Assessing the Needs of Small Businesses and Entrepreneurs in San Francisco

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Abbreviations Reference
CBO  Community-Based Organization
CDBG  Community Development Block Grants
HUD  Department of Housing & Urban Development
LISC  Local Initiatives Support Corporation
LMI  Low- and Moderate-Income
MOCI  Mayor’s Office of Community Investment
MOH  Mayor’s Office of Housing
NEDO  Neighborhood Economic Development Organization
OEWD  Office of Economic & Workforce Development
NMI  Neighborhood Marketplace Initiative
PDR  Production, Distribution, & Repair
SBAC  Small Business Assistance Center
TA  Technical Assistance

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Executive Summary

The San Francisco Office of Economic & Workforce Development (OEWD) is responsible for providing citywide leadership and coordination of activities that promote the economic vitality of the City and its citizens: creating job opportunities to promote overall economic growth; ensuring inclusion and equity in job opportunities, with an aim at reducing inequality; and ensuring a sound fiscal footing for the City. During the 2009-2010 fiscal year, OEWD assumed oversight of the utilization and distribution of the portion of the city’s Community Development Block Grant (CDBG) program that is dedicated to economic development activities. An initial appraisal of the program revealed that there were opportunities to increase the efficiency, effectiveness, and coordination of the expenditure of economic development funds. Therefore, the department set out to conduct a thorough assessment of the needs of small businesses and entrepreneurs in San Francisco, with a specific focus on businesses that are owned by, employ, or serve low- and moderate-income people.

Current Economic Development Activities for Small Businesses

OEWD utilizes Community Development Block Grants to support a specific, targeted set of economic development activities: those that increase economic stability, self-sufficiency, and opportunity for low- and moderate-income people. CDBG-funded economic development activities are both people-based and place-based. Many service providers cater to any business, citywide, that is owned by or provides employment opportunities to low- and moderate-income people. Sometimes these people-based providers target specific demographic groups by offering culturally aware and/or multilingual services. Other service providers take a place-based approach: they target the merchants in a particular neighborhood or on a particular commercial corridor in a low- or moderate-income area. OEWD aims to coordinate and support these various people- and place-based programs in order to create a rich ecosystem of economic development programs for the disadvantaged people and neighborhoods of San Francisco.

The current core activities fall into two general categories:

1. Support for Small Businesses and Entrepreneurs

Community Development Block Grants are utilized to provide a variety of support for small businesses and entrepreneurs in San Francisco. Central to this support is technical assistance for entrepreneurs who want to establish a new microenterprise or small business, and for owners who seek to strengthen or expand their existing small business. Another key element to enable the creation and expansion of small businesses is access to financial capital. San Francisco uses CDBG funds to capitalize a revolving microenterprise loan program, and to provide loan-packaging services to entrepreneurs who would otherwise be unable to complete the loan application.

2. Support for Commercial Corridors

Community Development Block Grants are utilized to support commercial corridor revitalization in low- and moderate-income areas. Activities include filling vacancies on corridors; attracting businesses that will provide employment opportunities and access to goods and services; strengthening and beautifying the physical infrastructure of the corridors; linking small businesses owners to technical assistance and other resources; enhancing community safety by engaging local law enforcement officers; community planning, and the formation of merchant associations and business improvement districts; and other activities that improve quality of life and economic opportunity in low- and moderate-income areas.
Methodology
In order to determine whether and how effectively existing economic development programs are meeting the needs of the small business owners and entrepreneurs of San Francisco, OEWD conducted a needs assessment in late 2009 through early 2010. The research methods were varied, in an attempt to garner information from as many informed sources as possible. Those methods included:

- Interviews with 29 stakeholders of a variety of backgrounds.
- A focus group and a survey of service providers.
- A direct survey of small businesses (175 respondents).
- Community outreach meetings for the 2010-2015 Consolidated Plan.
- Review of other reports and data sources.

Recommendations
1. Improve the quality and accessibility of technical assistance for small businesses.
   » Establish standard tools and protocols for technical assistance.
   » Focus technical assistance on specific populations and industries.
   » Conduct outreach to established businesses, and provide assistance at the business site whenever possible.
   » Increase the accessibility of technical assistance for immigrant populations.
   » Consolidate the provision of technical assistance services.

2. Ensure the availability of a wide variety of loan products for small business owners.
   » Conduct a thorough survey of the financial capital products that are available to small business owners and entrepreneurs in San Francisco.
   » Increase access to mid-sized small business loans.
   » Recruit and encourage alternative lenders to expand their activity in San Francisco.

3. Improve the physical condition and organization of commercial corridors.
   » Create a citywide system for tracking and filling vacancies.
   » Assist in the creation of Community Benefit Districts.
   » Increase investments in the physical infrastructure of neighborhoods.
   » Improve communication strategy for the Neighborhood Marketplace Initiative program.
   » Increase safety—and perceptions of safety—on commercial corridors.

4. Strengthen the network of economic development service providers and activities.
   » Collaborate with the Small Business Assistance Center and other economic development organizations to create a resource guide for small business owners and entrepreneurs.
   » Convene quarterly meetings of economic development grantees and other service providers.
   » Increase coordination among the Small Business Assistance Center, Neighborhood Economic Development Organizations and commercial corridor managers.
   » Increase coordination of the economic development activities of OEWD and the San Francisco Redevelopment Agency.

5. Expand the breadth of services for small business owners and entrepreneurs.
   » Provide prompt and responsive legal assistance and lease negotiation services.
   » Increase support for production, distribution, and repair (PDR) businesses.
   » Establish physical incubator spaces for targeted business sectors.

6. Conduct further research regarding the climate for small businesses.
I. Introduction: Economic Development in San Francisco

Economic development can be broadly defined as activities and policies that increase the competitiveness of a region or locality in order to stimulate sustainable economic growth—increases in income, employment, standard of living, and community wealth—while reducing income and asset inequality. Given this definition, a wide variety of San Francisco public agencies are engaged in activities that can be characterized as economic development, including the Mayor’s Office of Housing, the San Francisco Redevelopment Agency, the Planning Department, and even the Department of Public Works. The Office of Economic & Workforce Development (OEWD) is responsible for providing citywide leadership and coordination of these activities. OEWD uses the San Francisco Economic Strategy, adopted in 2007, as a guide in its pursuit of goals that support the economic vitality of the City and its citizens: creating job opportunities to promote overall economic growth; ensuring inclusion and equity in job opportunities, with an aim at reducing inequality; and ensuring a sound fiscal footing for the City.

During the 2009-2010 fiscal year, OEWD assumed oversight of the utilization and distribution of the portion of the city’s Community Development Block Grant (CDBG) program that is dedicated to economic and workforce development activities. An initial appraisal of the program revealed that there were opportunities to increase the efficiency, effectiveness, and coordination of the expenditure of economic development funds. Therefore, the department set out to conduct a thorough assessment of the needs of small businesses in San Francisco, with a specific focus on businesses that are owned by, employ, or serve low- and moderate-income people. The study would explore whether and how these needs are being met by existing economic development programs and services that are available to small business owners and entrepreneurs, and attempt to determine how economic development programs and services are falling short. The results would be used to guide future disbursements of CDBG funding for economic development activities, and inform the expenditure of other resources, such as the General Fund and revenues from Redevelopment Areas. Additionally, the report would support the completion of San Francisco’s 2010-2015 Consolidated Plan.

The needs assessment was conducted in late 2009 and early 2010. This report is the resulting product.

II. Background and Contextual Information

What is CDBG?

The Community Development Block Grant program was launched in 1974 as a replacement of prior urban development programs. The CDBG program is administered at the federal level by the Department of Housing and Urban Development (HUD), which passes funding through to municipalities, giving local governments control over the allocation of funds for community and economic development activities. The program is intended to enable municipalities to reduce poverty and tackle community challenges by increasing the availability of quality affordable housing, providing services to vulnerable people, and increasing economic self-sufficiency. In order to ensure that appropriate community needs are being met, federal guidelines for the program require citizen participation in the planning and evaluation processes.

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1- This needs assessment does not cover the Workforce Development CDBG portfolio. However, OEWD’s Workforce Development team has also conducted an analysis of relevant CDBG-funded activities, and has integrated CDBG with their existing programming.

