

File No. 200296

Committee Item No. 1

Board Item No. \_\_\_\_\_

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date April 8, 2020

Board of Supervisors Meeting

Date \_\_\_\_\_

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- Award Letter
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### OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date April 3, 2020

Completed by: Linda Wong Date \_\_\_\_\_

1 [Authorization to Borrow Funds - Short-Term Loan Program for SARS-CoV-2 Impacted Small  
2 Businesses - Treasurer-Tax Collector - Line of Credit Amount Not to Exceed \$20,000,000]

3 **Ordinance authorizing the Treasurer to secure a short-term line of credit in an amount**  
4 **not to exceed \$20,000,000 or, in the alternative, partner with one or more financial**  
5 **institutions, for the purpose of providing short-term emergency unsecured loans to**  
6 **small businesses with a physical location in San Francisco that are unable to meet**  
7 **rent, mortgage, or other fixed operating costs as a result of the economic downturn**  
8 **caused by SARS-CoV-2.**

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

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

17 Section 1. Background.

18 Sars-CoV-2 (the virus that causes COVID-19) first appeared in December 2019, and  
19 has now been declared by the World Health Organization to be a global pandemic. On  
20 February 25, 2020, Mayor London Breed issued a Proclamation by the Mayor Declaring the  
21 Existence of Local Emergency to ramp up the City's efforts to prepare for and respond to local  
22 cases of COVID-19. During the first weeks of March, the Health Officer of the City and  
23 County of San Francisco issued a Declaration of Local Health Emergency Regarding Novel  
24 Coronavirus Disease 2019 (COVID-19) under California Health and Safety Code  
25 Section 101080, and issued aggressive recommendations for social distancing to slow the

1 spread of the virus, followed by ordering a moratorium on all large group events of 1,000 or  
2 more persons, and then further prohibiting most gatherings of more than 100 people.

3 State, federal, and governments around the world have issued travel restrictions,  
4 canceled public events, and issued instructions that severely limit social and economic  
5 activity. As a result, patronage to San Francisco's small businesses has decreased  
6 precipitously, putting tens of thousands of small businesses and hundreds of thousands of  
7 workers at risk. Many small businesses in San Francisco operate with extremely tight profit  
8 margins such that the restrictions and instructions described above may cause irreparable  
9 harm to the businesses and may compound the adverse economic impacts on the City.

10  
11 Section 2. Authorization to Treasurer.

12 (a) The Treasurer may secure a short-term line of credit in an amount not to exceed  
13 \$20,000,000 with a commercial lending institution to administer loans to small businesses with  
14 a physical location in San Francisco that are unable to meet rent, mortgage, or other fixed  
15 operating costs as a result of the economic downturn caused by SARS-CoV-2. The  
16 authorization provided in this subsection (a) to seek this line of credit shall not extend past the  
17 first \$20,000,000 in loans issued, unless authorized by another ordinance. The Treasurer  
18 may use the funds to develop a flexible unsecured loan program that allows the Treasurer to  
19 make one-time interest-free loans to small businesses with a physical location in San  
20 Francisco that are unable to meet rent, mortgage, or other fixed operating costs as a result of  
21 the economic downturn caused by SARS-CoV-2. The loans shall not exceed three months of  
22 rent/mortgage costs plus any fixed costs associated with locations of the small business in the  
23 City up to a maximum of \$15,000 per small business. The Treasurer shall require loan  
24 repayment in full within one year of the commencement date of the loan, and the Bureau of  
25 Delinquent Revenue may pursue all means of collection permitted under the law to collect any

1 amounts not paid by that date. The Treasurer shall implement such policies and procedures  
2 as are required to administer the program, including but not limited to adding criteria for small  
3 businesses to be eligible for the loans so that the program is able to serve businesses at  
4 highest risk of permanent closure.

5 (b) The Treasurer is authorized to pursue opportunities with one or more financial  
6 institutions to provide short-term unsecured emergency loans to small businesses with a  
7 physical location in San Francisco that are unable to meet rent, mortgage, or other fixed  
8 operating costs as a result of the economic downturn caused by SARS-CoV-2; provided such  
9 program shall not exceed \$20,000,000 of loan originations. The authorization provided in this  
10 subsection (b) shall not extend past the first \$20,000,000 in loans issued, unless authorized  
11 by another ordinance.

12 (c) Subsections (a) and (b) are alternatives. The Treasurer may exercise either of  
13 those options, but not both.

14 (d) For purposes of this Section 2, “small business” means a taxpayer or combined  
15 group that meets all of the following requirements:

16 (1) The taxpayer or combined group has obtained a business registration  
17 certificate from the Office of the Treasurer and Tax Collector under Article 12 of the Business  
18 and Tax Regulations Code;

19 (2) The taxpayer or combined group had no more than ~~\$1,100,000~~ \$2,500,000  
20 in worldwide gross receipts in calendar year 2019; and

21 (3) The taxpayer or at least one member of the taxpayer’s combined group pays  
22 annual license fees to the City under Section 76.1 of Article 2 of the Business and Tax  
23 Regulations Code.



(Amended in Committee 3/25/2020)

**LEGISLATIVE DIGEST**

[Authorization to Borrow Funds - Short-Term Loan Program for SARS-CoV-2 Impacted Small Businesses - Treasurer-Tax Collector - Line of Credit Amount Not to Exceed \$20,000,000]

**Ordinance authorizing the Treasurer to secure a short-term line of credit in an amount not to exceed \$20,000,000 or, in the alternative, partner with one or more financial institutions, for the purpose of providing short-term emergency unsecured loans to small businesses with a physical location in San Francisco that are unable to meet rent, mortgage, or other fixed operating costs as a result of the economic downturn caused by SARS-CoV-2.**

Amendments to Current Law

This ordinance would authorize the Treasurer to secure a short-term line of credit of up to \$20,000,000 to provide interest-free loans to small businesses with a physical location in the City that are unable to meet rent, mortgage, or other fixed operating costs as a result of the economic downturn caused by SARS-CoV-2. Only \$20,000,000 in loans are authorized by this ordinance, and the loan to each small business may not exceed three months of rent/mortgage costs plus any fixed costs associated with locations of the small business in the City, up to a maximum of \$15,000. Loans must be repaid in full within one year. The Treasurer could implement policies and procedures necessary for the loan program, including adding criteria for small businesses to be eligible for the loans so that the program is able to serve businesses at highest risk of permanent closure.

This ordinance would also authorize the Treasurer, as an alternative to the loans described above, to pursue opportunities with financial institutions to provide emergency loans to small businesses with a physical location in San Francisco that are unable to meet rent, mortgage, or other fixed operating costs as a result of the economic downturn caused by SARS-CoV-2. Only \$20,000,000 in such loans are authorized by this ordinance.

For purposes of the above programs, eligible “small businesses” are defined as taxpayers or combined groups that meet all of the following requirements:

(1) The taxpayer or combined group has obtained a business registration certificate from the Office of the Treasurer and Tax Collector under Article 12 of the Business and Tax Regulations Code;

(2) The taxpayer or combined group had no more than \$2,500,000 in worldwide gross receipts in calendar year 2019; and

(3) The taxpayer or at least one member of the taxpayer's combined group pays annual license fees to the City under Section 76.1 of Article 2 of the Business and Tax Regulations Code.

This digest reflects amendments made in committee on March 25, 2020, to confirm that the Treasurer can add criteria for small businesses to be eligible for the loans so that the program is able to serve businesses at highest risk of permanent closure, and to increase the maximum worldwide gross receipts to qualify for the program from \$1,100,000 to \$2,500,000.

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**Items 1 and 2**  
**Files 20-0296 and 20-0297**  
*(Continued from April 1, 2020)*

**Department:**  
 Treasurer-Tax Collector

## EXECUTIVE SUMMARY

### Legislative Objectives

- File 20-0296: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000, or (2) partner with financial institutions to provide short-term loans to small businesses in San Francisco.
- File 20-0297: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.

### Key Points

- File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements: (1) have a business registration issued by the Treasurer-Tax Collector, (2) no more than \$2.5 million in annual gross receipts, and (3) the business is subject to a business license fee billed on the Unified License bill by the Treasurer-Tax Collector and has paid its annual business license fees in full.
- The loans would be unsecured and provided on a one-time and an interest-free basis at maximum of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months fixed operating costs. If borrowers default on loan repayment, the City would have to repay the lending institution that provided the funds for the program.

### Fiscal Impact

- File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) fund a reserve account of \$20 million to repay the City's short-term debt related to this program if borrowers default.

### Policy Consideration

- According to the Controller's March 31, 2020 presentation to the Board of Supervisors, the General Reserve currently contains \$150 million.

### Recommendation

- Approval of the proposed ordinances is a policy matter for the Board of Supervisors.



## MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 9.113(e) states that the Board of Supervisors may borrow money by short-term debt instruments in the manner provided by state law or City ordinance.

## BACKGROUND

The Corona Virus 2019 Disease (COVID-19) has prompted public authorities around the world to impose restrictions on travel and group gatherings to prevent the spread of the disease. On March 16, 2020, and in conjunction with five Bay Area County Health Officers, the San Francisco Health Officer issued Order C19-07, generally requiring, among other things, residents to remain at home. While necessary to maintain public health, these restrictions have imposed economic costs to businesses.

## DETAILS OF PROPOSED LEGISLATION

File 20-0296: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000 to fund a short-term loan program for San Francisco businesses, or (2) pursue opportunities with one or more financial institutions to provide short-term loans to small businesses in San Francisco. The details of the loan program are described below.

File 20-0297: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.

### **Short-term Loan Program for Small Businesses**

File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements:

1. The business has a business registration issued by the Treasurer-Tax Collector, as required by Article 12 of the Business and Tax Regulations Code
2. The business has no more than \$2.5 million in gross receipts
3. The business has paid its annual business license fees, as required by Section 76.1 of Article 2 of the Business and Tax Regulations Code

File 20-0296 requires that the loans be unsecured and provided on a one-time and an interest-free basis. Each loan has a maximum amount of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months of “rent, mortgage, or other fixed operating costs.” The proposed ordinance allows the Treasurer to establish policies and procedures to prioritize applicants, including prioritizing businesses at risk of permanent closure. If borrowers default on their loans, the City would have to repay the lending institution that provided the funds for the program.

According to Ms. Tajel Shah, Chief Assistant Treasurer at the Treasurer-Tax Collector, the Department is still in the process of identifying a lender and developing an application process for potential borrowers.

**FISCAL IMPACT**

Table 1 below shows the sources and uses of the proposed loan program.

**Table 1: Sources and Uses of Proposed Appropriation for the Loan Program**

<b>Sources</b>	<b>Amount</b>
Loan Proceeds	\$20,000,000
General Reserve	20,600,000
<b>Total Sources</b>	<b>\$40,600,000</b>
<b>Uses</b>	<b>Amount</b>
Loan Program	\$20,000,000
Reserve for Borrower Default	20,000,000
Borrowing Costs	300,000
Administrative Costs	300,000
<b>Total Uses</b>	<b>\$40,600,000</b>

Source: File 20-0297

As shown above, the File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) fund a reserve account of \$20 million to repay the City’s short-term debt related to this program if borrowers default.

Interest Payments

Under the proposed ordinance, eligible small businesses would be issued loans of up to \$15,000 over one year at no interest. According to Ms. Shah, because the short-term line of credit to be obtained by the City under the proposed ordinance (File 20-0296) would accrue interest and have other borrowing costs, the City would be liable for interest payments and borrowing costs to be paid from the General Reserve appropriation.

*General Reserve Appropriation*

Under File 20-0297, the Controller is authorized, without further Board of Supervisors' approval, to reduce the \$20 million reserve account by June 30, 2021, given the actual defaults in the program through that time.

**POLICY CONSIDERATION**

Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. If the General Reserve is drawn down, the Administrative Code provides for appropriation of sufficient funds in the Annual Appropriation Ordinance to restore the required funding level. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster.

According to the Controller's March 31, 2020 presentation to the Board of Supervisors, the General Reserve currently contains \$150 million.

**RECOMMENDATION**

Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

**Items 1 and 2**  
**Files 20-0296 and 20-0297**  
*(Continued from March 25, 2020)*

**Department:**  
 Treasurer-Tax Collector

## EXECUTIVE SUMMARY

### Legislative Objectives

- File 20-0296: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000, or (2) partner with financial institutions to provide short-term loans to small businesses in San Francisco.
- File 20-0297: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.

### Key Points

- File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements: (1) have a business registration issued by the Treasurer-Tax Collector, (2) no more than \$1.1 million in annual gross receipts, and (3) the business is subject to a business license fee billed on the Unified License bill by the Treasurer-Tax Collector and has paid its annual business license fees in full. Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million.
- The loans would be unsecured and provided on a one-time and an interest-free basis at maximum of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months fixed operating costs. If borrowers default on loan repayment, the City would have to repay the lending institution that provided the funds for the program.

### Fiscal Impact

- File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City's short-term debt related to this program if borrowers default.

### Policy Consideration

- Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster. As of June 30, 2019, the General Reserve fund balance was \$130.9 million.

### Recommendation

- Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

## MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 9.113(e) states that the Board of Supervisors may borrow money by short-term debt instruments in the manner provided by state law or City ordinance.

## BACKGROUND

The Corona Virus 2019 Disease (COVID-19) has prompted public authorities around the world to impose restrictions on travel and group gatherings to prevent the spread of the disease. On March 16, 2020, and in conjunction with five Bay Area County Health Officers, the San Francisco Health Officer issued Order C19-07, generally requiring, among other things, residents to remain at home. While necessary to maintain public health, these restrictions have imposed economic costs to businesses.

## DETAILS OF PROPOSED LEGISLATION

File 20-0296: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000 to fund a short-term loan program for San Francisco businesses, or (2) pursue opportunities with one or more financial institutions to provide short-term loans to small businesses in San Francisco. The details of the loan program are described below.

File 20-0297: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.

### **Short-term Loan Program for Small Businesses**

File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements:

1. The business has a business registration issued by the Treasurer-Tax Collector, as required by Article 12 of the Business and Tax Regulations Code
2. The business has no more than \$1.1 million in gross receipts (Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million.)
3. The business has paid its annual business license fees, as required by Section 76.1 of Article 2 of the Business and Tax Regulations Code

File 20-0296 requires that the loans be unsecured and provided on a one-time and an interest-free basis. Each loan has a maximum amount of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months of “rent, mortgage, or other fixed operating costs.”

If borrowers default on their loans, the City would have to repay the lending institution that provided the funds for the program.

According to Ms. Tajel Shah, Chief Assistant Treasurer at the Treasurer-Tax Collector, the Department is still in the process of identifying a lender and developing an application process for potential borrowers.

## FISCAL IMPACT

Table 1 below shows the sources and uses of the proposed loan program.

**Table 1: Sources and Uses of Proposed Appropriation for the Loan Program**

<u>Sources</u>	<u>Amount</u>
Loan Proceeds	\$20,000,000
General Reserve	20,600,000
<b>Total Sources</b>	<b>\$40,600,000</b>

  

<u>Uses</u>	<u>Amount</u>
Loan Program	\$20,000,000
Reserve for Borrower Default	20,000,000
Borrowing Costs	300,000
Administrative Costs	300,000
<b>Total Uses</b>	<b>\$40,600,000</b>

Source: File 20-0297

As shown above, the File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City’s short-term debt related to this program if borrowers default.

### Interest Payments

Under the proposed ordinance, eligible small businesses would be issued loans of up to \$15,000 over one year at no interest. According to Ms. Shah, because the short-term line of credit to be obtained by the City under the proposed ordinance (File 20-0296) would accrue interest and have other borrowing costs, the City would be liable for interest payments and borrowing costs to be paid from the General Reserve appropriation.

*General Reserve Appropriation*

Under File 20-0297, the Controller is authorized, without further Board of Supervisors' approval, to reduce the \$20 million reserve account by June 30, 2021, given the actual defaults in the program through that time.

**POLICY CONSIDERATION**

Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. If the General Reserve is drawn down, the Administrative Code provides for appropriation of sufficient funds in the Annual Appropriation Ordinance to restore the required funding level. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster.

As of June 30, 2019, the General Reserve fund balance was \$130.9 million.

**RECOMMENDATION**

Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

<b>Items 10 and 11</b> <b>Files 20-0296 and 20-0297</b>	<b>Department:</b> Treasurer-Tax Collector
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"> <li>• <u>File 20-0296</u>: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000, or (2) partner with financial institutions to provide short-term loans to small businesses in San Francisco.</li> <li>• <u>File 20-0297</u>: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements: (1) have a business registration issued by the Treasurer-Tax Collector, (2) no more than \$1.1 million in annual gross receipts, and (3) the business is subject to a business license fee billed on the Unified License bill by the Treasurer-Tax Collector and has paid its annual business license fees in full. Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million.</li> <li>• The loans would be unsecured and provided on a one-time and an interest-free basis at maximum of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months fixed operating costs. If borrowers default on loan repayment, the City would have to repay the lending institution that provided the funds for the program.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>• File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City's short-term debt related to this program if borrowers default.</li> </ul>	
<b>Policy Consideration</b>	
<ul style="list-style-type: none"> <li>• Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster. As of June 30, 2019, the General Reserve fund balance was \$130.9 million.</li> </ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"> <li>• Approval of the proposed ordinances is a policy matter for the Board of Supervisors.</li> </ul>	



## MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 9.113(e) states that the Board of Supervisors may borrow money by short-term debt instruments in the manner provided by state law or City ordinance.

## BACKGROUND

The Corona Virus 2019 Disease (COVID-19) has prompted public authorities around the world to impose restrictions on travel and group gatherings to prevent the spread of the disease. On March 16, 2020, and in conjunction with five Bay Area County Health Officers, the San Francisco Health Officer issued Order C19-07, generally requiring, among other things, residents to remain at home. While necessary to maintain public health, these restrictions have imposed economic costs to businesses.

## DETAILS OF PROPOSED LEGISLATION

File 20-0296: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000 to fund a short-term loan program for San Francisco businesses, or (2) pursue opportunities with one or more financial institutions to provide short-term loans to small businesses in San Francisco. The details of the loan program are described below.

File 20-0297: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.

### **Short-term Loan Program for Small Businesses**

File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements:

1. The business has a business registration issued by the Treasurer-Tax Collector, as required by Article 12 of the Business and Tax Regulations Code
2. The business has no more than \$1.1 million in gross receipts (Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million.)
3. The business has paid its annual business license fees, as required by Section 76.1 of Article 2 of the Business and Tax Regulations Code

File 20-0296 requires that the loans be unsecured and provided on a one-time and an interest-free basis. Each loan has a maximum amount of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months of “rent, mortgage, or other fixed operating costs.”

If borrowers default on their loans, the City would have to repay the lending institution that provided the funds for the program.

According to Ms. Tajel Shah, Chief Assistant Treasurer at the Treasurer-Tax Collector, the Department is still in the process of identifying a lender and developing an application process for potential borrowers.

**FISCAL IMPACT**

Table 1 below shows the sources and uses of the proposed loan program.

**Table 1: Sources and Uses of Proposed Appropriation for the Loan Program**

<b>Sources</b>	<b>Amount</b>
Loan Proceeds	\$20,000,000
General Reserve	20,600,000
<b>Total Sources</b>	<b>\$40,600,000</b>

  

<b>Uses</b>	<b>Amount</b>
Loan Program	\$20,000,000
Reserve for Borrower Default	20,000,000
Borrowing Costs	300,000
Administrative Costs	300,000
<b>Total Uses</b>	<b>\$40,600,000</b>

Source: File 20-0297

As shown above, the File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City’s short-term debt related to this program if borrowers default.

Interest Payments

Under the proposed ordinance, eligible small businesses would be issued loans of up to \$15,000 over one year at no interest. According to Ms. Shah, because the short-term line of credit to be obtained by the City under the proposed ordinance (File 20-0296) would accrue interest and have other borrowing costs, the City would be liable for interest payments and borrowing costs to be paid from the General Reserve appropriation.

*General Reserve Appropriation*

Under File 20-0297, the Controller is authorized, without further Board of Supervisors' approval, to reduce the \$20 million reserve account by June 30, 2021, given the actual defaults in the program through that time.

**POLICY CONSIDERATION**

Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. If the General Reserve is drawn down, the Administrative Code provides for appropriation of sufficient funds in the Annual Appropriation Ordinance to restore the required funding level. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster.

As of June 30, 2019, the General Reserve fund balance was \$130.9 million.

**RECOMMENDATION**

Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

# Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO

2020 MAR 17 PM 3:00  
Time stamp  
or meeting date

BY \_\_\_\_\_



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

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [ ] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. [ ]
- 9. Reactivate File No. [ ]
- 10. Topic submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

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

Sponsor(s):

Ronen, Haney, Preston, *mar, walton*

Subject:

[Authorization to Borrow Funds - Short-Term Loan Program for SARS-CoV-2 Impacted Small Businesses - Treasurer-Tax Collector - Line of Credit Amount Not to Exceed \$20,000,000]

The text is listed:

Ordinance authorizing the Treasurer to secure a short-term line of credit in an amount not to exceed \$20,000,000 or, in the alternative, partner with one or more financial institutions, for the purpose of providing short-term emergency unsecured loans to small businesses with a physical location in San Francisco that are unable to meet rent, mortgage, or other fixed operating costs as a result of the economic downturn caused by SARS-CoV-2.

Signature of Sponsoring Supervisor:



For Clerk's Use Only



March 25, 2020

**To: The Budget & Finance Committee**

Supervisor Sandra Fewer, President  
Supervisor Rafael Mandelman  
Supervisor Shamann Walton  
Clerk of the Board, Linda Wong

**Re: Item 10 on the Agenda, regarding BOD File 200296:**

[Authorization to Borrow Funds - Short-Term Loan Program for SARS-CoV-2 Impacted Small Businesses - Treasurer-Tax Collector - Line of Credit Amount Not to Exceed \$20,000,000] Sponsors: Ronen; Haney, Preston, Mar and Walton

Dear Supervisors,

I am writing in support of Item 10 on the agenda today. As both a small business owner of two restaurants in Cow Hollow, and also as the Executive Director of the Golden Gate Restaurant Association (GGRA), on behalf of the entire San Francisco restaurant community, I believe this is a critically needed step to take now.

As you know, the restaurant community in San Francisco has been directly affected by the Shelter in Place orders and many of us have had to close our doors entirely, or drastically reduce staffing if we have stayed open to offer take out/delivery. This industry employs approximately 62,000 workers in San Francisco, many of whom work in numerous smaller establishments with under \$2,500,000 in gross receipts.

I have been working with Supervisor Rowen's office to provide examples of such restaurants – many located in our neighborhood corridors – so vital to our community.

We support both the authorization for the \$20 Million line of credit, as well as moving the definition of small business to \$2,500,000 in gross receipts.

Thank you all for your support,

Sincerely,

A handwritten signature in cursive script that reads "Laurie Thomas".

Laurie Thomas  
Executive Director  
Golden Gate Restaurant Association  
[laurie@ggra.org](mailto:laurie@ggra.org)  
mobile 415.305.3020