

BOARD of SUPERVISORS



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MEMORANDUM

TO: Katy Tang, Director, Office of Small Business
Anne Taupier, Executive Director, Office of Economic and Workforce
Development
José Cisneros, Treasurer, Office of the Treasurer and Tax Collector

FROM: Brent Jalipa, Assistant Clerk, Budget and Finance Committee

DATE: July 25, 2025

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following proposed legislation, introduced by Supervisor Myrna Melgar:

File No. 250782

Ordinance amending the Administrative Code to create the Small Business Rezoning Construction Relief Program ("Program") to provide financial support, including grants and loans, to businesses impacted by construction relating to the City residential rezoning program adopted in 2025-2026; establishing the Small Business Rezoning Construction Relief Fund ("Fund") to receive monies for the Program; designating the Office of Small Business and Office of Economic and Workforce Development to administer the Fund and the Program and promulgate rules and regulations in furtherance of the Program; and amending the Business and Tax Regulations Code to allow taxpayers to designate a portion of their gross receipts taxes for deposit in the Fund.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

- c. Kerry Birnbach, Office of Small Business
Alesandra Lozano, Office of Economic and Workforce Development
Amanda Kahn Fried, Office of the Treasurer and Tax Collector

[Administrative, Business and Tax Regulations Codes - Small Business Rezoning Construction Relief Fund]

Ordinance amending the Administrative Code to create the Small Business Rezoning Construction Relief Program (“Program”) to provide financial support, including grants and loans, to businesses impacted by construction relating to the City residential rezoning program adopted in 2025-2026; establishing the Small Business Rezoning Construction Relief Fund (“Fund”) to receive monies for the Program; designating the Office of Small Business and Office of Economic and Workforce Development to administer the Fund and the Program and promulgate rules and regulations in furtherance of the Program; and amending the Business and Tax Regulations Code to allow taxpayers to designate a portion of their gross receipts taxes for deposit in the Fund.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Article XIII of Chapter 10 of the Administrative Code is hereby amended by adding Section 10.100-335, to read as follows:

SEC. 10.100-335. SMALL BUSINESS REZONING CONSTRUCTION RELIEF FUND.

(a) Findings. *The City and County of San Francisco is required to add 82,069 new housing units to its existing housing stock between 2023 and 2031 pursuant to the Regional Needs Housing Allocation established by the State of California. To provide the capacity for the amount of new*

1 housing required, San Francisco has adopted the Rezoning Program, which is expected to result in
2 significant development. The construction that will take place along commercial corridors is likely to
3 impact Small Businesses, particularly in instances where Small Businesses are displaced by leases
4 lapsing due to properties being sold, construction at their site, multiple projects are occurring on the
5 same block, or if roads are closed. Recognizing the impacts that increased construction can have on
6 Small Businesses in particular, San Francisco wishes to create a fund and a grants program to mitigate
7 the effects of increased construction on Small Businesses.

8 (b) **Definitions.** For purposes of this Section 10.100-335, the following definitions shall apply:

9 “Fund” means the Small Business Rezoning Construction Relief Fund.

10 “Program” means the Small Business Rezoning Construction Relief Program
11 established in Administrative Code Section 2A.247.

12 “Rezoning” means rezoning as a result of San Francisco’s residential rezoning
13 program adopted by the City in 2025-26.

14 “Small Business” means a business or nonprofit organization with 100 or fewer full-
15 time employees and an annual gross revenue of \$5 million or less.

16 (c) **Establishment of Fund.** The Fund is established as a category four fund as defined in
17 Administrative Code Section 10.100-1 to receive any legally available monies, including grants, gifts
18 and bequests from public or private sources for the purposes identified in subsection (d) of this Section
19 10.100-335, amounts designated for deposit in the Fund under Section 959 of Article 12-A-1 of the
20 Business and Tax Regulations Code, and any monies appropriated to the Fund by the Board of
21 Supervisors.

22 (d) **Use of Funds.** The Fund shall be used exclusively for the Program, provided that such
23 expenditures shall include reimbursement to City and County departments for expenses incurred in the
24 administration of the Fund.

