

Taking Care of Business

San Francisco's Plan to Save its Small Businesses



A Report of the 2022-23 San Francisco Civil Grand Jury Published June 21, 2023

Presentation to the Government Audit & Oversight Committee November 2, 2023



The text of the Jury's recommendations is in the *Reference* section of this presentation.

The Jury's complete report may be read at:

<https://civilgrandjury.sfgov.org/report.html>

Investigate Programs Supporting Small Business Formation & Expansion

- Review of published reports and on-line data and services
 - 17 Formal interviews, including City employees and private citizens
 - 60 requests for documents or other information
 - 5 Formal exit interviews to review Findings with respondents
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- *Sincere thanks to the City employees and members of the public for supporting the work of the Civil Grand Jury!*

The Report in a Nutshell

- Review of the First Year Free program which waives certain fees for new small businesses (and new locations for existing business) in the first year
 - The program has broad support; the Jury made recommendations to extend the program beyond 2023 and to improve implementation
- Review of two provisions of Proposition H: (1) 30-day permit processing for eligible projects; (2) elimination of Neighborhood Notification for Principally Permitted Uses in certain neighborhoods
 - The Jury found that the City does not track Prop H eligibility or compliance in the majority of cases. The Jury made recommendations to extend Prop H protections and to establish procedures to collect the necessary data to validate compliance

Review of Responses

General Observations

- Department and Mayor responses to this report were timely
- Responses were mostly sympathetic with the recommendations of the Jury
- Apparent coordination among departments was evidenced by shared language and a copy/paste mistake.
- Some of the responses can be understood as, “Look what good things we’re doing.” And the Jury recommendations can be understood as, “Look at this opportunity to do more.”

Make First Year Free Permanent

Recommendation to Board of Supervisors (Jury report R1)

- The Mayor's office supported this recommendation, and the first interim report from the Treasurer and Tax Collector supported this recommendation
- Board action has extended the program through 2024
- *The Supervisors should identify requirements for the indefinite extension of the program*

Extend Proposition H Protections

Recommendation to Board of Supervisors (Jury report R5)

- Statutory protection period for Prop H provisions expires in December 2023. The Jury recommends extending the provisions for 30-day permit processing and Neighborhood Notification rules
- Responses from departments do not adequately address the Jury's finding regarding a lack of data to track Prop H eligibility and compliance
- *The Supervisors should extend the protection provisions of Prop H for three years beyond the current expiration date at the end of 2023*

Cross-Department Tech Integration

Recommendation to Board of Supervisors (Jury report R7)

- The Jury was careful to not suggest any particular implementation or to ask for a “one-size” solution
- Difficulties sharing data cross-department have been recognized for many years
- Some department software systems are years out-of-date
- These problems are particularly acute between DBI and Planning
- *The supervisors should ask departments for an implementation proposal and set a timetable for completion*

Each Supervisor to Host Outreach Meetings

Recommendation to Board of Supervisors (Jury report R8.5)

- The Jury found OSB's diligent efforts did not reach far enough
- Allows Supervisors to assess effectiveness of City's ongoing efforts in the areas covered by the Jury report
- Opportunity to customize OSB's initiatives to each district's needs
- *Go meet the folks who might start a new business*

Marketing to Support Small Business

Recommendation to Board of Supervisors (Jury report R9)



- A private marketing initiative was announced in recent weeks that was not specifically aimed at supporting small business
- Mayor's response to Jury, repeated by departments, emphasized just doing better in lieu of a marketing initiative
- While the work of OSB is commendable, there is an opportunity to further spread information about San Francisco's support of small businesses
- *San Francisco should supplement the private campaign with an initiative establishing San Francisco as a welcoming environment and promoting City programs supporting the formation and expansion of small businesses*

Eliminate FYF Billing Errors Catch & Correct Errors Promptly

Uncertain Response From Departments

- Jury was very specific about existing inadequacies but responses just reiterate the status quo and offer no progress beyond the Jury's report
- *Supervisors should request updated report on how processes have improved since the Jury's report was published*

Jason's Ice Cream Shop

- The Jury reported:
 - Jason's new business would have qualified for First Year Free
 - Jason's Principally Permitted Use would not have been subject to neighbors' challenges
 - Jason's plans should have qualified for streamlined 30-day processing
- *San Francisco missed out on a new ice cream shop in 2020. The small business environment has improved. The Jury recommendations take those improvements a few steps further.*

Reference

**Text of Jury's Findings and
Recommendations**

Finding 1

First Year Free has been generally well-received by small businesses and City agencies, but due to its limited scope when first adopted and its status as a temporary pilot program, its financial benefits to small businesses have been more modest than initially expected

Recommendation 1

By November 30, 2023, the Mayor and Board of Supervisors should take the legislative and budgetary steps necessary to make First Year Free a permanent program.

Finding 2

The lack of a current published list of fees subject to waiver under the FYF program makes it difficult for eligible businesses to decide whether to participate in the program and hinders the City’s ability to implement and promote its benefits.

Recommendation 2

By January 1, 2024, the Office of Treasurer and Tax Collector should prepare a “master list” of all fees subject to waiver under the First Year Free program, which should be regularly updated and disseminated to the public, to the Office of Small Business and to all City agencies and departments that impose fees covered by the program.