2- In spring 2010, prior to the release of the final version of this report, OEWD utilized the initial findings of the needs assessment to inform the creation of the 2010-2015 Consolidated Plan and the selection of 2010-2011 CDBG grantees.
Activities funded by CDBG must meet one of three national objectives: benefit low- and moderate-income persons, prevent or eliminate blight, or meet the urgent needs of the community. A majority of CDBG funding—by regulation, at least 70%—is applied toward the first objective, activities benefiting low- and moderate-income persons. It is in pursuit of this national objective that municipalities are able to use CDBG funds to support economic development activities.

**CDBG and Economic Development**

Most CDBG-eligible activities are supportive of economic development; for example, stable housing, sound infrastructure, and high quality public services all contribute to creating an environment that is more conducive to employment and economic activity. HUD distinguishes activities that are dedicated specifically to business assistance, job creation and retention, and commercial revitalization as “special economic development activities.” Three types of “special economic development activities” are explicitly authorized: (1) acquisition, construction, reconstruction, rehabilitation or installation of commercial and industrial buildings, public facilities, structures, site improvement, and other real property and equipment; (2) loans, grants, and other assistance for private for-profit entities (businesses); and (3) other “economic development services” related to the prior two subcategories. Additionally, HUD specifically authorizes assistance to microenterprises. Finally, HUD also authorizes general economic development activities implemented by certain qualified community-based development organizations.

**CDBG in San Francisco**

Historically, San Francisco has pioneered the use of Community Development Block Grants to support economic development activities. During the 1980s, San Francisco was one of the first municipalities to utilize block grants in support of technical assistance for small businesses and microenterprises. Since 2000, San Francisco has dedicated approximately $2.2 million per year of CDBG funding (about 10% of the City’s total CDBG allocation) to economic development activities (see Figure 1).

![Figure 1. Use of CDBG Funding in San Francisco, 2009-2010](Source: 2009-2010 CDBG Action Plan, City and County of San Francisco)
2009 Administrative Realignment

In June 2009, in an effort to curtail administrative costs and increase the alignment of the CDBG program with other City initiatives, the Mayor and the Board of Supervisors restructured the public agencies responsible for managing the CDBG program. The Mayor’s Office of Community Investment (previously called the Mayor’s Office of Community Development), which had managed the CDBG program since its inception, was dissolved. A Community Development division was created within the Mayor’s Office of Housing; that department, mainly consisting of former MOCI staff members, assumed primary responsibility for the management of CDBG. However, the Office of Economic & Workforce Development assumed responsibility for two segments of the CDBG portfolio: the Economic Development and Workforce Development programs.

The mission of the Office of Economic & Workforce Development (OEWD) is to support the ongoing economic vitality of San Francisco. OEWD provides citywide leadership for workforce development, business attraction and retention, cultivation of international business, development planning, and support for businesses large and small. A team of staff members is dedicated to neighborhood economic development; their activities include oversight of commercial corridor revitalization programs and support for the development of Community Benefit Districts (known elsewhere as Business Improvement Districts). Given this context, the coordination of the economic development activities that are funded by CDBG fits naturally within OEWD’s scope of activities.

Small Businesses in San Francisco

According to the most recent count from the US Census Bureau, there are 30,482 businesses located in San Francisco. Of those, 26,090 (86%) employ fewer than twenty workers. These businesses account for approximately 27% of all employment in San Francisco; that figure is larger than the corresponding figure for California overall (25%), indicating that small businesses are especially important to San Francisco’s economy. Nearly 95% of businesses in the City have fewer than fifty workers; 45% of all jobs in San Francisco are attributable to firms with fewer than fifty workers, compared to only 42% for California overall.³

Small businesses have become increasingly important to the San Francisco economy during the past three decades. According to analysis conducted by ICF International for the 2007 San Francisco Economic Strategy, the percentage of San Francisco jobs held by establishments with more than 1,000 employees has fallen by almost half since 1977.

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³ US Census Bureau, County Business Patterns 2007
III. Current Economic Development Activities for Small Businesses

In San Francisco, CDBG-funded economic development activities are both people-based and place-based. Many service providers cater to any business, citywide, that is owned by or provides employment opportunities to low- and moderate-income people. Sometimes these people-based providers target specific demographic groups by offering culturally aware and/or multilingual services. Other service providers take a place-based approach: they target the merchants in a particular neighborhood or on a particular commercial corridor in a low- or moderate-income area. Thus, place-based programs serve both the business owners (who are often of low- or moderate-income status themselves) as well as the low- and moderate-income people of the surrounding community. OEWD aims to coordinate and support these various people- and place-based programs in order to create a rich ecosystem of economic development programs for the disadvantaged people and neighborhoods of San Francisco.

OEWD utilizes Community Development Block Grants to support a specific, targeted set of economic development activities: those that increase economic stability, self-sufficiency, and opportunity for low- and moderate-income people. Through these activities, the CDBG program provides support to businesses that are either owned by, provide employment opportunities to, or serve low- and moderate-income people. Economic development activities achieve a variety of outcomes related to the wellbeing of this population: through the promotion and enabling of microenterprise business ownership, low-and moderate-income people build assets and achieve self-sufficiency; through the establishment, expansion, and retention of small businesses, low- and moderate-income people secure steady employment and build skills; and through the strengthening of commercial corridors in neighborhood strategic revitalization areas, low- and moderate-income people have increased access to goods, services, and economic opportunity.

The current core activities fall into two general categories:

1. Support for Small Businesses and Entrepreneurs

Community Development Block Grants are utilized to provide a variety of support for small businesses and entrepreneurs in San Francisco. Central to this support is technical assistance for entrepreneurs who want to establish a new microenterprise or small business, and for owners who seek to strengthen or expand their existing small business. Technical assistance (TA) exists in various forms, including workshops, multi-week courses, and one-on-one consultations. Categories of assistance typically include:

- **Intake, assessment, and referrals.** CBOs enable the client to identify current strengths and challenges, immediate and long-term goals, and the types of assistance necessary to achieve those goals. Subsequently they refer the client, as necessary, to other CBOs and City agencies that can provide relevant assistance.
- **Startup Training for Entrepreneurs.** CBOs offer training curricula that cover the basic skills and responsibilities relating to business ownership and launching a business.
- **Business Planning.** CBOs assist the client in the development of a business plan that covers financing, product/service design and description, market analysis, sales projections, real estate, personnel, and other relevant content.
- **Financial Projections.** CBOs help the client to project costs, revenues, and cash flow.
• **Marketing and Branding.** CBOs assist in the development of a plan and/or tools for advertising the business, identifying target markets, building a customer base, merchandising, utilizing technology, storefront beautification, etc.

• **Code Compliance and Violation Prevention.** CBOs assist their clients to stay in compliance with public health and building requirements, or deal with an existing citation.

• **Business Expansion or Relocation.** CBOs assist in the identification of a new site for the business, and planning for staffing and financing.

The organizations that provide these types of technical assistance and associated support to small business owners and entrepreneurs are typically referred to as Neighborhood Economic Development Organizations (NEDOs).

In November 2007, San Francisco voters passed Proposition I, which directed the creation of the Small Business Assistance Center (SBAC). Case managers at the SBAC assist prospective business owners in the legal establishment of their business, and navigation of the permitting and licensing processes. While the SBAC is not funded with Community Development Block Grants, its staff members leverage CDBG-funded economic development programs by referring clients to appropriate services. In the two years since it has been established, the SBAC has assisted nearly 3,000 clients.

Another key element to enable the creation and expansion of small businesses is **access to financial capital.** San Francisco uses CDBG funds to capitalize a revolving loan program that provides microenterprise loans of up to $50,000 to qualified small business owners. In addition to this program, which is currently managed by TMC Development Working Solutions, a variety of other community development financial institutions and credit unions provide microenterprise loans to entrepreneurs looking to launch or expand their small business. These loans range from $1,000 – $50,000, and are typically used to cover the costs of business expansion (e.g., tenant improvements, equipment, inventory). The underwriting criteria of these loan programs are more flexible than those of more traditional lenders; thus, opportunities are increased for entrepreneurs without access to a bank loan. These alternative lenders often couple the loans with technical assistance (as described above).