1 (e) **Administration of Fund.** The Director of the Office of Small Business, in collaboration with
2 the Director of the Office of Economic and Workforce Development, or their designees, shall be
3 responsible for the administration of the Fund, and shall have all such authority as may be reasonably
4 necessary to carry out those responsibilities.

5
6 Section 2. Article XVI of Chapter 2A of the Administrative Code is hereby amended by
7 adding Section 2A.247, to read as follows:

8 **SEC. 2A.247. SMALL BUSINESS REZONING CONSTRUCTION RELIEF PROGRAM.**

9 (a) **Definitions.** For purposes of this Section 2A.247, the following terms have the following
10 meanings:

11 “Program” means the Small Business Rezoning Construction Relief Program.

12 “Rezoning” means rezoning as a result of San Francisco’s residential rezoning
13 program adopted by the City in 2025-26.

14 “Small Business” means a business or nonprofit organization with 100 or fewer full-
15 time employees and an annual gross revenue of \$5 million or less.

16 **(b) Establishment of Small Business Rezoning Construction Relief Program.**

17 (1) The Program is established for the purpose of providing grants and other assistance
18 to San Francisco’s Small Businesses impacted by increased construction as a result of the City’s
19 Rezoning.

20 (2) The Program shall be administered by the Director of the Office of Small Business
21 (“OSB”) and the Director of the Office of Economic and Workforce Development (“OEWD”), or their
22 designees (each, an “Administrator” and collectively the “Administrators”).

23 (3) The Program shall, at minimum, include the following components:
24
25

1 (A) Grants to Displaced Small Businesses. To retain and support San
2 Francisco's Small Businesses during a period of increased residential construction activity, the
3 Program may fund grants to Small Businesses displaced as a result of Rezoning construction.

4 (B) Financial and Business Assistance to Impacted Small Businesses. To retain
5 and support San Francisco's Small Businesses during a period of increased residential construction
6 activity, the Program may also provide other financial assistance grants, business assistance,
7 relocation assistance, leasing support services, incentives, and programs to Small Businesses
8 experiencing interruption to their businesses caused by Rezoning construction.

9 (4) The Program may include the following:

10 (A) Loans to Small Businesses. The Administrators may partner with nonprofit
11 community development financial institutions to administer a loan program in partnership with the City
12 for loans to Small Businesses impacted by Rezoning construction.

13 (B) Marketing, Promotions, Branding, Technical Assistance and Programmatic
14 Expenses. The Program may also fund marketing, promotions, branding, technical assistance, and
15 programmatic expenses to support Small Businesses impacted by Rezoning and other related
16 programmatic expenses.

17 (5) Exemption from Chapter 21G of the Administrative Code and Other Obligations. The
18 Administrators shall not be required to enter into a contract with Small Businesses in order to provide
19 grants or financial assistance pursuant to this Section 2A.247. The grants and financial assistance to
20 Small Businesses entered into pursuant to this Section 2A.247 shall not be subject to the provisions in
21 the Municipal Code, including but not limited to Chapter 21G of the Administrative Code, and all other
22 provisions in the Administrative, Labor and Employment, Environment, or Police Codes, imposing
23 obligations or other restrictions on contractors, except Administrative Code Chapters 12G and 12M
24 and relevant provisions of the Campaign and Governmental Conduct Code shall apply.

1 (6) Rules and Regulations. Within 12 months of the effective date of the ordinance in
2 Board of Supervisors File No. 250782 enacting this Section 2A.247, and before the disbursement of any
3 monies to Small Businesses, the Administrators shall promulgate such rules and regulations consistent
4 with this section as it may deem appropriate to carry out the Program. Such rules and regulations
5 shall include, but not be limited to, the qualifications of applicants and factors to be considered in the
6 award of grants, and shall ensure that impacted Small Businesses are eligible for the Program if they
7 were displaced or impacted within two years before applying.

8 (7) Annual Report. The Administrators shall submit an annual report to the Board of
9 Supervisors and the Mayor setting forth an accounting of the amounts disbursed and the uses for which
10 said funds were made. The first report shall be provided no later than December 1, 2027.

11
12 Section 3. Chapter 12G of the Administrative Code is hereby amended by revising
13 Section 21G.2, to read as follows:

14 **SEC. 21G.2 DEFINITIONS.**

15 As used in this Chapter 21G, the following terms shall have the following meanings:

16 “City” means the City and County of San Francisco.

