

File No. 211010

Committee Item No. 9

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date October 6, 2021

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date October 1, 2021

Completed by: Linda Wong Date _____

1 [Appropriation and De-Appropriation - Office of Economic and Workforce Development -
2 Legacy Businesses - \$400,000 - FY2021-2022]

3 **Ordinance de-appropriating \$400,000 previously appropriated to the Office of**
4 **Economic and Workforce Development (ECN) for the Office of Small Business’**
5 **Legacy Business Historic Preservation Fund and re-appropriating \$400,000 to ECN to**
6 **provide a new grant program for Legacy Businesses in Fiscal Year (FY) 2021-2022.**

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

13

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

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16 Section 1. The uses of funding outlined below are herein de-appropriated to reflect the
17 projected sources of funding for FY 2021-2022.

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24 **Uses De-Appropriation**

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	Fund /	Project & Activity /	Account	Description	Amount
	Department ID	Authority			
1					
2	10020 GF Continuing	10022541-0001	538000	Legacy Business	(400,000)
3	Authority Ctrl /	Legacy Business	CBO Services	Program	
4	207768 ECN Office of	Preservation Fund /	- Budget		
5	Small Business	16659 EW Legacy			
6		Business Preservation			
7					
8					
9	Total USES De-Appropriation				(\$400,000)

10 Section 2. The uses of funding outlined below are herein appropriated to reflect the
11 projected funding available for FY 2021-2022.

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13 **Uses Re-Appropriation**

	Fund /	Project & Activity /	Account	Description	Amount
	Department ID	Authority			
16					
17					
18	10000 GF Annual	10038036-0001 EW	538000	Legacy Business	400,000
19	Account Ctrl /	Legacy Business	CBO Services -	Program	
20	207768 ECN Office of	Program / 21973 EW	Budget		
21	Small Business	Legacy Business			
22		Program			
23					
24					
25					
	Total USES Re-Appropriation				\$400,000

1 Section 5. The Controller is authorized to record transfers between funds and adjust the
2 accounting treatment of sources and uses appropriated in this ordinance as necessary to
3 conform with Generally Accepted Accounting Principles and other laws.

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6 APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

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8 By: /s/ _____
9 JON GIVNER
Deputy City Attorney

By: /s/ _____
BEN ROSENFELD
Controller

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Item 9 File 21-1010	Department: Office of Economic and Workforce Development
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance de-appropriates \$400,000 from the Office of Small Business' Legacy Business Historic Preservation Fund and re-appropriates \$400,000 for the provision of a new grant program for Legacy Businesses in FY 2021-22. <p>Key Points</p> <ul style="list-style-type: none"> • The Legacy Business Historic Preservation Fund was established through a voter-approved proposition and includes two separate grant programs to support long-standing businesses: the Business Assistance Grant, which allocates funding to Legacy Businesses based on the number of full-time employees (FTEs), and the Rent Stabilization Grant, which awards grants to commercial landlords that lease real property to Legacy Businesses. • The proposed \$400,000 re-appropriation comes from funds appropriated by the Board of Supervisors to the Legacy Business Historic Preservation Fund as part of the FY 2021-22 add-back process with the goal of supporting direct grants to small businesses. The proposed ordinance would re-appropriate these funds from the Legacy Business Preservation Fund to a new grant program to allow flexibility in prioritizing grant awards. • The current allocation method for the Business Assistance Grant results in payment of smaller grant awards to the smallest and most financially challenged businesses. According to the City Attorney, the allocation method cannot legally be changed within the existing grant without another ballot proposition. • The Office of Small Business (OSB) proposes the creation of a new Legacy Business grant with a different allocation methodology that no longer awards funding based on the number of FTEs. The new program would award funding based on business type and property ownership, and would prioritize for-profit businesses over nonprofits, and renters over property owners. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The source of funding for the \$400,000 is General Fund. • Based on an expected 280 applicants, OSB anticipates that 196 For-Profit Renters would each receive an individual award of \$1,646 (\$322,616 total), the 33 For-Profit Property Owners would receive individual grant awards of \$1,235 each (\$40,755 total), the 38 Nonprofit Renters would each receive \$823 each (\$31,274 total) and the 13 Nonprofit Property Owners would each receive \$411 (\$5,343 total). <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

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

BACKGROUND

Legacy Business Registry

The Office of Small Business (OSB) establishes and maintains the registry of Legacy Businesses in San Francisco. To qualify as a Legacy Business, a business must be nominated by a member of the Board of Supervisors or the Mayor and must have operated in San Francisco for 30 or more years, with no break in San Francisco operations for over two years.^{1 2} Legacy Business applications are reviewed by the Small Business Commission and are limited to 300 total businesses per fiscal year. Nonprofit entities are eligible to receive Legacy Business status.

