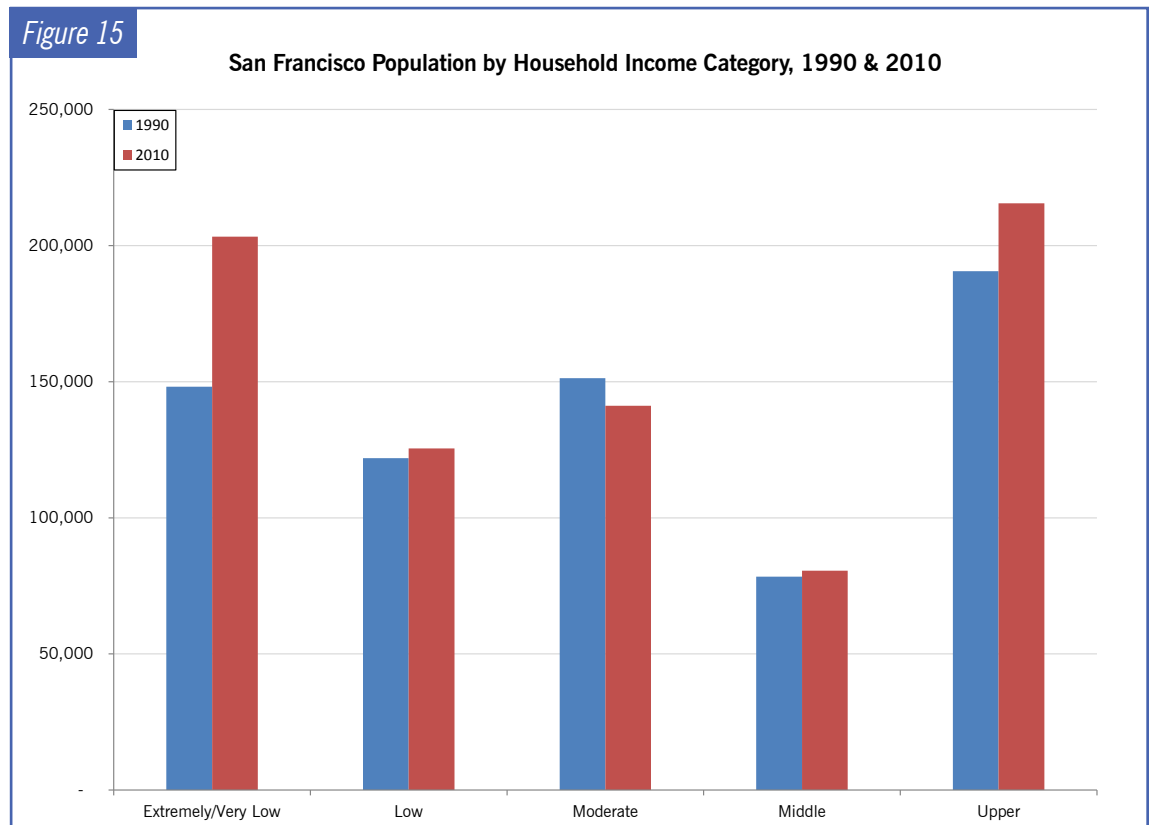
These demographic trends can be summarized as the following:

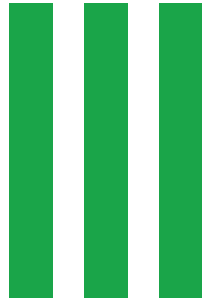
- The demographic profile of San Francisco generally aligns with its industry dynamics. Increasing growth in industries paying very

high and very low wages has led to growth in the upper income population.

- Changing patterns of in-commuting and out-commuting tend to exaggerate this trend. The rise of in-commuting of low and moderate income workers suggests the city is losing middle-income population faster than it is losing middle-wage jobs.
- On the other hand, as the city establishes larger communities of upper and very low income people, San Francisco is increasingly a residential center for both socio-economic groups, who increasingly commute out of San Francisco to jobs elsewhere in the region.
- Across most income categories, children and seniors are declining, while the working age adult population is growing.
- The immigrant workforce is growing faster than the U.S.-born workforce at every level of income.
- Immigrant and U.S.-born workers are identical in growth trends by income with nearly all growth at the upper and lower ends of the income spectrum.

Figure 15





BARRIERS TO JOB GROWTH

3.1

Labor/Housing Costs

3.2

Commercial Rent

3.3

Business Taxes & Regulations

3.4

Quantifying the Cost of Doing
Business in San Francisco

3.5

Results of Business Barriers Survey

LABOR HOUSING COSTS

A key reason to why San Francisco's employment had been slower than the rest of the Bay Area during this time period, for most industries, is that the cost of doing business was significantly higher than it was in other locations within the region. This chapter draws on data from the Controller's Office of Economic Analysis to assess the barriers to job growth in San Francisco.

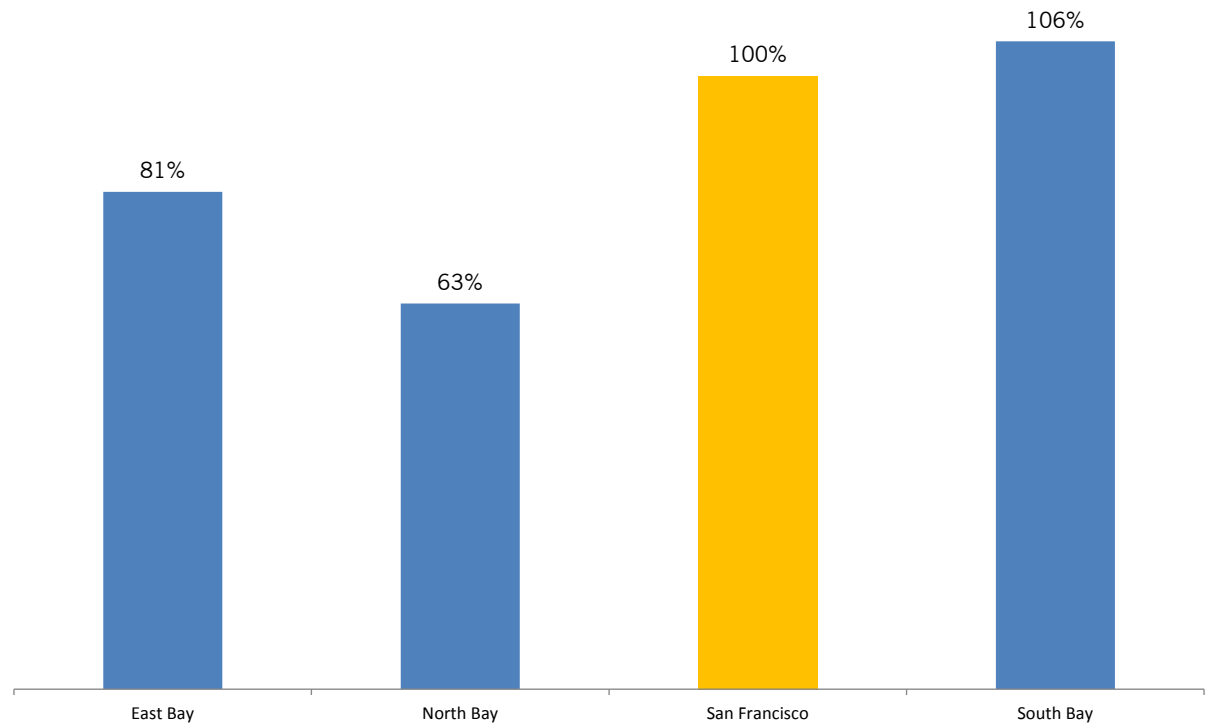
Labor and Housing Costs

Since labor makes up the single largest expense for most businesses, labor cost differences between San Francisco and other jurisdictions can matter the most when a business is deciding where to locate. On an industry-weighted basis, average wages in San Francisco are:

- 19 percent higher than the East Bay
- 37 percent higher than the North Bay
- 6 percent lower than the South Bay

Figure 16

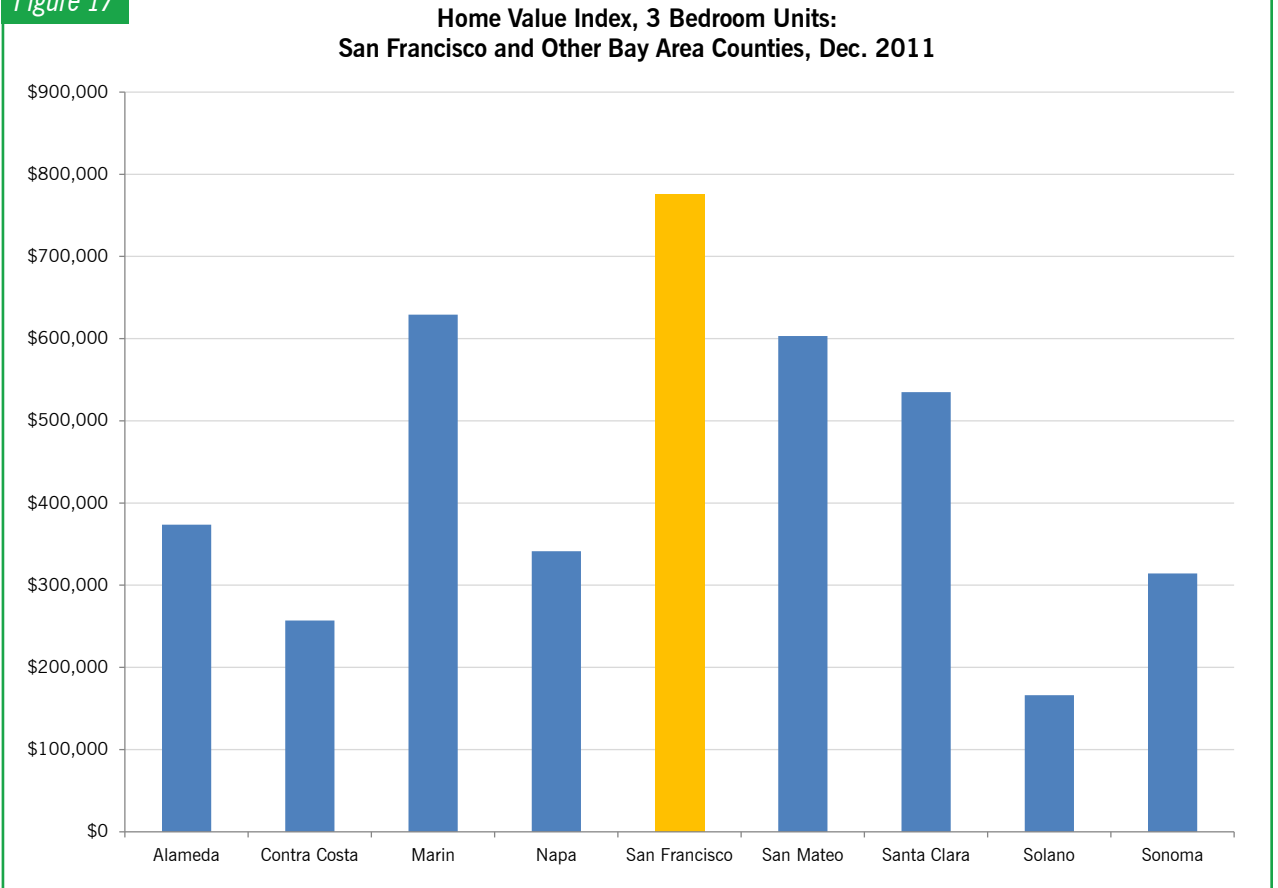
Relative Wages in the Bay Area as a % of San Francisco, 2010



One of the reasons wages were higher in San Francisco is because housing is more expensive here. The housing market crash in 2010 also known as the Great Recession significantly lowered the cost of housing throughout the nation and the Bay Area. While San Francisco traditionally had lower housing prices than Marin and San Mateo counties, the housing crash affected the City less than the rest of the region, resulting in San Francisco having the highest housing prices in the Bay Area.

The increasing difference in housing prices in San Francisco was due in large part to the amount of housing built in outlying areas of the Bay Area, and the proportionally small amount being constructed within San Francisco. The depressed cost and high rate of vacancies in these parts of the Bay Area could take several years to be absorbed while San Francisco's low vacancy and high costs could continue the upward cost trend. *Figure 17* shows Zillow's three- bedroom housing index for Bay Area counties. San Francisco has traditionally had lower housing prices than Marin or San Mateo counties, but this trend has reversed.

Figure 17

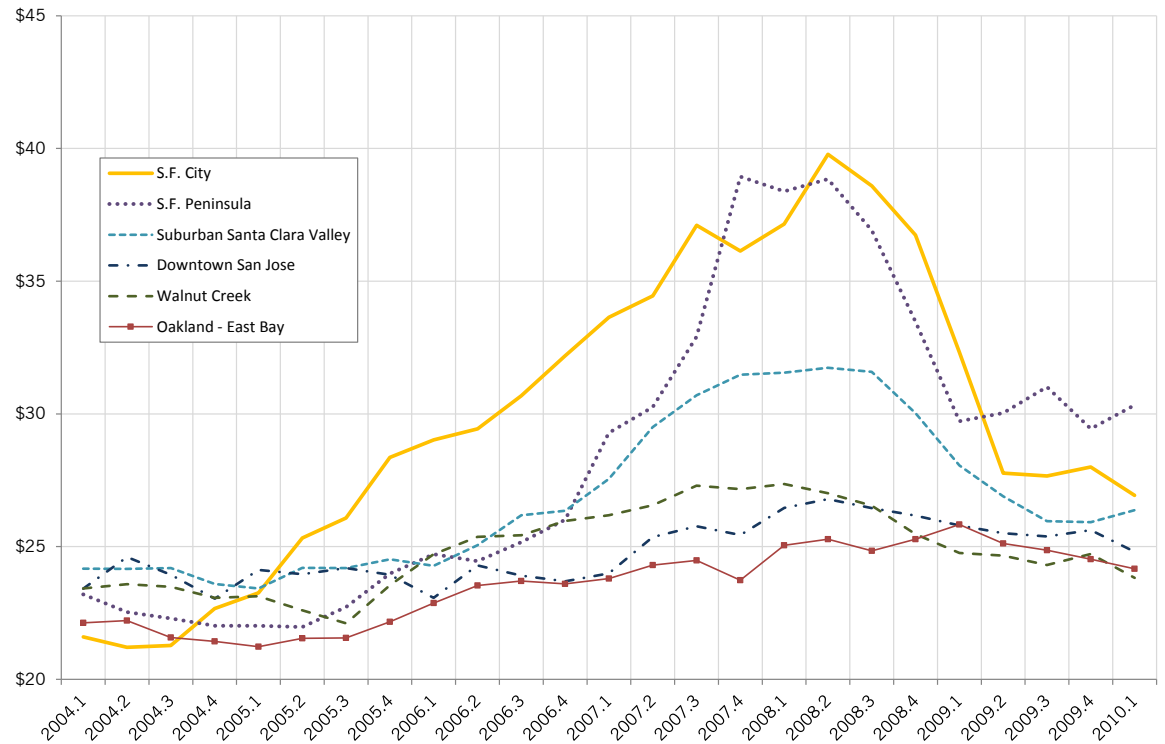


COMMERCIAL RENT COSTS

After labor costs, real estate was the cost factor that accounts for most of the cost difference across Bay Area business locations. Assessing differences in commercial rent was challenging because submarkets moved at different rates. However, as an average across all office space types, and based on the full business cycle from 2004 to 2010, average commercial rent in San Francisco was 5% higher than the Peninsula, 10% that of suburban Santa Clara County, and 17% higher than Walnut Creek or downtown San Jose. This is illustrated in more detail in *Figure 18*. Similar to high labor costs, high rents discourage businesses from locating in or expanding within San Francisco.

Figure 18

Average Gross Asking Rent, San Francisco and Other Bay Area Office Markets, 2004Q1 - 2010, Q1



BUSINESS TAXES AND REGULATIONS

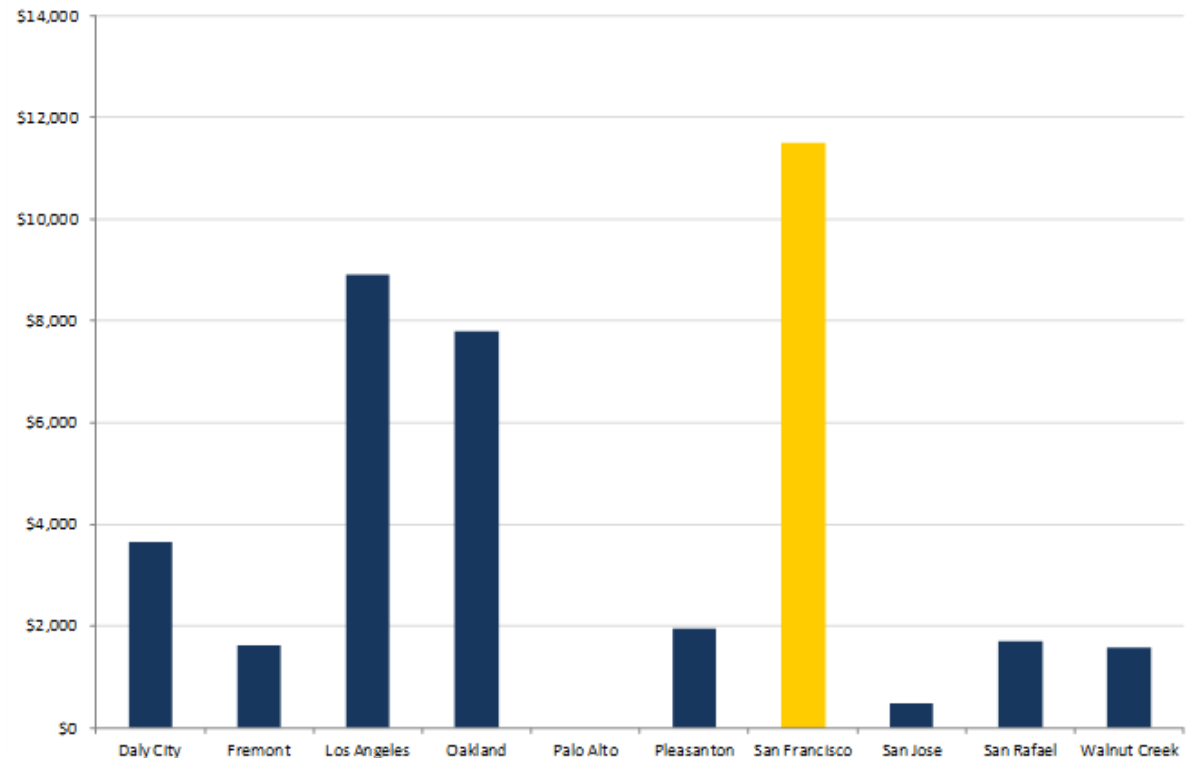
San Francisco's business tax is another reason the cost of doing business was higher than elsewhere in the region.

In 2012, San Francisco voters approved changing the business tax from a payroll tax to a gross receipts tax. The transition from payroll to gross receipts began in 2014 and is being phased in over five years.

Since San Francisco was the only city in the state to charge a tax on payroll, it is difficult to assess the impact it had on businesses. An example of the Payroll Expense Taxation System: a hardware store with 18 employees would pay close to \$12,000 a year in San Francisco, on average, while paying significantly less than if it was located in Oakland or Los Angeles.

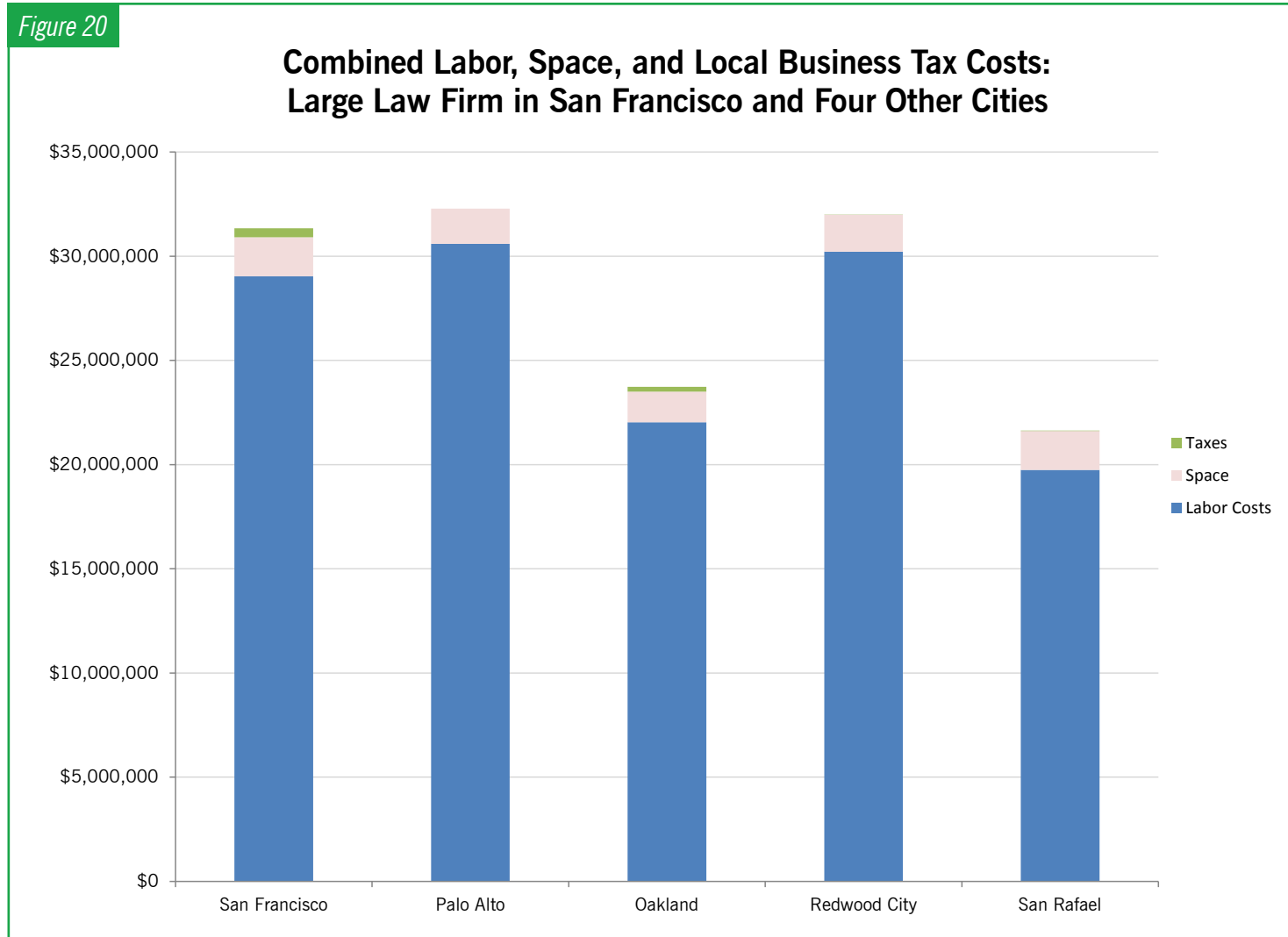
Figure 19

Annual Business Tax Payment in San Francisco and Other California Cities:
Typical Small Hardware Store



QUANTIFYING THE COST OF DOING BUSINESS IN SAN FRANCISCO

To better understand the degree of differences in the costs for doing business in San Francisco, *Figure 20* provides a comparison of the relative costs for labor, real estate, and in taxes in San Francisco to neighboring cities.



RESULTS OF THE BUSINESS BARRIERS SURVEY

Proposition I requires the Office of Economic and Workforce Development (OEWD) to conduct a survey on the barriers to employment retention and attraction in order to “identif[y] impediments to business and permitting, taxes and fees, regulatory schemes and other City policies, requirements and other matters that may inhibit economic development and job creation with in the City.”

In 2012, Corey, Canary & Galanis conducted a study of 2,600 San Francisco businesses that were randomly selected from all businesses registered to operate in San Francisco. Of the selected companies, a total of 800 interviews were completed, 600 by phone and 200 online. The primary goal of the survey was to identify policies, requirements or other factors that limit job growth or job creation and economic development in San Francisco.

When asked to rate doing business in the city, the survey showed that 25% as Excellent/Good, 25% as Average and 49% of businesses rated the city as Poor/Terrible. The survey found that 65% of the businesses stated that San Francisco is a preferred location for a business like theirs while negative business climate ratings were driven by real estate cost, taxes and workforce costs.

The top five barriers to doing business identified in the 2012 survey were also many of the same problems faced by businesses surveyed in 2007; however, results also showed that businesses now view them as less of a barrier than before.

In 2007, 78% of businesses identified city taxes, including the payroll tax, as a barrier to doing business in San Francisco, compared to 54% in 2012, a decrease of 24 percentage points. The number of business

owners seeing the cost of labor as a barrier also significantly declined from 76% in 2007 to 51% in 2012. This same study showed 75% of businesses found the cost of commercial space as a barrier, as compared to 80% of respondents in 2007.

A comparison to the responses from the 2007 and 2012 surveys demonstrated that San Francisco is making progress toward encouraging job creation and economic development. Of the businesses interviewed, 66% reported the City is doing the same or better in attracting businesses to stay or expand in San Francisco and 71% of businesses reported that their revenue had increased or stayed the same over the past year.

Businesses cited several reasons for being attracted to San Francisco including the city’s qualified workforce, quality of life and the city’s central location for goods and services. While both surveys identified costs as significant barriers to doing business in the city, the severity of those barriers is steadily declining.

The full results of the 2012 survey can be found in Appendix A.



IV

ACTIONS ON POLICY GOALS
AND RECOMMENDATIONS

4.1

Education and Training

4.2

Governance and Business Climate

4.3

Quality of Life

4.4

Infrastructure

4.5

Technology and Innovation

EDUCATION AND TRAINING

Policy Goals and Recommended Actions	Summary of Actions
<p>1.1 Create a Coordinated Workforce Development Strategy for the City Around the Economic Development Priorities</p>	<p><u>Consolidated and Aligned Workforce Programs</u>: OEWD consolidated Workforce Investment Act, Community Development Block Grant, General Fund, and departmental work ordered dollars to develop and fund workforce programs. In coordination with the Mayor’s Office and Board of Supervisors, OEWD aligned citywide workforce efforts, including completing an inventory of City workforce programs and assisting with the development of amendments to Administrative Code 30. These amendments, among other provisions, establish an Alignment Committee comprised of city departments providing workforce services that will develop five-year workforce plans and annual updates.</p> <p><u>Launch the WISE</u>: OEWD reconfigured the Workforce Investment Board (WIB), launching Workforce Investment San Francisco (WISF) as the City's designated Workforce Investment Board (WIB). WISF members include senior representatives from a range of sectors, including construction, hospitality, health care and technology.</p> <p><u>Develop City-wide Strategic Workforce Plan</u>: OEWD developed and is implementing a strategy that aligns the City's workforce programs around the needs of local and regional industry growth sectors. Included in this strategy are OEWD’s four sector training academies in construction, health care, hospitality and information and communication technology(ICT). These academies train workers in growing sectors of the local and regional economy. In both its training and business services activities, OEWD uses a "dual customer approach" to workforce development; which focuses on the need of both employers and employees.</p> <p><u>Launch Access Points</u>: OEWD replaced the traditional One-Stop model with an “Access Points” strategy that is tailored to meet the unique needs of San Francisco’s diverse neighborhoods, communities, and employers. OEWD funds service providers to support four types of Access Points: a single Comprehensive Access Point, Sector Access Points, Neighborhood Works Access Points, and Young Adult Work Link Access Points.</p>
<p>1.2 Better Prepare San Francisco's Youth for Careers</p>	<p><u>Develop Youth Pathways to Jobs in Priority Sectors</u>: In partnership with SFUSD's Career Technical Education programs, OEWD aligns training in construction trades, hospitality and in healthcare. OEWD continues to strengthen these partnerships, and is working to develop new partnerships with SFUSD high schools focusing on Information and Communication Technologies (ICT) pathways.</p> <p><u>Promote Collaboration Between SFUSD and Employers</u>: The re-launched WISF and the Youth Council both include the San Francisco Unified School District; which provides the SFUSD a direct connection to major employers across all sectors.</p> <p><u>Strengthen OEWD / DCYF Collaboration</u>: OEWD works closely with DCYF, partnering on Summer Jobs+, supporting DCYF's Transitional Age Youth initiative (TAYSF) and coordinating citywide workforce strategy. DCYF's Director also sits on OEWD’s Youth Council, which is charged with coordinating and centralizing the youth workforce system in San Francisco.</p>

1.3 Close the Digital Divide

Technology Labs: Through Broadband Technology Opportunities Program (BTOP), DT opened or re-equipped 14 new youth digital media technology labs and 54 neighborhood tech centers for seniors and adults with disabilities.

Training: Through BTOP, the Department of Technology (DT) trained 2,500 participants per quarter. Provided over 200,000 hours of digital literacy and digital media training.

Fiber Infrastructure: The City prioritized high speed penetration of broadband with over 130 miles of fiber optic cables already laid and made significant investment to take advantage of the coordinated street excavation ordinance. Studies show that for every 20% of broadband penetration, we can correlate 1% of GDP growth.

Public Housing: DT completed broadband installation in all the public housing sites in December 2011 with the use of City-owned fiber optic cables providing the backbone in newer developments such as Valencia Gardens. DT is now working to improve WiFi at these sites.

Market Street: DT brought high density, high capacity broadband to Market Street. Completed in December 2013, one of San Francisco's most culturally and economically diverse corridors now has free outdoor WiFi service from Castro St. to the Embarcadero.

Treasure Island: In December 2013, DT completed the upgrade to the outdoor WiFi network increasing the number of access points from 18 to 45 and resulting in more robust WiFi service.

Union Square: DT installed a pilot public network in the first phase of their plans to expand WiFi.

Northern Waterfront: As part of the America's Cup legacy project, Cisco donated the WiFi radios that were provided during the yacht racing events. DT now manages these radios to ensure long term WiFi access along the northern waterfront.

Parks: In partnership with Google, WiFi is available in 32 parks and recreation centers citywide.

Civic Center: DT installed WiFi in the Civic Center.

GOVERNANCE AND BUSINESS CLIMATE

Policy Goals and Recommended Actions	Summary of Actions
<p>2.1 Create a Local Tax Policy That Promotes the City's Economic Development Priorities</p>	<p><u>Transitioning to Gross Receipts Tax:</u> In 2012, with the support of Mayor Lee and all 11 Supervisors, San Francisco voters approved Proposition E, phasing out the City's Payroll Expense Tax and moving to a Gross Receipts Tax. The transition also includes changes to the business registration structure. This change in our method of taxation further advances the Economic Strategy's goals by supporting job creation. OEWD is working with the Treasurer and Tax Collector's Office on outreach to San Francisco business to inform them of the changes and assist during the transition to the new tax structure.</p>
<p>2.2 Increase Business Outreach and Private Sector Partnerships</p>	<p><u>Sector Initiatives:</u> OEWD developed sector initiatives for the priority sectors identified in the 2007 Economic Strategy. Sector initiatives include dedicated sector managers who lead business retention and attraction efforts while supporting the growth of new companies in each sector. Target sectors include: manufacturing, technology, life sciences, health care, cleantech, tourism, nightlife, retail, and financial & professional services.</p> <p><u>Outreach to Business:</u> OEWD is conducting proactive business outreach across sectors. Outreach includes providing direct business assistance, connecting businesses to useful programs, and understanding and addressing industry-wide needs. The Jobs Squad and Office of Small Business (OSB) conduct direct outreach to small businesses.</p> <p><u>Strengthened Private Sector Partnership:</u> OEWD developed partnerships and strengthened collaboration with private sector trade groups in each sector. Examples include OEWD's work with SFMade – a nonprofit focused on supporting the local manufacturing sector – on the Mayor's Industrial and Manufacturing Initiative and the San Francisco Center for Economic Development on ChinaSF, LatinSF, and SFAsia. OSB engages with small business and merchants associations as well as the ethnic, women and LGBT chambers of commerce on new or changes to business policies and regulations.</p> <p><u>International Business Development:</u> OEWD drove job creation and investment by expanding the City's international business efforts. In 2008, OEWD launched ChinaSF a public/private initiative focused on attracting Chinese firms to establish offices in San Francisco. ChinaSF has attracted 44 firms to San Francisco over the past five years. With San Francisco's strength in knowledge sectors, ChinaSF assisted with expanding architectural, legal and other services into the Chinese market. As part of Mayor Lee's 17-Point Jobs Plan, OEWD has developed two new international initiatives in 2014 focused on Latin America and Asia based on the ChinaSF model. OEWD is also focused on helping local firms enter or expand in the overseas market. OEWD is working with SFMade to assist local manufacturers sell products in the international market.</p> <p><u>Support and Expand Local Filmmaking in San Francisco:</u> The San Francisco Film Commission supported and expanded the local filmmaking community, encouraging artists to stay in or come to San Francisco for their film projects by: promoting San Francisco as a filming destination, offering the Scene in San Francisco Rebate Program and Vendor Discount Program which helps lower the cost of production in San Francisco, creating more space for filming in San Francisco and improving the relationship between filmmakers and the residents.</p>

<p>2.3 Streamline Business Interaction with the City Government</p>	<p><u>Launched One-Stop Business Assistance Center:</u> In 2008 the Office of Small Business (OSB) opened the Small Business Assistance Center at City Hall, which provides a physical location and central point of information and consultation for businesses that need “targeted one-on-one assistance in the following areas: Business Start-up/Expansion, Permit Assistance, Procurement, Compliance with Government Laws and Regulations, and Incentives and Resource Referrals.” From May 2008 to May 2014, OSB has served more than 16,500 small business clients. OSB staff developed the base knowledge of each key departments and established liaisons with departments for effective and timely referrals.</p> <p><u>Developing an Online Business Portal:</u> In 2013, OEWD, OSB and the Mayor's Office launched the first phase of the City's online business portal which provides businesses with a list of permits and licenses needed to start and operate a business in San Francisco. Phase Two of the portal launched in November 2014. The web portal is simple and easy to use; providing comprehensive information and resources on starting and growing a business in San Francisco.</p> <p><u>Coordinating with 311:</u> OSB strengthened coordination with 311 by providing regular briefings, trainings and content to 311 operators. OSB has escalation procedures with 311 and 311 refers calls to OSB's assistance center. OSB monthly close out rate of 311 referrals is 100%. The Treasurer and Tax Collector's Office also refers calls to 311 to answer basic information from business registration to business tax information.</p>
<p>2.4 Evaluate and Refocus the City's Assistance Programs for Businesses</p>	<p><u>Conducted a Small Business Needs Assessment:</u> In 2010, OEWD conducted a small business needs assessment which included a survey, stakeholder interviews, focus groups, and technical analysis. Small business assistance programs funded by the Community Development Block Grant (CDBG) and the general fund were modified in response to the priorities identified by small business owners and entrepreneurs. On an ongoing basis, OEWD and OSB staff works directly with small businesses, business associations and the Small Business Commission to continually understand the evolving needs of the San Francisco small business community.</p> <p><u>Evaluation and Refinement of Assistance Programs:</u> OEWD develops programs in response to the needs of businesses. For existing programs, OEWD is continuously evaluating and refining its business assistance programs to ensure they meet the needs of San Francisco businesses. Programs include:</p> <p><u>Loan Programs:</u> In 2010 when access to a capital was a significant barrier for small businesses, OEWD launched an \$800,000 city funded Revolving Loan Fund Program which provides loans up to \$50,000 to small businesses for working capital, startup costs and equipment purchases. Through Mayor Lee's 17-Point Jobs Plan, OEWD launched the Emerging Business Loan Fund for loans ranging from \$50,000 to \$1 million for businesses with larger capital needs. Responding to the needs of small businesses, in 2013 OEWD launched a Micro-Loan program for no-interest loans of up to \$7,500.</p> <p><u>ADA Program:</u> To help small businesses understand and comply with the Americans with Disabilities Act (ADA), in 2012 OEWD launched a new Americans with Disabilities Act Small Business Assessment Program which provided San Francisco businesses with an ADA assessment report, a plan for compliance, and access to new grant funding and loan programs to make the necessary upgrades. Within one year, the program was able to serve over 250 businesses.</p>

<p>2.4 Evaluate and Refocus the City's Assistance Programs for Businesses</p>	<p><u>Storefront Vacancy Program</u>: To address concerns about storefront vacancy across the city's commercial corridors, OEWD launched StorefrontSF in 2013, a free searchable online vacancy tool which provides free listings of available retail space in San Francisco.</p> <p><u>Jobs Squad</u>: Also as part of the Mayor's 17-Point Jobs Plan, OEWD launched the Jobs Squad in 2013 which provides direct outreach and assistance to businesses at their location. The Jobs Squad promotes existing city services and programs; provides vital information about projects, activities or meetings that impact their area; assists merchants with navigating permitting processes as well as other issues pertaining to city regulations; and provides rapid response to businesses in need of emergency services, in coordination with the Office of Small Business. To date, Jobs Squad has visited over 5,400 businesses and assisted more than 270 individual businesses.</p>
	<p><u>Increase Coordination of Small Business Services</u>: The Office of Small Business (OSB) creates a business profile for each business client served through the Small Business Assistance Center (SBAC) utilizing a Customer Relationship Management Software (CRM). OSB tracks businesses that need assistance by business phase, business formation, business type and services requests and needs. OSB and OEWD's Invest in Neighborhoods (IIN) team work closely together to connect small business clients to technical assistance, financial assistance, and to resources that help businesses navigate city government. OSB also works closely with the Neighborhood Economic Development Organizations (NEDOs) to ensure efficient and effective client referrals. OSB works with the IIN team and NEDO's to identify needed policy or regulatory changes.</p>
	<p><u>Small Business Development Center</u>: In early 2014, OEWD was awarded a grant, through a competitive bidding process, to become the new local host of the San Francisco Small Business Development Center (SBDC). The SBDC is a national program that provides specialized technical assistance to entrepreneurs seeking to launch, grow, stabilize or transition their small business. Clients are matched up with business advisors who provide free consultation in areas such as business planning, access to capital, hiring, and operations. SBDC services will be offered through the City beginning early 2015, and will complement the existing OSB case managers.</p>
<p>2.5 Evaluate Economic Impact of City Policies on Business</p>	<p><u>Provide Economic Impact Analysis</u>: Beginning in 2006, the Controller's Office of Economic Analysis (OEA) began preparing a report on proposed legislation with a material economic impact. As of May 2014, 78 reports were completed.</p>

2.6 Use City Purchasing and Regulation To Promote Competitiveness in Priority Sectors

Increase Outreach and Assistance: The Contract Monitoring Division (CMD) Unit conducts concerted outreach efforts with Local Business Enterprise (LBE) sub-contractors, Departments and prime contractors to ensure maximum involvement and compliance. CMD conducts regular monthly workshops to increase the number of certified LBEs. OSB promotes and refers small businesses to CMD through the web, newsletters, direct outreach and events. CMD launched a successful one-year pilot program targeting women in business development. As a result, owners that are women were able to successfully secure loans, launch websites, hire employees, bid as prime contractors, and receive awards through the public bidding process.