17 “Grant” means an award of funds to a Grantee for, or in furtherance of, a Public
18 Purpose, which is paid from monies deposited in the treasury of the City, and which is not
19 required to be repaid except upon default by the Grantee. “Grant” does not include contracts
20 (1) for public works or improvements under Administrative Code Chapter 6; (2) for the City
21 purchase, sale, lease, use, or development of real property; (3) for the City purchase of
22 Commodities or Services under Administrative Code Chapter 21; or (4) to provide financial
23 assistance such as a loan or loan guarantee, an interest rate subsidy, tax relief, or tax credit.
24 “Grant” also does not include grants or assistance (1) authorized under Administrative Code
25 Section 2A.246, the Legacy Business Assistance Program, ~~or~~ (2) authorized under

1 Administrative Code Section 2A.247, the Small Business Rezoning Construction Relief Program, or (3)
2 to individuals under City service or assistance programs, rebates, or incentives. Departments
3 administering rebate or incentive programs must comply with Section 21G.12.

4
5 Section 4. Article 12-A-1 of the Business and Tax Regulations Code is hereby
6 amended by adding Section 959, to read as follows:

7 **SEC. 959. ELECTION TO DESIGNATE TAX TO SMALL BUSINESS REZONING**
8 **CONSTRUCTION RELIEF FUND.**

9 (a) For tax years beginning on or after January 1, 2025, a person or combined group may elect
10 to designate up to 4% of the gross receipts tax liability paid by that person or combined group for the
11 tax year for deposit in the Small Business Rezoning Construction Relief Fund, established in
12 Administrative Code Section 10.100-335. The designation under this Section 959 shall be irrevocable
13 and shall be made on the person or combined group's original gross receipts tax return filed for the tax
14 year to which the designation applies.

15 (b) If for any tax year persons or combined groups elect to designate amounts under subsection
16 (a) of this Section 959 that collectively exceed \$8 million, any excess above \$8 million shall not be
17 deposited in the Small Business Rezoning Construction Relief Fund and shall be deposited in the
18 General Fund to be used for any purposes of the City.

19
20 Section 5. Effective Date; Retroactivity.

21 (a) This ordinance shall become effective 30 days after enactment. Enactment occurs
22 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not
23 sign the ordinance within 10 days of receiving it, or the Board of Supervisors overrides the
24 Mayor's veto of the ordinance.

1 (b) Upon the effective date of this ordinance, this ordinance shall be retroactive to
2 January 1, 2025, insofar as it relates to the amendments to the Business and Tax Regulations
3 Code in Section 4.
4

5 Section 6. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
6 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
7 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
8 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
9 additions, and Board amendment deletions in accordance with the "Note" that appears under
10 the official title of the ordinance.
11

12 Section 7. Severability. If any section, subsection, sentence, clause, phrase, or word
13 of this ordinance, or any application thereof to any person or circumstance, is held to be
14 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
15 shall not affect the validity of the remaining portions or applications of the ordinance. The
16 Board of Supervisors hereby declares that it would have passed this ordinance and each and
17 every section, subsection, sentence, clause, phrase, and word not declared invalid or
18 unconstitutional without regard to whether any other portion of this ordinance or application
19 thereof would be subsequently declared invalid or unconstitutional.
20

21 APPROVED AS TO FORM:
22 DAVID CHIU, City Attorney

23 By: /s/ Hugo Cabrera
24 HUGO CABRERA
25 Deputy City Attorney

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LEGISLATIVE DIGEST

[Administrative, Business and Tax Regulations Codes - Small Business Rezoning Construction Relief Fund]

Ordinance amending the Administrative Code to create the Small Business Rezoning Construction Relief Program (“Program”) to provide financial support, including grants and loans, to businesses impacted by construction relating to the City residential rezoning program adopted in 2025-2026; establishing the Small Business Rezoning Construction Relief Fund (“Fund”) to receive monies for the Program; designating the Office of Small Business and Office of Economic and Workforce Development to administer the Fund and the Program and promulgate rules and regulations in furtherance of the Program; and amending the Business and Tax Regulations Code to allow taxpayers to designate a portion of their gross receipts taxes for deposit in the Fund.