The Legacy Business Historic Preservation Fund

The Legacy Business Historic Preservation Fund (“The Fund”) was added to the Administrative Code by voters through Proposition J in November 2015 to help long-operating businesses remain in the City.^{3 4} The Fund includes two separate grant programs, funded by General Fund monies:

- The Legacy Business Assistance Account awards funding of up to \$500 per full-time employee to qualifying Legacy Businesses, up to a maximum of 100 full-time equivalent employees (FTEs).
- The Legacy Business Rent Stabilization Account awards grants of up to \$4.50 per square foot to commercial landlords that lease real property in San Francisco to a Legacy Business for a term of at least 10 years, or extends the term of the Legacy Business’s existing lease to at least 10 years.⁵

The Small Business Commission, which establishes and oversees the Fund’s allocation procedures, has prioritized full funding for the Legacy Business Rent Stabilization Grant Program. As shown in Exhibit 1 below, in FY 2021-22, \$1,000,000 has been budgeted for the Rent Stabilization Grant program and there was no funding budgeted for the Business Assistance Grant Program.

¹ San Francisco Administrative Code, Section 2A.242

² Exceptions may be made for businesses operating in San Francisco between 20-30 years, if the Small Business Commission finds that the business has significantly contributed to the community and would face a significant risk of displacement.

³ San Francisco Administrative Code, Section 2A.243

⁴ Proposition J. <http://www.amlegal.com/pdffiles/sanfran/Admin%20App.%20117.pdf>

⁵ Up to a maximum of 5,000 square feet.

Exhibit 1: FY 2021-22 Legacy Business Historic Preservation Fund Balance

Program	Budget	Carryforward	Expenditures	Balance
Business Assistance Fund	\$0	\$0	\$0	\$0
Rent Stabilization Fund	\$1,000,000	\$443,577	\$235,230	\$1,208,347
Total	\$1,000,000	\$443,577	\$235,230	\$1,208,347

Source: Received from Department

As of September 2021, \$235,230 has been expended through the Rent Stabilization grant program for FY 2021-22. Rent Stabilization Fund has \$443,577 in unspent carryforward funding from previous years. According to OSB staff, projected expenditures for the Rent Stabilization Grant are \$851,414 through the end of FY 2021-22 and Rent Stabilization Grant expenditures are expected to increase due to the increasing number of applications received from applicants as more Legacy Businesses are added to the Legacy Business Registry. OSB staff anticipate that unspent funding for the Rent Stabilization Fund from FY 2021-22 will cover the increasing expenditures for FY 2022-23, which is expected to exceed \$1 million.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance de-appropriates \$400,000 from the Office of Small Business' Legacy Business Historic Preservation Fund and re-appropriates \$400,000 for the provision of a new grant program for Legacy Businesses in FY 2021-22. The \$400,000 comes from the Board of Supervisors' FY 2021-22 add-back to the Legacy Business Historic Preservation Fund with the intention of supporting direct grants to small businesses, which is in addition to the \$1 million appropriated to the Legacy Business Preservation Fund shown in Exhibit 1 above.⁶

The Legacy Business Historic Preservation Fund's Business Assistance Grant Program

According to the Executive Director for the Office of Small Business, the current allocation methodology for the existing Business Assistance Grant, which awards funding based on the number of FTEs (full time equivalent positions), results in payment of smaller grant awards to the most financially struggling businesses, some of whom have had to lay off employees due to the COVID-19 pandemic and would accordingly receive a lower grant award. Additional problems with the existing grant allocation procedures include difficulties with calculating and verifying the exact number of FTEs in accordance with the methodology described in the Administrative Code, which is determined by adding, for each employee employed immediately before June 30, the employee's average weekly hours over the past 12 months divided by 40 and rounded to the nearest full employee. According to the Executive Director for the Office of Small Business, many Legacy Business applicants calculated their FTEs incorrectly in past grant applications and it was

⁶ The Board of Supervisors added \$500,000 to the Legacy Business Preservation Fund in FY 2021-22, of which \$400,000 allocated to grants to businesses and \$100,000 was allocated to temporary staff to administer the Fund.

time intensive for OSB staff to review grant applications and verify FTEs through payroll reports. Funding has not been awarded from this grant program since FY 2020-21.

New Legacy Business Grant Program

According to OSB staff, the City Attorney's office confirmed that Administrative Code 2A.243 does not authorize the Office of Small Business to create a new grant program within the Legacy Business Historic Preservation Fund or to substantively modify the program without another ballot proposition passed by voters. The OSB proposes the creation of a new Legacy Business grant with a simpler application and review process, and a different allocation methodology based on business type and property ownership. According to OSB staff, the grant would prioritize funds for renters (as opposed to property owners) due to susceptibility of renters to commercial space rent increases. The grant would also prioritize for-profit businesses over nonprofit businesses, since for-profit businesses pay more for various City services such as the Business Registration Certificate and the Health Care Security Ordinance, and are not eligible for other sources of City funding dedicated specifically for nonprofit organizations.⁷ The new grant program would no longer allocate funding based on the number of FTEs. In total, there would be four categories of grantees, prioritized as follows:

1. For-Profit Renters
2. For-Profit Property Owners
3. Nonprofit Renters
4. Nonprofit Property Owners

According to OSB staff, nonprofits received significantly more funding through the Business Assistance Grant than for-profits. In FY 2019-20, nonprofit Legacy Businesses had, on average, approximately 23 FTEs and received an average grant amount of \$9,909, compared to for-profit Legacy Businesses that had an average of 18 FTEs and received \$2,312 less than qualifying nonprofits (\$7,597 total). In FY 2018-19, nonprofits had an average of 27 FTEs and received an average grant award of \$8,413, compared to for-profits which had an average of 16 FTEs and received an average award of \$5,015.

FISCAL IMPACT

Funding Source

The source of funding for the \$400,000 is General Fund monies, allocated by the Board of Supervisors for the replenishment of the Legacy Business Preservation Fund for direct grants to qualifying businesses as part of the FY 2021-22 add-back process.

⁷ Additional stated reasons for the decision to prioritize for-profit businesses include inability of for-profit businesses to receive tax-deductible donations, as well as a goal of decreasing ground-level storefront vacancies (of which for-profit businesses are the primary tenants).

Grant Allocation Amounts

OSB staff anticipates that nearly all of the eligible Legacy Businesses will apply for funding under the new grant program. As of September 2021, there are 289 Legacy Businesses. Exhibit 2 shows the estimated grant awards based on the \$400,000 budget allocation and an estimated 280 Legacy Business applicants, grouped according to the four categories.

Exhibit 2: Estimated Legacy Business Grant Allocation for FY 2021-22⁸

Category	Number of Businesses	Individual Grant Award	Total Grant Amount
For-Profit Renters	196	1,646	322,616
For-Profit Property Owners	33	1,235	40,755
Nonprofit Renters	38	823	31,274
Nonprofit Property Owners	13	411	5,343
Total Cost	280		\$399,988

Source: Legacy Business Program Grant Proposal, received from Department

As shown above, for-profit renters would receive the highest award of approximately \$1,646 each, and nonprofit property owners would receive the smallest award of \$411 each. For-profit renters would receive approximately 4x as much funding as nonprofit property owners. According to OSB staff, there will be no requirements for how the funding can be used.

Because the proposed re-allocation of funds under the proposed ordinance is consistent with the intent of the original Board of Supervisors appropriation, we recommend approval of the proposed ordinance.

RECOMMENDATION

Approve the proposed ordinance.

⁸ For-Profit Renters would receive 4x as much funding as Nonprofit Property Owners, For-Profit Property Owners would receive 3x as much funding and Nonprofit Renters would receive 2x as much funding.

President, District 10
BOARD of SUPERVISORS



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Fax No. 554-7674
TDD/TTY No. 544-6546

Shamann Walton

PRESIDENTIAL ACTION

Date: 9/23/2021

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No.

211010

Chan

(Primary Sponsor)

Title. [Appropriation and De-Appropriation - Office of Economic and Workforce
Development - Legacy Businesses - \$400,000 - FY2021-2022]

Transferring (Board Rule No 3.3)

File No.

(Primary Sponsor)

Title.

From:

Committee

To:

Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor:

Replacing Supervisor:

For:

(Date)

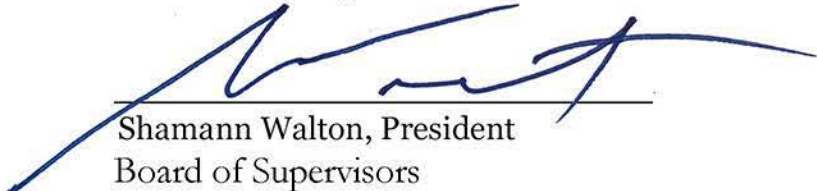
(Committee)

Meeting

Start Time:

End Time:

Temporary Assignment: Partial Full Meeting


Shamann Walton, President
Board of Supervisors

Introduction Form

By a Member of the Board of Supervisors or Mayor

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):

Chan; Peskin, Ronen

Subject:

Appropriation and De-Appropriation - Office of Economic and Workforce Development - \$400,000 - FY2021-2022

The text is listed:

Ordinance de-appropriating \$400,000 previously appropriated to the Office of Economic and Workforce Development (ECN) for the Office of Small Business' Legacy Business Historic Preservation Fund and re-appropriating \$400,000 to ECN to provide a new grant program for Legacy Businesses in Fiscal Year (FY) 2021-2022.

Signature of Sponsoring Supervisor:

For Clerk's Use Only