Additionally, Community Development Block Grants are utilized to provide loan-packaging services to entrepreneurs who would otherwise be unable to complete the loan application. Grantee organizations help business owners and entrepreneurs identify potential sources of capital, including banks and alternative lenders, and walk them through the application process.

2. **Support for Commercial Corridors**

Community Development Block Grants are utilized to support **commercial corridor revitalization** in low- and moderate-income areas. Activities include filling vacancies on corridors; attracting businesses that will provide employment opportunities and access to goods and services; strengthening and beautifying the physical infrastructure of the corridors; linking small businesses owners to technical assistance and other resources; enhancing community safety by engaging local law enforcement officers; community planning, and the formation of merchant associations and business improvement districts; and other activities that improve quality of life and economic opportunity in low- and moderate-income areas.
In 2005 OEWD, in partnership with Local Initiatives Support Corporation (LISC), launched the San Francisco Neighborhood Marketplace Initiative (NMI), a program designed to stabilize and strengthen commercial districts. OEWD partners with community-based organizations to implement specific, neighborhood-level plans in low- and moderate-income areas that have been developed through a community planning process facilitated by the City and LISC. In addition to the economic development activities listed above, commercial corridor managers—staff members at partner CBOs who provide focused services to specific geographic areas—help to build partnerships between residents, merchants, property owners, and community groups in order to ensure that their progress is sustainable. CDBG funds are currently used to support the initiative in low- and moderate-income neighborhoods: Visitacion Valley, Bayview, the Excelsior, the Portola, Oceanview/Merced/Ingleside (the OMI), and the Tenderloin. General funds are used to support the program in these and additional neighborhoods.  

IV. Needs Assessment Methodology

In order to determine whether and how effectively existing economic development programs are meeting the needs of the small business owners and entrepreneurs of San Francisco, OEWD conducted a needs assessment in late 2009 through early 2010. Quantitative data regarding economic development activities for small businesses in San Francisco are sparse and relatively unreliable; therefore, the study primarily consisted of qualitative research. The research methods were varied, in an attempt to garner information from as many informed sources as possible. Those methods included:

- **Interviews with stakeholders.**
  Interviews were conducted with twenty-nine individuals from a variety of backgrounds. They included small business owners; leaders of merchants associations and neighborhood groups; employees of seven different city and federal agencies that are engaged in economic development activities; local economic development policy analysts and planners; small business advocates; representatives of private and nonprofit lending institutions; and economic development service providers. Interviewees were selected based on their knowledge of the climate for small business in San Francisco, the needs of entrepreneurs and small business owners, and the strengths and challenges of the existing system of support services.

  In order to encourage the interviewees to speak frankly and without reservations, the interviews were conducted not for attribution. While the interviews loosely followed a list of questions (see Appendix 1), they generally consisted of open-ended conversations about the most pressing needs of businesses, the services that are currently available to small businesses, and recent trends and developments affecting the small business climate.

- **A focus group and a survey of service providers.**
  Information was gathered from staff members of organizations that currently receive funding to provide services to small business owners and entrepreneurs. OEWD conducted a focus group session and surveyed the CDBG grantees in the economic development portfolio.

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4- This document is intended to identify and analyze the needs of small business owners and entrepreneurs; it is not intended to serve as a complete program evaluation for the Neighborhood Marketplace Initiative or other programs. OEWD and LISC are currently conducting an evaluation of the impact of NMI on five commercial corridors; the report will be released in July 2010.
• **Survey of Small Businesses.**
OEWD directly queried small business owners and entrepreneurs about their needs and opinions (see Appendix 2 for the full text of the survey). The survey was conducted on the World Wide Web at www.surveymonkey.com, from November 2009 through January 2010. Links to the survey were sent to the mailing lists of organizations serving entrepreneurs and small businesses, including the Small Business Assistance Center, the Small Business Administration, and a number of Neighborhood Economic Development Organizations (NEDOs). Additionally, hard copies of the survey, including Spanish and Chinese language versions, were distributed and collected by OEWD’s partner organizations. To encourage participation, one respondent was randomly selected to receive a $100 gift certificate to a local small business.

In total, 175 people responded to the survey, including 154 online respondents and 21 hard copy respondents. One key issue with the sample of respondents is that it is comprised primarily of small business owners that are already connected to public and nonprofit service providers. Many of the potential clients whose needs the survey was intended to uncover are disconnected from the communication methods used to publicize the survey; these individuals likely were not even aware of the survey, and thus were unable to participate. Additionally, Asian Americans, who make up 31% percent of the City’s overall population, were underrepresented in the response sample (see Figures 2 and 3).

Despite these flaws, the survey respondents highlighted the need for a number of key services and programs, and confirmed several findings that were determined through other research methods. Additionally, the distribution of respondent businesses by business type generally corresponded with that of the overall population of small businesses in San Francisco (see Figures 4 and 5).

• **Consolidated Plan Outreach Meetings.**
During fall 2009, the Mayor’s Office of Housing and the Office of Economic & Workforce Development hosted 7 community meetings to gather community input about pressing needs and the effectiveness of existing strategies. This feedback informed the creation of the 2010-2015 Consolidated Plan. Additionally, information was gathered about San Francisco residents’ opinions about economic development strategies for low income neighborhoods.

• **Other Sources.**
Data and information from a variety of relevant sources were analyzed to identify trends in the activities and needs of small businesses in San Francisco. These included:
  • San Francisco Economic Strategy (2007)
  • San Francisco Survey of Business Barriers (2006)
  • San Francisco Consolidated Plan, 2005-2010
  • US Census Bureau, County Business Patterns, 2002 & 2007
  • Consolidated Annual Performance Evaluation Reports (CAPERs), 2000-2008
  • Small Business Assistance Center Database
  • “Looking Back on Twenty Years of Neighborhood Commercial Zoning,” San Francisco Planning Department (2009)
  • Local Initiatives Support Corporation (LISC) Merchant Survey (2009)
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Figure 2. Small Business Survey Respondents by Race/Ethnicity

- Caucasian: 39%
- Latino: 21%
- African American: 10%
- Asian/Pacific Islander: 12%
- Native American: 1%
- Multiracial: 3%
- Declined to State: 14%

Source: US Census Bureau, American Community Survey 2006-2008

Figure 3. Race/Ethnicity of Survey Respondents vs Overall SF Population

Source: US Census Bureau, American Community Survey 2006-2008
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Figure 4. Small Business Survey Respondents by Business Type

- Retail: 15%
- Restaurant/Food Services: 11%
- Production/Distribution/Repair: 9%
- Professional, Scientific, and Technical Services: 26%
- Health Care and Social Assistance: 11%
- Educational Services: 9%
- Arts, Entertainment, and Recreation: 6%
- Other: 4%
- Decline to State: 9%

Figure 5. Business Type of Survey Respondents vs Overall SF Small Businesses (<50 employees)

Source: US Census Bureau, County Business Patterns 2007
V. Findings

San Francisco is home to a wide variety of economic development programs and services. The common thread that links the economic development programs that are funded with Community Development Block Grants is their set of overall goals: create opportunities for low- and moderate-income people to achieve economic self-sufficiency, and improve conditions in the City’s neighborhoods. However, they vary significantly in their methods, means of delivery, target populations, and other characteristics. Some programs have existed for over thirty years, while others are very new. While some programs and services are duplicative, many of the community-based organizations active in economic development collaborate and complement each other.

OEWD’s needs assessment has identified strengths and challenges of the City’s economic development programs, and has revealed a number of unmet needs. The findings are grouped together into sections by program area; within each section, a number of general themes are highlighted.

Findings: Technical Assistance

Technical assistance, for new entrepreneurs and owners of existing businesses, continues to be a crucial offering. One interviewee, an economic development planner, called technical assistance “the bread and butter of local economic development work.” Over two thirds of the surveyed businesses perceive the core technical assistance offerings—business planning, assistance in the creation of financial projections, startup training for entrepreneurs, and marketing and branding assistance—to be very important services. During the 2008-2009 fiscal year, Community Development Block Grants enabled 19 organizations to provide technical assistance to over 1,100 businesses; clearly, members of the community—including business owners, entrepreneurs, and other stakeholders—feel the impact of those services. The variety of different providers of technical assistance, including both place-based providers and providers targeting specific demographic groups, ensures that there are multiple potential entry points for people who need assistance. However, this flexibility comes at a high price; the decentralized nature of technical assistance means that multiple agencies cover duplicative administrative expenditures in order to provide services that are functionally similar.

In addition to this lack of efficiency, there is room for improvement of the provision of services. OEWD’s research has uncovered a number of challenges faced by technical assistance seekers in San Francisco, falling into three general categories: inconsistency in the quality of technical assistance being provided, inaccessibility of the services for some populations, and insufficiency of the types of services being offered.

Challenge: Ensuring Consistent Quality of Services

There are nearly two-dozen organizations that offer various types of technical assistance to businesses. Unfortunately, there is no clear set of standards for the provision of these services, and as such the quality varies. For example, while some organizations conduct a thorough intake and assessment process for incoming clients, other organizations lack such a procedure. While some organizations utilize clear and effective tools to enable a new entrepreneur to develop a business plan, other organizations lack such tools. Additionally, the unit of service provision varies; some organizations, because of staffing and funding challenges, are less able to offer in-depth, one-on-one services to clients who require them. As a result of these challenges, entrepreneurs and business owners accessing technical assistance achieve mixed results.
Multiple interviewees noted that while many of the service providers have particular areas of expertise, there are few if any organizations that offer strong services in all categories. As such, clients are required to reach out to multiple providers in order to receive all of the help that they need. One city employee stated: “Businesses need assistance in business planning, and there is varied quality in the type of assistance that they receive, based on who is in their neighborhood. If the organization that they go to for help is not strong in that area, they don’t get what they need out of the program.”

OEWD has identified three distinct types of technical assistance:

1. Startup training for entrepreneurs, including the development of a business plan, financial projections, and basic business skills.
2. Advanced technical assistance for owners of established businesses, including topics such as marketing and branding, merchandising, and industry-specific issues (e.g., programs serving the particular needs of restaurants).
3. Technical assistance linked to capital, for business startups and existing businesses that are applying for a loan or need post-loan counseling.

Some service providers lack clarity regarding which of these types of technical assistance they provide, and which types of clients they should be targeting.

One barrier to ensuring the consistency of the quality of technical assistance is the lack of a clearly defined set of qualitative outcomes by which the work can be evaluated. Organizations generally measure their outputs—e.g., how many businesses they have assisted, or how many loans they have packaged—but few organizations are able to clearly articulate and quantify how their work relates to job creation or strengthening low- and moderate-income neighborhoods. While CDBG-funded organizations also track the number of jobs that are created or retained as a result of their work, many providers admit to a lack of clarity of the standard by which it is determined whether a particular job should be counted. This confusion is due at least in part to inconsistency in the City’s management and staffing of the CDBG economic development program. Until organizations develop clear standards for tracking outcomes, it will continue to be difficult to demonstrate clear progress and accountability.

**Challenge: Maximizing the Accessibility of Services**

“Once people have access to services, it’s positive. But connecting people to the services is a challenge.”

-Economic Development Service Provider

Many business owners and entrepreneurs in San Francisco are unable to access the technical assistance that they need. The primary problem is that most people are not even aware that the services exist. Several interviewees noted that potential clients who are most in need of help are not connected to the communications channels (such as e-mail blasts) that are primarily used to advertise the availability of services. This corresponds with findings from a 2007 Survey of Business Barriers conducted by OEWD. Respondents (primarily business owners and managers) were asked about a number of business resources, including ten organizations that receive CDBG funds to provide technical assistance. On average, 58% of respondents noted that they had never heard of the organizations.

Several organizations in San Francisco provide business technical assistance for specific, targeted
neighborhoods and demographic groups; these organizations are commonly referred to as Neighborhood Economic Development Organizations (NEDOs). For example, the Bayview Business Resource Center (BBRC) primarily serves businesses in Bayview, and Mission Economic Development Agency (MEDA) targets Latino business owners citywide. Demographic groups, immigrant populations, and neighborhoods that are served by a dedicated NEDO tend to have better access to services. Additionally, several neighborhoods and commercial corridors have active merchants associations, NMI programs, or community benefit districts (CBDs); in these areas, struggling businesses are more likely to be targeted by outreach activities and eventually receive the help that they need.

Conversely, groups and geographic areas without a dedicated NEDO tend to be underserved. Chinese merchants, in particular, have difficulty accessing technical assistance and financial capital resources. Some basic technical assistance services are available in Cantonese and Mandarin; however, in-depth curriculum and more specialized services, such as marketing and branding assistance, are rarely offered in languages other than English. For example, while multiple organizations offer comprehensive, multi-week business planning courses, there is no organization with the capacity to offer such a course in Chinese languages.\(^5\)

The accessibility of technical assistance is also an issue for owners of existing, established small businesses. Of the various types of businesses that receive economic development services, existing businesses—those business that have been established for at least one year—are the most chronically underserved (as compared to pre-startups, which have not yet been launched, and startups, which have been active for less than a year). These clients can be difficult to serve; in some cases, owners of established businesses are unwilling to admit that they need help. Often the owners of established businesses dedicate all of their time to the operation of their business and are unwilling to spend time traveling to the office of a service provider to receive technical assistance. Unfortunately, there are very few, if any, organizations that offer in-depth technical assistance on-site; rather, services are offered at limited locations, during limited hours of operation. Thus, owners of established businesses typically seek help only when they urgently need it. As one service provider noted, “we end up engaging with these [established] businesses at crisis point, which is often too late.”

Additionally, mid-sized businesses (with more than five employees) that employ low- and moderate-income people are less likely to access to technical assistance. Less than one third of the businesses that were served in 2008-2009 fit this description. This is a crucial category of businesses that may have the capacity to expand, and employ and serve more low-income people. Given the low rate at which these businesses are accessing technical assistance, it is possible that service providers are currently missing opportunities to create jobs and economic opportunity. This is due in part to the reporting requirements of the CDBG program; some service providers are reluctant to serve businesses larger than microenterprises because they have more difficulty verifying the income levels of the individuals who benefit from those services.

The Small Business Assistance Center also struggles to maximize access to its services. There is high demand for the services that the SBAC provides; nearly 70% of the respondents to OEWD’s survey of merchants rated ‘Navigating the Permits and Licensing Processes’ as a very important service. Yet, as one SBAC case manager pointed out, “unfortunately, a lot of people don’t know that we exist here.” Other potential clients

\(^5\) In spring 2010, OEWD awarded a grant to Chinese Newcomers Service Center to provide Chinese-language services.
who are aware of the center are reluctant to seek help because they do not trust government agencies to be reliable service providers.

A final issue that limits the accessibility of technical assistance is confusion among service providers regarding whether multiple organizations can serve the same client. Some organizations reported in interviews that they do not refer clients to other service providers due to their understanding that clients cannot be ‘counted’ by multiple organizations. This practice, which may have been caused inadvertently by mixed messages from City staff over the past decade, may result in some businesses being unable to access the specialized services that they need.

**Challenge: Expanding the Breadth of Services**

Although the existing pool of technical assistance services includes a wide variety of content and formats, OEWD research uncovered a number of ‘unmet needs’, or demand for services that currently exist only on a limited basis, or not at all.

1. **Legal services.** Business owners sometimes contact the Small Business Assistance Center or one of the neighborhood economic development organizations with an urgent legal problem. An existing program offered by Legal Services for Entrepreneurs (which is not funded by CDBG) tends to take several weeks—during which the client is matched with a pro bono attorney—before the actual provision of services commences. In many instances, by the time the client is matched with an attorney, the issue has worsened beyond the possibility of a favorable resolution, and the business may ultimately be forced to close. Clients would benefit from the existence of a dedicated, full-time attorney to provide prompt and responsive assistance with legal matters related to business ownership and operation.

2. **Lease negotiation.** Over 60% of respondents to the OEWD business survey felt that lease negotiation services are very important or somewhat important, yet San Francisco lacks a high-capacity provider of lease negotiation services. Many merchants in low- and moderate-income communities, especially immigrants, struggle with planning for the real estate needs of their business; they may have a month-to-month lease, or even no lease at all. In a 2009 survey of business owners on corridors in low- and moderate-income neighborhoods, conducted by Local Initiatives Support Corporation (LISC), over 5% of merchants reported that they have no lease; over 21% indicated that they were dissatisfied with the affordability, length, and/or maintenance terms of their lease. These merchants would benefit from a dedicated staff person or service to provide education about leases, review documents, assist in site identification, and, in some cases, to conduct negotiations directly with landlords or commercial property managers.

3. **Incubator spaces.** There are insufficient incubator spaces to enable new micro-enterprise businesses to establish a physical location. High rental costs for retail space in San Francisco make it very difficult for new businesses to establish themselves. Some incubators do exist; however, most are aimed at clientele that are not low- or moderate-income (e.g., QB3 Mission Bay Incubator Network), or provide commercial office space

“As a start-up small business owner, one of the biggest challenges in SF is the cost of commercial space. Smaller businesses with a lower cash flow can’t make ends meet when you factor in the cost of rent.”

-SF Small Business Owner, survey respondent
rather than retail. Notably, the organization La Cocina cultivates food entrepreneurs, primary Latina women, by providing access to commercial kitchen linked with focused technical assistance. Numerous interviewees hypothesized that there is significant untapped demand for an expansion or replication of that program for other neighborhoods and demographic groups.

4. **Focused services for production, distribution, and repair (PDR) businesses.** PDR businesses, including artisanal goods production and light manufacturing, tend to provide high quality jobs for people without a college degree, often from low- and moderate-income communities. Yet there are no established nonprofit organizations that specifically target this sector. San Francisco struggles to retain these businesses; they often have difficulty identifying an appropriate space within the City, or relocate in search of lower operating costs. This finding, identified by the interviewees, was confirmed by the survey respondents: while the overall sample of respondents cited access to financial capital as their most pressing need, PDR businesses were more likely to cite the need for more technical assistance services (see Appendix 3, Table 1).

5. **Computer literacy services.** Finally, several interviewees suggested that technical assistance be expanded to include computer literacy services for businesses, including incorporating technology into business operations, and online sales and marketing.

**Findings: Access to Capital**

Financial capital fuels the engine of small business development. It enables entrepreneurs and small business owners to start up their business, develop new products or ideas within their existing business, expand in scale or to a new location, or weather a period of depressed business by making up for shortfalls in operating capital. As Table 1 (in Appendix 3) indicates, the business owners surveyed through OEWD’s needs assessment indicated that increasing access to capital is the single most important type of economic development service that the City could provide.

**Challenge: Reduced Availability of Capital**

Given the current context of the financial crisis, which has tightened the flow of capital from traditional lending institutions, OEWD’s support for programs that increase access to capital are more important than ever. According to the Federal Financial Institutions Examination Council, in 2007, commercial banks made 30,482 loans to small businesses in San Francisco with gross revenues of less than $1 million. In 2008, that figure dropped by 36% to only 19,515 such loans. The trend of reduced lending is even starker for businesses in census tracts where the median household income is less than 100% of citywide AMI (see Figure 6). While data for 2009 are not yet available, it is likely that the flow of business loans has plummeted even lower this year; interviewees and grantee organizations funded to provide loan packaging services report that banks have dramatically increased the credit requirements for loan applicants.

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6- In spring 2010, OEWD awarded a grant to Pacific Community Ventures to provide focused services for PDR businesses.

Challenge: Limited Sources of Mid-Sized Loans and Expansion Capital

Interviewees reported that there are very few lenders making small business loans in the $25,000-$500,000 range. Thus there is a significant gap in the financing opportunities that are available to established small businesses. Some interviewees cited the need for a ‘public angel fund’ to support small business development in San Francisco. Such a fund could fill the gaps left by existing capital resources, while promoting the pursuit of the goals laid out in the City’s economic strategy.

Strength: Alternative Lending Programs for Microenterprises

A variety of alternative lenders in San Francisco provide microenterprise loans to entrepreneurs that are seeking to launch or expand their small business. These loans range from $1,000 to $50,000, and often go to first-time business owners. Several interviewees cited the recent success and effectiveness of this model, particularly since the City outsourced its microenterprise loan program to TMC/Working Solutions. As one interviewee noted, “it is important that businesses don’t feel that the money comes from the government. Otherwise, they feel less motivated pay it back!” These programs are more accessible than commercial loans; capital is sometimes available even to people with little or no collateral, or with a flawed credit history.
Several grantee organizations and interviewees emphasized the importance of providing technical assistance to clients that receive small business loans. By coaching the client to identify the most effective use of capital, and by consistently checking in with the client during the year after their loan is funded, the service provider can enable the client to avoid default and maximize the impact of the loan.

“Loan programs require embedded technical assistance! Otherwise you are just putting the client in debt and getting them into trouble. That’s especially true for low-income people without experience as a business owner.”
- Community Development Finance Professional

**Challenge: Inconsistent Quality of Loan Packaging Services**

Several of the NEDOs offer loan packaging services to clients: they assist the entrepreneur in completing a loan application for submission to a private financial institution or nonprofit alternative lender. This is an important service, as few private lenders have staff members available to walk prospective borrowers through the process. However, the quality of loan packaging services is, in the words of one economic development professional, “wildly variant.” The most effective providers have relationships with loan officers at commercial banks, and are aware of the needs, concerns, and preferences of those lenders. By packaging successful loan applications, they are able to leverage a small amount CDBG funding into a sizeable amount of private capital for community development. Other organizations, however, are less effective. A representative of one alternative lending institution reported that, upon receipt of a loan packaged by a NEDO, they often start from scratch with the client. In some instances, NEDOs that also offer microenterprise loans to clients use their CDBG funding to package loan applications that they essentially submit to themselves. This service is not an effective use of CDBG funding, as the organizations would likely be making those loans with or without funding for their loan packaging activities.

**Finding: Little Support for Grants to Small Businesses**

There is little support within the community of economic development professionals for the use of CDBG funding to provide grants to business owners. A business owner that receives a grant rather than a loan is less exposed to risk, and thus may have reduced incentive to work to ensure that their business is successful. Instead of offering grants, OEWD could creatively structure loans to small businesses to increase flexibility and even forgiveness to business owners in low-income communities that experience special hardships.

That said, multiple interviewees pointed out that the SF Shines façade improvement program is very helpful for businesses in neighborhoods suffering from severe disinvestment. As one service provider noted, “SF Shines is a great incentive for people to start businesses in neighborhoods that are suffering.” Due to funding limitations, SF Shines targets a few specific commercial corridors. This would explain why the façade improvement program was one of the lowest rated programs in OEWD’s merchant survey; only slightly more than half of the respondents felt that the program is important.
**Findings: Commercial Corridor Revitalization**

Commercial corridor revitalization programs, primarily consisting of the Neighborhood Marketplace Initiative (NMI), are the newest addition San Francisco's CDBG economic development portfolio. These place-based programs, by targeting merchants on commercial corridors in low- and moderate-income communities, help to fill the gaps in access to technical assistance by increasing contact with those people who do not seek out assistance. Additionally, they help retail businesses do better by improving the local climate for business activity.

**Strength: Geographic Concentration of Activity**

The greatest strength of the corridor revitalization programs is the dedication of staff members to specific geographic locations. Corridor managers are able to develop familiarity with a neighborhood, and build trusting relationships with the local merchants. This in turn enables them to identify and respond to local needs and opportunities. By involving community members in program activities, NMI builds local capacity for civic engagement, volunteerism, and leadership that benefits merchants and residents alike.

**Challenge: Communication and Integration**

Some interviewees suggested that the success of NMI has been limited by the lack of integration with other city programs and services. Because the program is relatively new, many relevant stakeholders—including merchants in targeted neighborhoods, community leaders, other economic development program staff, and high-level City employees—are still unfamiliar with the program, or even unaware of its existence. This may hinder the ability of corridor managers and NMI steering committees to effect change in their neighborhoods.

**Challenge: Filling Vacancies**

As commercial corridors in low- and moderate-income neighborhoods struggle with vacancies and underinvestment, the physical condition of the corridor degrades and discourages future investment and economic activity. This trend has been exacerbated by the current economic recession. Merchants and economic development professionals agree that business attraction should be a top priority of neighborhood commercial district improvement programs, and corridor managers do utilize a database to monitor vacancies. However, there is no system to enable OEWD, the Small Business Assistance Center, and the public to access or share vacancy information. Thus, the City may not be sufficiently leveraging the corridor managers' knowledge of the vacancies and opportunities on the corridors where they work.

**Challenge: Crime and Community Safety**

Crime is the top concern of merchants on five commercial corridors in low- and moderate-income communities, according to LISC's recent survey (see Figure 7). This corresponds with the findings of OEWD's merchant survey, and with statements from interviewees. Clearly, there is a perception that communities are not as safe as they need to be, and that crime currently hinders neighborhood economic development.
VI. Recommendations

By setting immediate, achievable goals alongside long-term, five-year goals for improving services, OEWD and its partners can improve economic opportunities for low- and moderate-income people in San Francisco, while simultaneously increasing the City’s overall economic health. Recommendations for action fall into six categories.

1. Improve the quality and accessibility of technical assistance for small business owners and entrepreneurs.

Improving technical assistance is one of the most important immediate goals for OEWD and its partners, and one of the most achievable. There are a number of ways that providers can increase the quality of services and expand availability of technical assistance to clients who are not currently able to access services.

» Establish standard tools and protocols for technical assistance.

By encouraging providers to utilize quality tools and protocols, OEWD can improve the experiences and outcomes for clients. Technical assistance tools should include:

* **Intake form.** Each organization has its own methods and its own requirements for data collection; therefore, it would be impractical for OEWD to require grantees to use a universal intake form. However, each organization should be using some form to collect contact and demographic information, determine the client’s strengths and challenges, and assess the client’s status and need for services.

* **Resource guide.** Service providers should have access to a clear and concise document that enables clients to access the Small Business Assistance Center, other technical assistance...
providers, financial capital resources, and private business services (such as accounting services, payroll services, human resources, etc).

* Templates for Business Plans and Financial Projections. Organizations providing business planning and financial projection services should not require their clients to start from scratch, but rather should provide templates that serve as starting points.

These tools should be translated into multiple languages in order to meet the needs of San Francisco’s diverse population.

OEWD should ensure that each economic development service provider has clearly defined their processes for community outreach, intake and assessment, client services, follow-up and reevaluation, and conclusion of services (‘graduation’ and outcomes). Each provider should be able to develop a **flow chart of client services**, a graphical representation of clients’ interactions with their organization. In this way, OEWD can begin to ensure that each organization is complying with minimum standards for service provision.

» **Focus technical assistance on specific populations and industries.**
Each technical assistance provider should have a clear understanding of which type of technical assistance they will provide: startup training, advanced technical assistance for owners of existing small businesses, or technical assistance linked to financial capital. Additionally, service providers should identify the needs of businesses in specific industries and design curriculum that meets those needs.

» **Conduct outreach to established businesses and provide assistance at the business site whenever possible.**
Service providers can address a key unmet need by expanding access to assistance for owners of existing businesses. In order to do so effectively, organizations must be willing to go to the business site and provide on-site assistance at the convenience of the business owner.

» **Increase the accessibility of technical assistance for immigrant populations.**
OEWD should fund organizations with the capacity to provide high-quality advanced technical assistance in multiple languages. Special emphasis should be placed on continuing to cultivate a service provider with the capacity to serve business owners whose primarily language is Cantonese or Mandarin.

» **Consolidate the provision of technical assistance services.**
Currently there are nearly two-dozen distinct nonprofit agencies providing technical assistance to entrepreneurs and business owners. OEWD should encourage the consolidation of these services in order to increase efficiency and ensure smoother services for clients.8

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8- For more information on the need for mergers and partnerships of nonprofits in San Francisco, see *Partnering with Nonprofits in Tough Times: Recommendations from the San Francisco Community-Based Organizations Task Force*, published by the San Francisco Foundation in 2009.
2. Ensure the availability of a wide variety of loan products for small business owners.

OEWD is already using CDBG funds to increase access to financial capital. However, there are opportunities to fill the gaps that remain.

» **Conduct a thorough survey of the financial capital products that are available to small business owners and entrepreneurs in San Francisco.**
   In order to ensure that the financial capital needs of small business owners are being met, OEWD must first examine the various loan products, eligibility requirements, and target markets of the commercial and alternative lenders that are active in San Francisco and the greater Bay Area.

» **Increase access to mid-sized small business loans.**
   Mid-range loans can be used for acquisition, development, and infrastructure investments that enable an established small business to expand its operations and hire a significant number of new employees. OEWD should work with HUD and/or commercial banks to increase access to mid-range loans for businesses that employ or serve low- and moderate-income people.\(^9\)

» **Recruit and encourage commercial and alternative lenders to expand their activity in San Francisco.**
   While there are a number of valuable partners providing this service in the City already, including TMC/Working Solutions and Opportunity Fund, other alternative lenders may offer different types of products or cater to different target markets. The City should exert its influence to encourage lenders to increase the availability of capital to small businesses in San Francisco.

3. Improve the physical condition and organization of commercial corridors.

OEWD should build on the success of the Neighborhood Marketplace Initiative by expanding place-based economic development services.

» **Create a citywide system for tracking and filling vacancies.**
   OEWD can gather intelligence from corridor managers by establishing a formal system for them to contribute information about vacancies and local retail needs. Subsequently, OEWD and partner organizations can leverage this centralized source of information by collaborating with NEDOs, commercial brokers, property owners, and community members to target specific businesses for attraction to corridors. This will not only assist in decreasing vacancy rates but will streamline service providers’ efforts to assist clients in finding a location for their business.

» **Increase investments in the physical infrastructure of neighborhoods.**
   Physical improvements—including public artwork, infrastructure, cultural centers, mixed-use developments, activation of public spaces, greening streets, and beautification projects—increase the economic viability of commercial corridors in low- and moderate-income areas. OEWD should collaborate with other departments to achieve more structural improvements that will spur economic development, and should pursue opportunities to expand the use of CDBG funds for capital projects related to economic development.

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\(^9\) In spring 2010, OEWD is working with HUD to create such a loan program using Section 108 funds.
Assessing the Needs of Small Businesses and Entrepreneurs in San Francisco

» **Assist in the creation of Community Benefit Districts.**
Community Benefit Districts (also known as Business Improvement Districts) provide a steady source of income for neighborhood improvement, strengthening commercial corridors, and strategic economic development activities. Whenever it is feasible, OEWD should provide technical assistance and support to enable the creation of CBDs in low- and moderate-income neighborhoods.

» **Improve communication strategy for the Neighborhood Marketplace Initiative program.**
OEWD staff should launch an outreach campaign to ensure that relevant City agencies, service providers, and community leaders understand the NMI program and are able to leverage the corridor managers and contribute to their work.

» **Increase safety—and perceptions of safety—on commercial corridors.**
NMI programs have been innovating with community-based crime prevention strategies for commercial districts. OEWD should expand existing graffiti abatement, merchant watch, and Crime Prevention Through Environmental Design (CPTED) programs to neighborhoods where they do not yet exist. More staff time should be dedicated to engaging the San Francisco Police Department in NMI corridors to increase enforcement and strengthen relationships among officers and merchants. Additionally, OEWD and MOH should ensure that investments in public safety programs are coordinated with economic development priorities.

4. **Strengthen the network of economic development service providers and activities.**
No single economic development organization has the capacity to meet all of the diverse needs of entrepreneurs and small business owners in San Francisco. Each of the economic development organizations in the City has different strengths that should be leveraged by other service providers. OEWD must continue to foster increased collaboration between the Small Business Assistance Center, technical assistance providers, commercial corridor programs, and small business lenders, so that entrepreneurs and business owners have prompt access to all of the services that they need.

» **Collaborate with the Small Business Assistance Center and other economic development organizations to create and maintain a resource guide for service providers, small business owners, and entrepreneurs in San Francisco.**
The resource guide (as described earlier in this section) should exist physically, in multiple languages, and online at the SBAC’s web site.

» **Convene quarterly meetings of economic development grantees and other relevant service providers.**
By meeting regularly, economic development professionals can build trusting relationships, share effective practices and resources, and discuss relevant issues and research related to providing economic development services for low- and moderate-income communities.

» **Increase coordination among the Small Business Assistance Center, Neighborhood Economic Development Organizations and commercial corridor managers.**
NEDOs and the Neighborhood Marketplace Initiative are complementary economic development programs; commercial corridor managers provide broad and general assistance to merchants in
Assessing the Needs of Small Businesses and Entrepreneurs in San Francisco

a specific geographic area, while NEDOs have the capacity to provide in-depth, focused technical assistance to merchants, independent of geography. The SBAC, meanwhile, is in the best position to assist entrepreneurs that are navigating the business permitting and licensing processes. Only by leveraging each others’ strengths can these organizations achieve their shared goal: creating economic opportunities for low- and moderate-income people through community revitalization. Staff members at these organizations should strengthen their relationships with each other, and develop agreements for collaboration and interagency referrals. OEWD should model successful partnerships, and explore ways to incentivize collaboration.

» Increase coordination between OEWD and the San Francisco Redevelopment Agency. Many cities’ Redevelopment Agency, Office of Economic Development, and Office of Community Development are combined as one agency. In San Francisco, multiple distinct agencies are engaged in activities related to economic and community development. Staff members must maximize the coordination between agencies to increase efficiency and leverage all ongoing economic development activities and opportunities. OEWD and SFRA should formalize and expand existing partnerships for management of economic development grants and façade improvement funds.

5. Expand the breadth of services for small business owners and entrepreneurs.
OEWD should respond to the needs identified in this research paper by supporting community-based organizations that have the capacity to offer the following types of services.

» Provide prompt and responsive legal assistance and lease negotiation services. OEWD should encourage the establishment of programs that have the capacity to respond to the needs of small business owners, even when their issue is urgent. These services should be widely available via referrals from NEDOs, corridor managers, and the SBAC.

» Increase support for production, distribution, and repair (PDR) businesses, and other export sector firms. By focusing more resources on small businesses and supply chain firms in the export sector (e.g., artisan manufacturing, biotech) OEWD can provide access to more and higher-quality jobs—jobs that pay higher wages, and build more skills—while simultaneously improving the overall economic health of San Francisco.

» Establish physical incubator spaces for targeted business sectors. An incubator that provides not only physical space but also comprehensive technical assistance and networking opportunities for startup businesses can be a powerful economic development tool. OEWD should support incubators that can achieve the following objectives:
* Target a specific industry or business type, such as food services or construction.
* Define clear standards for the type of assistance that is provided to tenants, and staff the program accordingly.
* Plan for tenants to ‘graduate’ to other spaces. An incubator without a clear plan to turn over clients is simply a subsidized real estate program.

10- In spring 2010, OEWD awarded a grant to Mission Economic Development Agency (MEDA) to establish a microenterprise retail incubator.
6. Conduct further research regarding the climate for small businesses.

Numerous survey respondents and interviewees cited concerns about the climate for small businesses in San Francisco. Some specific concerns include the lengthiness, cost, and complexity of the permitting and licensing processes for new businesses; taxation policies (such as the payroll tax) that discourage hiring new employees; questions about the City’s purchasing policies; and the availability of parking. The limited scope of this needs assessment precludes closer examination of these issues; clearly, though, further research is warranted, and could be sponsored and promoted by the Small Business Commission.

VII. Conclusions: Economic Development Objectives for 2010-2015

In San Francisco, we enjoy the presence of many capable organizations dedicated to economic development. There exists a wealth of strategies that have proven to be effective at strengthening businesses, creating jobs, and improving commercial corridors. The economic development organizations and professionals in San Francisco will continue to create and develop innovative strategies to improve the economic health of San Francisco’s low- and moderate-income people and neighborhoods. OEWD must continue to lead and coordinate these efforts and use Community Development Block Grants to sustain successful programs and to catalyze innovation.

OEWD’s biggest challenge will be to prioritize strategies and programs in order to best meet the needs of San Franciscans. Therefore, it is crucial that OEWD and its partners continuously evaluate the impact of their activities to ensure that the most effective strategies and programs are maximized, and ineffective programs are improved or phased out. OEWD staff must vigilantly track the quantitative metrics of economic development and simultaneously employ qualitative research methods to build and maintain a base of knowledge about local economic development programs that will inform the annual grantmaking process.

The stark reality is that CDBG funding is extremely limited; the approximately $2 million dedicated annually to economic development activities is not nearly enough to meet the needs of low- and moderate-income people in San Francisco. Without an increase in the allocation for economic development, OEWD will not have the capacity to respond to all of the needs identified here. However, OEWD and its partners can immediately take action to pursue the recommendations that do not require significant funding outlays, such as establishing tools and protocols for technical assistance services, and strengthening the network of economic development service providers.

OEWD has already begun to use the information gathered through this needs assessment to plan for the utilization of CDBG funds. The preliminary findings were incorporated into the draft Consolidated Plan (the five-year plan for the use of CDBG and other funds received from HUD), and into the planning process for the 2010-11 CDBG grantmaking cycle. By achieving the recommendations presented in this report, OEWD and its partners will be better able to meet the needs of small business owners and entrepreneurs, and to provide increased economic opportunities for the low- and moderate-income residents of San Francisco.
Appendix 1: Interview Script

Background
The Office of Economic & Workforce Development is conducting a needs assessment to determine the comparative need for various economic development activities and programs benefiting entrepreneurs and small businesses. The data gathering methods include eight public hearings across the city, interviews with business advocates and experts, and a survey of small business owners and entrepreneurs.

Section 1 – Background
Please give me some background information about your organization.

How would you describe yourself: (select all that apply)

__ Service Provider
__ Commercial corridor manager
__ Advocate
__ Academic
__ Merchant
__ Active Merchant Association member
__ Active Chamber of Commerce member
__ Private funder
__ City staff

Do you serve / are you active with / do you advocate for: (select all that apply)

__ Pre-startup entrepreneurs (business does not yet exist)
__ New business startup (business has been operating 0-1 years)
__ Small Business Owners (business has been operating at least 1 year)

What type of businesses do you serve / are you active with / do you advocate for? (select all that apply)

__ Retail
__ Restaurants
__ Professional Services
__ Production/Distribution/Repair
__ Transportation
__ Utilities
__ Financial
__ Real Estate
__ Tagalog
__ Vietnamese
__ Other: _____________

In what languages do you offer services?

__ English
__ Spanish
__ Mandarin
__ Cantonese

Section 2 – Geography
Which neighborhood do you provide services in / are you active in / do you advocate for?

Now I’m going to ask you about different types of economic development programs. First I’m going to ask you about Technical Assistance to Small Businesses and Entrepreneurs.

Section 3 – Technical Assistance to Small Businesses and Entrepreneurs
What types of technical assistance to small businesses and entrepreneurs are most important or effective?

Please indicate the relative importance of each of the following types of technical assistance to small businesses and entrepreneurs. Is it very important, somewhat important, not important, or don’t know/neutral?
Assessing the Needs of Small Businesses and Entrepreneurs in San Francisco

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Very</th>
<th>Somewhat</th>
<th>Not</th>
<th>DK/N</th>
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<tbody>
<tr>
<td>Intake, assessment, and referrals to service organizations and public agencies</td>
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<td>Startup training for entrepreneurs</td>
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<td>Business planning</td>
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<td>Marketing and branding</td>
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<td>Navigating the permits and licensing processes</td>
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<td>Code compliance and violation prevention</td>
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<td>Identification of a site for the business</td>
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<td>Lease negotiation</td>
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<td>Legal services</td>
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<td>Tax preparation</td>
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<td>Accessing workforce training and recruitment resources</td>
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<td>Business incubator sites</td>
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</table>

Are there any other types of technical assistance that I didn’t list that you think are important?

### Section 4 – Financing: Loans, Grants, and Incentive Programs

What types of financing programs are most important or effective?

Please rate the relative importance of each of the following types of financing programs. Is it very important, somewhat important, not important, or don’t know/neutral?

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<tr>
<th>Service Type</th>
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<th>Somewhat</th>
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<th>DK/N</th>
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<td>Acquisition and development financing</td>
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<td>Façade improvement grants</td>
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<td>Tenant improvement grants</td>
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<td>Operating grants</td>
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<td>Inventory grants</td>
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<tr>
<td>Accessing tax incentive programs</td>
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<tr>
<td>Individual Development Accounts and other asset-building initiatives</td>
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</tbody>
</table>

Are there any other types of financing programs that I didn’t list that you think are important?

### Section 5 – Neighborhood Commercial District Improvements

What types of neighborhood commercial district improvements are most important or effective?

Please rate the relative importance of each of the following types of neighborhood improvements and support. Is it very important, somewhat important, not important, or don’t know/neutral?
<table>
<thead>
<tr>
<th>Service Type</th>
<th>Very</th>
<th>Somewhat</th>
<th>Not</th>
<th>DK/N</th>
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</thead>
<tbody>
<tr>
<td>Corridor Management</td>
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<tr>
<td>Neighborhood marketing and promotional campaigns</td>
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<tr>
<td>Neighborhood promotional events</td>
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<tr>
<td>Business attraction and filling vacancies</td>
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<tr>
<td>Business and corridor safety programs</td>
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<tr>
<td>Storefront beautification</td>
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<tr>
<td>Public space and streetscape improvements</td>
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<tr>
<td>Development of cultural facilities that generate foot traffic</td>
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</tbody>
</table>

Are there any other types of neighborhood commercial district improvements that I didn’t list that you think are important?

**Section 6 – Economic Development Programs**

Please rank the following types of economic development programs in order of importance or effectiveness, with 1 being most important:

- Technical Assistance to Small Businesses and Entrepreneurs
- Financing: Loans, grants, and incentive programs
- Neighborhood Commercial District Improvements

Are there any other programs or services that don’t fit into these categories that we should be thinking about?

**Section 7 – Unmet Needs**

Are the needs of the constituent group / neighborhood you serve being met? If not, in what ways are economic development services and activities falling short?

Which types of clients would benefit most from an increased level of services?
- Pre-startup entrepreneurs (business does not yet exist)
- New business startup (business has been operating 0-1 years)
- Small Business Owners (business has been operating at least 1 year)

Are there any specific industries for which we should be targeting services and programs?

**Section 8**

Which constituent groups of small businesses and entrepreneurs can you help us distribute the survey to?

**Section 9**

Please provide any other comments on the city’s strategy for supporting small businesses and local economic development.

Who else do you think I should be talking to about this?

Thank you!
Appendix 2 - Small Business Survey
San Francisco Economic Development Needs Assessment

Overview
This survey is intended for small business owners and entrepreneurs in San Francisco. This is your chance to let the City know which services are most needed to help small businesses.

This survey will take approximately 10 minutes to complete. By completing this survey, you will be entered into a random drawing. The winner will receive a $100 gift certificate to a local San Francisco business or restaurant! At the conclusion of the survey you will be asked to enter your contact information so that we can contact the winner. Your contact information will not be used for any other purpose, and will not be shared with any other parties.

Technical Assistance to Small Businesses and Entrepreneurs

1. Please indicate the relative importance of each of the following types of technical assistance to small businesses and entrepreneurs. Is it very important, somewhat important, not important, or don’t know/neutral?

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Very</th>
<th>Somewhat</th>
<th>Not</th>
<th>DK/N</th>
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</thead>
<tbody>
<tr>
<td>Intake, assessment, and referrals to service organizations and public agencies</td>
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<tr>
<td>Startup training for entrepreneurs</td>
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<tr>
<td>Business planning</td>
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<tr>
<td>Financial projections</td>
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<tr>
<td>Marketing and branding</td>
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<tr>
<td>Navigating the permits and licensing processes</td>
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<tr>
<td>Code compliance and violation prevention</td>
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<tr>
<td>Location/Site Identification</td>
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<td>Lease negotiation</td>
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<td>Legal services</td>
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<tr>
<td>Tax preparation</td>
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<tr>
<td>Accessing workforce training and recruitment resources</td>
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<tr>
<td>Business incubator sites</td>
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<tr>
<td>Other (Please Specify):</td>
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Financing: Loans, Grants, and Incentive Programs

2. Please rate the relative importance of each of the following types of financing programs. Is it very important, somewhat important, not important, or don’t know/neutral?
### Assessing the Needs of Small Businesses and Entrepreneurs in San Francisco

#### Service Type

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Very</th>
<th>Somewhat</th>
<th>Not</th>
<th>DK/N</th>
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<tbody>
<tr>
<td>Loan packaging</td>
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<tr>
<td>Small business loans</td>
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<tr>
<td>Acquisition and development financing</td>
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<tr>
<td>Façade improvement grants</td>
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<tr>
<td>Accessing tax incentive programs</td>
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<tr>
<td>Accessing rebate programs</td>
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<tr>
<td>Individual Development Accounts and other asset-building initiatives</td>
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<td>Other (Please Specify):</td>
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#### Neighborhood Commercial District Improvements

3. **Please rate the relative importance of each of the following types of neighborhood improvements and support. Is it very important, somewhat important, not important, or don’t know/neutral?**

<table>
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<tr>
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<tr>
<td>Public space and streetscape improvements</td>
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<tr>
<td>Development of cultural facilities</td>
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<tr>
<td>Other (Please Specify):</td>
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</tbody>
</table>

#### Economic Development Programs

4. **Please rank the following types of economic development programs in order of importance or effectiveness, with 1 being most important.**

- Technical Assistance to Small Businesses and Entrepreneurs __
- Financing: Loans, grants, and incentive programs __
- Neighborhood Commercial District Improvements __

#### Comments

5. **Please provide any other comments on the city’s strategy for supporting small businesses and local economic development.**
Business Information

6. Business or Organization Name(s)

7. How long has your business existed?
   ___ Has not yet been launched
   ___ Less than one year
   ___ One to five years
   ___ Five to ten years
   ___ More than ten years

8. What type of business do you own (or, are you planning to launch)?
   ___ Retail
   ___ Restaurants and Food Services
   ___ Production/Distribution/Repair
   ___ Transportation and Warehousing
   ___ Professional, Scientific, and Technical Services
   ___ Financial, Insurance
   ___ Real Estate and Rental Leasing
   ___ Health Care and Social Assistance
   ___ Arts, Entertainment, and Recreation
   ___ Educational Services

9. Which neighborhood is your business located in?

Respondent Information

10. Street Address

11. Zip Code

12. What is your role or position in this business?
   ___ Owner
   ___ Manager but not owner
   ___ Other (Please Specify)

13. What is your race/ethnicity?

14. What language are you most comfortable speaking?

15. Gender

Contact Information

By completing this survey, you will be entered into a random drawing. The winner will receive a $100 gift certificate to a local San Francisco business or restaurant! Please enter your contact information below so that we can contact the winner. Your contact information will not be used for any other purpose, and will not be shared with any other parties.

Finished!
Thank you very much for participating in this survey. The results of the needs assessment will be published in early 2010. If you have any questions about the survey, please contact Jordan Klein at jordan.klein@sfgov.org.
## Appendix 3: Data Table

Table 1. Survey Respondents’ Perception of the Importance of Various Economic Development Services, By Business Type (1 = Most Important, 3 = Least Important)

<table>
<thead>
<tr>
<th></th>
<th>Technical Assistance</th>
<th>Access to Financial Capital</th>
<th>Neighborhood Commercial District Improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>1.90</td>
<td>1.42</td>
<td>2.39</td>
</tr>
<tr>
<td>Restaurants &amp; Food Service</td>
<td>2.00</td>
<td>1.63</td>
<td>2.19</td>
</tr>
<tr>
<td>Production/Distribution/Repair</td>
<td>1.67</td>
<td>1.79</td>
<td>2.46</td>
</tr>
<tr>
<td>Professional, Scientific, &amp; Technical Services</td>
<td>1.68</td>
<td>1.79</td>
<td>2.36</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>1.74</td>
<td>1.33</td>
<td>2.67</td>
</tr>
<tr>
<td>Arts, Entertainment, &amp; Recreation</td>
<td>2.00</td>
<td>1.70</td>
<td>2.18</td>
</tr>
<tr>
<td>Other/Declined to State</td>
<td>1.65</td>
<td>1.67</td>
<td>2.15</td>
</tr>
<tr>
<td>Overall</td>
<td>1.89</td>
<td>1.59</td>
<td>2.34</td>
</tr>
</tbody>
</table>

11- Neighborhood Commercial District Improvements were likely to be rated lower because survey respondents are not necessarily located in neighborhoods where these programs are active, and because these programs have little relevance to businesses that are not retail or restaurants.