Existing Law

City law does not currently provide a program or fund for grants and other assistance to small businesses that are displaced or otherwise impacted by residential construction projects. City law also does not authorize taxpayers to designate a portion of their gross receipts taxes for assistance to small businesses.

Amendments to Current Law

This ordinance creates the Small Business Rezoning Construction Relief Fund and the Small Business Rezoning Construction Relief Program. The Program will utilize monies collected in the Fund to assist Small Businesses displaced or impacted by increased residential construction resulting from the City’s residential rezoning program that will be adopted in 2025-2026 to implement the City’s housing production goals required by state law. The Fund will receive grants, gifts, and bequests, and monies appropriated by the Board of Supervisors. This ordinance also would allow taxpayers to designate up to four percent of their annual gross receipts tax liability for deposit in the Fund beginning with the 2025 tax year, with an annual total cap of \$8 million in designated amounts from all taxpayers.

The Program will be jointly administered by the Office of Small Business (“OSB”) and the Office of Economic and Workforce Development (“OEWD”). The program will issue grants and provide other assistance directly to Small Businesses.

This ordinance also enables OSB and OEWD to partner with nonprofit community development financial institutions to administer a loan program in furtherance of the Program, and it allows spending on costs related to the Program, such as marketing expenses.

The ordinance requires that OSB and OEWD enact rules and regulations to carry out the Program, including establishing the qualification criteria for Small Businesses. The ordinance also requires OSB and OEWD to submit reports to the Board of Supervisors and the Mayor on the use of the Program's funds.

Background

The City is required to add 82,069 new housing units to its existing housing stock between 2023 and 2031 pursuant to the Regional Needs Housing allocation established by the state. San Francisco's Housing Element 2022 Update, adopted on January 31, 2023 by the Board of Supervisors, codified this goal. The City is undergoing rezoning in 2025-26 to increase the amount of housing that can be built. This ordinance provides support to Small Businesses displaced or impacted by construction that is expected to occur in areas that are rezoned.

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Introduction Form

(by a Member of the Board of Supervisors or the Mayor)

I hereby submit the following item for introduction (select only one):

- ☒ 1. For reference to Committee (Ordinance, Resolution, Motion or Charter Amendment)
- ☐ 2. Request for next printed agenda (For Adoption Without Committee Reference)
(Routine, non-controversial and/or commendatory matters only)
- ☐ 3. Request for Hearing on a subject matter at Committee
- ☐ 4. Request for Letter beginning with "Supervisor inquires..."
- ☐ 5. City Attorney Request
- ☐ 6. Call File No. from Committee.
- ☐ 7. Budget and Legislative Analyst Request (attached written Motion)
- ☐ 8. Substitute Legislation File No.
- ☐ 9. Reactivate File No.
- ☐ 10. Topic submitted for Mayoral Appearance before the Board on

The proposed legislation should be forwarded to the following (please check all appropriate boxes):

- ☒ Small Business Commission ☐ Youth Commission ☐ Ethics Commission
☐ Planning Commission ☐ Building Inspection Commission ☐ Human Resources Department

General Plan Referral sent to the Planning Department (proposed legislation subject to Charter 4.105 & Admin 2A.53):

- ☐ Yes ☐ No

(Note: For Imperative Agenda items (a Resolution not on the printed agenda), use the Imperative Agenda Form.)

Sponsor(s):

Supervisor Melgar

Subject:

Administrative, Business and Tax Regulations Codes - Small Business Rezoning Construction Relief Fund

Long Title or text listed:

Ordinance amending the Administrative Code to create the Small Business Rezoning Construction Relief Program ("Program") to provide financial support, including grants and loans, to businesses impacted by construction relating to the City residential rezoning program adopted in 2025-26; establishing the Small Business Rezoning Construction Relief Fund ("Fund") to receive monies for the Program; and designating the Office of Small Business and the Office of Economic and Workforce Development to administer the Fund and the Program and promulgate rules and regulations in furtherance of the Program; and amending the Business and Tax Regulations Code to allow taxpayers to designate a portion of their gross receipts taxes for deposit in the Fund.

Signature of Sponsoring Supervisor: