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M E M O R A N D U M

TO: Harvey Rose, Budget Analyst
Joaquin Torres, Director, Office of Economic and Workforce Development
Mohammed Nuru, Director, Public Works
Tom Maguire, Interim Executive Director, San Francisco Municipal Transportation Agency
Harlan Kelly, Jr., General Manager, San Francisco Public Utilities Commission

FROM: John Carroll, Assistant Clerk,
Government Audit and Oversight Committee, Board of Supervisors

DATE: September 18, 2019

SUBJECT: HEARING MATTER INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following hearing request, introduced by Supervisor Mar on September 10, 2019:

File No. 190941

Hearing to review the performance audit of the Office of Economic and Workforce Development's planning for large-scale projects to address economic impacts on surrounding businesses, prepared for the Board of Supervisors by the Budget and Legislative Analyst; and requesting the Budget and Legislative Analyst, Office of Economic and Workforce Development, Public Works, Municipal Transportation Agency, and Public Utilities Commission to report.

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: Debra Newman, Office of the Budget and Legislative Analyst
Severin Campbell, Office of the Budget and Legislative Analyst
Gabriela Loeza, Office of the Budget and Legislative Analyst
J'Wel Vaughan, Office of Economic and Workforce Development
Ken Rich, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
David Steinberg, Public Works
Jeremy Spitz, Public Works
Jennifer Blot, Public Works
Kate Breen, San Francisco Municipal Transportation Agency
Janet Martinsen, San Francisco Municipal Transportation Agency
Joel Ramos, San Francisco Municipal Transportation Agency
Juliet Ellis, San Francisco Public Utilities Commission
Donna Hood, San Francisco Public Utilities Commission
John Scarpulla, San Francisco Public Utilities Commission
Christopher Whitmore, San Francisco Public Utilities Commission

Performance Audit of the Office of Economic and Workforce Development's Planning for Large-Scale Projects To Address Economic Impacts on Surrounding Businesses

Prepared for the

Board of Supervisors
of the City and County of San Francisco

by the

San Francisco Budget and Legislative Analyst

September 6, 2019

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 | (415) 552-9292

September 6, 2019

Supervisor Gordon Mar, Chair, Government Audit and Oversight Committee
and Members of the San Francisco Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Dear Supervisor Mar and Members of the Board of Supervisors:

The Budget and Legislative Analyst is pleased to submit this *Performance Audit of the Office of Economic and Workforce Development's Planning for Large-Scale Projects to Address Economic Impacts on Surrounding Businesses.* In response to a motion adopted by the Board of Supervisors on April 24, 2018 (Motion 18-058), the Budget and Legislative Analyst conducted this performance audit, pursuant to the Board of Supervisors powers of inquiry as defined in Charter Section 16.114 and in accordance with U.S. Government Accountability Office (GAO) standards, as detailed in the Introduction to the report.

The performance audit contains three findings and ten recommendations, of which seven are directed to the Director of the Office of Economic and Workforce Development. The Executive Summary, which follows this transmittal letter, summarizes the Budget and Legislative Analyst's findings and recommendations. Our recommendations intend to improve the effectiveness of programs and services provided to small businesses impact by long-term capital projects in the City.

The Director of the Office of Economic and Workforce Development has provided a written response to our performance audit, attached to this report on page 62. The Department agrees or partially agrees with all of our recommendations and disagrees with two of our recommendations.

We would like to thank the staff at the Office of Economic and Workforce Development, the Department of Public Works and the San Francisco Municipal Transportation Agency for the assistance they provided during the audit.

Respectfully submitted,

Fred Brousseau
Principal

cc: Supervisor Brown
Supervisor Fewer
Supervisor Haney
Supervisor Mandelman
Supervisor Mar
Supervisor Peskin
Supervisor Ronen
Supervisor Safai
Supervisor Stefani
Supervisor Walton
Mayor Breed
City Administrator
Clerk of the Board
Jon Givner, Deputy City Attorney
Kelly Kirkpatrick, Mayor's Budget Director
Controller

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Executive Summary

The Board of Supervisors directed the Budget and Legislative Analyst's Office to conduct a performance audit of the Office of Economic and Workforce Development's (OEWD) planning for and programs to address the economic impacts of large scale development and capital projects on surrounding businesses. This performance audit was authorized through a motion (M18-058) passed by the Board of Supervisors on April 24, 2018.

The scope of this performance audit included an assessment of the Office of Economic and Workforce Development's planning for large-scale development and capital projects, including coordination with the Department of Public Works and the San Francisco Municipal Transportation Agency for large-scale street and transit projects, to ensure that these projects include contingencies to address the economic impacts of the project on surrounding businesses and neighborhood commercial corridors.

Construction Mitigation

The San Francisco Construction Mitigation Program, as designed for implementation of the Central Subway project, offers services commonly provided to limit or negate the effects of long-term capital projects on communities and individual businesses. Because OEWD does not act as the lead agency on these projects, its services are limited. For the Central Subway Project, OEWD's services have primarily consisted of providing business technical assistance and/or financial support through grants for businesses experiencing adverse financial impacts because of the project.

OEWD's role in the Program is codified in a Memorandum of Understanding with the San Francisco Municipal Transportation Agency (SFMTA), Public Works, and the Public Utilities Commission (SFPUC), the three of which serve as lead agencies for major capital projects in the City. OEWD's role can include involvement in pre-construction outreach to businesses, based on the stage of the project at the time that the lead agency contracts with OEWD to provide services. For the Central Subway Project, OEWD was engaged after construction had begun. For future projects included in the Construction Mitigation Program, the lead capital development agency should contract with OEWD for pre-construction services per the program MOU. Our research shows that this is a best practice, offering promising opportunities to prevent economic hardship on local merchants.

Created in 2018, the Construction Mitigation Program has, to date, awarded $315,000 in grants to 52 businesses affected by the Central Subway Project. For those grants, OEWD required minimal or no documentation of financial hardship by businesses applying for the grants. According to senior staff, the Office decided to expedite the distribution of funds to as many merchants as possible, believing that the size of the grants did not justify the administrative costs of reviewing financial documentation from grant applicants. As the City considers the future of the Construction Mitigation Program, we recommend that lead capital project

agencies contract with OEWD to play a more formal role in pre-construction outreach. We also recommend that the City consider additional eligibility criteria for construction mitigation grants, including requiring documentation of revenue loss and required technical assistance, to ensure the most effective use of resources.

Recommendation 1.1: The Directors of the SFMTA, Department of Public Works, and Public Utilities Commission should ensure a formal and consistent role for OEWD in the delivery of pre-construction mitigation services to businesses so that OEWD's technical expertise can help businesses prepare and plan for impacts to prevent and minimize hardship once construction begins. This should include engaging OEWD in the development of the Construction Impact Mitigation Plan.

Recommendation 1.2: The Director of the Office of Economic and Workforce Development should require documentation of loss of revenue for direct business support applicants in the future to ensure that applicants with the highest needs receive assistance.

Recommendation 1.3: The Director of the Office of Economic and Workforce Development should require technical assistance as a mandatory eligibility criterion for future implementation of direct business support grants.

Recommendation 1.4: The Board of Supervisors should direct the directors of the SFMTA, Department of Public Works, and the Public Utilities Commission to identify potential long-term funding strategies for construction mitigation, including but not limited to possible future ERAF funding.

Performance Measurement

OEWD's Construction Management Program is one of several programs that comprise the Office's Invest in Neighborhoods Division. OEWD collects a variety of performance data on the Invest in Neighborhoods programs and is required to report some of these measures to various funding and other agencies. However, performance measures currently used by OEWD to track performance of its Invest in Neighborhoods services focus more on outputs than outcomes and are not reported in one system or report, making it difficult for OEWD management or other City officials to assess the effectiveness and efficiency of programs. A lack of meaningful performance measures can impair an organization's effectiveness and result in inefficient resource allocation.

OEWD has not established comprehensive formal metrics or performance reports for the Construction Mitigation Program. While OEWD collects data on the individual components of the Program, including the impact of technical

assistance provided by OEWD's Small Business Development Center and feedback from merchant associations on marketing campaigns, performance reporting is limited to these measures and is not jointly reported for marketing and technical assistance on an annual basis or by project. Although we reviewed preliminary results for technical assistance provided for one project and feedback on three marketing campaigns, the effectiveness of OEWD's Construction Mitigation Program efforts cannot be ascertained due to the early stage of the Program. The Invest in Neighborhoods Division's performance management process would benefit from being formalized, with enhanced performance metrics to measure outcomes.

Recommendation 2.1: The Director of OEWD should initiate a more formal engagement with the Controller's Office to develop performance measures for the Invest in Neighborhoods Division, with a focus on measures that capture outcomes.

Recommendation 2.2: The Director of OEWD should determine how management and staff can use performance data on a regular basis to assess past performance and program strategies and to document OEWD's performance management procedures.

Recommendation 2.3: The Board of Supervisors should request that the Director of OEWD, together with the Directors of the Municipal Transportation Agency and Department of Public Works, report annually on the effectiveness of the Construction Mitigation Program to date and how performance will be measured on an ongoing basis, including periodic reports such as annually to the Board of Supervisors.

Invest in Neighborhoods Division Staffing

OEWD collects a variety of performance data on the Invest in Neighborhoods programs and is required to report some of these measures to various funding and other agencies.

It is unclear if workload from the Construction Mitigation Program justifies its current staffing level because OEWD did not prepare any form of quantitative support for the two positions added to its existing 20 position Program staff in FY 2018-19.

OEWD does not collect comprehensive workload data or conduct workload analyses to determine staffing needs. As a result, OEWD cannot demonstrate that it has the appropriate resources to accomplish its mission in the Invest in Neighborhoods Division, including the Construction Mitigation Program. A lack of staffing or workload analysis can impair an organization's effectiveness and result in budget requests that are at a variance with program needs and performance. Because Invest in Neighborhoods staffing has increased markedly in recent years

but the growth has been incremental, there may be opportunities to use staff resources more efficiently.

Recommendation 3.1: The Director of OEWD should conduct a workload analysis of the Invest in Neighborhoods Division, including the Construction Mitigation Program, to determine the most efficient use of staff resources. While permanent increases in staffing have been approved through the City's hiring and budget processes, a workload analysis could provide management staff with better information to determine how to allocate existing staff resources and strengthen future budget requests.

Recommendation 3.2: The Director of OEWD should develop policies and procedures on how workload data should be used to prepare future budget requests based on findings from workload analyses.

Recommendation 3.3: The Director of OEWD should continue to clarify position responsibilities and create position descriptions for all positions in the Division to ensure distinctions in duties between positions are sufficiently clear.

Introduction

The Board of Supervisors directed the Budget and Legislative Analyst's Office to conduct a performance audit of the Office of Economic and Workforce Development's (OEWD) planning for large-scale development and capital projects to address the economic impacts of the projects on surrounding businesses, through a motion (M18-058) passed on April 24, 2018.

Scope

The scope of this performance audit includes an assessment of the Office of Economic and Workforce Development's planning for large-scale development and capital projects, including coordination with the Department of Public Works and the San Francisco Municipal Transportation Agency for large-scale street and transit projects, to ensure that these projects include contingencies to address the economic impacts of the project on surrounding businesses and neighborhood commercial corridors.

Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), 2011 Revision, issued by the Comptroller General of the United States, U.S. Government Accountability Office. In accordance with these requirements and standard performance audit practices, we performed the following performance audit procedures:

- Conducted interviews with staff at the Office of Economic and Workforce Development, the Department of Public Works and the San Francisco Municipal Transportation Agency.
- Reviewed prior reports, including "The Effect of Construction on Local Businesses", released by the Controller's Office in November 2017.
- Reviewed internal and external reports on Invest in Neighborhoods services and programs.
- Reviewed the Department's policies and procedures.
- Analyzed staffing and budget data provided by the Office of Economic and Workforce Development.
- Conducted an extensive literature review to identify best practices related to construction mitigation.

- Conducted a file review of four selected capital projects (Central Subway, Twin Peaks Tunnel, Polk Streetscape and West Portal/Quintara) to evaluate OEWD's role and efforts in supporting impacted businesses.
- Conducted a survey of 359 businesses located in San Francisco to determine their familiarity and satisfaction with services offered through the Office of Economic and Workforce Development.
- Submitted a draft report, with findings and recommendations, to the Office of Economic and Workforce Development on April 12, 2019; and conducted an exit conference with the department on April 29, 2019.
- Submitted the final draft report, incorporating comments and information provided in the exit conference, to the Office of Economic and Workforce Development on May 31, 2019.

Acknowledgements

We would like to thank the Office of Economic and Workforce Development, the Department of Public Works and the San Francisco Municipal Transportation Agency for their assistance during this audit process.

Overview of the Office of Economic and Workforce Development

According to its mission statement, the Office of Economic and Workforce Development advances shared prosperity for San Franciscans by growing sustainable jobs, supporting businesses of all sizes, creating great places to live and work, and helping everyone achieve economic self-sufficiency.

Staffing and Organizational Structure

The Office of Economic and Workforce Development offers services through seven divisions: (1) Business Development, (2) Film Commission, (3) Invest in Neighborhoods, (4) Joint Development, (5) Office of Small Business, (6) Workforce Development, and (7) Shared Services (a division that includes teams that provide department-wide services and some business services to the public.

From FY 2013-14 to FY 2018-19, the Office's budget increased by $25,162,672, or 64.3%. Over the same period, the Office's full-time equivalent position (FTE) authority increased by 18.2, or 21.3%, as shown in Exhibit 1 below. Expenditures increased by 63.4 percent during the same period, or from $39.2 million to $64.3 million.

Exhibit 1: OEWD Expenditures and FTE Authority, FY 2013-14 to FY 2018-19

Annual Budget	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	% change
Expenditures	39,155,612	36,821,413	41,022,912	58,162,818	62,341,959	64,318,284	64.3%
FTE	85.6	91.9	97.9	105.9	104.5	103.8	21.3%

Source: Mayor's Budget Books

Invest in Neighborhoods Division

The focus of this performance audit, the Invest in Neighborhoods Division (IIN) provides assistance for neighborhood commercial corridors to strengthen small businesses, improve physical conditions, increase quality of life, and build community capacity. Since its inception, the IIN coordinates with other partner City agencies to leverage services and resources for small business and neighborhood commercial districts across all City departments. The programs offered by the Invest in Neighborhoods division fall into two categories: Small Business Services and Programs and Neighborhood Services and Programs.

Small Business Services provided by the IIN division include:

- **Financial Assistance**
  - credit building and repair
  - financial advice
  - low interest business loans
  - mini-grants
- **Business Attraction & Retention**
  - Permit & License Assistance
  - Disaster Relief
  - Real Estate & Leasing Services
  - Façade & Tenant Improvement
  - Business Outreach & Referrals to Services
- **Business Development**
  - Branding & Marketing Services
  - Business Planning Courses
  - Finance and Accounting Workshops
  - Legal Services
  - American Disability Act Technical Assistance
  - Merchandising
  - One on One business counseling
  - Employee Recruitment & Training
- **Mentoring & Peer Learning**
  - Business Incubators
  - Merchant Networks
  - Industry Experts
  - Mentors

A sample list of some existing IIN small business service programs include:

- ADA Small Business Assessment Program
- Construction Mitigation
- Disaster Relief
- HealthyRetailSF
- Jobs Squad
- Retention and Relocation
- SF Shines
- Small Business Development Center
- Small Business Loan Program
- Women's Entrepreneurship Program

Neighborhood Programs include:

- Neighborhood Commercial District Planning, Management and Support
- Community Benefit District Formation and Operations
- Cultural District Formation and Operation
- Community and Merchant Capacity Building
- Neighborhood Improvement Projects
- Public Space Activation
- Marketing

Through the expertise of its own staff and through third-party contractors, the Invest in Neighborhoods division (in conjunction with the other OEWD divisions including the Office of Small Business) offers the City's primary source of financial and technical support for small businesses to operate, including strategic planning, marketing and business loans. Some of these services are funded through federal programs at the U.S. Small Business Administration and the U.S. Office of Housing and Urban Development. The remaining services are funded through the City's General Fund. Exhibit 2 below shows the distribution of General Fund support for Invest in Neighborhood budgeted expenditures for the past three fiscal years (FY 2016-17 to FY 2018-19).

Exhibit 2: Invest in Neighborhoods Budgeted Expenses, FY 2016-17 to FY 2018-19

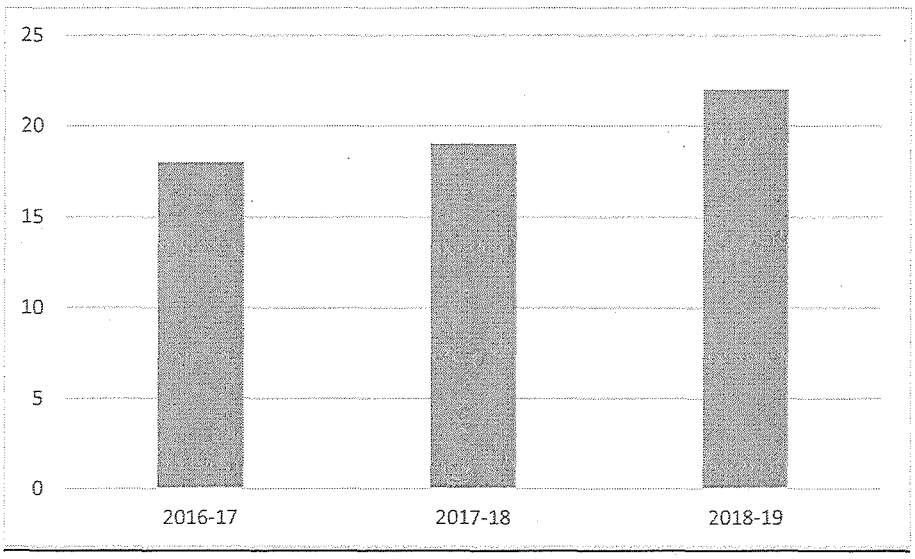
Expenditures	FY 2016-17	FY 2017-18	FY 2018-19
Salaries	$1,433,766	$1,336,892	$1,493,829
Mandatory Fringe Benefits	566,706	554,816	601,756
Non-Personnel Services	272,191	825,587	150,000
City Grant Program	15,842,604	16,015,755	14,789,526
Other Support/Care of Persons	75,000	-	-
Carry-Forward Budgets Only	(4,295,586)	(4,150,397)	-
Programmatic Projects	3,218,450	6,000,000	-
Services Of Other Depts	2,067,375	1,991,702	1,113,399
Total	$ 19,180,505	$22,574,356	$18,148,511

Source: OEWD data

The City Grant Program comprises the bulk of annual General Fund expenditures in the division. This program is the expense category through which OEWD allocates funding for various contracts to third-party vendors and nonprofit organizations for technical assistance, marketing and other services to support small businesses and neighborhood services.

The total number of employees in the Invest in Neighborhoods division has increased from 18 to 22 over the past three fiscal years (FY 2016-17 to FY 2018-19). This includes the addition of two temporary exempt employees, hired in October 2018 and February 2019 to support the Construction Mitigation Program.

Exhibit 3: Invest in Neighborhoods Staffing, FY 2016-17 to FY 2018-19



Source: OEWD data

Staffing levels are discussed in more detail in Section 3 of this report.

Capital Projects and Investment in Infrastructure

To support recovery from the Great Recession in 2009, the City and County of San Francisco has invested in major large-scale construction projects to repair and enhance infrastructure, including streets, water, power, sewer and transportation. Examples of projects include:

- Road Repaving and Street Safety 2011 Bond Program: $248 million dedicated to street resurfacing, streetscape, Vision Zero improvements, and traffic signal upgrade projects
- Water System Improvement Program: $4.8 billion to ensure reliable and safe water delivery
- Transportation and Road Improvement 2014 Bond Program: $500 million to public transit and street safety

While the revitalization of roads and streetscape can offer enduring benefits for neighboring businesses, the short-term challenges presented by construction (economic and environmental) can present risks to the ability of businesses, particularly smaller ones, to survive. In addition, because some streets and neighborhoods have endured consecutive infrastructure projects, the City has moved towards developing "curb-to-curb" projects to tear up streets a single time for signal conduit, sewer, water and storm-management work, pedestrian and street safety improvements, and transit infrastructure. The City adopted this practice to bring all infrastructure on a block or corridor to a state of good repair, if warranted, while minimizing the impact on the community.

Because of their size and complexity, some of these major capital projects encounter delays on top of already lengthy construction timelines, creating additional economic hardship for small businesses located in the work zone. Typical impacts can include:

- Construction Impacts
  - Reduced sidewalk access
  - Street closure longer than one month
  - Loss of on-street parking
  - Loss of off-street parking
  - Excess noise, dust and disruption
- Business Impacts

Role of the "Lead" Capital Department in Major Public Construction Projects

Although these "curb-to-curb" projects engage multiple departments, the City designates one of the capital departments—San Francisco Municipal Transportation Agency, the Department of Public Works, or the Public Utilities Commission—to lead each project. Under that agency's leadership, staff from all three departments work together to develop and implement coordinated outreach to the community impacted by the construction, including residents and businesses. These outreach efforts, from planning through construction, are managed by the designated lead agency.

Construction Mitigation

Construction mitigation generally refers to the measures put in place to limit the negative impacts of a construction project on the neighboring community. Many municipalities and transit agencies across the country have adopted construction mitigation services and programs to provide tools to help small businesses weather the impacts of long-term construction projects on their operations and revenue.

These programs have proliferated in recent years, particularly due to the resurgence of infrastructure-related public works projects that accompanied the economic recovery experienced in many parts of the country, following the Great

Recession. While there is no standard for construction mitigation programs, they typically include communication, outreach, technical assistance, marketing and financial assistance to businesses located in the construction work zone, as well as site maintenance and "housekeeping" related to staging, cleanliness and parking.

Construction Mitigation in San Francisco

The City's departments responsible for capital improvement projects, in collaboration with the Office of Economic and Workforce Development, designed a Construction Mitigation Pilot Program in 2018 to offer a suite of construction mitigation measures, specifically to the neighborhoods impacted by the Central Subway construction.

The San Francisco Construction Mitigation Pilot Program defines a substantial business impact as "impairment of road access, parking, or visibility for one or more business establishment as a result of a project, for a minimum period of one month." Because the size and scope of projects vary, the City established levels of "impact" to categorize the degree to which businesses experience negative effects from the ongoing work in order to provide tiered responses. Factors determining the impact classification include project duration, type of project, location, and intensity of construction.

Through a Memorandum of Understanding with the San Francisco Municipal Transportation Agency, the Department of Public Works and the Public Utilities Commission, the Office of Economic and Workforce Development, under the direction of the lead capital improvement agency, can offer a combination of technical assistance, marketing and financial assistance to businesses located in the construction work zone as part of this program, if the lead capital improvement agency directs OEWD to do so on a project-by-project basis.

Section 1 of this report focuses in detail on the Construction Mitigation Program.

Survey of Small Businesses in San Francisco

To assess customer utilization of and satisfaction with services offered by the Office of Economic and Workforce Development, we designed, distributed and collected an electronic survey of 359 businesses in San Francisco between December 2018 and January 2019. These contacts included all active businesses in the Invest in Neighborhoods Vacancy database, as collected and maintained by the Job Squad. While this database provided the most comprehensive contact list available to us for businesses located in construction mitigation zones, it does not reflect a complete list of businesses in those zones. The first email invitation for the survey was sent December 21, 2018; 28 businesses responded. An additional email invitation was sent January 22, 2019; 12 businesses responded. In total, 40 businesses completed the survey, for a response rate of 11 percent.

Recognizing the limitations of the sample size and response rate, we note the following highlights from the survey responses:

- 77% of respondents confirmed that their business had been impacted by City-led construction in the past 3 years;
- Only 14% of respondents said that they did not receive any information about the construction
    - 52% received information through flyers and posters
    - 45% received information through the local merchant association
- Respondents were asked to identify specific impacts from construction on their business. The impacts identified by most respondents were:
    - Loss of available parking: 84%
    - Environmental conditions: 74%
    - Traffic congestion: 58%
- Respondents were asked to identify other services that might be beneficial during construction. The services selected by the largest number of responders include:
    - Customer parking alternatives: 74%
    - Construction mitigation grants: 42%
    - Low interest (or forgivable) loans: 32%
- 52% of respondents reported that they were "not at all familiar" with business support services provided by the Office of Economic and Workforce Development

The full survey contained 18 questions. Appendix A offers a summary of all response results.

1 Construction Mitigation Program

The San Francisco Construction Mitigation Program, as designed for implementation on the Central Subway project, offers services commonly provided to limit or negate the effects of long-term capital projects on communities and individual businesses. Because OEWD does not act as the lead agency on these projects, its services are limited. For the Central Subway Project, OEWD's services have primarily consisted of providing business technical assistance and/or financial support through grants for businesses experiencing adverse financial impacts because of the project.

OEWD's role in the Program is codified in a Memorandum of Understanding with the San Francisco Municipal Transportation Agency (SFMTA), Public Works, and the Public Utilities Commission (SFPUC), the three of which serve as lead agencies for major capital projects in the City. OEWD's role can include involvement in pre-construction outreach to businesses, based on the stage of the project at the time that the lead agency contracts with OEWD to provide services. For the Central Subway Project, OEWD was engaged after construction had begun. For future projects included in the Construction Mitigation Program, the lead capital development agency should contract with OEWD for pre-construction services per the program MOU. Our research shows that this is a best practice, offering promising opportunities to prevent economic hardship on local merchants.

Created in 2018, the Construction Mitigation Program has to date awarded $315,000 in grants to 52 businesses affected by the Central Subway Project. For those grants, OEWD required minimal or no documentation of financial hardship by businesses applying for the grants. According to senior staff, the Office decided to expedite the distribution of funds to as many merchants as possible, believing that the size of the grants did not justify the administrative costs of reviewing financial documentation from grant applicants. As the City considers the future of the Construction Mitigation Program, we recommend that lead capital agencies contract with OEWD to play a more formal role in pre-construction outreach. We also recommend that the City consider additional eligibility criteria for construction mitigation grants, including requiring documentation of revenue loss and required technical assistance, to ensure the most effective use of resources.

Mitigation Programs to Support Small Businesses Impacted by Public Construction Projects are a Best Practice

As noted in the Introduction to this report, construction mitigation programs have become accepted practice across municipalities and transit

agencies throughout the U.S. in recent years. While construction mitigation services can address community impacts categorized as social, environmental and economic, this report focuses on the economic impacts felt by small businesses.

Through a literature review and internet search, we conducted a survey of other cities and agencies that provide construction mitigation services to businesses. We acknowledge the limitations of this search, and note that there are likely other providers of these programs throughout the country. Reviewed construction mitigation programs included those of LA Metro, Sound Transit, and the Colorado Department of Transportation.

Because these programs are relatively new and few policy reports have been published on the topic, a comprehensive listing of construction mitigation programs and services does not exist. However, based on our research, we generally categorize the most common construction mitigation programs as:

- Direct Business Assistance – technical assistance, loans/grants
- Marketing – public relations campaign, events
- Outreach and Communication – dedicated outreach staff, emails, project website, stakeholder groups/participation
- Construction Practices – parking supply management, project phasing and access

As discussed below and throughout this report, the San Francisco Construction Mitigation Program offers services in all of these categories. Because this report focuses on economic impacts, and the services of OEWD, we do not address construction practices or contractor incentives, or the outreach and communication to businesses provided by the lead capital agencies.

San Francisco Created a Construction Mitigation Pilot Program in 2018

As noted in the Introduction to this report, in 2018, in response to increasing pressure to address the financial problems facing businesses in the Central Subway construction zone, the City established a formal Construction Mitigation Program to alleviate substantial business impacts of city construction projects. The initial implementation of this program was considered a pilot; SFMTA administered the program as the lead agency, with the Office of Economic and Workforce Development playing a supporting role. The program defines a substantial business impact as "impairment of road access, parking, or visibility for one or more business establishment as a result of a project, for a minimum period of one month." Because the size and scope of projects vary, the City established levels of "impact" to categorize the degree to which businesses may

experience negative effects from the ongoing work in order to provide tiered responses. Factors determining the impact classification include project duration, type of project, location, and intensity of construction, as shown below.

Exhibit 1.1: Project Categories for Construction Mitigation Pilot Program

Low-Impact	• Primary work is in an intersection • Minimal construction impacts anticipated • Less than 12-months construction duration
Low-Impact with Schedule Delay	• Primary work is in an intersection • Minimal construction impacts anticipated • Project delay results in a 12-month construction duration
Moderate-Impact	• Work along a corridor • Located in an Invest in Neighborhoods or commercial corridor • Identified construction impacts • Construction 12-month duration or more
Major-Impact	• Work along a corridor/multiple street corridors • Located in an IIN or commercial corridor • Identified major construction impacts & disruption • Construction 24-month duration or more

Source: Construction Mitigation Program document, Fall 2017

Because the expertise of the lead construction agencies on major public projects does not include economic development, the Construction Mitigation Program engages the services of the Office of Economic and Workforce Development (OEWD) to administer limited elements of the program. This engagement was formalized in March 2018 under a Memorandum of Understanding (MOU) between OEWD and the San Francisco Municipal Transportation Agency (SFMTA), the Department of Public Works (DPW) and the Public Utilities Commission (PUC).

The program provides the following construction mitigation measures depending on the level of impact. Most of the measures are performed by one of the three lead agencies: SFMTA, Public Works, or SFPUC. However, certain measures are performed by OEWD as indicated with an asterisk (*) in Exhibit 1.2 below.

Exhibit 1.2: Construction Mitigation Pilot Program Measures by Impact Level

Construction Mitigation Measure	Low-Impact	Low-Impact with Schedule Delay	Moderate-Impact	Major-Impact
Standard Suite				
Standard outreach and engagement protocols	x	x	x	x
Project website	x	x	x	x
Public Information Officer and ongoing communication support	x	x	x	x
Business Impact Brochure	x	x	x	x
Additional Measures				
Business-supporting signage on corridor		x	x	x
Corridor Marketing Campaign*		**x**	**x**	**x**
Business education*			**x**	**x**
Business liaison assigned			x	x
Ambassadors deployed			x	x
Enhanced Suite				
Construction Impact Mitigation Plan				x
Community Advisory Committee				x
Contractor incentives				x
Parking mitigation plans				x
Transit fare passes				x
Directed small business support*				**x**

Source: Construction Mitigation Program summary, Fall 2017
*Provided by OEWD, all other measures provided by lead agency

Per the MOU, and as noted above, the lead agency on the project (SFMTA, Public Works, or PUC) performs the vast majority of construction mitigation measures, such as primary outreach and engagement efforts. OEWD may provide the following services to impacted businesses, "as needed" and based on task orders submitted by the respective lead agencies and governed by the Construction Mitigation Program MOU:

1. Technical Assistance on the Business Impact Brochure (all projects)
2. Corridor Marketing Campaign (low-impact with schedule delay, moderate-impact, and major-impact projects)
3. Targeted Education and Support (moderate and major-impact projects). May include business consulting, technical assistance, loans, real estate services, ADA compliance assistance, and information and referrals.

4. Directed Small Business Support (cash assistance to businesses, major-impact projects only)

The MOU does not identify a role for OEWD in the development of the Construction Impact Mitigation Plan.

Through the Construction Mitigation Pilot Program, Eligible Businesses Received Grants to Mitigate Loss of Revenue

Because the pilot program was launched nearly seven years after construction began on the Central Subway, the planning elements—the Construction Impact Mitigation Plan, the Business Impact Brochure—of this program were not implemented. The primary construction mitigation measure from the **enhanced suite of services** (see Exhibit 1.2 above) offered for the Central Subway pilot program that engaged OEWD's expertise was Directed Small Business Support.

As described in the Construction Mitigation Program document, directed financial support includes:

> *grants for rent, utilities, and wages and to help a business complete physical improvements to their storefronts such as fixtures, furnishings and equipment painting, compliance with accessibility, and technology upgrades.*

According to OEWD's Central Subway – Chinatown Construction Mitigation Program summary: "To be eligible, businesses must be within the Central Subway construction impact zone, must be an active storefront business, and must have been established with no change in ownership on or prior to September 30, 2013."

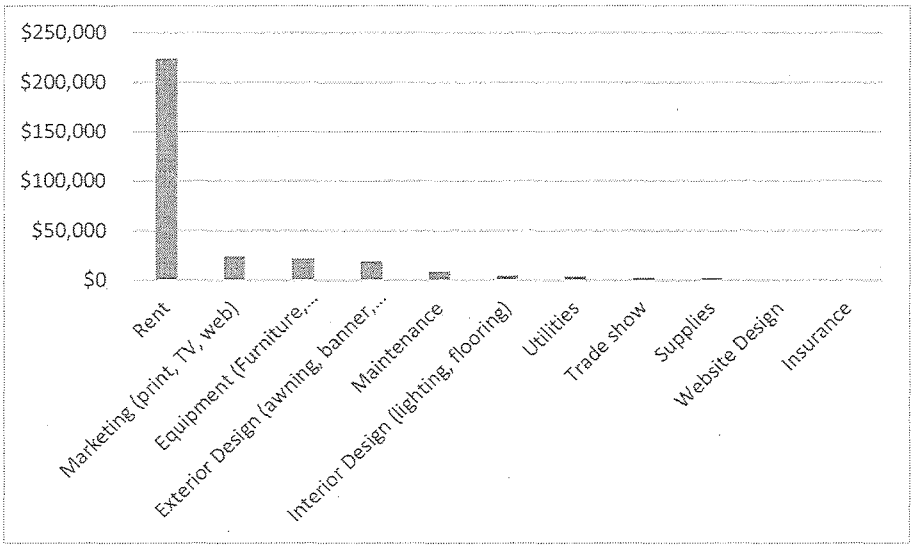
OEWD established two levels of funding for eligible applicants: $5,000 and $10,000. Funding levels were determined based upon the level of impact, as defined below:

- Direct impact (eligible for $10,000 grant): Construction that impacts and/or impedes visual or physical access to business including structures and large-scale equipment for a period of six months or longer.
- Indirect impact (eligible for $5,000 grant): No physical or visual impediment in front of the storefront, but construction is within a one-block radius of construction site that indirectly impacts the business corridor for a period of 12 months or longer.

To date, this pilot program has awarded $315,000 in grants to 52 qualifying businesses, for an average grant of $6,058. Exhibit 1.3 below

shows that the vast majority of grantees (72 percent) used their grants for rent payments.

Exhibit 1.3 Most Pilot Program Grantees Used Their Awards for Rent Payments



Source: OEWD Use of Funds report

Some businesses who received the grants have indicated (through responses to our survey and through communications with OEWD staff) that the grants were insufficient to compensate for the lost revenue.

Surveys Indicate Satisfaction with OEWD Small Business Services but the Need for More Outreach

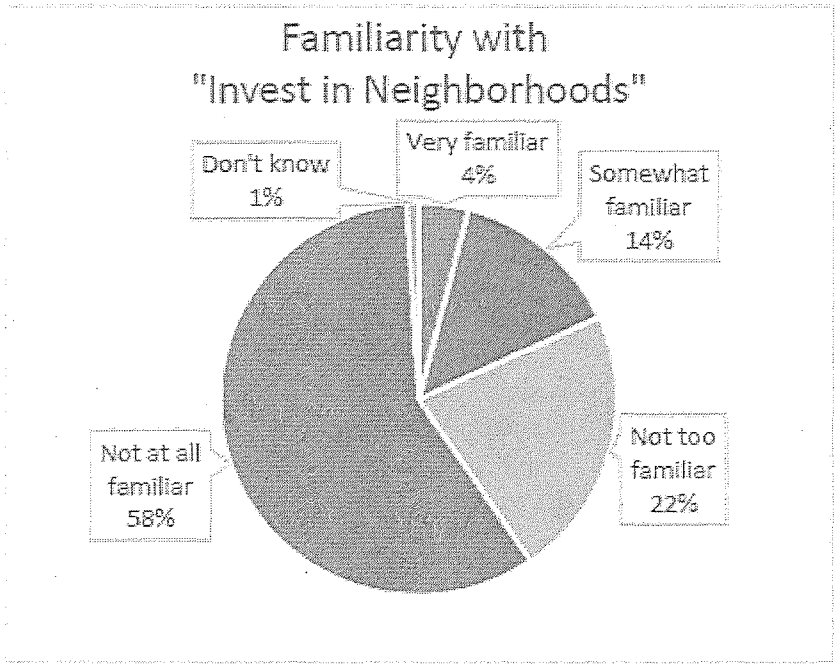
In 2014, Corey, Canapary & Galanis Research conducted a one-time survey of businesses that have received services by City staff or grantees to gather feedback from clients on the impact and effectiveness of small business programs and to inform future programming. From a sample of 1,162 small businesses, 484 interviews were conducted, for a response rate of 41.7 percent. Respondents were asked questions related to doing business in the City and about the services they had received, such as how they rated various aspects of the services, how they perceive the small business climate in the City, and what improvements could be made to enhance their services. According to survey results, 76 percent of respondents rated the small business services they received as excellent or good.

However, the survey also showed that only 18 percent of survey respondents reported that they were at least somewhat familiar with Invest in Neighborhood programs, indicating the need for additional outreach.

Inadequate outreach can result in underutilization of small business support services, including by businesses impacted by City-led construction projects. According to OEWD senior staff, some confusion around names of City agencies or divisions may cause businesses to say they are not aware of Invest in Neighborhoods programs, i.e. businesses may be familiar with services but associate them broadly with the Mayor's Office or the Jobs Squad, a division of Invest in Neighborhoods. We note that confusion over the division name could understate businesses' familiarity with small business support programs, but the magnitude of the response indicates that outreach could be improved. Further, one public information officer that we interviewed reported that they received informal feedback from merchants impacted by a City-led construction project that they wished they had known about OEWD business support services during construction.

Exhibit 1.4 below shows that survey respondents were generally not familiar with Invest in Neighborhood Programs.

Exhibit 1.4: Familiarity with Invest in Neighborhoods Programs, 2014 Survey



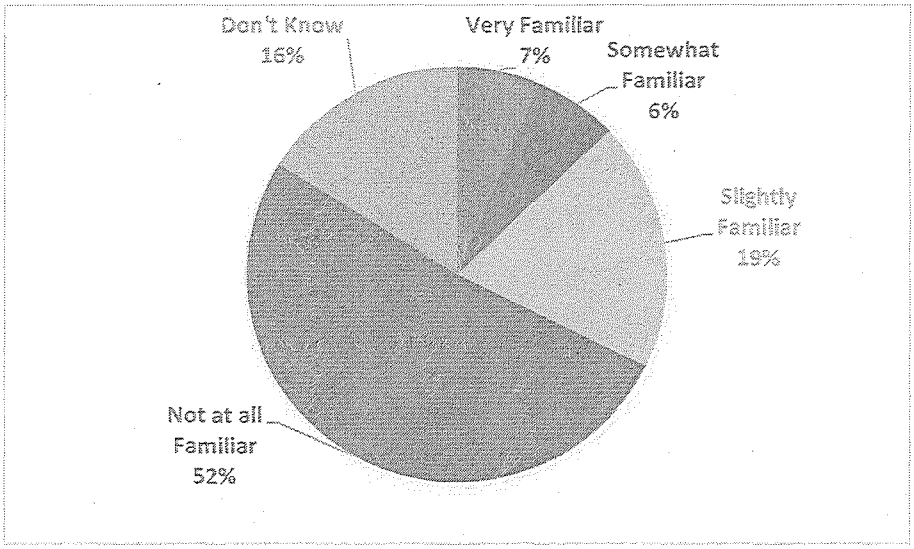
Source: San Francisco Business Survey 2014, Summary Report

To assess customer utilization of and satisfaction with services offered by the Office of Economic and Workforce Development, we designed, distributed and collected an electronic survey of 359 businesses in San Francisco between December 2018 and January 2019. These contacts included all active businesses in the Invest in Neighborhoods Vacancy database, as collected and maintained by the Job Squad. While this

database provided the most comprehensive contact list available to us for businesses located in construction mitigation zones, it does not reflect a complete list of businesses in those zones. The first email invitation for the survey was sent December 21, 2018; 28 businesses responded. An additional email invitation was sent January 22, 2019; 12 businesses responded. In total, 40 businesses completed the survey, for a response rate of 11 percent.

The responses from our survey conducted as part of this audit showed similar results, with 52% of respondents "not at all familiar" with OEWD business support services. Exhibit 1.5 below shows all results.

Exhibit 1.5: Familiarity with OEWD Business Support Services, 2018 Survey



Source: BLA Survey Results

While our survey sample size was small, and there are clear survey limitations regarding language and technical accessibility as the survey was distributed electronically in English, the results are still notable.

Incorporating Construction Mitigation Services Prior to Construction Could Minimize the Impact

Our project sampling reviewed evidence of the role of the lead agency staff from SFMTA, Public Works, and SFPUC in coordinating and communicating with businesses before and during major capital projects. These staff conduct significant outreach and provide regular, documented

contact with merchants in the construction zone. From complaint logs, it is clear that they receive and respond to issues promptly.

However, the expertise of these staff does not include business development and support. That expertise lies within the Office of Economic and Workforce Development. While efforts to collaborate on outreach for recent projects have been successful in terms of offering OEWD services, it is likely that **pre-construction** technical assistance, as proposed in the Construction Mitigation Program MOU, could have offered better results for businesses at a lower cost to the City, by preventing or reducing the overall economic impact on businesses.

Our survey of construction mitigation programs across the country shows that planning activities to address the economic impacts prior to the start of construction are a common practice, offering the potential to prevent some of the economic hardship experienced. Examples of measures that seem to offer particularly promising opportunities include economic impact analysis, construction survival manuals and pre-construction technical assistance.

Economic Impact Analysis

In 2017, in collaboration with Western Michigan University, the Michigan Department of Transportation produced an economic impact analysis of the potential impact on businesses of a proposal to adopt an accelerated construction plan for a bridge replacement project. While this report was highly technical, it presents an example of how to estimate potential costs to businesses related to planned construction, in order to build those costs into project budgets.

Construction Toolkit for Businesses

The City of Dubuque (Iowa) produces a manual for businesses that offers simple, useful ideas for preparing for construction, including:

> ***Consider Building a Dedicated Cash Reserve***
>
> *As soon as you learn upcoming construction will limit customer access, do a cash-flow analysis to establish a plan moving forward. That could include the creation of a dedicated cash reserve to meet fixed operational expenses.*
>
> *If you rent, you may consider talking with your landlord to see if any concessions or changes can be made to help you take better care of your cash flow. Inform current lenders of the upcoming project and see if there are opportunities to restructure existing debt and lines of credit in light of potentially diminished revenues.*

Communicate with Your Suppliers

If necessary, help your suppliers and their truck drivers identify alternate routes to your business. Notify them of any adjustments they may need to make during deliveries. If you anticipate special accommodations will need to be made in order to make or receive deliveries, please contact the project manager.

Since rent payments were the primary use of funds for the direct business assistance provided through San Francisco's Construction Mitigation Program for the Central Subway project, the recommendation offered above in Dubuque's guide to work with landlords in advance of construction seems particularly useful.

Pre-Construction Technical Assistance

The Colorado Department of Transportation (CO DOT) provides extensive technical assistance to businesses located within the construction zone prior to the start of projects. A couple of the recommendations provided by CO DOT to business owners that might be adopted in pre-construction assistance efforts in San Francisco include:

- *Make staffing decisions that will be appropriate for your projected business workload during construction*
- *Plan for different scenarios of how construction may impact your business*

Opportunities for Implementation in San Francisco

Generally, engaging the services of the Office of Economic and Workforce Development earlier in the process could enable businesses to take sufficient precautionary measures in terms of planning and preparing for a loss of revenue to protect them from major financial harm.

Under the current MOU terms, there are opportunities for the lead construction agency to engage OEWD's technical expertise in advance of construction, including the development of a business impact brochure. The Construction Impact Mitigation Plan seems like another important opportunity for OEWD to lend its expertise to businesses, particularly on major long-term capital projects where the potential economic risks to businesses are greatest.

Considerations for the Implementation of SFMTA's Construction Mitigation Fund

With major capital projects underway (including the Van Ness Bus Rapid Transit project) and still more on the horizon, the Board of Supervisors approved a $5,000,000 allocation from the Education Revenue

Augmentation Fund (ERAF) surplus in FY 2018-19 to SFMTA for a Construction Mitigation Fund in February 2019.

As the SFMTA rolls out the new Construction Mitigation Fund, and there is the potential for additional funding from the Education Revenue Augmentation Fund (ERAF) in FY 2019-20 and possibly beyond, we offer the following considerations for implementation. We also recommend that the Board of Supervisors direct the three lead agencies to identify potential long-term funding strategies for ongoing construction mitigation services, including but not limited to ERAF.

Early Engagement of OEWD

As discussed above, OEWD's role in the planning process for construction mitigation should be formalized and consistent, not "as needed". Because they are the primary service provider for business assistance, with contractors and experts available to offer technical assistance, OEWD staff should be participating in the pre-construction outreach efforts to help businesses prepare and plan for possible economic impacts. In particular, when the lead agency prepares a Construction Impact Mitigation Plan for a major-impact project, OEWD should collaborate on this to ensure that their services and expertise are most effectively engaged before construction begins.

Requiring Documentation of Revenue Loss for Grant Eligibility

On the Central Subway Construction Mitigation Grant Application, the eligibility criteria checklist included the following statement:

> *"I'm willing to provide documentation to help verify the economic hardship suffered as a result of the construction project; including, tax returns, financial statements, and other financial data."*

However, according to OEWD staff, grantees were not required to check this box to receive an award, and no grantee was required to provide documentation of hardship.

The application also includes an Economic Hardship and Impact Form and a Business Assessment, which ask questions including:

- *What were your annual revenues during the following years?*
- *What were your annual profits during the following years?*
- *On average, how much cash did you have on hand prior to the start of construction? How much cash on hand do you have as of your most recent bank statement?*
- *How many months of operating expenses can you cover?*

From our survey, we know that other jurisdictions (including LA Metro, the City of Oakland, and Sound Transit) require that grantees provide documentation of loss of revenue for grant eligibility determinations. This documentation includes financial records that should be easily accessed

by business owners (bank statements, gross receipts, payroll taxes, etc.), and does not need to be burdensome but could be kept simple. We understand that OEWD made a policy decision for the Central Subway grants to distribute the funds expeditiously to as many businesses as possible. However, we believe that for future direct financial assistance, this documentation would help ensure the maximum effectiveness of program effectiveness and proper stewardship of public funds.

