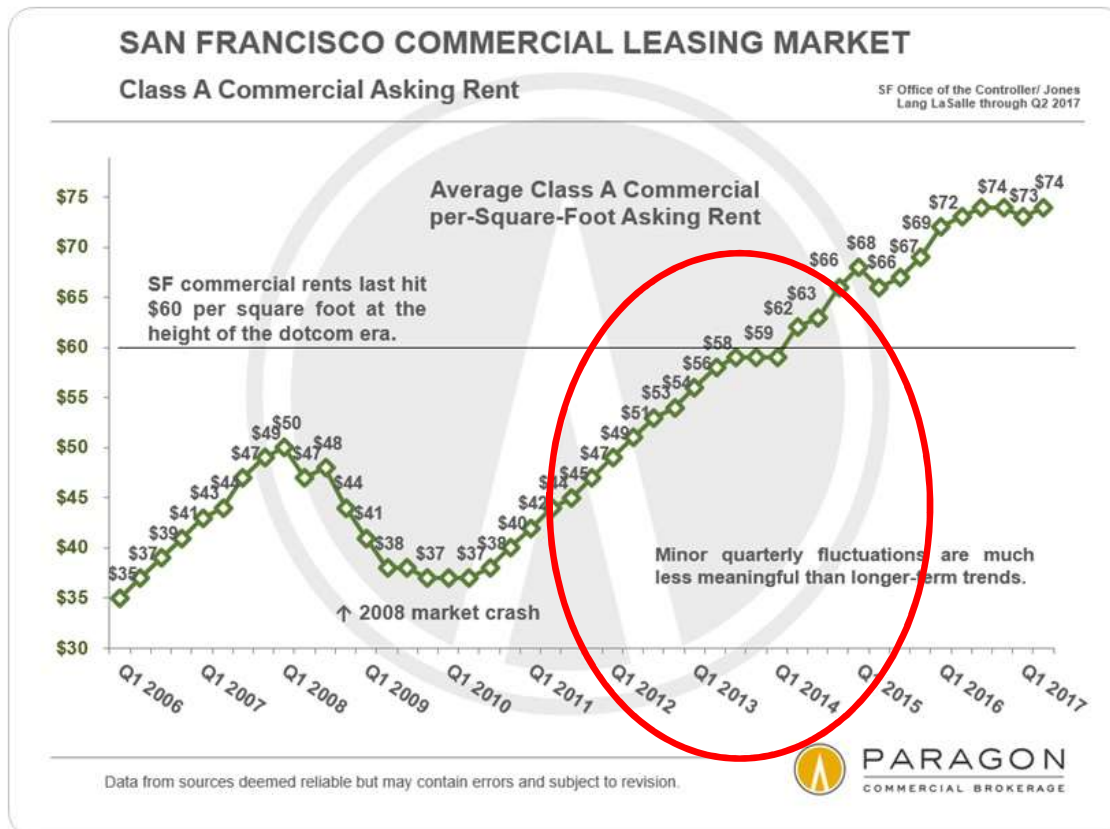


LEGACY BUSINESS PROGRAM

Small Business Commission
December 11, 2023
Agenda Item 6



HISTORY OF THE LEGACY BUSINESS PROGRAM



MAR. 2015

Legacy Business Registry



City and County of San Francisco
Tails
Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 141038

Date Passed: March 10, 2015

Ordinance amending the Administrative Code to direct the Small Business Commission to establish a Legacy Business Registry and authorize an administrative fee for the Registry not to exceed \$50.

December 03, 2014 Budget and Finance Committee - CONTINUED TO CALL OF THE CHAIR

February 11, 2015 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

February 11, 2015 Budget and Finance Committee - RECOMMENDED AS AMENDED

February 24, 2015 Board of Supervisors - PASSED, ON FIRST READING

Ayes: 11 - Avalos, Breed, Campos, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

March 03, 2015 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Avalos, Breed, Campos, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

March 03, 2015 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

Ayes: 11 - Avalos, Breed, Campos, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

March 10, 2015 Board of Supervisors - FINALLY PASSED

Ayes: 11 - Avalos, Breed, Campos, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

NOV. 2015

Legacy Business Historic Preservation Fund

Ballot question

The following question for this measure appeared on the ballot:^[3]

“ Shall the City establish a Legacy Business Historic Preservation Fund, which would give grants to Legacy Businesses and to building owners who lease space to those businesses for terms of at least 10 years; and expand the definition of a Legacy Business to include those that have operated in San Francisco for more than 20 years, are at risk of displacement and meet the other requirements of the Registry?^[4] ”



Election results

San Francisco, Proposition J		
Result	Votes	Percentage
✔ Yes	108,907	56.97%
No	82,268	43.03%

Election results from [San Francisco Elections Office](#)

COMPONENTS OF THE LEGACY BUSINESS PROGRAM

1. Marketing/Promotion
2. Business Assistance
3. Grants
4. Legislation

Britex Fabrics, 146 Geary Street, Added November 2016



GRANTS

Legacy Business Historic Preservation Fund

Established by an initiative ordinance and approved by 56.97% of San Francisco voters on November 3, 2015

Consisted of two grant programs:

1. Rent Stabilization Grant
2. Business Assistance Grant

Legacy Business Historic Preservation Fund

[CA](#) > [San Francisco](#) > [San Francisco Adm...](#) > [SEC. 2A.242. LEGACY BUSINESS REGISTRY.](#)

SEC. 2A.242. LEGACY BUSINESS REGISTRY.

[CA](#) > [San Francisco](#) > [San Francisco Adm...](#) > [SEC. 2A.243. LEGACY BUSINESS HISTORIC PRESERVATION FUND.](#)

SEC. 2A.243. LEGACY BUSINESS HISTORIC PRESERVATION FUND.