Streamline and Implement Efficiencies: CMD increased the efficiency of the LBE certification process by deploying technology like the LBE Utilization Tracking System (LBEUTS) for invoicing and monitoring. The new LBE Online Application system makes forms available online and provides resource guides to make the process easier to navigate. CMD now has a dedicated bilingual certification analyst to assist with the LBE application process.

Distribute List of Certified LBE: CMD has an online directory of certified LBE's, and Small Business Administration LBEs so prime contractors and city departments can easily perform their outreach, in addition to a directory of current 12-B compliant firms.

Create Jobs for Workforce Graduates: The San Francisco Public Utilities Commission's GoSolarSF program, an incentive program to help residents, businesses and non-profits, install solar energy projects, requires that participating contractors hire Workforce Graduates. Since 2008, the program has created a total of 120 temporary graduate hires and 18 full time positions.

QUALITY OF LIFE

Policy Goals and Recommended Actions	Summary of Actions
3.1 Upgrade Neighborhood Commercial Areas	<p><u>Promote Neighborhoods to Visitors:</u> OEWD is working with the San Francisco Travel Association (SF Travel) to connect neighborhood commercial districts to the 16.9 million visitors that come to SF each year.. Activities include developing partnerships between OEWD, SF Travel and neighborhoods to increase information sharing and to support the promotion of SF’s unique neighborhoods through print, the web and social media channels. This year OEWD and SF Travel partnered on Shop Small Saturday (focused on the day after black Friday and holiday promotional campaigns) and on Mayor Lee’s “Shop and Dine in the 49” local business promotional campaign. Additionally OEWD encourages commercial district organizations that seek to attract new visitors to consider becoming partners with the SF Travel, to advertise their neighborhoods through the Visitor Information Center, and to attend tourism business networking events such as concierge and meeting planner visits. The aim is to help draw more visitors into neighborhood corridors supporting small businesses, increasing the lengths of visitors stays and the number of return visits.</p> <p><u>Invest in Neighborhoods:</u> In 2013, as part of Mayor Lee’s 17-Point Jobs Plan, OEWD launched the Invest in Neighborhoods Initiative (IIN). Invest in Neighborhoods is a cross-departmental initiative to strengthen and revitalize 25 commercial corridors by providing customized assistance including small business loans, façade improvement grants, streetscape improvements, business attraction, business outreach by the Jobs Squad, and a dedicated staff for each commercial district. OEWD staff worked with community partners and other City agencies to develop action plans for each specific neighborhood that are responsive to the commercial district’s specific needs, strengths and opportunities.</p> <p><u>Maintain and Beautify Commercial Districts:</u> OEWD deployed \$1.6 million in SF Shines façade grant dollars since 2011, which has improved 47 small business storefronts throughout the City. Through the IIN program, OEWD facilitates and coordinates with the Department of Public Works (DPW), the Planning Department and the Municipal Transpiration Agency (MTA) on streetscape improvement efforts. Through OEWD’s Community Benefit Districts (CBD) program, San Francisco is home to 13 CBDs with an additional four CBD’s currently in the formation process. Through district-wide business tax assessment CBDs provide ongoing private dollars to supplement streetscape improvements, street maintenance and safety services and marketing.</p>

3.2 Encourage Creativity by Continuing to Develop San Francisco as a Center for the Arts

In addition to the \$5 million in renovations to the Bayview Opera House, in the FY14 & FY15 budget cycle, the Arts Commission will invest over \$2 million in capital improvements and facilities maintenance to the three other City owned cultural centers: SOMArts, the Mission Cultural Center for Latino Arts, and the African American Art and Culture Complex. The centers receive operating grants and provide low cost rental space to other nonprofit arts organizations.

The City's Art Enrichment ordinance (2% for public art) ensures that capital improvements result in arts investments. These include increasing funding for new, permanent public art projects by over \$4 million, increasing public arts contracts awarded from \$435,000 in 2007 to \$4.6 million in 2013. This investment not only creates new arts infrastructure to improve the quality of the built environment, it creates employment opportunities for arts professionals, over half of whom are based in San Francisco.

The Neighborhood Arts Collaborative has funded over a dozen arts organizations deeply rooted in their neighborhoods amounting to nearly \$500,000 in the last three years. These grants, administered by Grants for the Arts, are made in collaboration with the Arts Commission, OEWD and SF Travel, in conjunction with their neighborhood marketing efforts, and provide networking opportunities for artists, arts organizations and neighborhood-serving groups such as businesses, schools, and community centers.

The SF/Arts.org website and apps funded by Grants for the Arts in collaboration with San Francisco Travel provide arts calendar information and feature coverage for residents and visitors alike.

In 2012, Mayor Lee and the Board of Supervisors created the Public Art Trust to create a new revenue stream for art programming and activation in the City's commercial corridors.

The Central Market Partnership, a public-private partnership led by OEWD that is focused on the revitalization of Market Street, focuses significant resources on enhancing the arts community and developing Market Street as a regional destination for arts and entertainment. Since 2011, OEWD and partners have provided technical assistance, financial resources, and coordination of activities that has helped to enable the establishment of eight new art venues, with three more in the pipeline.

The city is partnering with the Community Arts Stabilization Trust (CAST), an innovative partnership to create stable physical spaces for arts and cultural organizations to facilitate equitable urban transformation. CAST, currently focused on the Central Market / Tenderloin neighborhood, is leveraging public and private philanthropic funding to acquire properties to sustain the arts, and building the capacity of cultural organizations to lease or own property.

In May 2014, the Arts Commission received \$2 million to provide technical assistance, financial assistance, and real estate support to promote the stability and prevent displacement of San Francisco's non-profit arts sector.

3.3 Recognize and Enhance the Value of Parks and Open Spaces

Parks Funding: The Recreation and Parks Department increased revenue generated from the leasing of concessions and amenities by 30% to \$47 million annually. A partnership with Another Planet Entertainment also generated \$1.4 million in annual revenue that goes toward park maintenance. The passage of the \$117 million Clean and Safe Neighborhoods Parks Bond in 2008 was leveraged into \$195 million in capital improvement projects across 12 parks. A new \$195 million Clean and Safe Neighborhoods Parks Bond was passed in 2012.

Non-Profit Relationship Building: The Recreation and Parks Department entered into a \$25 million public/private partnership with the City Fields Foundation for renovations to add 75,000 additional hours of playtime to city fields, eliminating the City's athletic field deficit for youth sports by 2015. An additional \$67.4 million in grants and philanthropic donations was also secured.

Civic Squares and Plazas: In 2014, the City will launched a new program aimed at lowering barriers to sustainable stewardship of local plazas. The Public Plaza program will facilitate long-term activation and/or maintenance solutions for some City-owned active pedestrian plazas that fall outside of traditional parks jurisdiction and function. This program will extend the City's track record in innovative solutions to public realm challenges by creating more tools for local stakeholders to affect change in their communities.

Pavement to Parks: Pavement to Parks is a collaborative effort between the San Francisco Planning Department, the Department of Public Works, the Municipal Transportation Agency, and the Mayor's Office to repurpose underutilized right-of-way as new parks and open space. The program has enabled the creation of dozens of parklets around the City and two new plazas, with several additional plazas in development.

Walkable Streets & Spaces: The San Francisco Pedestrian Strategy (2013) was developed in response to the Mayor's Executive Directive 10-03. It established the framework to meet the goals laid out in the directive. SFMTA, Planning Department, the Department of Public Health, the Department of Public Works and the Controller's Office, through the WalkFirst initiative, employs a data driven approach to identify the locations and counter measures that will most effectively meet these goals. WalkFirst provides a roadmap of pedestrian safety projects and programs over the next five years and the toolbox of measures that can be leveraged to reduce serious pedestrian injuries and fatalities, estimated at \$17 million to improve pedestrian safety at 170 high-priority locations.

INFRASTRUCTURE

Policy Goal and Recommended Actions	Summary of Actions
<p>4.1 Provide Sufficient Real Estate for Strategic Priorities</p>	<p><u>Provide Space for Housing:</u> In order to create sufficient capacity for growth, the City engaged in significant planning and rezoning efforts since 2007. Among the priorities include area plans and major development agreements that expand housing production in San Francisco, in order to help ease pressure on housing and labor costs in the future. Major plans and projects adopted since 2008 provide space for new housing include the Eastern Neighborhoods, Candlestick /Hunters Point Shipyard, Executive Park, Parkmerced, the Transbay Transit Center District, Treasure Island, Balboa Park, and Visitacion Valley/Schlage Lock. The Visitacion Valley/Schlage Lock was adopted in 2014 with the 5M Project pending adoption in the next year. Together, all of the City’s plans and agreements will enable over 75,000 units of new housing.</p> <p><u>Provide Space for Job Growth:</u> Several plans that permit commercial development have been advanced since 2008. By expanding the supply of commercial real estate in the city, these new policies will ease commercial rent pressures, and promote a more diverse city economy. The Transit Center District Plan, adopted in 2012, permits the development of almost 10 million square feet of high rise office space at the regionally-accessible Transbay Transit Center, today serviced by a number of regional bus operators, and in the future by Caltrain and California High Speed Rail. The Central SoMa Plan, underway since 2011 and expected to be adopted in 2015, will enable an increase of up to 50,000 new jobs in the Plan Area by removing land use restrictions and increasing height limits. Together with completed Plans such as in the Mission Bay and Hunters Point and development projects such as the California Pacific Medical Center (CPMC), Pier 70, Mission Rock and 5M, the City’s commercial development efforts will lead to space sufficient to support as many as 120,000 more jobs.</p> <p><u>Protect Physical Infrastructure/PDR job space:</u> In 2008, the City protected substantial areas for Production Distribution and Repair (PDR) through the Bayview and Eastern Neighborhoods Area Plans. The creation of PDR Districts in these areas helped stabilize rents by removing competition from residential and office uses. The City adopted additional measures to support PDR businesses such as streamlining the permitting process for certain PDR businesses, enabling uses to share retail space (which is important to our growing “maker” community), and promoting the creation of new PDR space on vacant parcels. In 2014, the Mayor announced a 5-point plan to preserve and grow local manufacturing and distribution businesses.</p>
<p>4.2 Maximize San Francisco's Accessibility to a Local and Regional Workforce</p>	<p><u>Local and Regional Transit:</u></p> <p>Transbay Transit Center began construction in the summer of 2010 with the relocation of existing transit services to the Temporary Terminal and demolition of the existing Transbay Terminal. Construction of the Transit Center below grade structure began in early 2013 and completion of the Transbay Transit Center is expected in the fall of 2017. The 1.3 mile Downtown Extension (DTX) of the current Caltrain and future California High Speed Rail lines from the Fourth & King Station is currently unfunded. The Transbay Joint Powers Authority (TJPA), along with the SFMTA, regional, and statewide agencies will continue to explore funding opportunities for this critical transportation link.</p>

4.2 Maximize San Francisco's Accessibility to a Local and Regional Workforce

In 2013 Caltrain recirculated the Caltrain Electrification Project – to convert its aging system from diesel to a rapid electric system - for environmental review. San Francisco is one of three member entities governing and financing Caltrain through a joint powers agreement. Caltrain expects to certify its environmental documents in December, 2014. Construction is expected to be completed in 2019, with revenue service running throughout the construction period.

Central Subway Utility relocation and final design began in 2010 and boring of the first tunnel began in 2013. Pre-revenue operational testing will begin following completion of construction in 2018, with revenue service anticipated to begin in 2019.

The SFMTA Board of Directors approved a locally preferred alternative for the Van Ness Bus Rapid Transit Project. Design and engineering will continue through 2014 followed by construction with service planned for 2018.

The Geary Bus Rapid Transit project is currently in environmental review and analysis, to be completed in 2014. The project faces a significant funding gap. SFMTA, regional and statewide agencies will continue to explore funding opportunities for this project.

The Transit Effectiveness Project (TEP) is a system-wide, network approach to maximizing the efficiency of transit services delivered by SFMTA, leading to faster commuting and greater accessibility to jobs for San Francisco residents. The TEP is environmentally cleared (2014) to provide dedicated travel lanes, optimized stop locations, and transit signal priority along some of the highest ridership routes in San Francisco. These improvements will lead to greater reliability and efficiency of the transit system. Implementation of the first phase of TEP recommendations underway. Completion of TEP service and capital improvements is scheduled for 2019, pending availability of funding.

Bicycle Network & Facilities:

The few remaining projects from the 2008 Bicycle Plan are moving through environmental clearance and into the final design stage. The SFMTA Bicycle Strategy was adopted in 2013 and establishes the vision for future bicycle infrastructure and program investments necessary to meet established goals for percentage of persons traveling by bicycle. Individual projects were prioritized in the SFMTA's five year Capital Improvement Program and two year Capital Budget, based on the framework established in the 2013 SFMTA Bicycle Strategy, with planning, design, and construction to follow, pending funding.

Bay Area Bike Share was launched in August of 2013 with 350 bicycles at 35 stations in San Francisco. The number of daily trips continues to steadily increase and is approaching 130,000 total trips taken in San Francisco since the pilot's inception. Expansion of the program to 500 bikes at 50 stations is anticipated in 2015. SFMTA will look to expand the system as funding allows including pursuing private sponsorship as is done in other cities.

Parking Management: SFMTA also implemented SFpark, a new approach to managing parking that uses demand-responsive pricing and better information to make it easier to find parking, improves the experience of parking in San Francisco, and improves access to the city's commercial areas. This federally-funded pilot project includes more than 25% of the city's metered spaces (approximately 7,000 metered spaces) in seven pilot areas as well as 14 of the city's 20 parking garages. In summer 2014, the SFMTA will evaluate this pilot and take lessons learned to recommend a continuation and potential expansion of the SFpark program.

4.2 Maximize San Francisco’s Accessibility to a Local and Regional Workforce

Carsharing: SFMTA partnered with public and private rideshare and car share operators to designate space for these transportation modes to grow. Operating agreements with many private commuter shuttles are in place to manage impacts to the transportation system caused by this service. Recent policy changes allow for dedicating on-street parking spaces for car share vehicles, creating fewer barriers to access for car share users. In 2013, the SFMTA sent out requests to Car Share Organizations to participate in a two-year pilot program. Public outreach and public hearings were held and the program has launched.

Transportation Funding Evaluation: Throughout 2013 an SF 2030 Transportation Task Force assessed the City’s transportation system unfunded capital needs and researched and recommended a coordinated set of revenue sources to meet the estimated \$6.3 billion (in 2013 dollars) funding gap. The Task Force did not address system operating deficits.

Transportation and Road Improvement Bond: In May of 2014 Mayor Lee and the full Board of Supervisors introduced a \$500 million General Obligation Bond ordinance for submittal to the November, 2014 ballot. In July, 2014, the Board of Supervisors placed the measure on the ballot and the measure was approved by the voters.

4.3 Work to Reduce the Cost of Residential and Commercial Development

Creating More Housing Opportunities: In 2012 Mayor Lee assembled affordable housing developers, market rate developers, realtors, lenders, and small property owners; and members of the Board of Supervisors, to develop a plan to stimulate market-rate production, increase homeownership opportunities, and fund affordable housing production. That led to the introduction and voter approval of a Housing Trust Fund, a Charter Amendment that provides a permanent source of revenue would fund the creation of housing that is affordable to low and moderate households in San Francisco for the next 30 years. The Housing Trust Fund will provide an estimated \$1.1 billion for affordable housing production over the next 30 years. The fund will:

- Create incentives for onsite below market rate housing and make housing more accessible for moderate income families;
- Develop more than 9,000 units of permanently affordable housing for low income residents;
- Invest at least \$15 million over the first five years in a down payment assistance program for first-time homebuyers;
- Create a Homeowner Stabilization Program to help distressed homeowners remain in their homes; and
- Create a Complete Neighborhoods Infrastructure Grant program to fund public realm improvements such as “pocket” parks and child care facilities for growing neighborhoods.

Accelerating Housing Production: In response to an Executive Directive issued by Mayor Lee, in early 2014 the city’s permitting departments, including the Department of Building Inspection and the Planning Department, began implementing administrative changes that will help retain existing habitable units, speed review and approval of new housing, and encourage housing construction; as well as protect rental housing. Recommendations included:

- Prioritizing approvals for development projects based on the amount of affordable housing produced;
- Reducing the loss of housing – legal or otherwise – by requiring a Planning Commission hearing when such housing is proposed to be eliminated;
- Coordinating the City’s permitting and asset-holding agencies to gain efficiencies in entitlement and approvals; and
- Improving public information and transparency relating to the City’s development procedures and pipeline housing projects.

4.3 Work to Reduce the Cost of Residential and Commercial Development

Entitlement Process Improvements: To more efficiently process development applications, the Department of Building Inspection and the Planning Department are implementing a new Permit and Project Tracking System (PPTS), and online website for submitting and processing permits and applications. To further reduce the backlog of permits, the Planning Department increased planning and environmental review staff assigned to process applications by almost 20%.

CEQA Process Improvements: While the time and cost represented by San Francisco's CEQA process remains a concern, several improvements were implemented:

Program environmental impact reviews (EIRs) were developed for the Eastern Neighborhoods, Rincon Hill, West SoMa, Transbay Transit Center District, Market & Octavia and Balboa Park plan areas. Proposed projects located in these areas benefit from Community Plan Exemptions, which reduce cost & time in environmental review by limiting analysis to project-specific effects.

In 2013, the Board of Supervisors passed legislation that limits the ability of project opponents to file a CEQA appeal at any time, while also improving the public notification process. This legislation provides more certainty to project applicants, by providing a definitive time after which the City's CEQA determinations will be final.

The Transportation Sustainability Program (TSP) is a proposed change to transportation impact analysis methodology under CEQA. The City's proposed legislation will streamline CEQA review, by studying the cumulative transportation impacts of 20 years of projected development, and establish a citywide mitigation fee. Planned for adoption in 2015, the TSP means that most development projects would not have to undergo transportation impact analysis under CEQA, providing time and cost savings.

TECHNOLOGY AND INNOVATION

Policy Goals and Recommended Actions	Summary of Actions
5.1 Support Commercialization of Research and Technology	<p><u>Incubator Space</u>: San Francisco is home to six life science incubators, the nation's first cleantech accelerator and more than 35 tech incubators, co-work or accelerators. In the life sciences, OEWD has worked closely with QB3 and other partners to develop more incubator space for early stage companies. In 2007, SF had two life science incubators providing space for 15 companies. In 2014, SF was home to eight incubators which housed more than 80 early stage life sciences companies. OEWD is continuing to work to add incubators and space for early stage companies.</p> <p><u>Attracting and Expanding Research and Academic Institutions</u>: OEWD remains focused on attracting and supporting the expansion of research and academic institutions in San Francisco. In addition to UCSF's Mission Bay expansion, a number of Universities opened campuses including UOP (2014), Wharton (2012) and Babson College (2011). In 2012, OEWD launched an initiative to attract cleantech industry anchors including science and engineering universities, national laboratories and research centers to the City.</p>
5.2 Improve Telecommunications Infrastructure for Information-Intensive Industries	<p><u>Expanding WiFi and Fiber Optics</u>: The Department of Technology (DT) has improved Telecommunications Infrastructure by expanding WiFi in parks, Union Square, Market Street, Civic Center, Treasure Island, public housing, libraries and the northern waterfront. A working committee is currently meeting to develop a strategic plan for city WiFi moving forward. DT also installed 130 miles of fiber optics connecting 160 facilities. Fiber rings also connect City College, UCSF, clinics, and the Exploratorium.</p> <p><u>Partner with other departments to accelerate deployment of broadband and WiFi infrastructure</u>: DT is leveraging partnerships with other City departments to accelerate our "Smart City" goals by partnering on projects such as the SF Public Utilities Commission's new LED street light upgrade and ensuring the deployment of smart poles that can host 4g antennas and WiFi plates – all connecting the fiber backbone.</p> <p><u>Hotspots 2.0</u>: San Francisco will be one of the first cities to pioneer simply encrypted Wi-Fi for secure services that will allow roaming from hotspot to hotspot.</p>
5.3 Support Efforts to Create More Investment Vehicles for Startups	<p><u>Focused on Addressing Alternate Barriers to Growth</u>: Based on outreach to early stage firms, OEWD determined that City developed investment vehicles were not the area where the City could have the greatest impact in supporting the success of startups. Based on industry feedback assistance, navigating government and creating a strong climate for job growth were the areas where OEWD's work could best make an impact. OEWD pursued a strategy to address these areas as discussed elsewhere in this section. To assist businesses with financing needs, OEWD developed a number of loan products (Policy 2.4) and provides referrals on financing questions.</p>

5.4 Identify, Evaluate, and Support Emerging Industries

Identifying and Supporting Emerging Sectors: OEWD is working with the Mayor’s Office of Civic Innovation (MOCI) to identify emerging industries and determine how the City can help entrepreneurs in these sectors grow and add jobs. Through research and outreach, OEWD and MOCI are continually scanning the City for emerging industries which are growing in San Francisco (such as artisanal manufacturing, advanced manufacturing and maker, digital cleantech, civic tech and collaborative working). OEWD and MOCI convened discussions with entrepreneurs, investors and influencers in these areas to better understand these emerging growth areas and to identify how these sectors can support the goal of the economic strategy. OEWD and MOCI work to support these sectors by identifying barriers to growth or opportunities to strengthen the cluster.

CONCLUSION

2007 Economic Strategy: San Francisco at a Crossroads

The 2007 Economic Strategy found that the San Francisco economy had a great deal of strengths but the overall trend was one of uncertainty: slow job growth, uneven wage growth, infrastructure at capacity, large segments of the population with barriers to employment, and an expensive and challenging business climate. The Economic Strategy found that unless action was taken, the City would continue to decline. As a result the strategy laid out 19 policy goals and recommended actions to position the city for “sustained prosperity.”

2014 Update: Improved Economic Performance

This report found that San Francisco has made considerable progress in addressing the challenges described in the 2007 Economic Strategy. In the last full business cycle, between 2004 and 2010, the number of jobs remained steady despite the economic shock of the Great Recession. Since 2010, the city has experienced a strong economic recovery, adding 67,000 jobs, ranking the 2nd fastest growing large county in the US and registering more net jobs than 47 other States. During the last business cycle, job growth was led by two established industries – the Experience Industries which added 78,000 jobs and the Creative Industries which added 69,000 jobs respectively – while the Financial and Professional Services industries remained a significant employer in the city. The city’s population continued to grow, adding 81,000 residents between 1990 and 2010. Through surveys, several factors influenced businesses to San Francisco including the City’s strong workforce, quality of life and its central location for goods and services. Businesses view of the cost of doing business in the City also improved.

San Francisco initiated and completed a number of actions that were recommended in the 2007 Economic Strategy. These actions helped change the direction of San Francisco’s economy. Out of the 19 policy goals and recommended actions included in the strategy, the City completed or made substantial progress on nearly all, including:

- The passage of Proposition E in 2012; which transitions San Francisco from the Payroll Expense Tax, to a Gross Receipts Tax; consistent with other large California cities.
- Launched sector initiatives in partnership with private sector partners targeting key sectors identified in the 2007 Economic Strategy including: manufacturing, technology, life sciences, health care, cleantech, tourism, nightlife, retail, and financial & professional services.
- The launch of new international initiatives including ChinaSF which has attracted more than 44 Chinese companies to San Francisco, totaling 248 jobs.
- The launch of the Small Business Assistance Center to streamline small business interaction with the City. It has assisted more than 16,500 small businesses since 2008.
- The launch of Mayor Lee’s Invest in Neighborhoods Initiative which strengthens 25 commercial areas in neighborhoods across San Francisco.



- The launch of business assistance programs developed through continual evaluation and refinement to address the needs of small businesses, including: the Revolving Loan Fund, Emerging Business Loan Fund, the ADA Assistance Program, StorefrontSF vacancy program, and BizFit SF business strengthening program.
- The development of four sector academies in construction, health care, hospitality, and technology to train and connect residents with barriers to jobs in growing industries. Since July 1, 2010, OEWD has trained more than 2,500 people and placed more 3,600 through the sector training programs.
- Recreation and Parks Department increased revenue generation from leases and concessions to \$47 million annually while also leveraging \$117 million from the 2008 Clean and Safe Neighborhoods Parks Bond into \$195 million in capital improvement projects across 12 parks. Successful implementation of the 2008 bond program led voters to pass a \$195 million bond in 2012.
- The Arts Commission has focused on \$7 million of capital improvements to and facilities maintenance for the City's Cultural Centers which in turn provide low cost rental space to other nonprofit arts organizations, and created the Public Art Trust to create a new revenue stream for art programming and activation in the City's commercial corridors.
- Planning for space for jobs and housing through Area Plans and major development projects including: Eastern Neighborhoods, Candlestick /Hunters Point Shipyard, Executive Park, Parkmerced, the Transbay Transit Center District, Treasure Island, Balboa Park, and Visitacion Valley/Schlage Lock, with the Central SoMa Plan, Pier 70, Mission Rock, Moscone Expansion, and 5M development projects in progress.
- Maximizing Transportation connections to the local and regional workforce with major transportation projects including: Transbay Transit Center, Central Subway, Van Ness and Geary Bus Rapid Transit, the Transit Effectiveness Project (TEP), San Francisco Pedestrian Strategy and WalkFirst, Bay Area Bike Share, and SFMTA Bicycle Strategy.
- Reducing the cost of residential and commercial development through entitlement and CEQA process improvements.
- Supporting the commercialization of research and technology by supporting the development of incubator space in the city and expanding research institutions in San Francisco.
- Improving telecommunications infrastructure across the city by expanding WiFi and fiber optics access including at all public housing facilities, 32 of our city's parks, Market Street, Treasure Island and the northern waterfront. San Francisco has laid more than 130 miles of fiber optics connecting more than 160 facilities. While also installing 14 new youth digital technology labs and 54 neighborhood tech centers for seniors and adults with disabilities, plus providing over 200,000 hours of training for residents.

2014 Update: Continuing Challenges

While this report found that the implementation of the recommendations of the 2007 Economic Strategy has supported the city's improving economic performance, significant work remains to address the continuing challenges in the city's economy.

As the Creative and Experience industries grew between 2004 and 2010, the local serving sectors declined and are not nearly as concentrated in San Francisco as other comparable cities. Compounding this challenge is that local serving sectors produce the most balanced distribution of job opportunities for residents with a range of experience. These trends reflect the growth of high wage and low wage industries with a decline in middle wage industries. And the city's demographics reflect this with the number of moderate income residents decreasing and extremely low, low, middle and upper income residents increasing.

There were significant barriers to adding jobs and growing a business in San Francisco. San Francisco's high cost of doing business is a key reason to why the city's employment was slower than the rest of the Bay Area, for most industries. The greatest contributor to this cost was labor cost, which is primarily driven by the high cost of housing. Business tax/regulations and the cost of commercial real estate contributed to San Francisco's disproportionately higher cost of doing business relative to the rest of the Bay Area. This was confirmed in the Business Barriers Survey. While half of the respondents had a favorable view of San Francisco's business climate, the other half had a negative view.

Looking Ahead: Future Action Areas

These continuing business barriers threaten the city's ability to achieve the three overarching goals laid out in the 2007 Economic Strategy:

- Create job opportunities by building on our strengths to promote greater overall economic growth
- Ensure greater inclusion and equity in job opportunities, with an aim to reducing inequality
- Ensure a sound fiscal footing for the City by encouraging industries with a positive fiscal impact.

To achieve these goals and ensure the overall competitiveness of San Francisco's economy, the City should continue to implement programs and policies aligned with the recommendations of the 2007 Economic Strategy. In particular, the City should focus on the following action areas:

- Reduce labor costs by building more housing in San Francisco: The cost of housing is the greatest contributor to the disproportionality high labor costs relative to the rest of the Bay Area, and the City's limited supply of housing is one of the primary contributors to cost. The City should find ways to expand housing production in San Francisco particularly with higher percentages which are affordable to middle income families and below, and strengthen transit connections to regional housing options.
- Continue to develop career pathways that promote job mobility and advancement: Creating career pathways that support the ability of residents and workers to attain the industry relevant/recognized skills employers are looking for is key to job mobility and advancement in the San Francisco labor market. Working in partnership with employers, the City should continue to implement industry-driven pathway approaches that cross learning at the K-12 and post-secondary levels.
- Streamline business regulation and process: The Business Barriers Survey confirm that many local businesses see San Francisco as a difficult place to do business. San Francisco should continue to streamline the business permitting and regulatory process and make it easier for the city's businesses – especially small businesses – to start, stay and grow.
- Assist businesses facing rising real estate costs: The cost of commercial real estate is a continuing challenge identified in the Business Barriers Survey. The City should find ways to expand the supply of commercial real estate and assist businesses in industries particularly affected by the cost of space including manufacturing, the non-profit sector and early stage firms / small businesses.
- Maintain and expand support for local-serving industries: Local-serving industries provide good paying job opportunities for residents who may not have a four-year degree. The City should continue to strengthen support for local-serving industries such as manufacturing, health care, construction, and retail.
- Address Transportation Infrastructure Capacity: Demand from current and future growth and the effects of an aging, inefficient transportation system that is at capacity along key corridors and in key transit stations in the central business district will require significant investments in infrastructure simply to keep the existing system in a state of good repair. Additionally, transportation infrastructure enhancements and expansions will require even more investment to serve growth in planned development areas. The City's transportation infrastructure funding gap through 2030 is estimated at \$6.3 billion (in 2013 dollars), not including regional projects such as the Downtown Extension of Caltrain, Caltrain Electrification or new investments in BART.
- Continue to focus on four "strategic priorities": The 2007 report recommended four "strategic priorities" whose targeted development that would advance the goals of the strategy because these industries have the desired impacts and their growth is feasible. The City should continue to focus on these four strategic priorities: strengthen the physical infrastructure sector, upgrade the experience sector, retain large knowledge sector companies and promote knowledge sector start-ups.

The City's Economic Strategy provides a framework for thinking about the San Francisco economy and a roadmap for changing economic outcomes. While San Francisco has made significant progress on the recommendations of the Economy Strategy, more work remains to be done. By focusing on these action areas, the City can continue to move towards an economy that works for all San Franciscans.

A

**APPENDIX A
SFOEWD REPORT**

SAN FRANCISCO BUSINESS SURVEY 2012

SUMMARY REPORT

prepared for

**SAN FRANCISCO OFFICE OF ECONOMIC & WORKFORCE
DEVELOPMENT**

prepared by

COREY, CANAPARY & GALANIS RESEARCH
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Introduction

On behalf of San Francisco Office of Economic & Workforce Development (SFOEWD), Corey, Canapary & Galanis (CC&G) undertook a study within the City and County of San Francisco. The primary goal of this study was to help SFOEWD to identify policies, requirements, or other factors which limit job growth/creation and economic development in the City and County of San Francisco.

This telephone study was conducted from a sample of 2,600 San Francisco businesses, randomly pulled from all businesses licensed to operate in San Francisco. For purposes of the study, companies were broken into one of four subgroups based on number of employees:

- o Self-employed, consisting of sole proprietors and one-person businesses, as well as 2-3 person businesses with no employees (e.g. everyone is an owner).
- o Micro businesses, defined as those with 2 to 10 employees
- o Small businesses, defined as those with 11 to 25 employees
- o Medium/Larger businesses, defined as those with 26 or more employees

These definitions included ALL employees, including employees located outside San Francisco. Disproportionate sampling was utilized to ensure heavy participation of businesses with numerous employees (as they would be most likely aware of or affected by employee related legislation)

Interviewers made at least three to four attempts to contact the owner or manager. In cases where the owner or manager was too busy to complete the interview or where the interviewer was unable to reach the owner or manager, the URL for an online self administered website was provided, either by phone message or email (where provided).

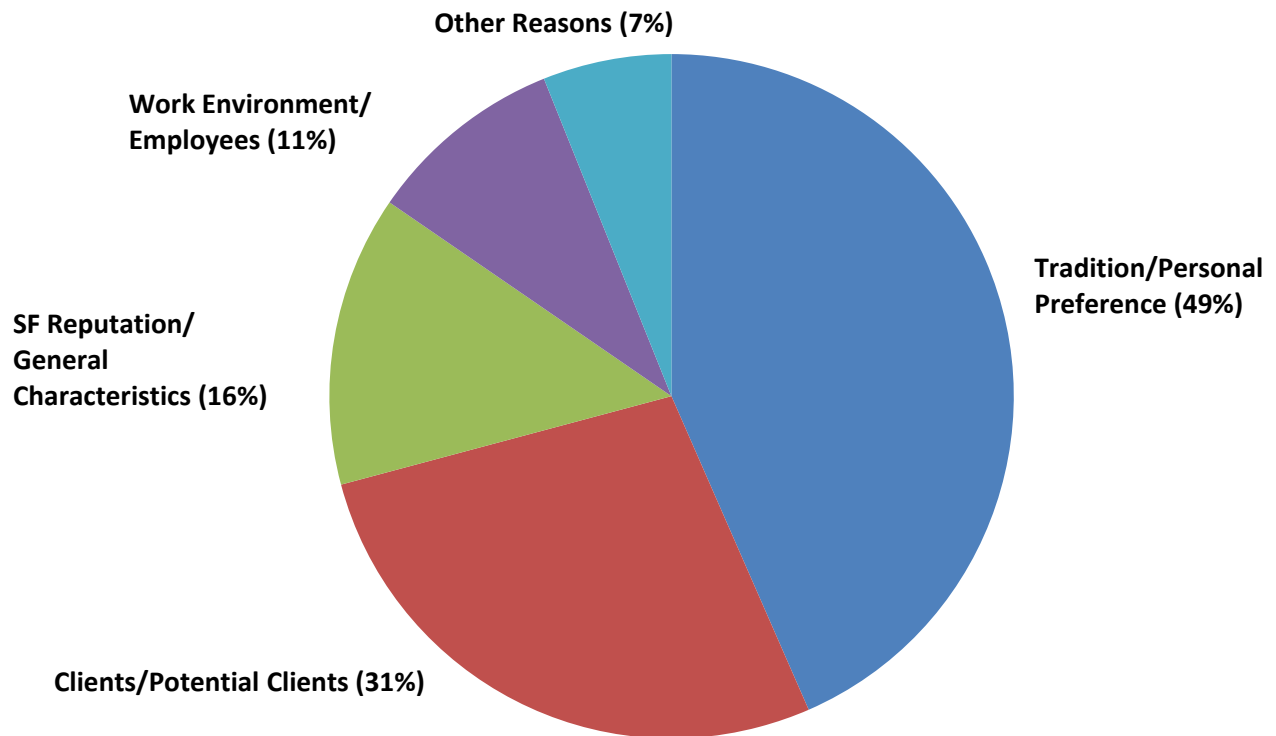
In each telephone interview, respondents were asked about their perception of the business climate in San Francisco, what attracted businesses to San Francisco, how they felt San Francisco was doing in attracting businesses, what The City was doing to help or hinder their growth, and some demographic information about their business. The interview lasted approximately 8-10 minutes, and interviews were conducted in English and Chinese. A pre-test of the questionnaire was conducted prior to the full fieldwork, and input from this pre-test was incorporated into the final version of the questionnaire. The pre-test also assessed sample quality.

A total of 800 interviews were completed. Of these, 600 telephone interviews and 200 online interviews were completed. Data from the interviews was compiled and answers to open response questions were collated and examined for commonality. These were then coded where possible.

Fractions of percentages less than 0.5% were rounded down to the nearest whole number (23.4% would become 23%). Fractions of percentages greater than 0.5% were rounded up to the nearest whole number (23.7% would become 24%). Due to this, total percentages may equal slightly more or less than 100%.

Executive Summary

Reasons for Locating In San Francisco



Notes: Multiple responses accepted, total is more than 100%
 Not shown is 2% who did not answer the question

In general, nearly half of businesses (49%) surveyed indicated that they are in San Francisco due to a reason related to tradition or the owner’s personal preference. Specifically, 34% of respondents said that the reason the business was here was because the owners lived in or had connections to San Francisco, 10% said San Francisco is where the business started, and 5% said the reason for the business (apartment, hotel, court) is in San Francisco.

- When asked to rate doing business in San Francisco on a scale from Excellent (5) to Terrible (1), nearly half (49%) gave a rating of poor or terrible.

	Total
Base (All Respondents)	800
Percent who say...	%
Excellent/Good(5/4)	25
Average (3)	25
Poor/Terrible(2/1)	49
Don't know.....	1

- When asked to specify the reasons behind their rating of San Francisco as a place to do business, most negative comments referenced the expense of doing business in San Francisco (the general cost of living as well as taxes), and regulations. Positive comments referenced opportunities in the City and its location.
- Despite the ratings for doing business in San Francisco, when asked whether their business revenues have grown, decreased, or stayed the same of the past couple of years, 71% said that their revenues had either increased or stayed the same, only 26% indicated that their revenues had decreased.