Requiring Technical Assistance for Grant Eligibility

Another statement on the eligibility criteria checklist for the Central Subway Construction Mitigation Grant Application is:

> *"I am willing to set aside 2-4 hours every month to meet with a marketing, finance, and/or merchandising consultant, for a period of about 3-6 months to work on stabilizing business operations, ensuring proper financial management practices, and increasing sales."*

Again, this was not actually a requirement for participation in the grant program. According to the Office, staff provided grantees with information regarding available services. However, actual technical assistance was not required.

From our survey, we know that other jurisdictions require that grantees receive technical assistance, and we believe that this would help ensure the maximum effectiveness of funding received.

Program Evaluation or Customer Satisfaction Survey

Currently, there is no formal process for evaluating the effectiveness of OEWD's services provided through the Construction Mitigation Program. Because there will be additional resources provided to expand the program, we believe that it is critical to measure program performance to ensure the most effective use of resources.

As discussed in detail in Section 2 of this report, we recommend that OEWD develop these metrics to track performance and report to policymakers. These measures, along with customer satisfaction feedback, can inform important decisions regarding the design of this program including the size of grant amounts, discussed below.

Size of Grant Amounts

From our research, providing grants for construction mitigation does not appear widely adopted. There are examples of several major transit agencies, including LA Metro and Sound Transit in Seattle, that have provided grants to businesses directly impacted in the rail construction zone. Notably, these agencies require documentation of revenue loss of eligibility and provide larger grants than those provided by OEWD for the Central Subway construction mitigation program.

Grant amounts per business include:

- LA Metro Business Interruption Fund: grants up to $50,000
- Sound Transit (Seattle): up to $150,000
- Oakland Business Assistance Fund: up to $100,000

If San Francisco should consider increasing its grant amounts for construction mitigation based on project duration and the extended impact on businesses, we recommend that increases reflect: (1) documentation from previous grantees of the insufficiency of the current grant amounts and the need for larger awards; and (2) documentation of actual revenue loss incurred by future applicants.

Conclusion

The Board of Supervisors, in its motion directing this audit, explicitly asked about OEWD's planning for large-scale development and capital projects to address the economic impacts of the projects on surrounding businesses. While OEWD plans for this as an agency, and has designed a program with services to support businesses, it does not plan for construction mitigation on a project basis because it is never the lead agency on these projects. We believe that engaging OEWD in outreach to businesses in advance of construction to build awareness of business services and to offer technical assistance would help limit economic impacts of construction. As the City moves forward with new iterations of the Construction Mitigation program, we believe that incorporating OEWD into the pre-construction outreach efforts, enhancing grant eligibility criteria and developing performance measurement will help ensure the greatest outcomes for these efforts. We also believe that the City should consider long-term funding strategies for construction mitigation efforts, including but not limited to potential for additional funding from ERAF.

Recommendations:

The Directors of the SFMTA, Department of Public Works, and Public Utilities Commission should:

Recommendation 1.1: Ensure a formal and consistent role for OEWD in the delivery of pre-construction mitigation services to businesses so that OEWD's technical expertise can help businesses prepare and plan for impacts to prevent and minimize hardship once construction begins. This should include engaging OEWD in the development of the Construction Impact Mitigation Plan.

The Director of the Office of Economic and Workforce Development should:

Recommendation 1.2: Require documentation of loss of revenue for direct business support applicants in the future, to ensure that applicants with the highest needs receive assistance.

Recommendation 1.3: Require technical assistance as a mandatory eligibility criterion for future implementation of direct business support grants.

The Board of Supervisors should:

Recommendation 1.4: Direct the directors of the SFMTA, Department of Public Works, and the Public Utilities Commission to identify potential long-term funding strategies for construction mitigation, including but not limited to possible future ERAF funding.

2. Performance Measurement

OEWD collects a variety of performance data on the Invest in Neighborhoods programs and is required to report some of these measures to various funding and other agencies. However, performance measures currently used by OEWD to track performance of the Invest in Neighborhoods programs focus more on outputs than outcomes and are not reported in one system or report, making it difficult for OEWD management or other City officials to assess the effectiveness and efficiency of programs. A lack of meaningful performance measures can impair an organization's effectiveness and result in inefficient resource allocation.

OEWD has not established comprehensive formal metrics or performance reports for the Construction Mitigation Program. While OEWD collects data on the individual components of the Program, including the impact of technical assistance provided by OEWD's Small Business Development Center and feedback from merchant associations on marketing campaigns, performance reporting is limited to these measures and is not jointly reported for marketing and technical assistance on an annual basis or by project. Although we reviewed preliminary results for technical assistance provided for one project and feedback on three marketing campaigns, the effectiveness of OEWD's Construction Mitigation Program efforts cannot be ascertained due to the early stage of the Program. The Invest in Neighborhoods Division's performance management process would benefit from being formalized, with enhanced performance metrics to measure outcomes.

Invest in Neighborhoods Division Performance Measurement

OEWD collects a variety of performance data on its Invest in Neighborhoods programs and is required to report some of these measures to various agencies based on program funding. For example, OEWD reports on the estimated increase in revenue for businesses that received assistance from its Small Business Development Center (SBDC) to the U.S. Small Business Administration (SBA), which funds those services. In addition, OEWD reports to the U.S. Department of Housing and Urban Development (HUD).on the estimated number of businesses created that received services funded by the Community Development Block Grant program.

OEWD reports on three measures that may reflect performance of the suite of its economic development programs, including Invest in Neighborhood programs, in the Mayor's Proposed Budget Book and in the Controller's Citywide performance report:

(1) the number of businesses receiving one-on-one technical assistance;

(2) the number of small businesses assisted; and

(3) the average commercial vacancy rate in Invest in Neighborhoods' 24 commercial corridors tracked by OEWD.

Exhibit 2.1 shows the Office's performance across selected metrics for FY 2017-18 for programs funded by two major federal sources (SBA and HUD Community Development Block Grants) and measures reported across all programs, but does not include all measures reported for all Invest in Neighborhoods Division individual programs. SBA measures are from the SBDC's performance scorecard and HUD Community Development Block Grant measures are from the City's Consolidated Annual Performance and Evaluation Report (CAPER),[1] jointly produced by OEWD and the Mayor's Office of Housing and Community Development.

[1] Programs funded by HUD Community Development Block Grants may also receive support from the City's General Fund. Thus, measures reported also reflect the impact of these funds but do not reflect the impact of all General Fund support to Invest in Neighborhoods Division programs.

Exhibit 2.1: Selected Performance Measures Provided by OEWD for Invest in Neighborhoods Division Programs, FY 2017-18

Performance Measure	SBDC[1] Services *Selected Measures from SBDC Performance Scorecard*	CDBG Programs[2] *Selected Measures from CAPER[3]*	All Programs *Selected Measures from Controller's Performance Report*
Outcomes			
Job Creation and Retention			
1. Jobs generated or retained by companies that received assistance			
a. Jobs created	236	188	
b. Jobs retained	271	504	
c. Jobs created or retained via loans funded		212.5	
Business Creation			
2. Businesses created that received assistance	39	79	
Revenue Generation			
3. Estimated increase in revenue for businesses that received assistance	$17,242,916		
Macroeconomic Indicators			
4. Commercial Vacancy Rate in targeted commercial corridors			6%
Outputs			
Outreach			
5. Number of businesses receiving one-on-one technical assistance	464[4]		2,165
6. Number of small businesses assisted		803[5]	3,608
7. Training event outreach			
a. Number of training events	53		
b. Number of attendees	819		
8. Access to loans and capital			
a. Total loans	28	94	
b. Dollar amount of loans	$5,943,000	$6,977,262	
c. Equity capital	102		
d. Dollar amount of equity capital	$12,792,073		

Sources: Neoserra Scorecard for SBDC services; 2017-2018 Consolidated Annual Performance and Evaluation Report ; City Services Auditor, San Francisco Performance Results for Fiscal Year 2017-18

[1] SBDC= Small Business Development Center

[2] CDBG Programs= City programs funded by Community Development Block Grants from HUD; These programs may also receive support from the City's General Fund.

[3] CAPER= Consolidated Annual Performance and Evaluation Report

[4] Total clients counseled

[5] Includes 156 new businesses and 647 existing businesses

In addition to the measures detailed above, OEWD reports that the Division also collects information on the following measures (all of which are service outputs), but aggregated numbers for FY 2017-18 were not available:

- number of events (networking, marketing, activations, merchant walks, etc.)
- total grants awarded and dollar amount of grants
- number of referrals to partner agencies and professional service providers
- number of leases drafted, negotiated, or renewed, and the average length of those leases
- various outreach metrics for individual community benefit districts (e.g. individuals assisted, waste collected) and adherence to budget-related benchmarks, reported to the Board of Supervisors on an annual basis

As shown in Exhibit 2.1, OEWD reports few metrics (only one of which is outcome-based) across all programs. According to senior staff, OEWD managers gauge program performance by reviewing:

- the reports described above;
- internal reports that track vacancies in the Office's targeted commercial corridors;
- informal feedback obtained from staff and external stakeholders, including businesses;
- internal staff review of grantee service performance metric reports, submitted annually;
- annual staff review of each community benefit district's annual report; and
- periodic[2] program evaluations for small business services, as part of the Division's small business needs assessment process (described in more detail below).

However, program performance measures differ by funding source as shown in Exhibit 2.1, with measures reported in multiple systems and reports, making it difficult for both internal and external stakeholders to compare performance across programs and determine the overall impact of all programs combined.

In compliance with funding regulations, the Small Business Development Center prepares and submits its scorecard, which is currently unavailable to the public, to the Federal Small Business Administration. The scorecard, which OEWD made available to our office to review, shows performance measures, a subset of which are shown in Exhibit 2.1, across multiple years, allowing for comparisons over time. Importantly, the scorecard includes several measures

[2] The most recent needs assessment was completed in 2010, and OEWD expects the next needs assessment to be completed in 2019 (as discussed later in this section).

that reflect key outcomes, which are emphasized in performance measurement best practices, including revenue generation and job creation related to SBDC services. Outcomes (such as number of jobs created) show the impact of service outputs (such as number of businesses assisted) and help internal and external stakeholders determine if the services provided are meeting the ultimate goals of the program. If services are unaligned with program goals, increasing outputs may not meaningfully improve desired outcomes. Similarly, OEWD and the Mayor's Office of Housing and Community Development jointly prepare and submit the City's Consolidated Annual Performance and Evaluation Report to HUD for programs that receive Community Development Block Grant funding, and the CAPER includes some of the same outcome measures as the SBDC scorecard (such as number of jobs created) but not all measures are the same (e.g. the CAPER does not include the estimated revenue generated to businesses that received assistance) as reporting requirements vary between the two federal agencies. The CAPER also shows performance across multiple years, allowing for comparisons over time, but in contrast to the SBDC scorecard, the CAPER is available to the public.

The three measures reported both in the Controller's Citywide performance report and the Mayor's Proposed Budget reflect OEWD's performance at a high-level. Two of the measures reflect service outputs, including the number of businesses assisted and the number of businesses receiving one-on-one technical assistance. The third measure, commercial vacancy rates in targeted commercial corridors, is an important outcome measure for the Division in assessing overall neighborhood performance and needs. However, it is difficult to assess the impact of Invest in Neighborhoods Division programs based on this measure because there are a variety of external factors that impact vacancy rates, such as economic and market conditions.

Construction Mitigation Program Performance

Although the motion passed by the Board of Supervisors to conduct this performance audit directed us to focus on construction mitigation specifically, we cannot ascertain the effectiveness of OEWD's construction mitigation efforts due to the early stage of the Construction Mitigation Program, which started in 2018, and a lack of complete performance data for the Central Subway grants and technical assistance, as results from surveys sent to businesses in January 2019 were still considered preliminary as of February 2019. We also note that OEWD has not established comprehensive formal metrics or performance reports for the entire Program. While OEWD collects data on the impact of technical assistance provided by the SBDC (as required by SBA) and feedback from merchant associations on marketing campaigns, performance reporting is limited to these measures and is not jointly reported for marketing and technical assistance on an annual basis or by project. OEWD reports that they will develop more formal reporting for the Program as part of its upcoming efforts to enhance performance measures in Division (as discussed later in this section).

Preliminary results for the Central Subway grants and technical assistance as well as feedback on marketing campaigns are discussed below.

Grants and Technical Assistance

OEWD issued 52 Construction Mitigation Program grants for a total of $315,000 in grants to eligible businesses impacted by the Central Subway project. In addition, SBDC advisors provided 595 hours of counseling to 55 businesses impacted by the project (52 of which also received grants). To comply with SBA reporting requirements (as discussed above), SBDC advisors follow-up with all counseling clients to collect data on the impact of counseling services.

SBDC advisors reached out to Central Subway grantees and counseling clients in January 2019 to collect performance results and, as of February 2019, 22 clients had responded. Preliminary results based on these responses include:

- 62 jobs retained and one job created
- $52,000 in increased sales
- $2,500,000 in loans obtained and $230,500 in owner investment

Results reflect the combined impact of grants and counseling services because most clients received both grants and counseling services.

Open for Business Corridor Marketing Campaigns

The Open for Business corridor marketing campaigns, developed and managed for OEWD by a third-party consultant, consist of neighborhood-specific signs, special events, and retail directories that remind visitors that businesses are open and help visitors find alternative routes to businesses during construction. The Open for Business third-party consultant coordinates with merchants and Invest in Neighborhoods Division staff to develop marketing priorities based on input from merchant leadership. OEWD primarily ascertains the effectiveness of these marketing campaigns through feedback obtained by the consultant during exit interviews with business associations. Of the four projects that we selected for in-depth review, three (West Portal, Polk Streetscape and Twin Peaks Tunnel) had marketing campaigns. Out of the three projects, two projects had exit interviews: Polk Streetscape and Twin Peaks Tunnel. The West Portal Project marketing campaign was completed before the Open for Business program was created and did not have a formal exit interview.

According to the feedback collected during the exit interviews, the most valuable elements of the marketing campaigns for the two projects that had exit interviews were the retail directory and outreach provided to businesses. The Polk Streetscape Project encountered challenges getting consensus on design from the different businesses engaged in the process, and the business leaders interviewed recommended that OEWD allow more flexibility in design to reflect unique corridor identity. Business leaders reported that the program

could improve the placement and timeliness of directional signage for the Twin Peaks Tunnel Project and that they would like to see more businesses engaged in the future. Feedback is summarized in Exhibit 2.2.

Exhibit 2.2: Marketing Campaign Feedback for Three Projects

Project	Exit Interview Conducted	Most Valuable Element of Marketing Campaigns	Biggest Challenge/Areas of Improvement
Polk Streetscape	Yes	• Retail directory and door-to-door outreach	• Getting consensus on design from different businesses engaged in the process • Could allow more flexibility in design to reflect unique corridor identity
Twin Peaks Tunnel	Yes	• Retail directory, street banners, and logo development • OFB brought the community together and connected merchants to City Departments	• The directional signage could have been put up sooner and in more prominent locations • Business association would like more support with street beautification in front of merchants • Communication is a big challenge. Business association would like to see more merchants engaged.
West Portal	No*	• Turnout for neighborhood event (promoted via social media marketing campaign) was good given budget constraints	• Would like to get more merchants involved in the future

Source: Marketing Feedback provided by OEWD
*No formal exit interview was conducted for the West Portal Project. Feedback was prepared by merchants association and their media consultant.