Finding 3

Businesses enrolled in First Year Free have been charged fees that should have been waived, which imposes burdens on the City personnel who must manually correct such errors and on the small businesses whose waivers have been delayed.

Recommendation 3

By January 1, 2024, the Mayor should direct that the Office of Treasurer and Tax Collector, the Planning Department, the Department of Building Inspection, the Department of Public Health, the Department of Public Works, the Entertainment Commission, the Fire Department, the Police Department, and any other City departments that impose fees covered by the First Year Free program, should implement procedures to ensure that fees are properly waived for all businesses enrolled in First Year Free, that any billing errors are promptly identified, and that any fees that are improperly charged are promptly refunded to the affected business without requiring any action by the affected business.

Finding 4

There is no mechanism (outside the Online Portal) that accurately tracks eligibility for, or compliance with, the 30-day permit processing provision of Proposition H (as defined in this report), so it is not possible to credibly assess whether Proposition H is achieving its intended goals.

Recommendation 4

By November 30, 2023, the Mayor, in consultation with the Office of the City Administrator, should convene a working group of all departments and agencies involved in assisting small businesses whose commercial projects are eligible for 30-day permit processing under Proposition H (as defined in this report), which will be tasked with promptly developing and implementing mechanisms and procedures to (a) accurately determine eligibility under Proposition H for 30-day permit processing; and (b) accurately and regularly track and publicly report the City's compliance with the 30-day timeline.

Finding 5

The statutory protection for the provisions of Proposition H (as defined in this report) regarding 30-day permit processing and the elimination of neighborhood notification will expire in December 2023, but reliable data to assess the effectiveness of these provisions is not expected to be available by that time.

Recommendation 5

By November 30, 2023, the Board of Supervisors should resolve to allow an additional period of three years (from December 2023 through December 2026) before initiating or considering proposals to delete or amend the provisions of Proposition H (as defined in this report) requiring 30-day permit processing and elimination of neighborhood notification for eligible commercial projects.

Finding 6

The lack of regular cross-departmental meetings focused on small business issues between the Office of Small Business and City departments involved in business registration, planning and permitting hinders the development and implementation of coordinated approaches and solutions.

Recommendation 6

By November 30, 2023, the Mayor should establish an inter-departmental working group, chaired by the Office of Small Business, with membership from City departments involved in small business registration, planning, and permitting, which shall hold regular cross-departmental meetings to collaborate on implementation and troubleshooting of programs to assist small businesses, including but not limited to First Year Free and Proposition H.

Finding 7

The computer systems of City departments involved in business registration, planning and permitting are not adequately integrated, and there is a growing need for these departments to conduct their operations on a federated computer system that will improve efficiency and cross-departmental collaboration.

Recommendation 7

By March 1, 2024, the Mayor and Board of Supervisors should take the legislative and budgetary steps necessary for the City to implement a cross-departmental technology integration strategy for the deployment of a federated computer system that will increase data visibility across all departments involved in business registration, planning, and permitting, for improved collaboration and to enable compilation of disparate system data into transparent and usable output for small business customers.

Finding 8

Substantial outreach efforts by the City departments responsible for promoting First Year Free and Proposition H have not yet fully informed small businesses and merchants' associations, because those efforts have not been sufficiently comprehensive and coordinated.

Recommendation 8.1

By December 31, 2023, OSB, in consultation with OEWD and other departments responsible for small business assistance programs, with the participation of the San Francisco Chamber of Commerce and neighborhood merchants' associations, should schedule a public Small Business Summit, to be held on at least an annual basis, to promote small business assistance programs and to address obstacles faced by small businesses, and produce a public Summit report listing action items.

Finding 8 (continued)

Recommendation 8.2

By December 31, 2023, OSB should prepare a user-friendly guide for small businesses in paper and electronic format describing First Year Free and streamlined permit processing under Proposition H, including instructions regarding how to access these benefits and how to use the Online Portal. OSB should distribute this guide online, at the Permit Center and to San Francisco merchants' associations.

Recommendation 8.3

By February 1, 2024, OSB should develop and regularly update a public dashboard or scorecard that demonstrates the impact of San Francisco's small business assistance programs.

Finding 8 (continued)

Recommendation 8.4

By November 30, 2023, OEWD should commit to report at Small Business Commission meetings at least once a year regarding developments, practices, trends, initiatives, investments and potential or proposed policies or legislation affecting San Francisco's small businesses.

Recommendation 8.5

By December 31, 2023, each member of the Board of Supervisors should conduct meetings on at least a quarterly basis with small businesses and merchants' associations within his or her district, to address issues impacting small business formation and operation and potential solutions, and to disseminate information (with appropriate contact information for City personnel) regarding small business assistance programs such as First Year Free, Proposition H, and any materials developed in response to R8.2 and R8.3 above. Each Supervisor should include a summary report of each such meeting in any publication or newsletter issued by his or her office and provide a copy to OSB.

Finding 9

Despite recent reforms, there remains a prevalent perception that San Francisco is inhospitable to small businesses, and City agencies have not deployed the resources required to effectively counter that perception.

Recommendation 9

By January 31, 2024, the Mayor and Board of Supervisors, in consultation with OSB, should approve funding sufficient to develop and launch a sophisticated marketing campaign to promote San Francisco as a welcoming and supportive environment for new small businesses to open, and to encourage support for existing small businesses, with reference as appropriate to programs such as First Year Free and Proposition H.