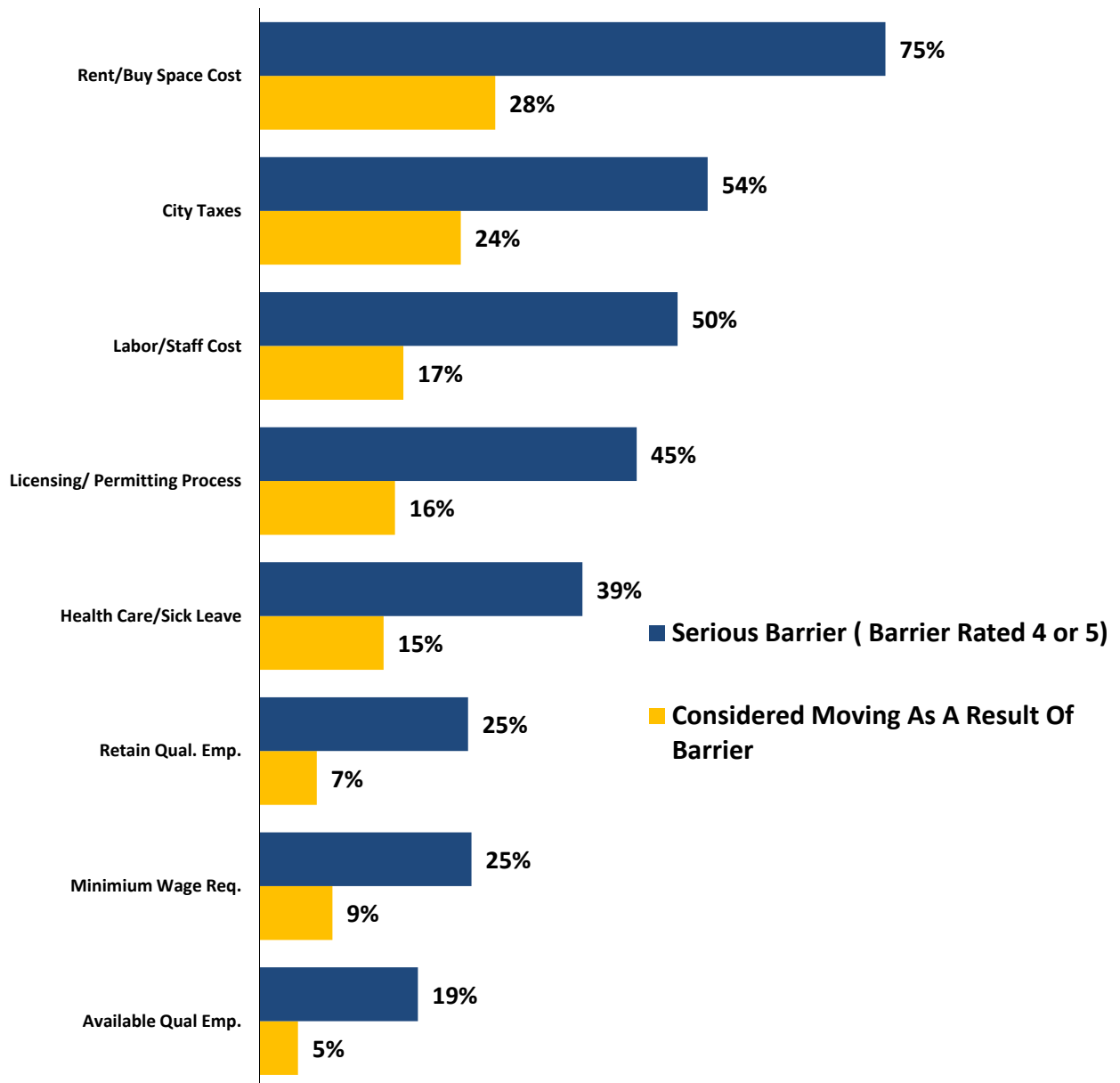
Barriers to Doing Business in San Francisco

**Barriers to Doing Business
(Mean Score Out of 5)**



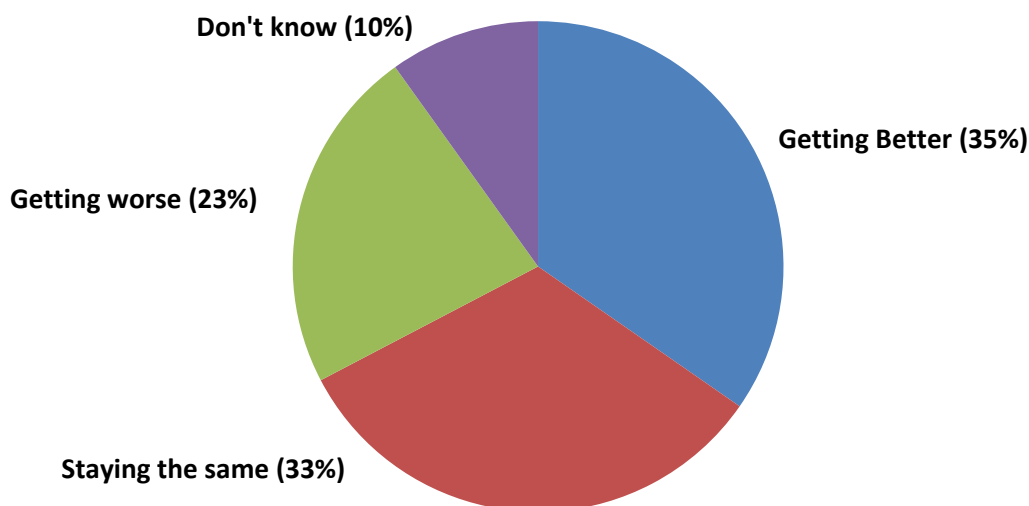
- The “cost to rent or buy space for your business” was felt by most respondents to be a major barrier to businesses locating or expanding in San Francisco with three quarters (75%) of respondents rating it 4 or 5 as a barrier and with an overall mean score of 4.05 out of 5. The next greatest barrier, “City taxes, including the payroll tax,” had just over half (54%) rating it as a major barrier and a mean score of 3.45. The City’s minimum wage requirements and the availability of qualified employees were the least likely to be barriers, with mean scores of 2.42 and 2.39 respectively.

- The cost to rent or buy space and City taxes were the most likely to be cited as serious barriers (being rated 4 or 5 on the previous question). These barriers were also the most likely reason a business had seriously considered moving out of San Francisco.



Attracting Business to San Francisco

City's Direction in Attracting Businesses



- Overall, 35% of respondents feel that the City is doing at least slightly better in attracting business or organizations to San Francisco. Those with 100 or more employees, and those in the “Financial/Insurance/Real Estate” industry were the most likely to rate the City’s direction higher.
- Of the three attraction factors provided, most San Francisco businesses felt that the quality of life in San Francisco was the most attractive factor in attracting businesses.

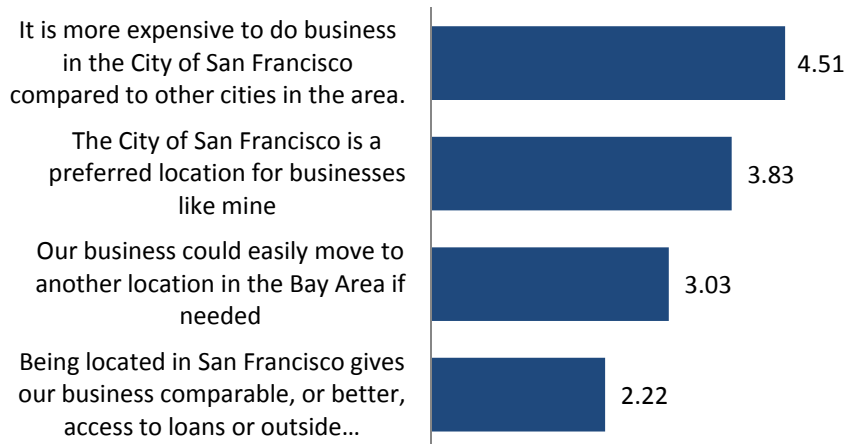
	Overall Mean (Out of 5)	800 #	%
Base (All Respondents)			
Percent who rate attribute 4 or 5 (Excellent or Good)			
Quality of life in the City	3.97	71	
Having a qualified workforce	3.87	65	
A central location for your goods/services	3.78	64	

- Nearly half (48%) of respondents cited other key factors in attracting business to locate or expand in San Francisco. These factors cited included a large customer base, innovative support/collaborative providers, and the diversity of the population.
- Just over a third (35%) of respondents knew of policies designed to promote and encourage business in San Francisco. Of the programs mentioned, only 57% were, in fact, San Francisco programs. Programs cited included the Mid-Market restoration Plan, the Office of Small Business, and the LBE/HRC programs. Notably, there is a small percentage (7%) that feels that the business programs in San Francisco are only geared to large businesses, aren’t fair, or are too complex.

Attitudinal Statements

- Overall, respondents were much more likely to agree that it was expensive to do business in San Francisco than with any other attitudinal statement. Notably, the 4.51 rating for the expense of doing business in San Francisco is more than twice the rating for the statement that being in San Francisco gives comparable or better access to loans or other financing.

**Attitudinal Statements
(Mean Score Out of 5)**



Encouraging Businesses to Grow

Q23. What is one key thing that the City government could do to encourage a business like yours to grow in San Francisco?

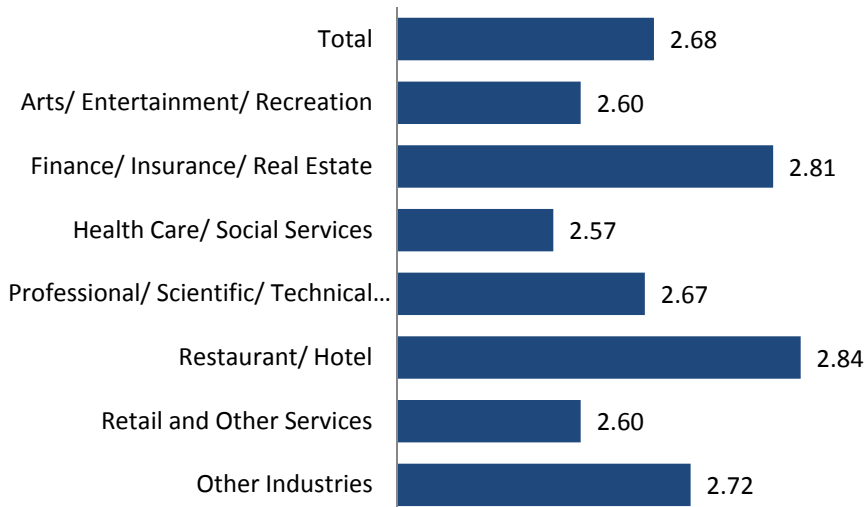
	<u>Number of Employees</u>				
	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
MULTIPLE ANSWERS ACCEPTED	%	%	%	%	%
Revise/Lower Taxes (Total).....	31	20	35	38	25
Revise City Policy/Ordinances (Total).....	28	27	26	30	33
More Collaboration with Business (Total).....	17	20	16	17	17
Improve City Infrastructure (Total).....	7	6	8	6	6
Improve Cost of Living/Doing Business (Total).....	7	8	6	5	7
Improve Enforcement of Laws/Ordinances (Total).....	6	2	5	8	9
Promote San Francisco Business (Total).....	6	8	6	5	4
Other Responses (Total).....	8	9	8	5	8

When all of the suggestions were compiled and categorized, most respondents felt that the one key thing the City could do to encourage businesses to grow was revising/ reducing taxes on businesses. Specifically, while 16% thought provided a general “reduce taxes, costs, or fees” comment, 8 % felt the City should replace the Payroll Tax with a tax on gross receipts and another 8% felt the City should give tax incentives for smaller businesses. Revising City laws and ordinances was also popular, with 7% suggesting simplification of regulations/cutting back on bureaucracy and another 7% advocating for a commercial rent control policy. Other suggestions included a more collaborative relationship between the City and businesses, and improving city infrastructure, and improving enforcement of laws and ordinances.

Industry Trends

While sample size was generally insufficient to generalizations about entire industries, some general trends were apparent.

San Francisco As A Place To Do Business (Mean Score Out of 5)



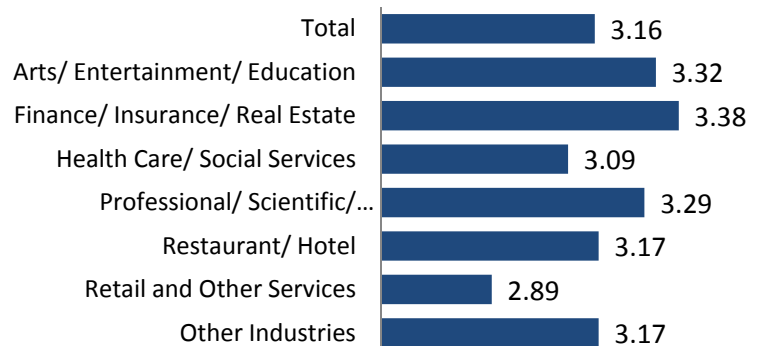
- Respondents in the Finance/Insurance/Real Estate and Restaurant Industries were generally more likely to rate San Francisco higher as a place to do business. These were also the respondents most likely to say their revenues had increased over the past few years.

- Respondents in the Retail/Other Services and Health Care/Social Services industries were generally more likely to rate San Francisco lower as a place to do business. These were also the respondents most likely to say their revenues had decreased over the past few years.

- Respondents in the restaurant/hotel industry were generally more likely to cite issues such as City taxes, the cost of labor or staff, the City’s licensing and permitting process, the City’s health care and sick leave ordinances, and minimum wage requirements as major barriers to doing business in San Francisco. Conversely, those in the Professional/ Scientific/Technical services industry were generally the least likely to cite major barriers.

The City's Direction In Attracting Businesses (Mean Score Out of 5)

- With regard to the City’s direction in attracting business:
 - The Financial/Insurance/Real Estate industry rate this highest.
 - The Retail and Other Services industry rate this lowest.



Industry Trends (Continued)

Of the attitudinal statements:

- Respondents in the Restaurant/Hotel industry were the most likely to agree that “it is more expensive to do business in San Francisco compared to other cities in the area.”
- Respondents in the Arts/Entertainment/Education industry were the most likely to find that, “the City of San Francisco is a preferred location for businesses (organizations) like mine. “
- Respondents in the Professional/Scientific/Technical Services industry were the most likely to agree with “our business (organization) could easily move to another location in the Bay Area if needed.” Those in the Health Care/Social Services industry were the least likely to agree.
- Finally, respondents in the Arts/Entertainment/Education industry were the most likely to find that, “being located in San Francisco gives our business (organization) comparable, or better, access to loans or outside financing versus being in another city in the area.” Those in the Professional/Scientific/Technical Services industry were the least likely to find it so.

Q23. What is one key thing that the City government could do to encourage a business like yours to grow in San Francisco?

(OPEN ENDED QUESTION. RESPONSES CODED BELOW)

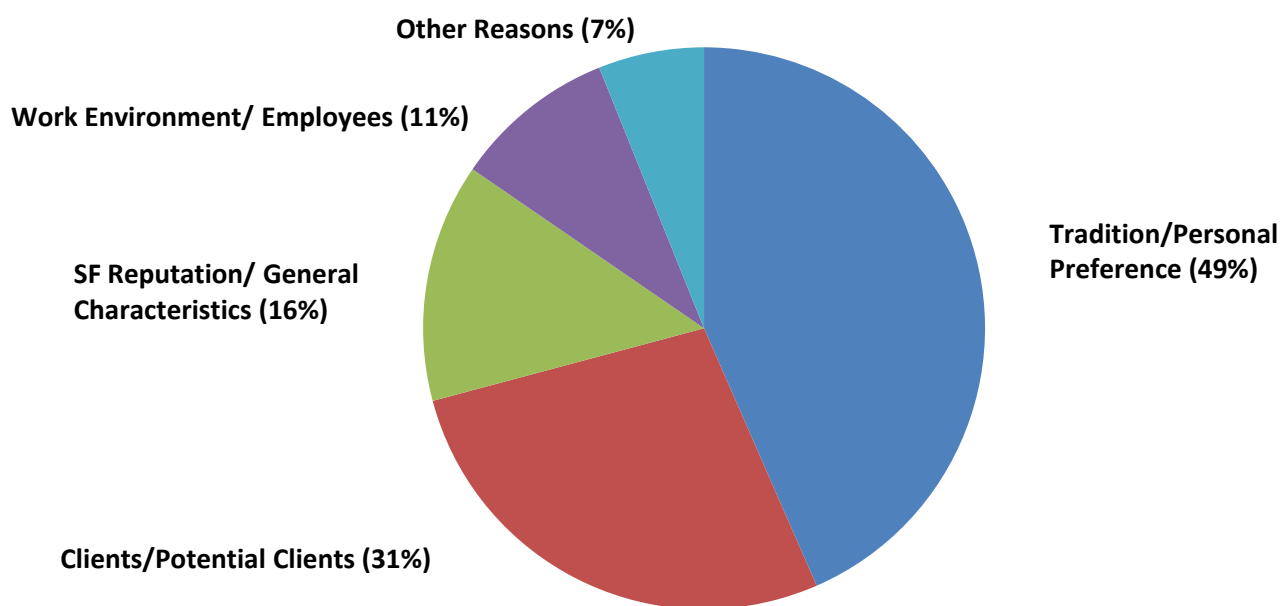
	Total	Arts/ Ent/ Rec	Fin/ Ins/ RE	HC/ SS	Pro/ Sci/ TS	Rest/ Hotel	Ret/ Oth Svcs	Oth Ind
Base (All Respondents)	800	73	77	78	145	103	162	162
MULTIPLE ANSWERS ACCEPTED	%	%	%	%	%	%	%	%
Revise/Lower Taxes (Total)	31	18	40	22	31	38	25	37
Revise City Policy/Ordinances (Total)	28	34	26	33	18	30	33	28
More Collaboration with Business (Total)	17	21	13	27	15	16	17	13
Improve City Infrastructure (Total).....	7	8	3	3	7	6	13	7
Improve Cost of Living/Doing Business (Total).....	7	16	10	5	7	1	6	5
Improve Enforcement of Laws/Ordinances (Total) .	6	4	1	3	5	10	8	9
Promote San Francisco Business (Total).....	6	4	4	5	8	5	6	6
Other Responses (Total)	8	7	13	10	12	6	4	6

Detailed Results

Doing Business In San Francisco

Why San Francisco?

Reasons for Locating In San Francisco



Notes: Multiple responses accepted, total is more than 100%
Not shown is 2% who did not answer the question

While 2% of respondents gave no answer, nearly half of businesses (49%) surveyed indicated that they are in San Francisco due to a reason related to tradition or personal preference. Nearly a third (31%) are in San Francisco because of their client base and nearly 2 in 10 (16%) are in San Francisco because of its reputation.

Q4. What is the primary reason your business (organization) is located in San Francisco?

	Total	Number of Local Employees			
		Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
MULTIPLE ANSWERS ACCEPTED	%	%	%	%	%
Tradition/Personal Preference	49	77	54	44	33
Clients/Potential Clients	31	15	27	36	42
SF Reputation/General Characteristics	16	9	15	15	19
Work Environment/Employees.....	11	9	10	10	12
Other Reasons.....	7	2	7	10	6
No Answer.....	2	-	2	2	2

Reasons For Locating In San Francisco (Comments)

	Number of Employees				
	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
<u>Tradition/Personal Preference (Total)</u>	49	77	54	44	33
I/we/founders/owners live(d) in San Francisco/would like to live here.	32	68	41	22	9
San Francisco is where the business was started (been here ever since).	10	4	10	13	12
Building or location [hotel/apartment building/airport/courts] essential to the business in SF.	5	5	3	5	9
Company/owners/management have connections/history here.	2	-	2	3	3
<u>Clients/Potential Clients (Total)</u>	31	15	27	36	42
A lot of our potential clients/unmet need here.	13	7	8	18	22
Lots of people here/central place to reach a lot of people with our product/service/central place for clients to get to from all over the Bay Area.....	8	4	10	6	8
Our client base/customer base is here.....	7	2	7	7	10
This is the territory/contract/licensing for this business – to serve San Francisco customers.....	2	1	1	2	3
Because we're in real estate.....	1	-	2	2	1
<u>SF Reputation/General Characteristics (Total)</u>	16	9	15	15	19
San Francisco is a beautiful city/marquee city/best location/ Love SF	4	4	4	3	5
San Francisco is a key tourism city/key destination/key convention city.....	3	2	2	5	6
It's centrally located/great place to serve the entire Bay Area region from	3	1	2	4	3
San Francisco is known for its dining/restaurants.....	2	2	2	2	2
San Francisco is known for its arts/theatre scene/support of the arts	1	-	2	-	1
San Francisco has a reputation for being vibrant/cutting edge/ where things are happening/lots of creativity/lots of opportunity	1	-	1	1	1

*Only comments including at least 1% of all respondents are shown. See Statistical Table 4 for a full list.

Base (All Respondents)	Number of Employees				
	Total	Self	2-25	26-100	100+
	800	85	368	112	219
MULTIPLE ANSWERS ACCEPTED*	%%	%	%	%	
<u>SF Reputation/General Characteristics (Continued)</u>					
Having a San Francisco address adds cachet/prestige/adds to positive perception of business	1	-	1	-	1
San Francisco is known for technology/communications	1	-	<1	-	2
All of SF plus proximity to Silicon Valley	1	-	1	1	1
Diversity (general – not specifically diversity in employees).....	1	-	1	1	-
San Francisco is known for education/innovation	1	-	1	1	1
<u>Work Environment/Employees (Total)</u>	11	9	10	10	12
Easier to attract talented employees in San Francisco (general) .	3	1	2	4	5
Good place for complimentary industries/ businesses vital to ours	2	1	2	3	2
Better work environment (partnership, colleagues)/other businesses we work with are located here.....	2	2	2	-	2
San Francisco is a central location for current employees/good commute options for employees.....	1	-	2	-	2
Easier to find financing/funding (both for-profit and non-profit)	1	1	1	1	-
Proximity to local/state agencies/offices, better chance of local/state contracts	1	1	<1	2	1
Receive subsidy/aid for our type of business/better access to contracts for our business	1	-	1	1	-
Reasonable cost of building/land/major equipment/other large costs	1	1	1	1	-
<u>Other Reasons (Total)</u>	7	2	7	10	6
Reason vague/Not reason for being in SF/Here to provide the service/business they provide	4	1	5	5	3
Located here due to a merger/acquisition/consolidation.....	1	-	1	1	2
Qualified reason – thinking being in SF is a bad idea, other cities look better; have been here but not likely to stay/may not stay.	1	1	<1	3	1

*Only comments including at least 1% of all respondents are shown. See Statistical Table 4 for a full list.

San Francisco As A Place To Do Business (Overall)

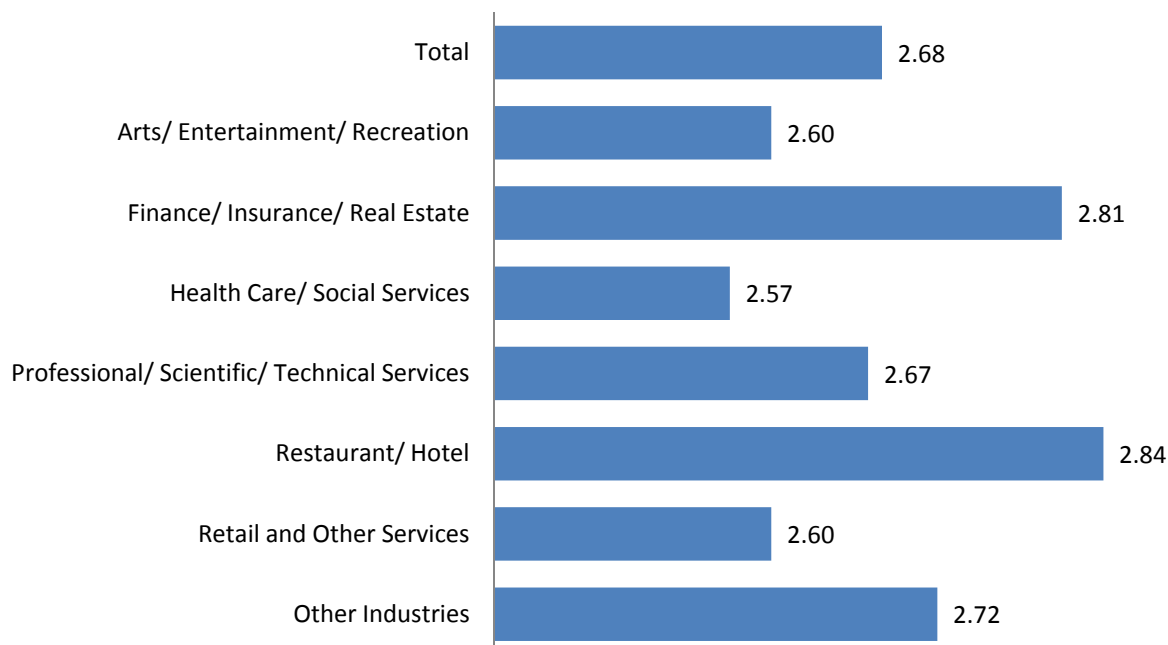
Nearly half of respondents (49%) felt that San Francisco was a poor or terrible place to do business.

Businesses with 26 to 100 employees and those in the Retail Industry were more likely than other business to rate doing business in San Francisco lower.

Q5. Overall, how would you rate San Francisco as a place to do business? Would you say excellent, good, average, poor, or terrible?

	Total	Number of Employees			
		Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Excellent (5)	7	8	8	8	6
Good..... (4)	18	14	20	12	17
Average (3)	25	28	23	30	27
Poor (2)	33	35	36	32	31
Terrible (1)	15	11	13	19	17
Don't know.....	1	4	1	-	1
	100	100	100	100	100
MEAN (Out of 5)	2.68	2.73	2.74	2.58	2.63

San Francisco As A Place To Do Business (Mean Score Out of 5)



San Francisco As A Place To Do Business (Comments)

When asked to specify the reasons behind their rating of San Francisco as a place to do business, most negative comments referenced the expense of doing business in San Francisco (the general cost of living as well as taxes), and regulations. Positive comments referenced opportunities in the City and its location.

Q6. Why is that?

Base (All Respondents)	Total	Number of Employees			
		Self	2-25	26-100	100+
	800	85	368	112	219
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
<u>Negative Comments</u>	56	47	58	64	55
Costs are too high/out of control (in general)/Taxes too high/ High expenses/Cost of living	28	24	30	37	23
Too much red tape from regulations/permits (San Francisco/ Local)	17	11	18	21	15
City doesn't do enough to promote business/small business, develop/nurture SF business	5	8	7	5	2
Other negatives/heard of problems from media or others/ General negative	5	9	5	2	6
Parking/difficulty parking/hard to provide for customers/hard to find	5	7	5	5	3
Costs to do business here are higher in SF than in nearby cities/ areas	3	1	4	5	2
No commercial rent control/commercial rents are too high/ increasing too quickly	3	4	3	4	3
Payroll tax is expensive	2	-	2	5	3
Too cumbersome to keep up with required paperwork/filings ...	2	4	1	2	3
Have to participate in health insurance program (Healthy San Francisco) – expense/cost.....	2	-	1	4	3
Too much government interference/regulations (state/federal laws/agencies)	2	1	2	4	1
Getting permits for building renovation/installation for a business are cumbersome	2	-	1	4	3

*Only comment categories including at least 2% of all respondents are shown. See Statistical Table 6 for a full list.

Base (All Respondents)	Total	Number of Employees			
		Self	2-25	26-100	100+
	800	85	368	112	219
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
<u>Positive Comments</u>	45	46	42	39	51
Lots of opportunities for our particular business/organization/ industry	12	13	10	7	16
Great location for reaching our clients/customers	6	5	6	4	7
Great transportation/accessible	4	1	4	-	6
Draws people from all over the world – international appeal/ tourism/conventions.....	4	5	3	6	4
Culture/vibrancy of San Francisco/Atmosphere	4	4	3	-	6
Easy to attract top talent – people want to work/live here	4	1	2	4	7
Proximity to complimentary businesses.....	3	4	3	4	3
Other positive (General)	3	4	3	-	3
No problems – we’re doing well/No complaints/Good for me....	2	2	3	4	1
Economy is strong/stronger than other areas/Economic bubble	2	4	2	4	1
Clients are educated/sophisticated	2	4	1	4	1
<u>Other Comments</u>	6	9	7	5	5
Too vague/Don’t know	3	6	3	3	3
Not great but ok – just average, both good and bad (General) ...	2	1	2	2	1

*Only comment categories including at least 2% of all respondents are shown. See Statistical Table 6 for a full list.

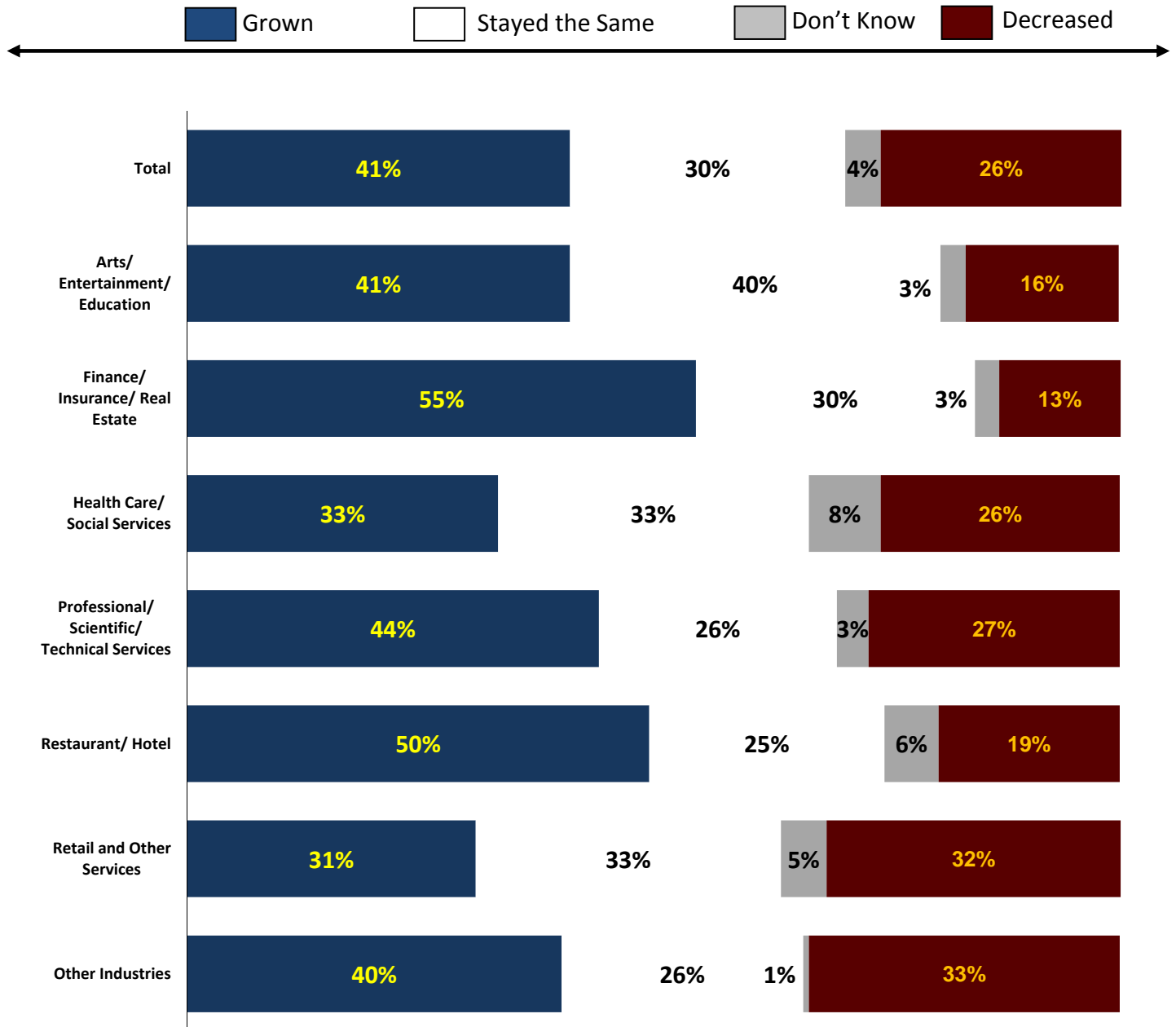
Revenue Trends

When asked whether their business revenues have grown, decreased, or stayed the same of the past couple of years, 71% said that their revenues had increased or stayed the same, only 26% indicated that their revenues had decreased. Businesses with 100 or more employees and those in the Finance/Insurance/Real Estate Industry were more likely to show increased revenue.

Q24. In general, would you say that your revenues have grown, decreased, or stayed the same over the past couple of years?

	Total	Number of Employees			
		Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Grown.....	41	29	38	41	53
Decreased	26	32	29	21	21
Stayed about the same	30	33	31	36	23
Don't know.....	4	6	2	2	3
	100	100	100	100	100

Revenue Trends Over The Past Couple of Years (By Industry)



Barriers To Doing Business In San Francisco

Barriers To Doing Business In San Francisco

The “cost to rent or buy space for your business” was felt by most respondents to be a major barrier to businesses locating or expanding in San Francisco with three quarters (75%) of respondents rating it 4 or 5 as a barrier and with an overall mean score of 4.05 out of 5. The next greatest barrier, “City taxes, including the payroll tax,” had just over half (54%) rating it as a major barrier and a mean score of 3.45. The City’s minimum wage requirements and the availability of qualified employees were the least likely to be barriers, with mean scores of 2.42 and 2.39 respectively.

Q11. How much of a barrier is each of the following in discouraging businesses (organizations) like yours to locate or expand in San Francisco? Please use a five point scale, where 5 means Major Barrier and 1 means Not a Barrier at All.

N=base of survey participants								
Total:	N=800							
Self:	N=85							
2-25	N=368							
26-100	N=112							
100+	N=219							

	----- READ % ACROSS -----						MEAN SCORE
	Major Barrier		Not A Barrier At All		Don't Know/NA	[] (5 pt. Scale)	
	5	4	3	2	1		
	%	%	%	%	%	%	

The cost to rent or buy space for your business

	5	4	3	2	1	Don't Know/NA	MEAN SCORE
Total	47	28	14	4	7	1	4.05
Self	54	20	12	2	9	2	4.10
2-25	46	28	14	5	7	<1	4.02
26-100	48	28	12	4	9	-	4.03
100+	45	31	16	3	6	1	4.07

City taxes, such as the payroll tax

	5	4	3	2	1	Don't Know/NA	MEAN SCORE
Total	32	22	18	10	16	3	3.45
Self	18	11	21	17	31	4	2.67
2-25	36	21	17	8	16	2	3.53
26-100	44	25	13	7	9	3	3.90
100+	26	26	21	11	15	2	3.37

The cost of labor or staff

	5	4	3	2	1	Don't Know/NA	MEAN SCORE
Total	24	27	25	10	14	1	3.35
Self	19	18	15	13	33	2	2.76
2-25	24	26	24	12	14	1	3.35
26-100	29	25	26	12	9	-	3.53
100+	22	32	29	6	11	-	3.49

N=base of survey participants		----- READ % ACROSS -----							
Total:	N=800	Major Barrier					Not A Barrier	Don't Know	MEAN SCORE
Self:	N=85	5	4	3	2	1	[]	(5 pt. Scale)	
2-25	N=368	%	%	%	%	%	%	%	
26-100	N=112								
100+	N=219								

The City’s business licensing and permitting process

Total	26	19	20	11	20	4	3.21
Self	19	17	19	15	31	-	2.78
2-25	30	18	20	11	19	4	3.30
26-100	42	11	17	8	18	5	3.53
100+	16	25	23	11	20	5	3.05

The City’s health care and sick leave ordinances

Total	23	16	17	12	28	4	2.93
Self	11	11	15	12	45	7	2.25
2-25	22	15	17	12	30	4	2.84
26-100	37	17	17	10	18	2	3.45
100+	22	19	19	15	24	2	3.00

Ability to retain quality employees

Total	9	15	24	20	29	2	2.54
Self	4	11	15	12	51	8	1.96
2-25	11	15	23	20	30	1	2.58
26-100	10	14	26	21	30	-	2.54
100+	7	19	30	23	21	-	2.68

The City’s minimum wage requirements

Total	16	9	17	15	42	2	2.42
Self	9	11	7	13	57	4	2.00
2-25	17	9	14	15	44	1	2.40
26-100	22	9	20	14	33	2	2.73
100+	13	10	23	16	39	-	2.41

Availability of qualified employees

Total	9	11	25	21	34	2	2.39
Self	9	7	12	17	49	6	2.05
2-25	10	9	23	22	35	1	2.36
26-100	9	13	27	21	30	1	2.51
100+	6	14	31	22	27	1	2.52

Barrier As A Motivator To Leave San Francisco

The cost to rent or buy space and City taxes were the most likely reason a business had seriously considered moving out of San Francisco

Q12. Has your company seriously considered moving out[^] of San Francisco as a result of any of those barriers?

[^]includes all or part of your business/operations

The cost to rent or buy space for your business	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Yes	28	29	29	37	23
No	45	40	43	39	51
Don't know	2	5	2	-	1
Weren't asked question (Did not rate barrier 4 or 5)	25	26	26	24	25
	100	100	100	100	100
City taxes, such as the payroll tax	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Yes	24	14	27	36	19
No	29	12	29	33	32
Don't know	1	2	1	-	-
Weren't asked question (Did not rate barrier 4 or 5)	46	72	44	31	49
	100	100	100	100	100
The cost of labor or staff	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Yes	17	12	19	26	12
No	32	22	30	27	42
Don't know	1	2	1	1	-
Weren't asked question (Did not rate barrier 4 or 5)	50	64	50	46	46
	100	100	100	100	100

Has your company seriously considered moving out[^] of San Francisco as a result of any of those barriers?

[^]includes all or part of your business/operations

The City's business licensing and permitting process	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Yes	16	14	17	29	9
No	28	18	29	24	30
Don't know	1	4	1	-	1
Weren't asked question (Did not rate barrier 4 or 5)	55	65	53	47	59
	100	100	100	100	100

The City's health care and sick leave ordinances	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Yes	15	7	14	26	13
No	23	12	21	28	27
Don't know	1	2	1	-	-
Weren't asked question (Did not rate barrier 4 or 5)	61	79	64	46	59
	100	100	100	100	100

Ability to retain quality employees	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Yes	7	7	8	5	5
No	17	7	17	19	21
Don't know	-	-	1	-	-
Weren't asked question (Did not rate barrier 4 or 5)	76	86	74	76	74
	100	100	100	100	100

Has your company seriously considered moving out[^] of San Francisco as a result of any of those barriers?
[^]includes all or part of your business/operations

The City's minimum wage requirements	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Yes	9	5	10	16	5
No	16	14	16	15	17
Don't know	1	1	1	-	-
Weren't asked question (Did not rate barrier 4 or 5)	75	80	74	69	78
	100	100	100	100	100

Availability of qualified employees	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Yes	5	4	4	4	5
No	14	13	13	19	15
Don't know	-	-	1	-	-
Weren't asked question (Did not rate barrier 4 or 5)	81	84	81	78	79
	100	100	100	100	100

Industry Most/Least Likely To Consider ___ A Major Barrier

		----- READ % ACROSS -----						
		Major Barrier		Not A Barrier At All			Don't Know	MEAN SCORE
		5	4	3	2	1	[] (5 pt. Scale)	
The cost to rent or buy space for your business								
	Total	47	28	14	4	7	1	4.05
MOST	Retail & other services	59	21	12	4	4	-	4.28
LEAST	Finance/Insurance/Real Estate ..	33	33	22	3	10	-	3.74
City taxes, such as the payroll tax								
	Total	32	22	18	10	16	3	3.45
MOST	Restaurants/Hotels	47	31	12	6	2	3	4.18
LEAST	Arts/Entertainment/Recreation.	19	8	25	10	32	7	2.72
The cost of labor or staff								
	Total	24	27	25	10	14	1	3.35
MOST	Restaurants/Hotels	47	26	14	4	7	3	4.05
LEAST	Arts/Entertainment/Recreation.	21	23	26	7	23	-	3.11
The City's business licensing and permitting process								
	Total	26	19	20	11	20	4	3.21
MOST	Restaurants/Hotels	46	18	17	10	6	4	3.92
LEAST	Professional/Scientific/Tech Svcs	14	16	23	21	22	5	2.78
The City's health care and sick leave ordinances								
	Total	23	16	17	12	28	4	2.93
MOST	Restaurants/Hotels	42	21	11	8	14	5	3.73
LEAST	Arts/Entertainment/Recreation.	12	12	19	11	41	4	2.41
Ability to retain quality employees								
	Total	9	15	24	20	29	2	2.54
MOST	Health Care/Social Services	9	24	27	15	24	-	2.78
LEAST	Restaurants/Hotels	6	11	26	24	30	3	2.36
The City's minimum wage requirements								
	Total	16	9	17	15	42	2	2.42
MOST	Restaurants/Hotels	40	18	14	15	13	1	3.59
LEAST	Professional/Scientific/Tech Svcs	6	5	11	14	63	1	1.76
Availability of qualified employees								
	Total	9	11	25	21	34	2	2.39
MOST	Health Care/Social Services	10	17	27	14	31	1	2.61
LEAST	Professional/Scientific/Tech Svcs	8	4	24	21	41	1	2.17

Attracting Business To San Francisco

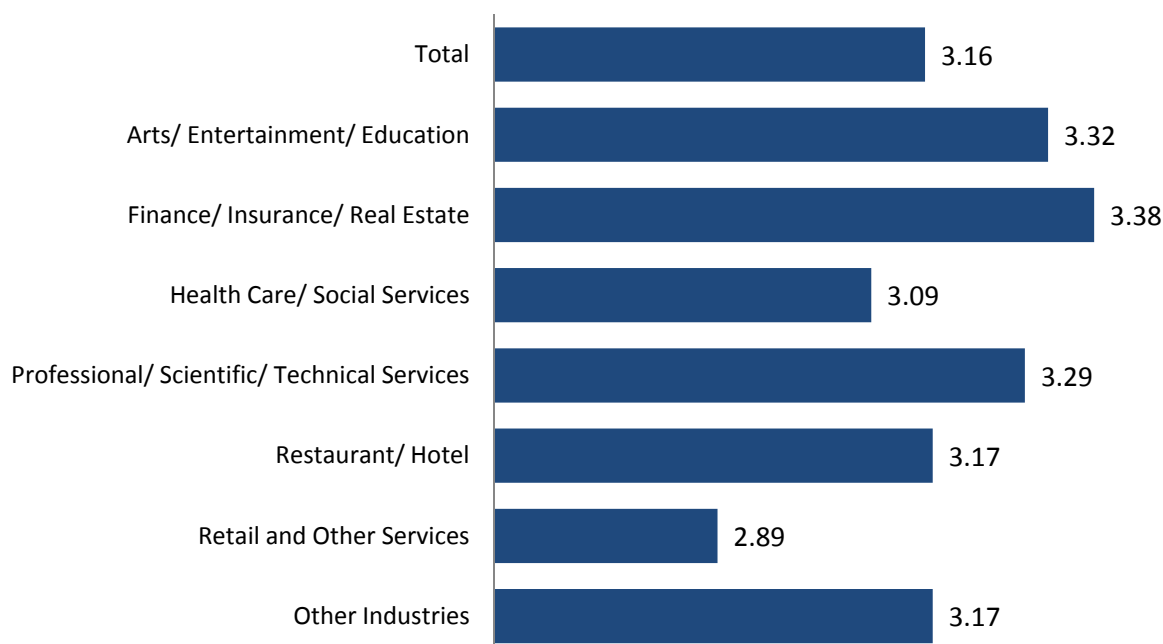
San Francisco's Attraction Trend

Overall, 35% of respondents feel that the City is doing at least slightly better in attracting business or organizations to San Francisco with all respondents rating it an average of 3.16 out of 5. Those with 100 or more employees, and those in the Financial/Insurance/Real Estate industry were the most likely to rate the City's direction higher.

Q7. In what direction is the City going in attracting businesses (organizations) like your to locate and expand in San Francisco? Would you say it is getting better, staying the same, or getting worse? (If better or worse: is that much better/worse or slightly better/worse)

	Number of Employees				
	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
Percent who say...	%	%	%	%	%
Much better (5)	12	13	10	11	16
Just slightly better..... (4)	23	34	17	20	30
Staying about the same (3)	33	27	34	38	31
Just slightly worse (2)	13	9	15	14	9
Much worse (1)	10	7	12	13	5
Don't know.....	10	9	13	5	9
	100	100	100	100	100
MEAN (Out of 5)	3.16	3.40	2.97	3.02	3.49

The City's Direction In Attracting Businesses (Mean Score Out of 5)



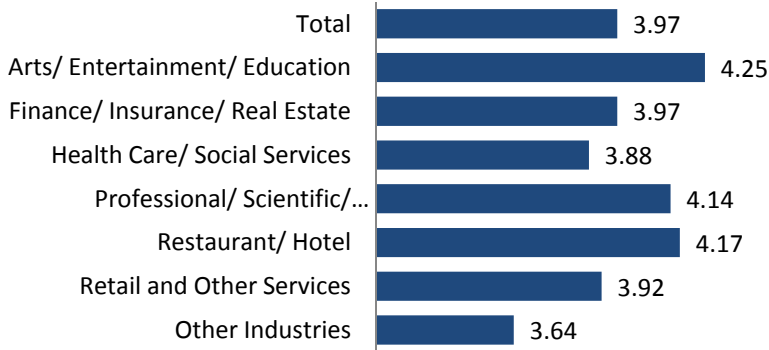
Attraction Factors

Of the three attraction factors provided, San Francisco businesses felt that the quality of life in San Francisco was the most attractive factor in attracting businesses, rating it 3.97 out of 5. San Francisco being a central location for goods or services, while rated fairly high at 3.78 overall, was the least attractive factor of the three given.

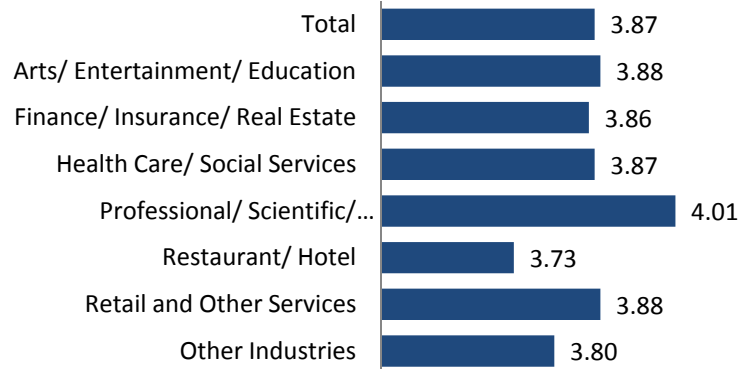
Q8. How much of factor are each of the following in attracting businesses (organizations) like yours to locate or expand in San Francisco. Please use a five point scale, where 5 means Major Factor and 1 means Not a Factor at All.

N=base of survey participants		----- READ % ACROSS -----							
Total:	N=800	Major Factor					Not A Factor	Don't Know	MEAN SCORE
Self:	N=85	5	4	3	2	1	[]	(5 pt. Scale)	
2-25	N=368	%	%	%	%	%	%	%	
26-100	N=112								
100+	N=219								
The quality of life in the City									
Total		41	30	18	3	7	1	3.97	
Self		48	25	19	2	4	2	4.14	
2-25		41	29	17	3	7	2	3.96	
26-100		38	28	21	4	11	-	3.78	
100+		40	34	17	5	4	1	4.01	
Having a highly qualified workforce									
Total		41	24	20	5	8	1	3.87	
Self		27	18	20	7	24	5	3.19	
2-25		39	27	21	5	7	2	3.85	
26-100		40	21	23	5	11	-	3.76	
100+		53	24	16	5	1	1	4.22	
A central location for your products or services									
Total		40	24	18	6	11	2	3.78	
Self		34	22	24	4	14	2	3.60	
2-25		41	21	17	7	12	1	3.74	
26-100		43	20	15	3	18	2	3.68	
100+		39	32	16	6	4	2	3.98	

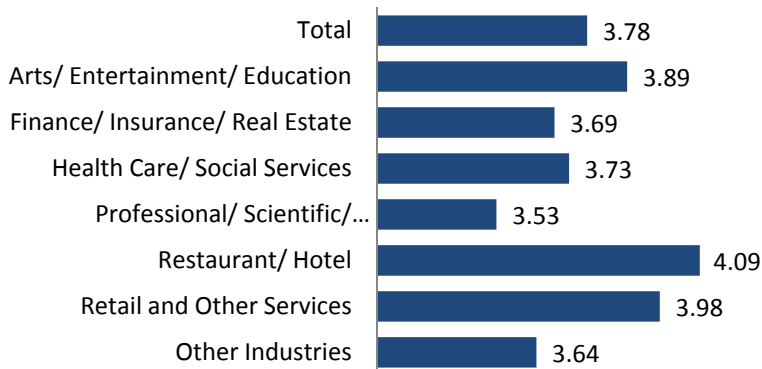
The Quality of Life in the City (Mean Score Out of 5)



Having A Highly Skilled Workforce (Mean Score Out of 5)



A Central Location For Your Products Or Services (Mean Score Out of 5)



Other Attraction Factors

Nearly half (48%) of respondents knew of other key factors in attracting business to locate or expand in San Francisco. Factors cited included a large customer base, innovative support/collaborative providers, and the diversity of the population.

Q9. Are there any other key factors that have attracted businesses (organizations) like yours to locate or expand in San Francisco? Briefly, what other factors?*

	Total	Number of Employees			
		Self	2-25	26-100	100+
Base (Said "Yes" they knew of other key factors)	384	38	166	50	125
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
Demand/customers/potential customers/San Francisco is a good customer base.....	17	21	15	24	18
Availability of complementary/ancillary service providers who are innovative/successful	11	29	8	14	10
Diversity of City population/Density of population.....	10	16	12	12	6
Good public transportation	7	3	7	10	8
Strong tourist draw/strong tourism-based sector of economy ...	7	5	5	14	7
Negative factor mentioned (serious or sarcastic) – e.g. reason to NOT locate in SF	7	-	6	6	8
Beautiful place to live/good weather	5	8	5	4	4
Convention calendar/number of conventions/upgrading conventions.....	3	-	3	4	3
Part of our name/part of our tradition.....	3	5	4	-	2
Available funding (general – either public or private sector).....	3	-	2	6	3
Prestige/cachet of being in SF	3	3	4	2	2
City investment in beautification/infrastructure improvement...	2	3	2	-	3
Liberal attitude/Progressive culture	2	5	3	-	-
Overall political support for business/political support from current administration.....	2	-	3	-	2
Availability of City contracts and programs for local/women-owned/minority businesses/LBE/HRC certification	2	3	2	2	-

*Only comment categories including at least 2% of all respondents are shown. See Statistical Table 12 for a full list.

City Programs or Policies That Promote and Encourage Business

Just over a third (35%) of respondents knew of policies designed to promote and encourage business in San Francisco. Of the programs mentioned, only 57% were, in fact, San Francisco programs. Programs cited included the Mid-Market restoration Plan, the Office of Small Business, and the LBE/HRC programs. Notably, there is a small percentage (7%) that feels that the business programs in San Francisco are only geared to large businesses, aren't fair, or are too complex.

Q20. Are you aware of any programs or policies designed to promote and encourage business in San Francisco? Which ones? (Name of program or brief description)*

	Total	Number of Employees			
		Self	2-25	26-100	100+
Base (Aware of programs/policies to promote business in SF)	316	28	138	55	90
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
<u>San Francisco Programs (Total)</u>	57	43	62	58	52
Mid-Market Restoration Plan/Mid-Market/Tenderloin/Twitter payroll tax exemption	16	-	14	16	23
Office of Small Business	6	7	9	7	1
LBE/HRC Programs	6	4	9	2	1
Hiring in SF program/requiring hiring of SF residents/SF Hire/Summer hire/Jobs Now/SF Works	5	-	6	9	3
Tax breaks for SF Businesses/payroll tax exemption (general)	5	4	4	4	7
OEWD/Office of Economic Development	3	7	2	4	3
Low-interest loan program	3	7	3	7	-
Tech San Francisco/programs to help tech firms (general).....	3	-	3	4	2
SF Made campaign/campaign to help manufacturers (general) ..	3	7	3	2	1
Programs to help biotech/green business.....	2	4	2	-	2
Online services/Ease of Use Business Promotion.....	2	4	2	-	2
<u>State/Federal Programs (Total)</u>	15	32	15	7	14
Enterprise Zone	9	4	8	6	13
Small Business Administration.....	6	29	7	2	1
<u>Private (Not directly/entirely City sponsored) Programs (Total)</u>	10	4	9	9	14
Chamber of Commerce	4	-	3	4	6
SF Travel	2	-	1	4	1

*Only comment categories including at least 2% of all respondents are shown. See Statistical Table 30 for a full list.

	Total	Number of Employees			
		Self	2-25	26-100	100+
Base (Aware of programs/policies to promote business in SF)	316	28	138	55	90
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
Other Answers (Total)	20	21	20	22	19
Have no Idea/Don't know/Other (General).....	12	18	11	9	3
Doesn't matter – small business is not included – only for large businesses/Have to be connected/Not happy about others getting breaks/Programs don't work/aren't fair/too complex/We don't qualify.....	7	4	9	9	3

*Only comment categories including at least 2% of all respondents are shown. See Statistical Table 30 for a full list.

Attitudinal Statements

Overall, respondents were much more likely to agree that it was expensive to do business in San Francisco than with any other attitudinal statement. Notably, the 4.51 rating for the expense of doing business in San Francisco is more than twice the rating for the statement that being in San Francisco gives better access to loans or other financing.

22. How strongly do you agree or disagree with each of the following statements...
Please use a five point scale where 5 means Agree Strongly and 1 means Disagree Strongly.

N=base of survey participants		----- READ % ACROSS -----						
Total:	N=800	Agree Strongly		Disagree Strongly			Don't Know	MEAN SCORE
Self:	N=85	5	4	3	2	1	[]	(5 pt. Scale)
2-25	N=368	%	%	%	%	%	%	%
26-100	N=112							
100+	N=219							

It is more expensive to do business in the City of San Francisco compared to other cities in the area

Total	68	17	7	2	3	4	4.51
Self	58	15	7	6	9	5	4.11
2-25	68	17	8	2	2	4	4.53
26-100	80	14	5	-	1	-	4.71
100+	69	19	5	3	2	3	4.55

The City of San Francisco is a preferred location for businesses (organizations) like mine

Total	44	21	18	6	10	1	3.83
Self	39	28	24	2	5	2	3.96
2-25	42	17	21	5	13	1	3.71
26-100	44	21	20	6	9	1	3.85
100+	50	24	10	8	8	1	4.00

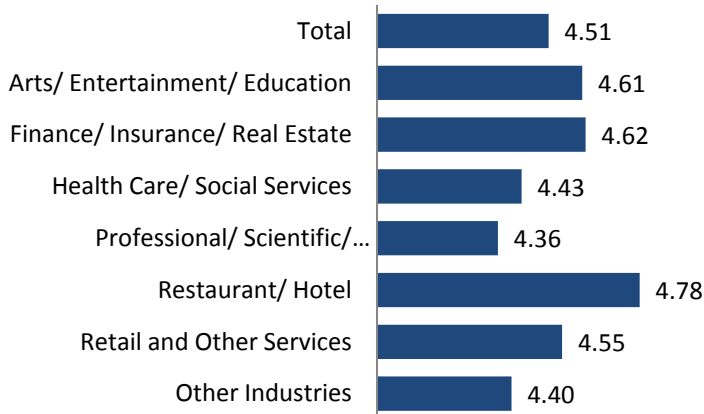
Our business (organization) could easily move to another location in the Bay Area if needed

Total	30	12	18	9	30	2	3.03
Self	44	9	20	4	20	4	3.55
2-25	31	13	18	9	27	2	3.12
26-100	31	10	19	11	29	1	3.05
100+	23	11	16	10	39	1	2.68

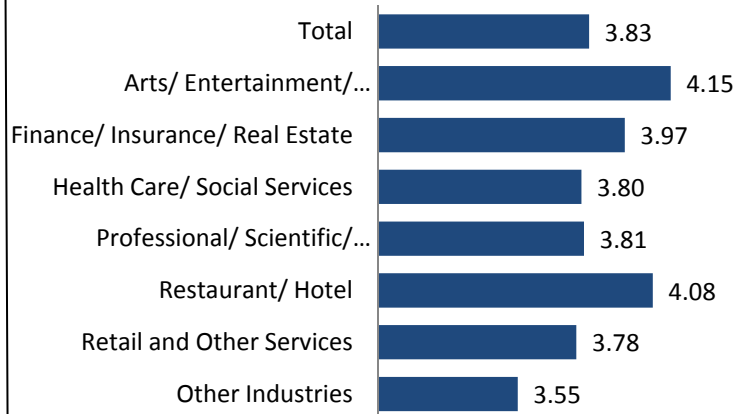
Being located in San Francisco gives our business (organization) comparable, or better, access to loans or outside financing versus being in another city in the area

Total	8	5	17	10	34	27	2.22
Self	9	7	20	5	22	37	2.63
2-25	6	4	13	11	39	27	2.01
26-100	8	6	21	11	34	20	2.30
100+	9	7	19	8	32	25	2.38

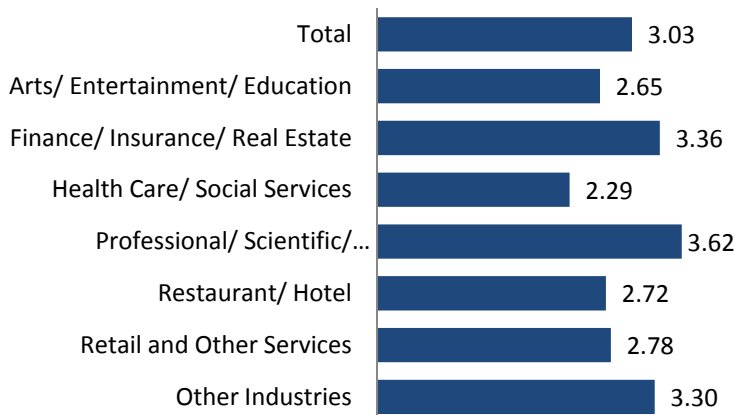
It is more expensive to do business in San Francisco... (Mean Score Out of 5)



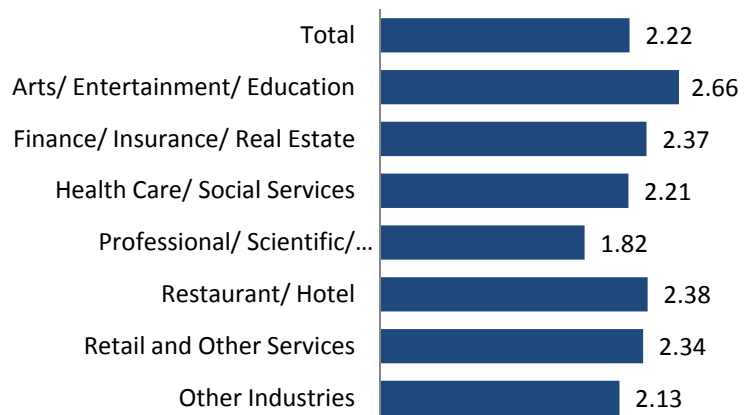
The City of San Francisco is a preferred location... (Mean Score Out of 5)



Our business (organization) could easily move... (Mean Score Out of 5)



Being located in San Francisco gives... (Mean Score Out of 5)



Encouraging Businesses to Grow

The most repeated suggestion as one key thing the City could do to encourage businesses to grow was reducing taxes on businesses. Other suggestions included simplifying regulations, commercial rent control, a more collaborative relationship between the City and businesses, and improving city infrastructure.

Q23. What is one key thing that the City government could do to encourage a business like yours to grow in San Francisco?*

	Total	Number of Employees			
		Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
Revise/Lower Taxes (Total)	31	20	35	38	25
Reduce taxes (general)/Costs/Fees	16	12	20	18	11
Reduce payroll taxes/get rid of payroll tax/use gross receipts instead.....	8	1	8	13	9
Tax incentives for small/smaller businesses.....	8	8	8	9	7
Revise City Policy/Ordinances (Total)	28	27	26	30	33
Simplify regulations/Cut back on regulations/bureaucracy	7	6	6	7	9
Provide some sort of commercial rent control/work to reduce escalating commercial rents	7	14	5	6	6
Streamline permit application process.....	4	2	5	2	4
Reduce/eliminate required sick leave/time off policies/ health care for whole city	4	-	4	4	4
Improve overall City financial management (general)	2	2	1	4	3
Get rid of minimum wage laws/Modify for tipped employees	2	-	2	2	2
Reduce workforce/size/benefits of City government/ Improve Supervisors	2	1	2	4	1
Provide loading/unloading zones for businesses so cost of using A vehicle is reduced/Provide special permits for suppliers, owners For loading/unloading.....	1	1	1	-	1
Consolidate payments/taxes/fees, so businesses receive one Invoice well in advance and can pay fees/taxes in one payment	1	1	1	1	1
Reduce power/scope of influence of unions	1	-	1	1	1

*Only comment categories including at least 1% of all respondents are shown. See Statistical Table 35 for a full list.

Base (All Respondents)	<u>Number of Employees</u>				
	Total	Self	2-25	26-100	100+
	800	85	368	112	219
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
<u>Revise City Policy/Ordinances (Continued)</u>					
Streamline laws/regulations so that the law statewide also applies in San Francisco	1	-	<1	1	1
Flexible employment laws/Get rid of 'local hire' laws/benefits	1	-	<1	-	1
<u>More Collaboration with Business (Total)</u>	17	20	16	17	17
Partner with businesses to walk them through permitting/change of ownership/expansion, etc.	6	14	5	5	3
Funding/Help for non-profits/For-profits	5	1	3	6	7
Demonstrate a more positive relationship between City and business community/show a more pro-business outlook across all City departments	3	2	3	2	3
Take smaller businesses into account before implementing programs	2	2	2	1	1
Provide grants for hiring/entry level training programs.....	2	2	1	2	3
Improve planning services (General)	1	1	1	1	1
<u>Improve City Infrastructure (Total)</u>	7	6	8	6	6
Provide better parking options/more affordable parking for employees.....	5	5	6	1	4
Improve public transit options/make public transit more affordable/easier for employees to use/Bike friendly roads/cabs	3	-	2	5	5
<u>Improve Cost of Living/Doing Business (Total)</u>	7	8	6	5	7
More affordable housing/Lower housing costs.....	3	4	2	3	4
Provide access to reasonable loans/low-cost loans	3	5	3	2	1
Reduce cost of living/working in San Francisco (Cost of commute, rent, parking)	1	-	1	1	-
Provide incentives/Help those who work in San Francisco to live In San Francisco.....	1	-	<1	-	1

*Only comment categories including at least 1% of all respondents are shown. See Statistical Table 35 for a full list.

Base (All Respondents)	Number of Employees				
	Total	Self	2-25	26-100	100+
MULTIPLE ANSWERS ACCEPTED*	%	%	%	%	%
Improve Enforcement of Laws/Ordinances (Total)	6	2	5	8	9
Crack down on crime/do a better job of solving crimes/ preventing crimes/Clean up city/Deal better with homeless/panhandling	5	2	4	5	6
Make sure all businesses follow the same rules/follow contracting rules/provide venue to report dishonest companies in SF	1	-	1	3	1
Crack down on unfair practices in my area (e.g. food trucks, rent control)	1	-	<1	-	2
Promote SF Businesses (Total)	6	8	6	5	4
Promote small business/Get us more work	4	8	4	4	2
Attract international companies/creative companies/talent pool	1	-	1	-	1
Other Responses (Total)	8	9	8	5	8
Nothing I can think of/Don't know/Don't want to grow	6	7	7	1	6
General positive comment	1	-	1	4	2
Other (General).....	1	2	1	-	-

*Only comment categories including at least 1% of all respondents are shown. See Statistical Table 35 for a full list.

Q23. What is one key thing that the City government could do to encourage a business like yours to grow in San Francisco?

(OPEN ENDED QUESTION. RESPONSES CODED BELOW)

Base (All Respondents)	Total	Arts/	Fin/	HC/	Pro/	Rest/	Ret/	Oth
		Ent/	Ins/		Sci/		Oth	
	800	73	77	78	145	103	162	162
MULTIPLE ANSWERS ACCEPTED	%	%	%	%	%	%	%	%
Revise/Lower Taxes (Total).....	31	18	40	22	31	38	25	37
Revise City Policy/Ordinances (Total).....	28	34	26	33	18	30	33	28
More Collaboration with Business (Total)	17	21	13	27	15	16	17	13
Improve City Infrastructure (Total).....	7	8	3	3	7	6	13	7
Improve Cost of Living/Doing Business (Total).....	7	16	10	5	7	1	6	5
Improve Enforcement of Laws/Ordinances (Total) .	6	4	1	3	5	10	8	9
Promote San Francisco Business (Total).....	6	4	4	5	8	5	6	6
Other Responses (Total)	8	7	13	10	12	6	4	6

Demographic Information

	Number of Employees				
	Total	Self	2-25	26-100	100+
Base (All Respondents)	800	85	368	112	219
	%	%	%	%	%
Headquarters					
In San Francisco.....	82	98	96	86	53
Somewhere else.....	16	1	4	14	45
Other (Partial HQ in SF, Moving out of SF)	1	1	<1	-	-
Refused/No answer	1	-	-	-	-
Market (Most of the company's business is...)					
Local	72	79	79	80	56
Nationwide.....	25	25	20	23	37
International	15	12	10	12	25
Don't know.....	1	1	<1	-	-
San Francisco Locations					
1	77	98	89	63	57
2 – 3.....	12	1	8	21	18
4 – 5.....	4	-	<1	6	9
6 – 10	3	-	1	5	6
More than 10 Facilities	3	-	-	3	8
Don't know/Refused	3	1	2	2	1
Employees Based in San Francisco					
1	13	100	5	-	-
2 – 10.....	37	-	70	14	10
11 – 25.....	16	-	25	18	5
26 – 100	16	-	-	68	25
101 – 500	15	-	-	-	54
501 – 1,000.....	1	-	-	-	3
Over 1,000.....	1	-	-	-	3
Don't know/Refused	1	-	-	-	-
New Loan or Outside Financing					
Have applied in past couple of years.....	26	15	24	40	29
Have not applied in past couple of years.....	67	84	73	54	58
Don't know.....	7	1	3	6	14

Appendix

San Francisco Office of Economic and Workforce Development
SF Business Survey
Version 2.2

Hello, this is _____ with Corey Research. We are conducting an important survey for the City of San Francisco on ways to promote businesses in the City. Is your business located in San Francisco?

- Yes 1
No 2 (thank and discontinue)

(Interviewer Notes: If necessary, explain:

- 1. The survey should take about 10 minutes to complete.
2. The study is being done for the City of San Francisco through the Office of Economic and Workforce Development.
3. No selling or fund raising is involved.
4. Responses will be treated in confidence.

1. About how long has your business (organization) been located here?

- Less than one year 1
One – three years..... 2
Three – five years..... 3
Six – ten years 4
Ten – twenty years..... 5
More than twenty years 6
Don't know..... 7

2. Are you generally involved in your organization's key decisions (in the San Francisco region)?

- Yes - involved 1
Somewhat involved 2
No – not involved..... 3 (ask to speak to a person involved)

3. Approximately how many of your employees work here in San Francisco?

- 1 1
2 to 10 2
11 to 25 3
26 to 100 4
101 to 500 5
501 to 1,000 6
Over 1,000..... 7
Don't know/Refused 8

DOING BUSINESS IN SAN FRANCISCO

4. What is the primary reason that your business (organization) is located in San Francisco?

5. Overall, how would you rate San Francisco as a place to do business? Would you say excellent, good, average, poor, or terrible?

- Excellent..... 1
- Good..... 2
- Average 3
- Poor..... 4
- Terrible..... 5
- Don't know (do not read) 6

6. Why is that?

ATTRACTING BUSINESS TO SAN FRANCISCO

7. In what direction is the City going in attracting businesses to locate and expand in San Francisco? Would you say it is getting better, staying about the same or getting worse....(if better or worse, ask is that much better or just slightly better)

- Better (much)..... 1
- Better (just slightly)..... 2
- Staying about the same 3
- Worse (just slightly) 4
- Worse (much) 5
- Don't know (do not read) 6

8. How much of factor are each of the following in attracting businesses (organizations) like yours to locate or expand in San Francisco. Please use a five point scale, where 5 means Major Factor and 1 means Not a Factor at All. (Ask for each. Randomize)

	Major Factor			Not a Factor		Don't
	5	4	3	2	1	Know
a. Having a <u>highly qualified workforce</u>	5	4	3	2	1	6
b. The <u>quality of life in the City</u>	5	4	3	2	1	6
c. A <u>central location</u> for your products or services	5	4	3	2	1	6

9. Are there any other key factors that have attracted businesses (organizations) like yours to locate or expand in San Francisco?

- Yes 1
- No 2
- Don't know..... 3

(If yes)

10. Briefly, what other factors?

BARRIERS TO DOING BUSINESS IN SAN FRANCISCO

11. How much of a barrier is each of the following in discouraging businesses (organizations) like yours to locate or expand in San Francisco? Please use a five point scale, where 5 means Major Barrier and 1 means Not a Barrier at All. (Ask for each. Randomize)

	Major Barrier	4	3	2	1	Not a Barrier Know	6
a. The <u>cost to rent or buy space</u> for your business.....	5	4	3	2	1		6
b. <u>Availability</u> of qualified employees.....	5	4	3	2	1		6
c. Ability to <u>retain quality employees</u>	5	4	3	2	1		6
d. The <u>cost of labor or staff</u>	5	4	3	2	1		6
e. The City's <u>business licensing and permitting process</u>	5	4	3	2	1		6
f. <u>City taxes</u> , such as the payroll tax.....	5	4	3	2	1		6
g. The City's <u>minimum wage</u> requirements.....	5	4	3	2	1		6
h. The City's <u>health care and sick leave ordinances</u>	5	4	3	2	1		6

Has your company seriously considered moving out[^] of San Francisco as a result of any of those barriers?
 (Interviewer: If yes, ask for each barrier rated as a 4 or 5 in Q11)

[^]includes all or part of your business/operations

12. The cost to rent or buy space for your business
- Yes (seriously considered moving out of SF) 1
 - No 2
 - Don't know..... 3

- 13. Availability of qualified employees
 - Yes (seriously considered moving out of SF) 1
 - No 2
 - Don't know..... 3

- 14. Ability to retain quality employees
 - Yes (seriously considered moving out of SF) 1
 - No 2
 - Don't know..... 3

- 15. The cost of labor or staff
 - Yes (seriously considered moving out of SF) 1
 - No 2
 - Don't know..... 3

- 16. The City's business licensing and permitting process
 - Yes (seriously considered moving out of SF) 1
 - No 2
 - Don't know..... 3

- 17. City taxes, such as the payroll tax
 - Yes (seriously considered moving out of SF) 1
 - No 2
 - Don't know..... 3

- 18. The City's minimum wage requirements
 - Yes (seriously considered moving out of SF) 1
 - No 2
 - Don't know..... 3

- 19. The City's health care and sick leave ordinances
 - Yes (seriously considered moving out of SF) 1
 - No 2
 - Don't know..... 3

20. Are you aware of any programs or policies designed to promote and encourage business in San Francisco?

- Yes 1
- No 2
- Maybe 3

(If yes or maybe, ask)

21. Which ones? (Name of program or brief description)

ATTITUDINAL STATEMENTS

22. How strongly do you agree or disagree with each of the following statements...

Please use a five point scale where 5 means Agree Strongly and 1 means Disagree Strongly. *(Ask for each. Randomize)*

	Agree Strongly			Disagree Strongly	Don't Know	
a. It is <u>more expensive</u> to do business in the City of San Francisco compared to other cities in the area	5	4	3	2	1	6
b. The City of San Francisco is a <u>preferred location</u> for businesses (organizations) like mine	5	4	3	2	1	6
c. Our business (organization) could easily <u>move to another location</u> in the Bay Area if needed.....	5	4	3	2	1	6
d. Being located in San Francisco gives our business (organization) comparable, or better, access to loans or outside financing versus being in another city in the area	5	4	3	2	1	6

23. What is one key thing that the City government could do to encourage a business like yours to grow in San Francisco?

FACTUAL

The next few questions are for classification purposes only....

24. In general, would you say your business revenues have grown, decreased or stayed about the same over the past couple of years?

- Grown 1
- Decreased 2
- Stayed about the Same 3
- Don't know..... 4

26. Is your business headquartered in San Francisco?

- Yes 1
- No 2
- Other (specify): _____

25. Is most of your business local, nationwide, or international? *(Try for one but multiple response OK)*

- Local 1
- Nationwide..... 2
- International 3
- Don't know..... 4

Note: the order of Q 25 and 26 was shifted prior to going live on CATI, but not before going live on web.

27. How many different locations do you have in San Francisco?

_____ (type in number)

28. About how many employees do you have in your entire organization?

- 1 1
- 2 to 10 2
- 11 to 25 3
- 26 to 100 4
- 101 to 500 5
- 501 to 1,000 6
- Over 1,000..... 7
- Don't know/Refused 8

Note: Q 29 (Industry type) moved to the end as it is listed on the sample sheet.

30. Has your business applied for a new loan or sought outside financing within the past couple of years?

- Yes 1
- No 2
- Don't know..... 3

31. And for validation purposes, may I please have your first name, title, and company name...

Name: _____

Title: _____

Company Name: _____

COMMENTS

Those are all the questions I have, thank you very much for taking the time to complete the survey!

32. Do you have any additional comments?

[INTERVIEWER: Type in any additional relevant comments in the space provided]

SAMPLE INFORMATION

Pick up the following from the sample sheet:

PHONE NUMBER: _____

Sample Source: _____

Sample ID#: _____

Industry: _____

**Office of Economic Workforce Development
Business Survey | CCG 1020 01**

Interviewer Background

This study is a survey of San Francisco business owners/managers, which is being done for our client, the Office of Economic and Workforce Development (OEWD) of the City and County of San Francisco. OEWD supports the City's ongoing economic vitality by strengthening its neighborhoods, businesses, commercial corridors, and workforce. More information about the agency is available at their website, www.oewd.org.

Our initial (and primary) mode of administering the survey is by telephone. This project differs substantially from a 'typical' residential telephone survey in a number of ways, however, and it is important to understand these differences to conduct interviews properly. Key differences include:

- **Getting the right person is crucial.** The interview **MUST** be conducted with the owner or a senior manager (that is, someone who makes decisions which impact the entire company).
 - Generally, interviews with smaller companies should be done with the owner.
 - Interviews at larger companies (corporations) should be conducted with senior management, and this person should almost always be an officer of the company (CEO, COO, Executive VP).

Production is important, but an interview with the wrong person cannot be counted.

- **It is particularly important to be professional and let them know how important their opinion is.** A professional demeanor is always important, and that is particularly true for this study. Also be sure to let the target person know that a limited number of San Francisco business owners and managers are selected to participate in this study – and they are among those selected. Their opinions are important to us – and we want to know what those opinions are (even if they are negative or dissatisfied with some part of the City and County's approach to businesses).
- **Reaching larger businesses is particularly crucial, even if they require more calls to reach the right person.** While the number of completed interviews (production) is important, it is also important that we reach businesses of ALL sizes – particularly businesses with 100 or more employees. Some larger businesses may be harder to reach or may require more contacts than others – but it is extremely important to obtain interviews with them. **DO NOT SKIP OR GIVE UP ON BUSINESSES** because they are large and/or require additional calls.
- **Do leave messages.** Because we are seeking the opinions of high-ranking company officials, it is important to leave a brief yet professional message when you get to voicemail. (If at all possible, try to leave a message on the target individual's voicemail, rather than a generic company voicemail.) **Use the survey introduction as a guide. When leaving messages, leave the following callback number: 415-397-1202.** Voicemail will be checked regularly, and any messages from your respondents will be distributed to you. **This callback number will ring on Line 3 and Line 4 of the main phone lines. If you are currently not on a telephone call and**

one of these lines rings, pick it up and try to complete the interview (even if you did not contact the person).

- **Setting a specific callback time is likely.** It is likely that you will need to set appointments to reach at least some individuals. As much as possible, try to schedule these appointments for regular calling hours, and keep a careful record of appointment callbacks you have made. Let Carol know when a respondent asks for a callback outside of 10 am to 4 pm, Monday-Friday. Try to leave the exact day relatively open (e.g., “OK, someone from our office will call you in the next 1 ½ weeks after 7 pm.) Be sure you note the SPECIFIC time/day and range discussed on your sample sheet.
- **If someone doesn’t want to do the survey over the phone, there are some options.** If it is unlikely that a respondent will complete the survey with you, let them know that they have the option of completing the survey online at www.oewd.org/survey. **Do not mention this option during the first call;** however, **if you are leaving a message for the 3rd time, or the respondent does not wish to do the survey over the phone, offer this as an option.**
- **Sample will be distributed and used differently.** As the study progresses, respondents have several options for participating. This means that someone you contact one day may complete the survey in another way later that same day. In addition, we have a number of targets for this study which are fairly complex (as they are based on size, type of business, and other demographics). **Please follow these protocols EVERY TIME:**
 - **Sample will be distributed initially in numeric order for tracking purposes. Do not ‘trade’ sample until/unless you are told it is OK to do so.**
 - **When leaving messages or noting a refusal, obtain the person’s name and note it on your sample sheet.** Knowing who you spoke with is crucial – this may allow us to speak with another person who could complete the survey (if a refusal) or try another approach if multiple messages to a person go unanswered.
 - **Do not keep the sample in any other place than your desk (while working) or your interviewer folder (at the end of the day).** It will be important to locate sample should a person complete it online (or call outside of regular hours).
 - You will receive sample today to begin work on the project. Moving forward:
 - See Carol when you need more sample.
 - **Every day**, turn in any sample marked ‘refused’ at the end of your shift.
 - **Every day**, turn in any sample marked ‘complete’ at the end of your shift.
 - **Every day**, turn in sample that seems to be ‘exhausted’ (e.g. you can’t seem to reach anyone or receive no return calls).
 - **Every day**, turn in any sample where a respondent needs to be contacted outside of regular calling hours (10 am to 4 pm, Monday through Friday).There is a box set up with sections for each of these in Carol’s office.