The information collected in these exit interviews offers useful feedback from OEWD's customers that is systematically collected and documented. This could serve as a model for other programs as a way to formalize informal feedback received from stakeholders.

The Board of Supervisors should request that OEWD, together with the other City departments involved in the Construction Mitigation Program, develop meaningful metrics and report on program performance outcomes annually.

OEWD's performance measurement of the Invest in Neighborhood programs could be enhanced to ensure programs are meeting stated goals

According to the Government Finance Officers Association's[3] (GFOA) Best Practices for Performance Management and Decision Making Best Practice guide, performance measures should track outcomes and efficiency over time, allow for resource allocation comparisons over time, be externally reported, motivate staff to provide input, and provide a basis for ongoing process improvement.

The City also recognizes the critical importance of tracking performance metrics, as indicated by the annual reports on metrics provided through the Mayor's Proposed Budget Books and the ongoing work of the Performance Program in the Controller's Office. Further, demonstrating effective use of City funding by setting meaningful performance metrics and achieving outcomes is one of Mayor Breed's priorities for the FY 2019-20 budget.

As shown in Exhibit 2.1, the performance scorecard for the Small Business Development Center and the City's CAPER for programs that receive Community Development Block Grant funding meet many of the GFOA's criteria described above and could serve as a model for tracking performance of other Invest in Neighborhoods programs.

Because the other measures currently reported by OEWD to track performance of the Invest in Neighborhoods programs focus more on outputs than outcomes, and do not measure change over time, they do not provide sufficient detail for OEWD management or other City officials to assess the effectiveness or efficiency of individual programs or the combined suite of Invest in Neighborhoods programs.

Performance management in the Division could be enhanced by tracking outcomes over time for more of its programs and by tracking measures of efficiency or effectiveness, such as tax revenue generated per dollar of spending. Although the Invest in Neighborhoods Division policies and procedures state that staff will track jobs created and other outcome measures, such as business openings and expansions and business closures, these measures were not included in any of the performance reports provided by OEWD except for the measures described related to SBDC services and programs funded with Community Development Block Grant funds.

Current and Upcoming Opportunities to Support Enhanced Performance Measurement at OEWD

Given the growth of the Invest in Neighborhoods division and the implementation of the new Construction Mitigation Program, OEWD management should enhance and formalize its use of performance measures

[3] The Government Finance Officers Association is a leading industry organization for local government finance officers.

in order to measure and demonstrate effective service delivery. Aside from the reports to external stakeholders (e.g. SBA and HUD) and a semi-annual internal report on commercial storefront vacancy rates, it appears that there is no other formal or regular reporting on program performance to management outside of these established channels although senior staff report that they receive informal feedback from staff and external stakeholders. As noted, program data is currently collected across different systems, which may present reporting challenges.

According to OEWD staff, there are three efforts underway that should support the Office's efforts to collect and track improved program metrics: (1) collaboration with the Controller's Office Performance Program; (2) a third-party small business needs assessment; and (3) a department-wide strategic plan.

OEWD staff report that they are developing new performance measures and have asked the City Performance Division within the Controller's Office for advice to develop a performance management dashboard that would allow the Office to view performance measures in one system. However, the Office does not have a formal engagement with the Controller's Office to review OEWD's measures at this time. We recommend that OEWD initiate a more formal engagement with the Controller's Office to review and revise performance measures for the Invest in Neighborhoods Division, with a focus on measures that capture outcomes. A lack of meaningful performance measures can impair an organization's effectiveness and result in inefficient resource allocation. OEWD reports that they will request a formal engagement for FY 2019-20 and that they previously requested such an engagement but the request was made after the Controller's Office had selected client departments for the year. As of April 2019, OEWD also reports that they are in the process of hiring a department-wide data manager to develop a data warehouse to allow for unified reporting across different data systems.

In addition to efforts to develop a performance management dashboard, OEWD staff report that they will be contracting with a third-party to conduct a small business needs assessment to be completed by Fall 2019. According to the request for proposals, the needs assessment will include analysis of program data and recommendations on future data collection efforts and program evaluation (including business services program performance measures), as well as stakeholder research or surveys to evaluate the effectiveness of small business programs. If possible, to avoid causing delay, OEWD should initiate a formal engagement with the Controller's Office to review their performance measures before the needs assessment is completed. Preliminary results from the needs assessment (if available) may be used to inform the Controller's Office's review. OEWD reports that the Controller's Office will be part of the advisory committee for performance measures recommended by the third-party consultant.

The Office's first strategic plan is expected to be released in 2019, and in conjunction with the development of a performance management dashboard, as discussed above, could provide new tools for management to analyze past performance and establish performance objectives in the future. OEWD should determine how management and staff can use performance data on a regular basis to assess past performance, examine performance strategies and document performance management procedures.

Conclusion

OEWD's performance measurement of the Invest in Neighborhood programs could be improved to ensure programs are meeting stated goals. Program performance measures differ by funding source, and measures are not reported in one system or report, making it difficult for both internal and external stakeholders to compare performance across programs and determine the impact of all programs combined. Further, performance management in the Division could be enhanced by tracking outcomes over time for more of its programs and by tracking measures of efficiency or effectiveness. A lack of meaningful performance measures can impair an organization's effectiveness and result in inefficient resource allocation.

OEWD has not established comprehensive formal metrics or performance reports for the Construction Mitigation Program in its entirety. While OEWD collects data on the individual components of the Program, including the impact of technical assistance provided by the SBDC and feedback from merchant associations on marketing campaigns, performance reporting is limited to these measures and is not jointly reported for marketing and technical assistance on an annual basis or by project. The effectiveness of OEWD's construction mitigation efforts cannot be ascertained due to the early stage of the program.

Recommendations:

The Director of OEWD should:

Recommendation 2.1: Initiate a more formal engagement with the Controller's Office to develop performance measures for the Invest in Neighborhoods Division, with a focus on measures that capture outcomes.

Recommendation 2.2: Determine how management and staff can use performance data on a regular basis to assess past performance and examine performance strategies and document OEWD's performance management procedures.

The Board of Supervisors should request that the Director of OEWD, together with the Directors of the Municipal Transportation Agency and Department of Public Works:

Recommendation 2.3: Report annually on the effectiveness of the Construction Mitigation Program to date and how performance will be measured on an ongoing basis, including periodic reports such as annually to the Board of Supervisors.

3. Invest in Neighborhoods Division Staffing

It is unclear if workload from the Construction Mitigation Program justifies its current staffing level because OEWD did not prepare any form of quantitative support for the two positions added to Program staff in FY 2018-19.

OEWD does not collect comprehensive workload data or conduct workload analyses to determine staffing needs. As a result, OEWD cannot demonstrate that it has the appropriate resources to accomplish its mission in the Invest in Neighborhoods Division, including the Construction Mitigation Program. A lack of staffing or workload analysis can impair an organization's effectiveness and result in budget requests that are at a variance with program needs and performance. Because Invest in Neighborhoods staffing has increased markedly but growth has been incremental, there may be opportunities to use staff resources more efficiently.

According to the City's Five-Year Financial Plan, expenditure growth is outpacing revenue growth and the City's projected annual deficit is expected to increase from $107.4 million in FY 2019-20 to $643.9 million in FY 2023-24 in the absence of corrective action. One of the key contributing factors to the City's structural deficit is rising employee costs. To address projected growing deficits, the Mayor's Budget Instructions for FYs 2019-20 and 2020-21 directed departments not to add new positions for the third year in a row, and also directed departments to submit budget requests that reflect a two percent reduction in General Fund support in FY 2019-20 and an additional two percent reduction in FY 2020-21. Effective workforce management, including workload measurement and analysis, can help departments ensure that resources are allocated appropriately to achieve department goals.

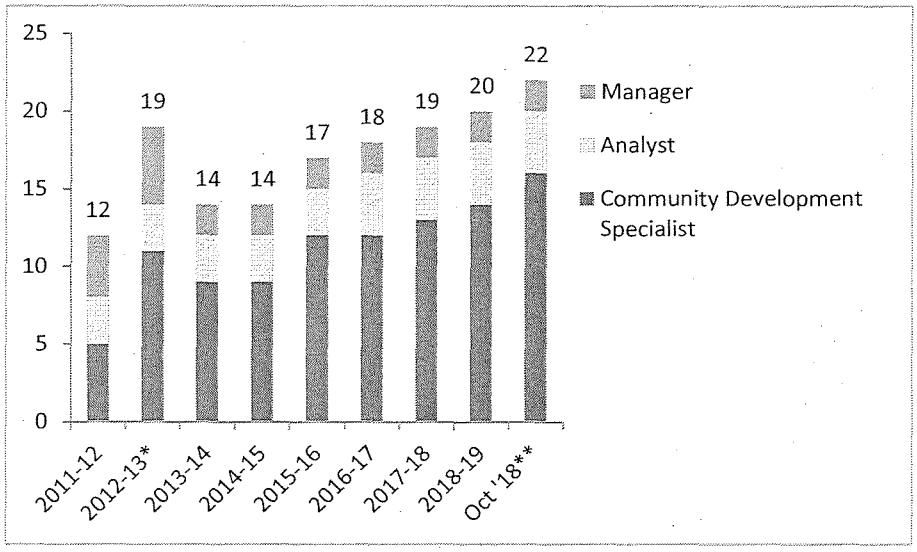
OEWD's Invest in Neighborhoods Division Staffing

OEWD formally created the Invest in Neighborhoods Division, a division of its Economic Development section, in FY 2012-13, to consolidate services and staff working with neighborhood businesses and supporting the City's community benefit districts (CBDs) and to support 25 neighborhood commercial corridors around the City to serve neighborhoods with economic development strategies. That same year, OEWD added six new full-time equivalent positions (FTEs) to the Invest in Neighborhoods Division, including a high-level manager, to the existing team of 13 FTEs, for a total of 19 FTEs. The division's staffing declined to 14 FTEs in the following year as five FTEs were reallocated within the Economic Development section.[1] Since FY 2014-15, staffing has increased from 14 FTEs to 22 FTEs as of October 2018, an increase of 57.1 percent. This

[1] The Economic Development section's staffing increased from 28 FTEs (of which 19 were under the Invest in Neighborhoods Division) in FY 2012-13 to 31 FTEs (of which 14 were under the Invest in Neighborhoods Division) in FY 2013-14.

growth in the Division has been driven by increases in community development specialist positions to support new programs, which according to OEWD include the Revolving Loan Program, the Small Business Development Center (SBDC)[2], increased grant management responsibilities, CBD district formation and oversight increase, new cultural district formations, a new public space initiative, and the Jobs Squad, which is responsible for conducting door-to-door outreach to businesses and tracking retail storefront vacancies in OEWD's targeted commercial corridors. The Invest in Neighborhoods Division's historical staffing levels are shown in Exhibit 3.1.

Exhibit 3.1: Invest in Neighborhoods Staffing, FY 2011-12 to FY 2018-19



Source: OEWD organizational charts FY 2011-12 – FY 2018-19
*Invest in Neighborhoods Division was formally created in FY 2012-13
**FY 2018-19 staffing level as of October 2018, reflecting two new temporary exempt positions for the Construction Mitigation Program

As of January 2019, the Invest in Neighborhoods Division had 22 full-time equivalent (FTE) positions, including four analysts, 16 community development specialists, and two managers. This includes two new temporary exempt FTEs added to implement the Construction Mitigation Program: one senior community development specialist added in February 2019 and assigned to the Neighborhood Programs section, and one community development specialist added in October 2018 and assigned to the Small Business Development Center. The Municipal Transportation Agency, the Department of Public Works, and the Public Utilities Commission will reimburse OEWD for costs associated with these two positions, as well as marketing services delivered by OEWD contractors, based on project specific memoranda of understanding. Exhibit 3.2 below shows the Division's staff composition as of October 2018.

[2] In 2015, OEWD added the SBDC, which receives funding from the U.S. Small Business Administration, but the SBDC was previously hosted by the City College of San Francisco.

Exhibit 3.2: Invest in Neighborhoods Staff, by Classification, October 2018

Section	Analyst	Community Development Specialist	Manager	Total
Small Business Development Center*		4		4
Small Business Programs	1	3		4
Neighborhood Programs*		4		4
Special Projects	1		1	2
Community Benefit Districts	1	1		2
Jobs Squad		2		2
Neighborhood Development	1			1
Cultural Districts		1		1
Healthy Retail		1		1
Team Lead			1	1
Total	4	16	2	22

Source: OEWD organizational chart
*Includes 1.0 FTE for the Construction Mitigation Program

Workload analysis is needed in the Invest in Neighborhoods Division

Federal guidance highlights the importance of workload identification to determine staffing needs. The U.S. Office of Management and Budget (OMB) guidance states that agencies should use currently funded personnel to the maximum extent in staffing new programs and "use calculations converting workload to required personnel that include an estimate of available workhours per employee" where appropriate.[3]

OEWD management does not incorporate workload evaluation when determining resource needs, and instead relies upon qualitative assessments of existing staff capacity and constraints. When requesting permanent increases in staffing, OEWD management report that they must provide a business case justification and seek approval from the Department of Human Resources, the Mayor's Office, and the Board of Supervisors during the annual budget process, but the City's approval process does not require that the Office conduct workload evaluation. Since FY 2015-16, the expansion of the Invest in Neighborhoods Division has received budgetary support for its initiatives to support small business programs. Because the Office has not been scoping out these new programs, senior staff have adapted to the influx of additional resources.

OEWD management may be aware of overall work outputs, such as number of grants administered and number of neighborhoods managed, but they do not determine resource needs based on quantitative analysis. For example,

[3] OMB Circular A-11, Section 85

management may know the number of grants it needs to administer, but it does not have data showing how much time employees spent administering specific grants in the past to ensure the correct balance. Because OEWD does not collect comprehensive workload data or conduct workload analysis to determine staffing need, the Office cannot demonstrate that it has the right number of resources to accomplish its mission. A lack of staffing or workload analysis can impair an organization's effectiveness and result in budget requests that are at a variance with program needs and performance.

Given the marked expansion in Invest in Neighborhoods Division staffing and the lack of clarity between some of these positions, there may be opportunities to use staff resources more efficiently. The Invest in Neighborhoods Division staffing has nearly doubled since FY 2011-12, from 12 FTE to 22 FTE, but there is insufficient evidence that the additional staff has had a proportionate impact on neighborhood outcomes due in part to challenges measuring performance as discussed in Section 2. OEWD should conduct a workload analysis of the Invest in Neighborhoods Division, including the Construction Mitigation Program, to determine how staff resources may be used most efficiently, and develop policies and procedures on how workload data should be used to prepare budget requests based on findings from the workload analysis.

We also note that the majority of positions in the Invest in Neighborhoods Division lack detailed position descriptions and some staff perform the same or similar duties, which could indicate the opportunity for more efficient management of staff resources or the need for clarification of position responsibilities. A lack of clear separation of duties between positions could lead to duplication of work or a variance between the expectations of senior staff and employees on which positions are responsible for specific program duties. As part of this audit, we reviewed all available job descriptions for positions in the Division. Out of 22 positions in the Invest in Neighborhoods Division, eight (36.4 percent) had position descriptions detailing their specific duties, and the remaining 14 positions (63.6 percent) did not have detailed position descriptions. According to senior staff, some positions lack position descriptions because descriptions are the same for multiple staff, [4] and some duplication of duties allows the Division to provide multiple points of contact with small businesses and address neighborhood language and cultural needs. OEWD senior staff also report that management staff prepare detailed annual workplans for each employee through the annual performance evaluation and appraisal process. To ensure the clear separation of duties, OEWD should continue to clarify position responsibilities and create position descriptions for all positions in the Division.

[4] For example, some Invest in Neighborhoods Division staff are assigned to specific neighborhoods and may share the same job duties as other staff but work in different neighborhoods.

Construction Mitigation Program Staffing

As noted above, the Office added another two FTEs in 2018 to support the Construction Mitigation program. Management staff reported that they determined the need for these two positions based on an initial proposal of construction projects, but they did not provide any quantitative support for the addition of two positions, such as estimated number of projects per year and estimated number of hours per project. Further, the Construction Mitigation Program summary, jointly administered by the Municipal Transportation Agency, Public Works, and the Public Utilities Commission, only recommended that OEWD add one position to support the program. According to job descriptions for the two new Construction Mitigation Program positions, one position is responsible for marketing and overall program coordination and businesses outreach, and one position is responsible for small business technical assistance.

It is unclear that the change in workload under the Construction Mitigation Program justified the addition of two FTEs. With the exception of marketing services, which are contracted out to private consultants, no services provided by OEWD under the program reflect new services, although the program may increase the number of clients served by these programs. In addition, OEWD was able to meet program responsibilities in 2018 with existing staff. The Senior Project Manager of Neighborhood Programs managed marketing campaigns for four projects in 2018, and existing staff in the Small Business Development Center provided 595 hours of counseling (technical assistance) to 55 business impacted by the Central Subway Project in 2018, which is equivalent to approximately 0.37 FTEs[5]. OEWD senior staff report that the new position responsible for marketing and program coordination will have a larger role in future projects going forward, including additional business outreach, community meetings and event support, compared to the support provided to projects in 2018.

Although the technical assistance provided to businesses impacted by the Central Subway Project required substantial staff time (approximately 0.37 FTEs), it is unclear how many projects per year will receive small business technical assistance services from OEWD since only major-impact projects qualify and the scope of OEWD services provided will depend on project specific memoranda of understanding to be negotiated with the Municipal Transportation Agency, Public Works, and the Public Utilities Commission. Additional workload analysis is necessary to determine efficient allocation of staff resources to the Construction Mitigation Program.

[5] We assume 80% of total hours are spent on productive tasks for the Office and 20% of total hours are spent on vacation, sick, and other leave.

Conclusion

OEWD does not collect comprehensive workload data or conduct workload analysis. As a result, OEWD cannot demonstrate it has the right number of resources to accomplish its mission in the Invest in Neighborhoods Division, including the Construction Mitigation Program. We also note that some staff perform the same or similar duties, which could indicate that management of staff resources could be more efficient. Workload analysis is needed in the Invest in Neighborhoods Division to determine how staff resources may be used most efficiently.

Recommendations:

The Director of OEWD should:

Recommendation 3.1: Conduct a workload analysis of the Invest in Neighborhoods Division, including the Construction Mitigation Program, to determine the most efficient use of staff resources. While permanent increases in staffing have been approved through the City's hiring and budget processes, a workload analysis could provide management staff with better information to determine how to allocate existing staff resources and strengthen future budget requests.

Recommendation 3.2: Develop policies and procedures on how workload data should be used to prepare future budget requests based on findings from workload analyses.

Recommendation 3.3: Continue to clarify position responsibilities and create position descriptions for all positions in the Division to ensure distinctions in duties between positions are sufficiently clear.

Appendix: Survey Results

Q1 Business Name (for internal purposes only)

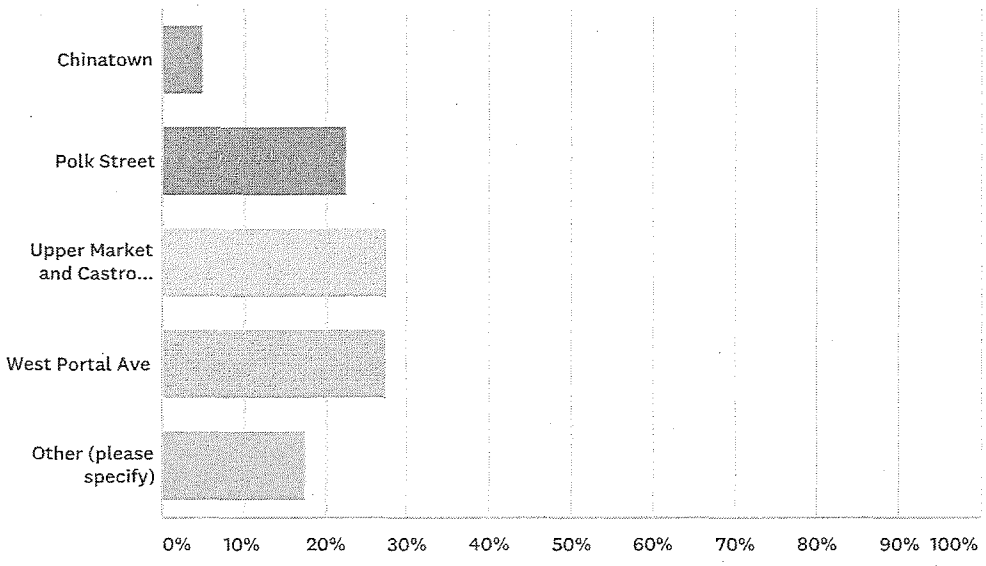
Answered: 40 Skipped: 25

Q2 Street Address (for internal purposes only)

Answered: 40 Skipped: 25

Q3 Which commercial corridor is your business located in?

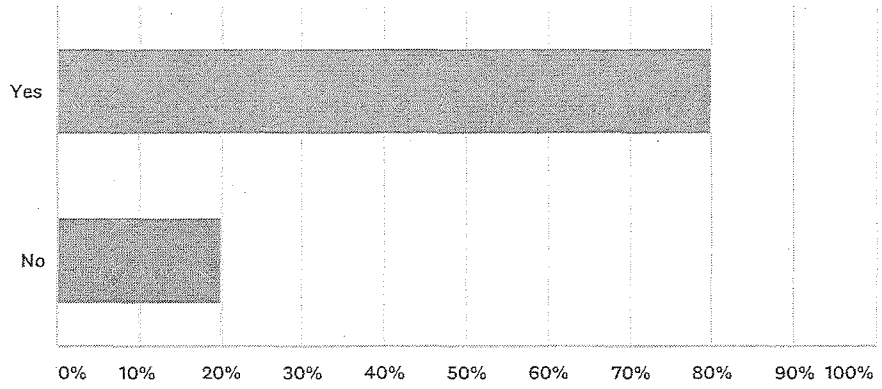
Answered: 40 Skipped: 25



ANSWER CHOICES	RESPONSES	
Chinatown	5.00%	2
Polk Street	22.50%	9
Upper Market and Castro Street	27.50%	11
West Portal Ave	27.50%	11
Other (please specify)	17.50%	7
TOTAL		40

Q4 Has your business been impacted by city-led construction in the past 3 years?

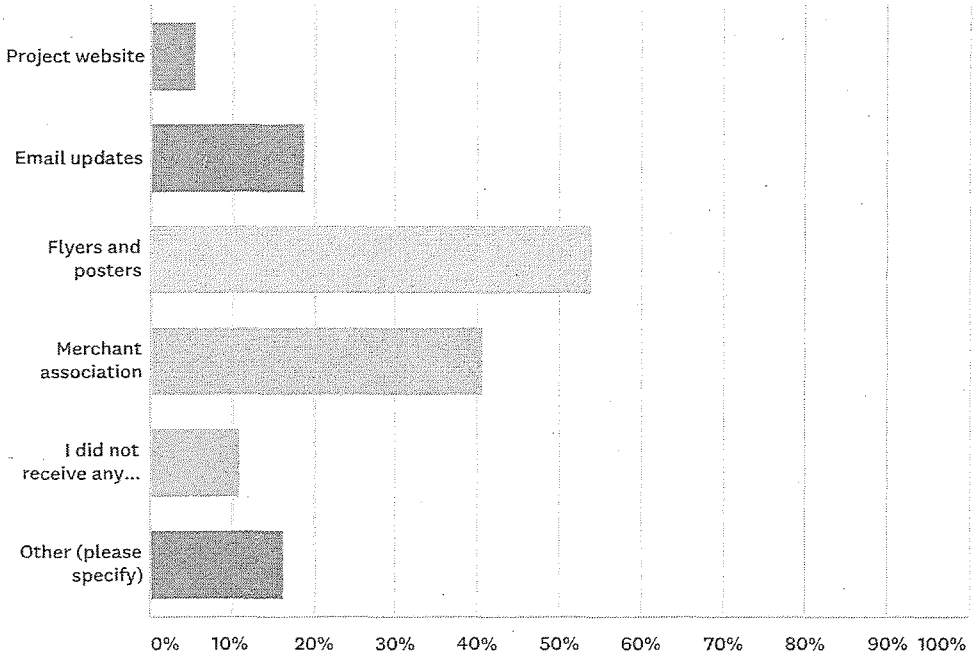
Answered: 40 Skipped: 25



ANSWER CHOICES	RESPONSES	
Yes	80.00%	32
No	20.00%	8
TOTAL		40

Q5 If yes, how did you receive information about the construction? (check all that apply)

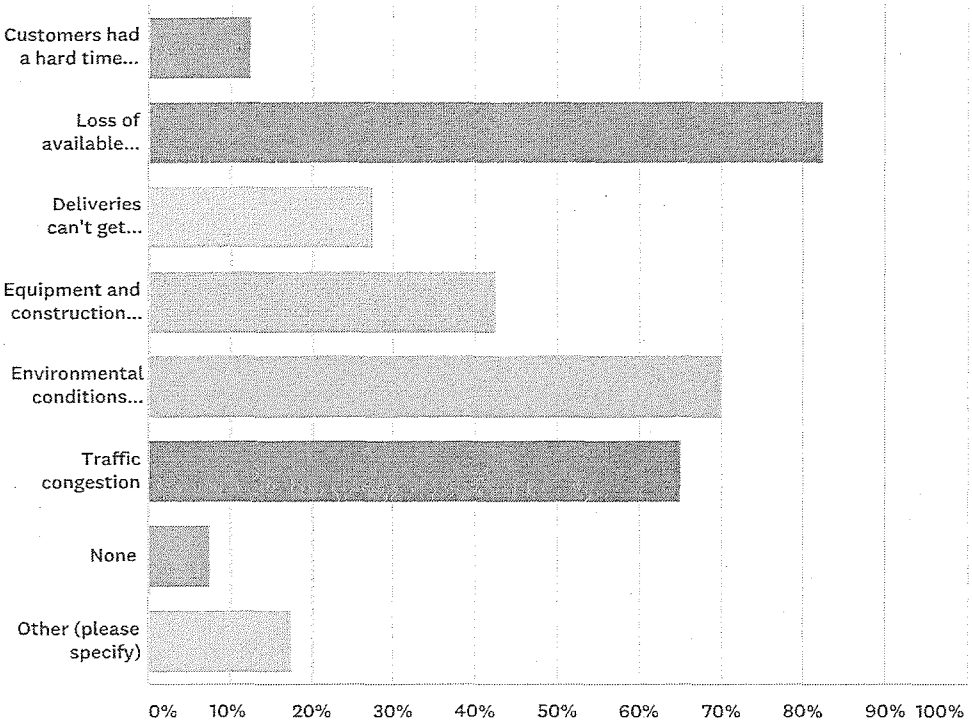
Answered: 37 Skipped: 28



ANSWER CHOICES	RESPONSES	
Project website	5.41%	2
Email updates	18.92%	7
Flyers and posters	54.05%	20
Merchant association	40.54%	15
I did not receive any information about the construction	10.81%	4
Other (please specify)	16.22%	6
Total Respondents: 37		

Q6 In what ways has construction affected your business? (Check all that apply)

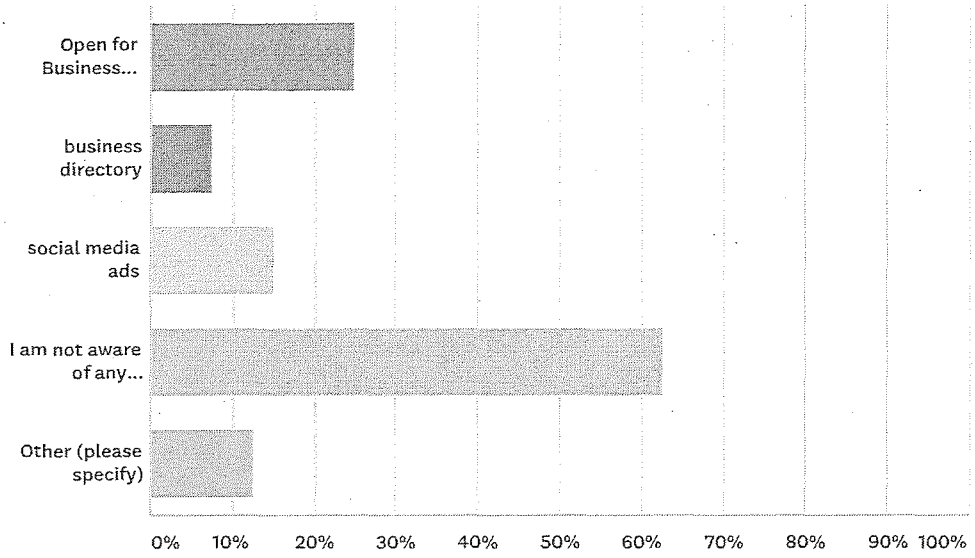
Answered: 40 Skipped: 25



ANSWER CHOICES	RESPONSES	
Customers had a hard time finding my business	12.50%	5
Loss of available parking	82.50%	33
Deliveries can't get through	27.50%	11
Equipment and construction blocking business entrance	42.50%	17
Environmental conditions (such as dust, dirt, noise, trash)	70.00%	28
Traffic congestion	65.00%	26
None	7.50%	3
Other (please specify)	17.50%	7
Total Respondents: 40		

Q7 Are you aware of the following marketing campaigns to help customers find your business during construction? (check all that apply)

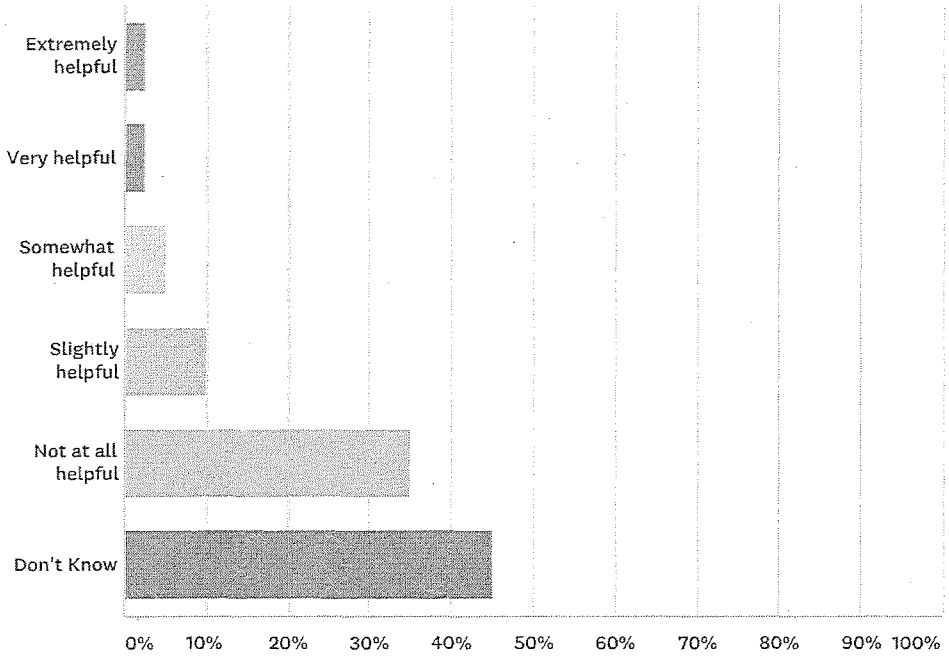
Answered: 40 Skipped: 25



ANSWER CHOICES	RESPONSES	
Open for Business posters	25.00%	10
business directory	7.50%	3
social media ads	15.00%	6
I am not aware of any marketing campaigns	62.50%	25
Other (please specify)	12.50%	5
Total Respondents: 40		

Q8 Overall, how helpful were the marketing services provided to your commercial corridor during construction?

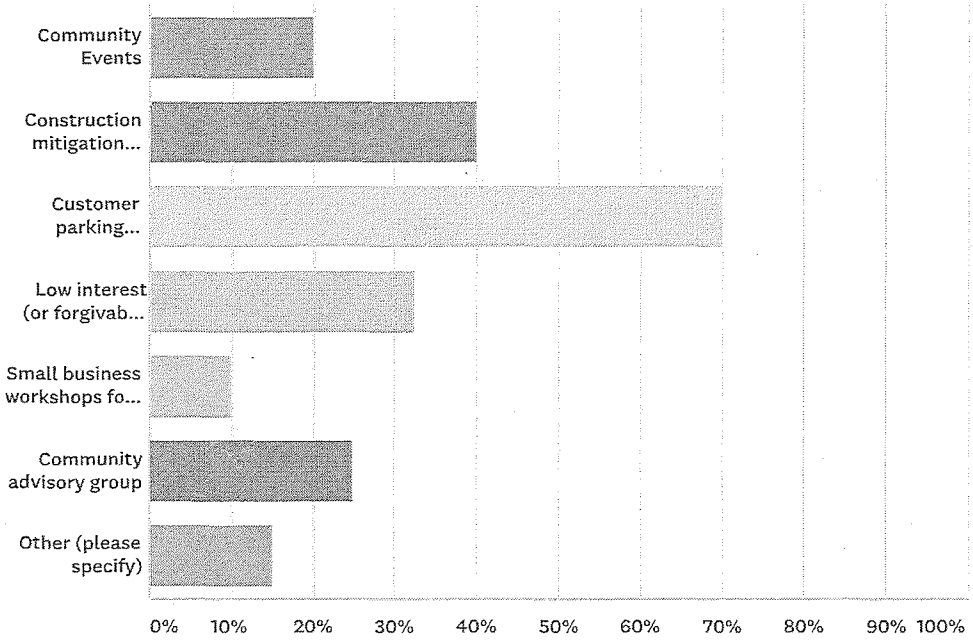
Answered: 40 Skipped: 25



ANSWER CHOICES	RESPONSES	
Extremely helpful	2.50%	1
Very helpful	2.50%	1
Somewhat helpful	5.00%	2
Slightly helpful	10.00%	4
Not at all helpful	35.00%	14
Don't Know	45.00%	18
TOTAL		40

Q9 Would any of these other services be beneficial to your business during construction? (check all that apply)

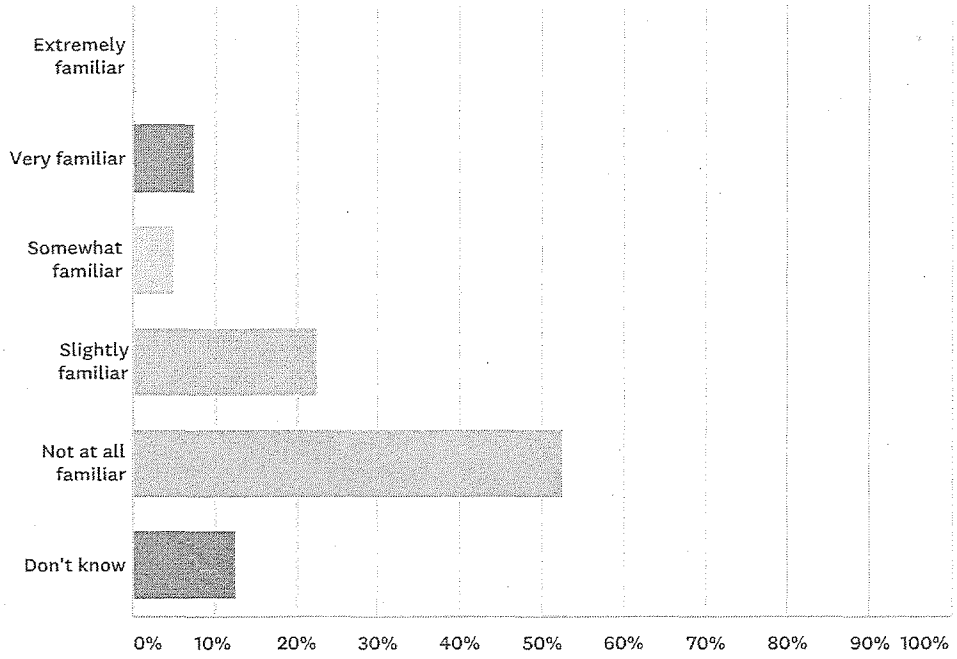
Answered: 40 Skipped: 25



ANSWER CHOICES	RESPONSES	
Community Events	20.00%	8
Construction mitigation grants	40.00%	16
Customer parking alternatives	70.00%	28
Low interest (or forgivable) loan for basic business expenses or tenant improvements	32.50%	13
Small business workshops for technical assistance (such as budgeting, financial planning, etc)	10.00%	4
Community advisory group	25.00%	10
Other (please specify)	15.00%	6
Total Respondents: 40		

Q10 How familiar are you with the business support services provided by the City's Office of Economic and Workforce Development?

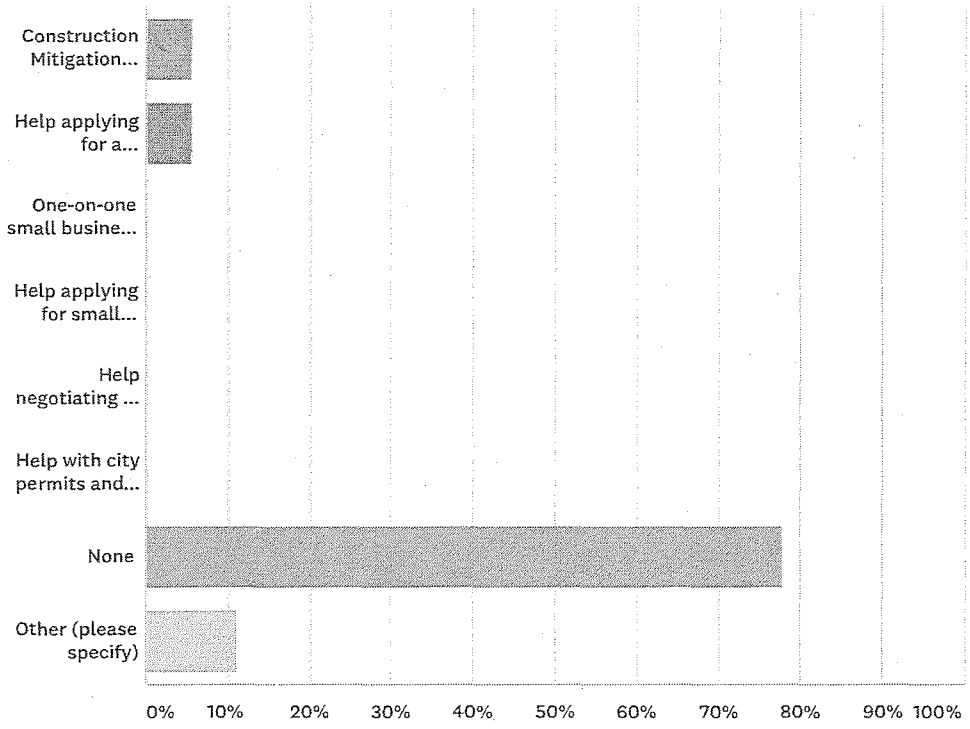
Answered: 40 Skipped: 25



ANSWER CHOICES	RESPONSES	
Extremely familiar	0.00%	0
Very familiar	7.50%	3
Somewhat familiar	5.00%	2
Slightly familiar	22.50%	9
Not at all familiar	52.50%	21
Don't know	12.50%	5
TOTAL		40

Q11 Which of the following OEWD services have you accessed, if any? (check all that apply)

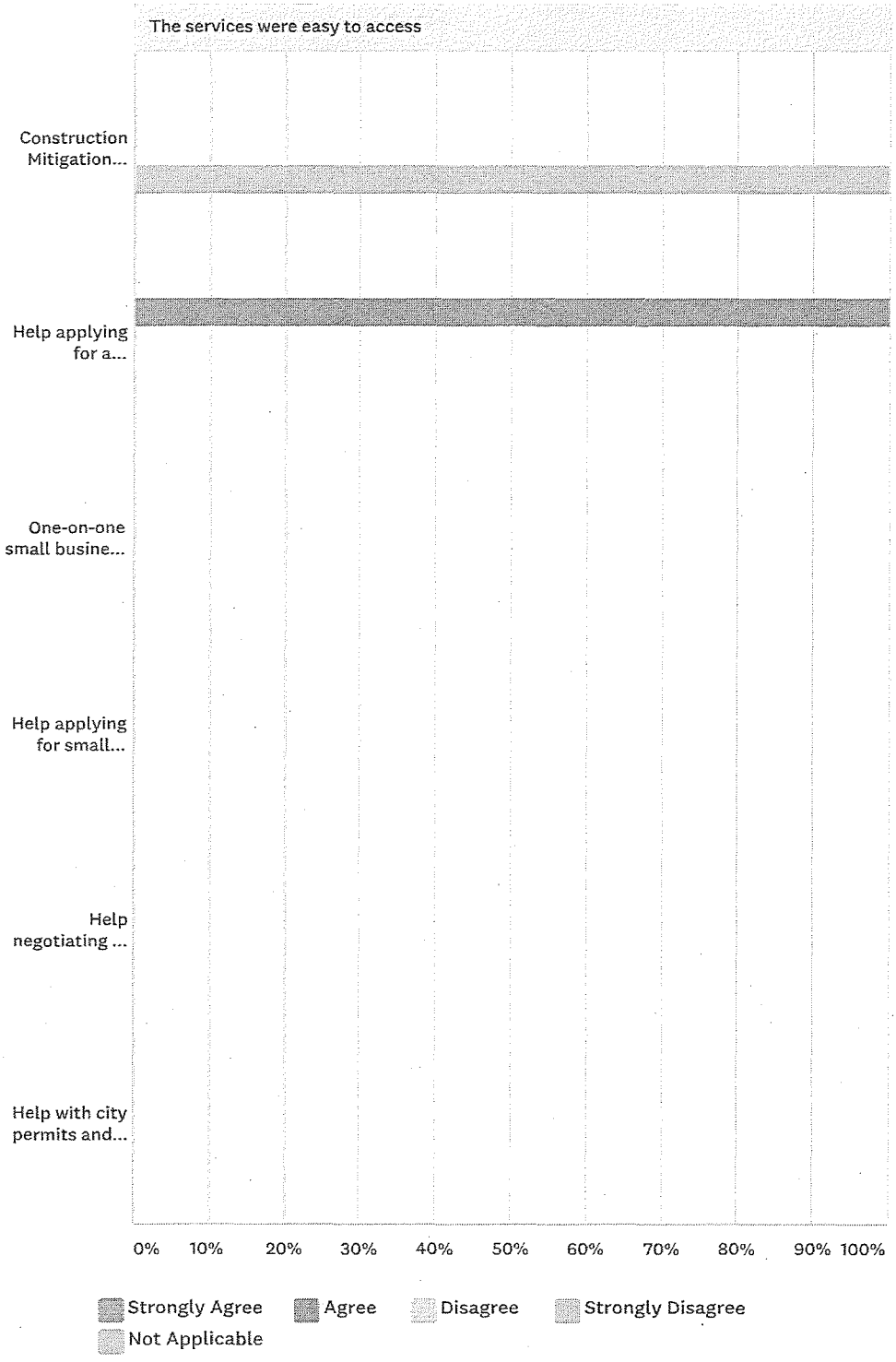
Answered: 18 Skipped: 47



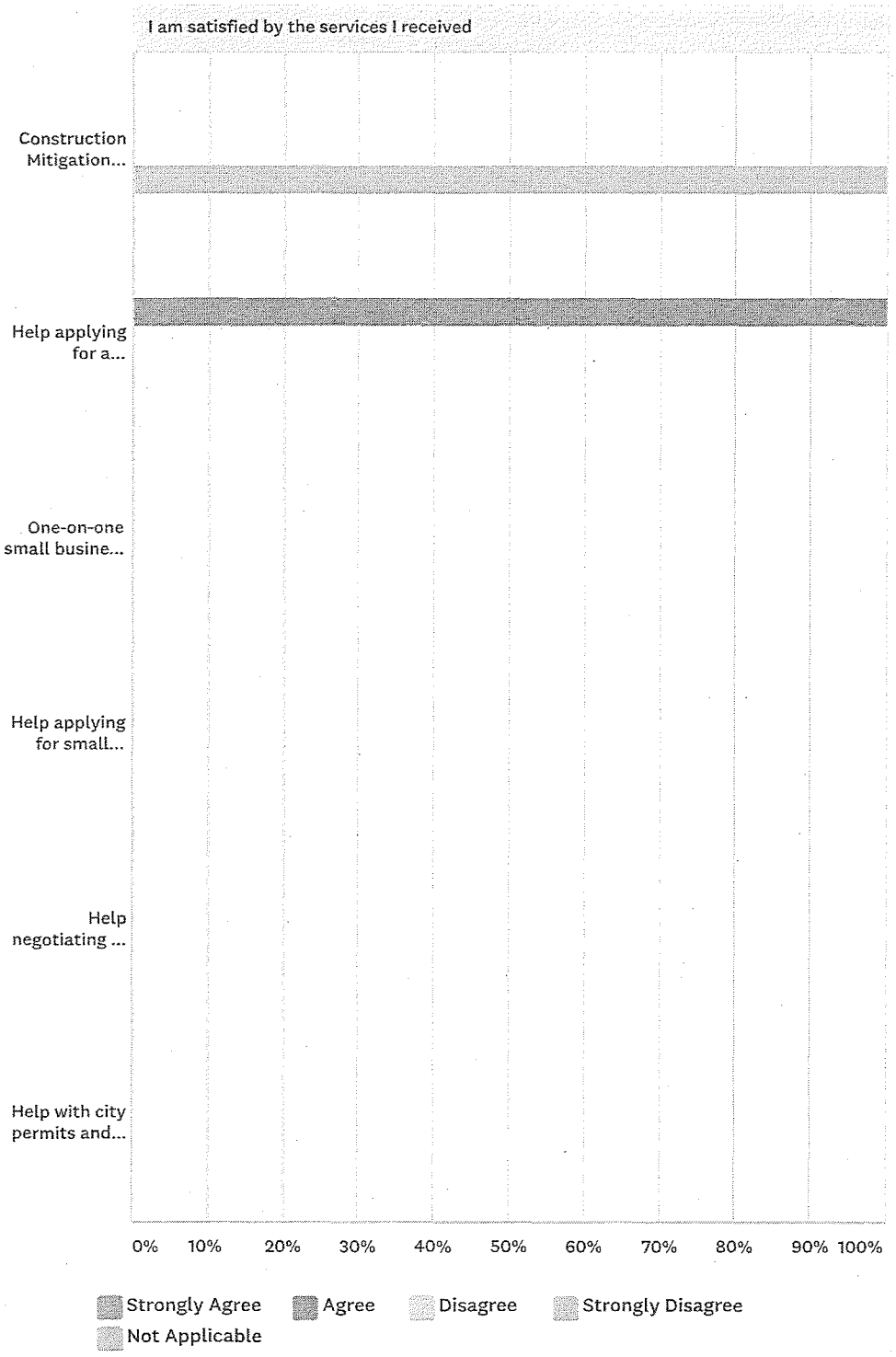
ANSWER CHOICES	RESPONSES	
Construction Mitigation grants	5.56%	1
Help applying for a historical designation (Legacy Business)	5.56%	1
One-on-one small business consulting	0.00%	0
Help applying for small business loans	0.00%	0
Help negotiating a lease	0.00%	0
Help with city permits and approvals	0.00%	0
None	77.78%	14
Other (please specify)	11.11%	2
Total Respondents: 18		

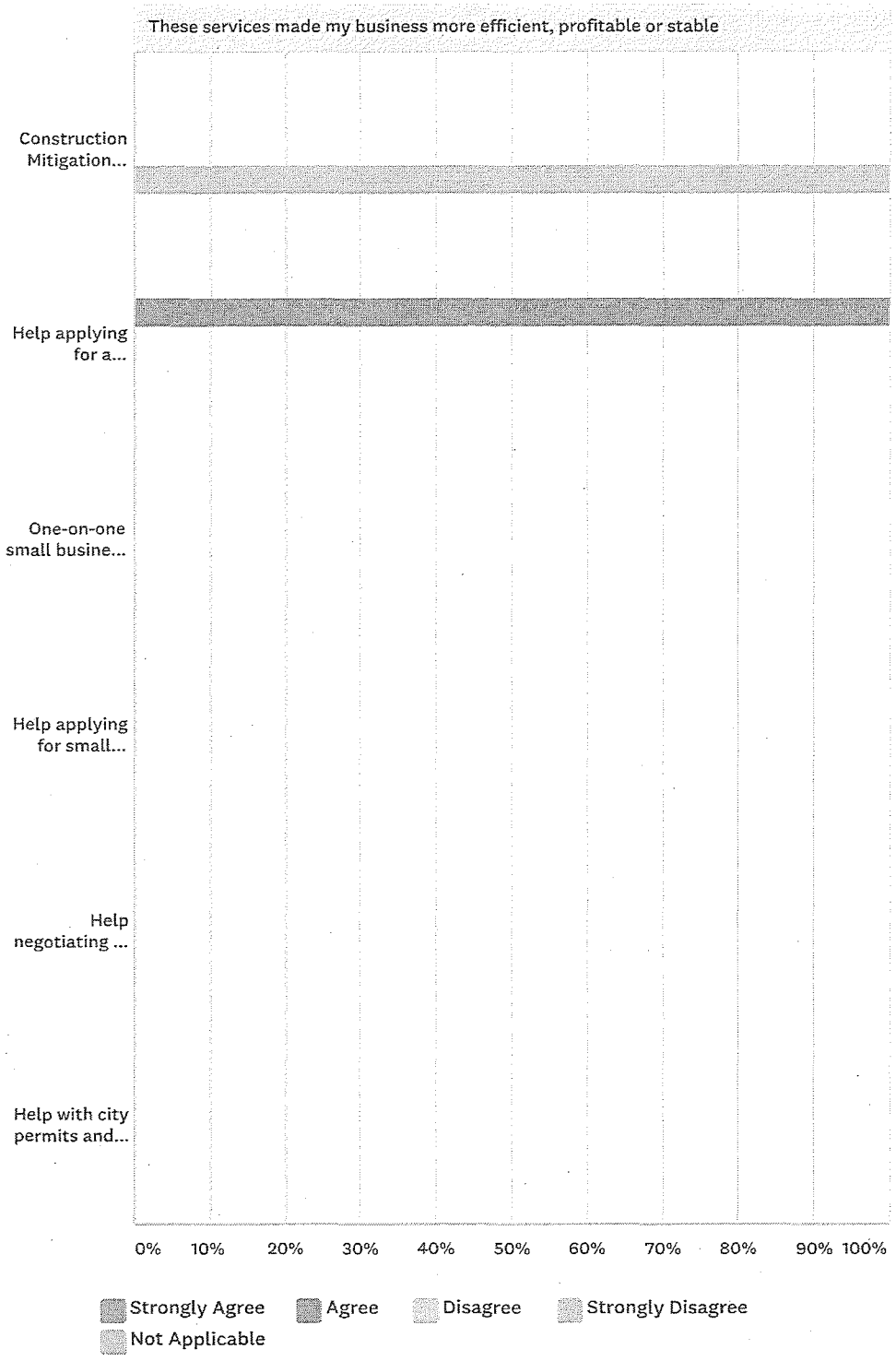
Q12 Please provide feedback on the following OEWD business support services.

Answered: 2 Skipped: 63



Small Business Services





The services were easy to access

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NOT APPLICABLE	TOTAL
Construction Mitigation grants	0.00% 0	0.00% 0	0.00% 0	100.00% 1	0.00% 0	1
Help applying for a historical designation (Legacy Business)	0.00% 0	100.00% 1	0.00% 0	0.00% 0	0.00% 0	1

One-on-one small business consulting	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help applying for small business loans	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help negotiating a lease	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help with city permits and approvals	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0

I am satisfied by the services I received

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NOT APPLICABLE	TOTAL
Construction Mitigation grants	0.00% 0	0.00% 0	0.00% 0	100.00% 1	0.00% 0	1
Help applying for a historical designation (Legacy Business)	0.00% 0	100.00% 1	0.00% 0	0.00% 0	0.00% 0	1
One-on-one small business consulting	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help applying for small business loans	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help negotiating a lease	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help with city permits and approvals	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0

These services made my business more efficient, profitable or stable

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NOT APPLICABLE	TOTAL
Construction Mitigation grants	0.00% 0	0.00% 0	0.00% 0	100.00% 1	0.00% 0	1
Help applying for a historical designation (Legacy Business)	0.00% 0	100.00% 1	0.00% 0	0.00% 0	0.00% 0	1
One-on-one small business consulting	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help applying for small business loans	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help negotiating a lease	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0
Help with city permits and approvals	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0

Q13 What were the challenges, if any, to accessing these services?

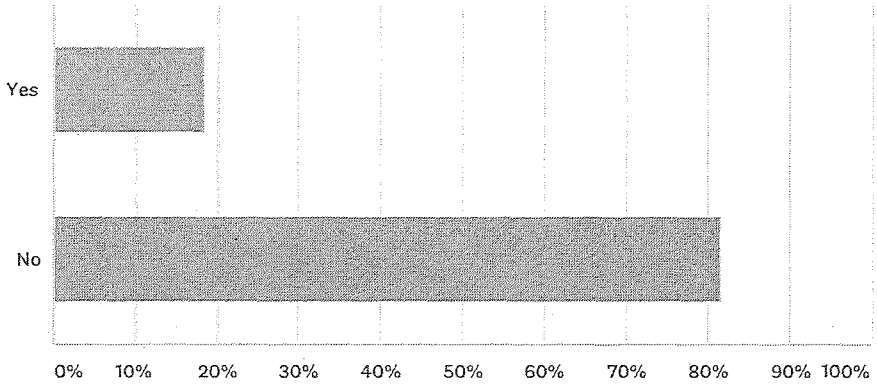
Answered: 1 Skipped: 64

Q14 What is one key recommendation to make the services you received more useful to businesses like yours?

Answered: 1 Skipped: 64

Q15 Have you had personal contact with OEWD staff?

Answered: 38 Skipped: 27



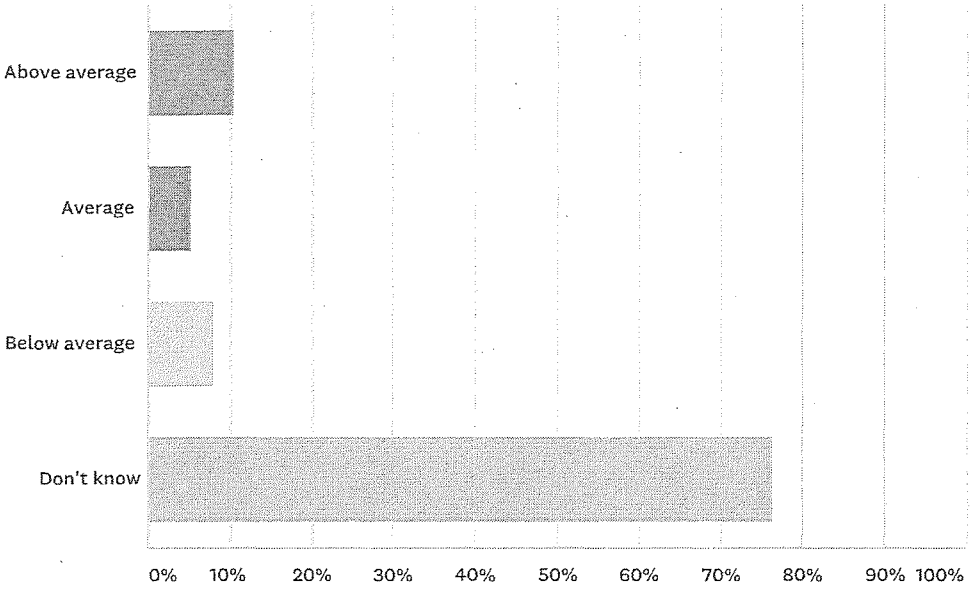
ANSWER CHOICES	RESPONSES	
Yes	18.42%	7
No	81.58%	31
TOTAL		38

Q16 Please provide the name of the staff person

Answered: 12 Skipped: 53

Q17 How would you rate the communication from this staff person?

Answered: 38 Skipped: 27



ANSWER CHOICES	RESPONSES	
Above average	10.53%	4
Average	5.26%	2
Below average	7.89%	3
Don't know	76.32%	29
TOTAL		38

Q18 If you have additional comments, please provide them here.

Answered: 13 Skipped: 52

Response from Department

SAN FRANCISCO
Office of Economic and Workforce Development

City and County of San Francisco: Office of Mayor London N. Breed
Economic and Workforce Development: Joaquín Torres, Director

June 7, 2019

Severin Campbell
San Francisco Board of Supervisors
Budget and Legislative Analyst's Office

RE: Performance Audit of the Office of Economic and Workforce Development's Planning for Large-Scale Projects to Address Economic Impacts on Surrounding Businesses

Dear Ms. Campbell:

The Office of Economic and Workforce Development (OEWD) appreciates the work of the Budget and Legislative Analyst's Office in conducting the Performance Audit of the Office of Economic and Workforce Development's Planning for Large-Scale Projects to Address Economic Impacts on Surrounding Businesses.

Thank you for the opportunity to review the draft of the Performance Audit and to discuss our feedback with you. OEWD largely agrees with the final recommendations in this audit.

Enclosed are OEWD's responses to the individual recommendations included in the Performance Audit. I look forward to implementing the recommendations internal to OEWD and working with our partner agencies on the recommendations related to the inter-departmental components of the City's Construction Mitigation Program.

The Performance Audit will further assist OEWD's important work to support the ongoing vitality and character of San Francisco's neighborhood commercial districts and small businesses.

Sincerely,

Joaquín Torres
Director

1 Dr. Carlton B. Goodlett Place, Room 448 San Francisco, CA 94102 | www.oewd.org
p: 415.554.6969 f. 415.554.6018

Recommendation	OEWD Response	OEWD Comments
Recommendation 1.1: The Directors of the SFMTA, Department of Public Works, and Public Utilities Commission should: Ensure a formal and consistent role for OEWD in the delivery of pre-construction mitigation services to businesses so that OEWD's technical expertise can help businesses prepare and plan for impacts to prevent and minimize hardship once construction begins. This should include engaging OEWD in the development of the Construction Impact Mitigation Plan.	Agree	
Recommendation 1.2: The Director of the Office of Economic and Workforce Development should: Require documentation of loss of revenue for direct business support applicants in the future, to ensure that applicants with the highest needs receive assistance.	Partially Agree	There could be negative programmatic impacts as a result of requiring financial documentation that should be considered and weighed for each project area depending on the size of the financial assistance package provided. Considerations should include, impacts to equity goals, participation rates, funding delivery speed and ease, and administrative cost compared to funding assistance provided.
Recommendation 1.3: The Director of the Office of Economic and Workforce Development should: Require technical assistance as a mandatory eligibility criterion for future implementation of direct business support grants.	Agree	Currently every Construction Mitigation Program grantee receives initial case management technical assistance from the Small Business Development Center to review the business services available to them and to review their technical assistance needs if any.
Recommendation 1.4: The Board of Supervisors should: Direct the directors of the SFMTA, Department of Public Works, and the Public Utilities Commission to identify potential long-term funding strategies for construction mitigation, including but not limited to possible future ERAF funding.	Agree	
Recommendation 2.1: The Director of OEWD should: Initiate a more formal engagement with the Controller's Office to develop performance measures for the Invest in Neighborhoods Division, with a focus on measures that capture outcomes.	Agree	OEWD has begun this process with the Controller's Office and is in the process of negotiating a scope of work for FY 19-20 for this purpose.

Recommendation 2.2: The Director of OEWD should: Determine how management and staff can use performance data on a regular basis to assess past performance and examine performance strategies and document OEWD's performance management procedures.	Agree	
Recommendation 2.3: The Board of Supervisors should request that the Director of OEWD, together with the Directors of the Municipal Transportation Agency and Department of Public Works: Report annually on the effectiveness of the Construction Mitigation Program to date and how performance will be measured on an ongoing basis, including periodic reports such as annually to the Board of Supervisors.	Agree	
Recommendation 3.1: The Director of OEWD should: Conduct a workload analysis of the Invest in Neighborhoods Division, including the Construction Mitigation Program, to determine the most efficient use of staff resources. While permanent increases in staffing have been approved through the City's hiring and budget processes, a workload analysis could provide management staff with better information to determine how to allocate existing staff resources and strengthen future budget requests.	Agree	
Recommendation 3.2: The Director of OEWD should: Develop policies and procedures on how workload data should be used to prepare future budget requests based on findings from workload analyses.	Agree	
Recommendation 3.3: The Director of OEWD should: Continue to clarify position responsibilities and create position descriptions for all positions in the Division to ensure separation of duties is sufficiently clear.	Agree	

Print Form

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2019 SEP 10 PM 3:22
BY:

Time stamp or meeting date

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):

Mar; Yee, Fewer, Brown

Subject:

Performance Audit of the Office of Economic and Workforce Development's Planning for Large-Scale Projects to Address Economic Impacts on Surrounding Businesses

The text is listed:

Hearing on the Performance Audit of the Office of Economic and Workforce Development's Planning for Large-Scale Projects to Address Economic Impacts on Surrounding Businesses prepared for the Board of Supervisors by the Budget and Legislative Analyst; and requesting the Budget and Legislative Analyst, the Office of Economic and Workforce Development, the Department of Public Works, the San Francisco Municipal Transportation Agency, and the Public Utilities Commission to report.

Signature of Sponsoring Supervisor:

For Clerk's Use Only