Rent Stabilization Grant

Incentive for landlords to provide long-term leases to Legacy Businesses; landlords apply for the grant (Prop. J, November 2015)

Pays up to \$4.50 per square foot up to 5,000 square feet

Example: 1,000 square feet = \$5,000

Example: 5,000 square feet = \$22,500

Grant applications are accepted year round

Biennial CPIs added since 2017-19

Business Assistance Grant

Former grant for Legacy Businesses (Prop. J, November 2015)

Paid up to \$500 per full-time equivalent employee (100 FTEs max.)

- Example: 1 FTE = Up to \$500
- Example: 100 FTEs = Up to \$50,000

Biennial CPI adjustments added since 2017-19

GRANTS

No Dedicated Funds Associated with Prop. J

There were no dedicated source of funds associated with Proposition J, the Legacy Business Historic Preservation Fund

The mayor generously included the following in the annual budget for the Legacy Business Historic Preservation Fund starting in 2016-17 (Note: unspent funds roll over to the following year):

- \$1 million for grants
- \$20,400 for programmatic expenses

The Board of Supervisors generously provided additional funding during several fiscal years

Issues with the Business Assistance Grant

- Not related to rent, which is the purpose of the Legacy Business Program
- Difficult for applicants to produce payroll reports needed to confirm their data
- Time consuming for OSB staff to review payroll reports
- Big difference (100x) between the smallest and largest grants
- Not worth the time and effort for micro businesses

SBC Prioritizes the Rent Stabilization Grant

- After two years (2016-17 and 2017-18), there was no longer enough money to fully fund both the Rent Stabilization Grant and the Business Assistance Grant
- Since the Rent Stabilization Grant was determined to be an effective strategy to stabilize longstanding businesses in San Francisco, the SBC directed OSB, in November 2018, “to prioritize the funding of Rent Stabilization Grants to Qualified Landlords over other grant(s) paid through the Legacy Business Historic Preservation Fund”

GRANTS

Business Assistance Grant Discontinued

The Business Assistance Grant was in effect only for four years total and was discontinued after fiscal year 2019-20

Legacy Business Grant

- Replacement grant for the Business Assistance Grant created by OSB
- Differentiates between renters, owners, for-profit businesses, and non-profit organizations to create four categories of grantees:

A. For-Profit Renters	(Receive 4x)
B. For-Profit Property Owners	(Receive 3x)
C. Non-Profit Renters	(Receive 2x)
D. Non-Profit Property Owners	(Receive x)
- Simpler; Easier; Less time consuming; More equitable
- Implemented as a one-time grant with \$400,000 from the BOS in 2021-22;
Required funds moved out of Legacy Business Historic Preservation Fund

Rent Stabilization Grant Only Existing Grant

- The Rent Stabilization Grant for landlords is presently the only available grant through the Legacy Business Program
- OSB can encourage landlords to share Rent Stabilization Grants with their Legacy Business tenants, but OSB cannot require it without going back to the voters
- Approximately 60% of Rent Stabilization Grant landlords share some or all of the grant funds with their tenants; 40% do not

San Francisco Chronicle

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Byron Wittmann/The Chronicle

Oliver Castellanos adjusts his bow tie Thursday while working at Sam's Grill, a San Francisco restaurant that opened in the Gold Rush era. Its landlord has received almost \$300,000 through the Legacy Business Program.

Saving S.F. history — by paying landlords

Program encourages extension of leases to storied tenants

By Caleb Pershan

There aren't many places left like Sam's Grill, where tuxedo-clad waiters serve dishes like the oyster-studded omelet called the Hangtown Fry that dates to the restaurant's Gold Rush-era founding. So to help sustain this member of San Francisco's celebrated Legacy Business Program, created to protect historic establishments from potential displacement, last year the city issued a grant of \$24,609.

Rather than to Sam's, though,

that money went to its landlord — like all \$73.591 issued from the Legacy Business Historic Preservation Fund between the summers of 2022 and 2023. Business owners, who were originally eligible for grants, too, haven't received them at all since 2020.

"The landlord definitely reaps the benefits," said Sam's owner Peter Quartaroli, one of more than a dozen legacy business operators interviewed by the San Francisco Chronicle who expressed a mixture of satisfaction and frustration with the program.

Landlords that extend the lease of a registered legacy business by 10 or more years are eligible for annual grants of \$4.50 per square foot; Sam's landlord, an out-of-state LLC, has now received almost \$300,000. Some landlords that receive grants offer tenants a credit toward rent, but that's not required.

"We had asked, is there any way, especially during COVID, to negotiate some kind of sharing of that," Quartaroli said. "They just flat denied it." (Sam's landlord did not return the program.

Legacy continues on A8

Union gets flak for anti-Israel statement

Outrage after Oakland teachers cite 'apartheid,' 'genocide' in post

By Jill Tucker

Top leaders of the Oakland teachers union were facing significant backlash and calls for resignations this week after they posted a declaration associating Israel with genocide and apartheid while urging district educators to teach a pro-Palestinian curriculum.

INSIDE

After weeks in besieged Gaza, some foreign nationals and wounded Palestinians are allowed to leave. **A1**

have espoused genocidal rhetoric and policies against the people of Palestine."

"The union leaders also voiced opposition to the existence of Israel and support for a free Palestine."

Their statements drew the Oakland school community into the divisive debate over the fate of Palestinians and the war between Israel and Hamas militants who launched a surprise and

Union continues on A9

Monthly bills for PG&E about to skyrocket

By Julie Johnson

Pacific Gas and Electric Co. is poised to hit customers with a major hike to monthly bills in January, an increase that comes amid an unprecedented rise in utility rates for Californians over the last decade.

A8

SAN FRANCISCO CHRONICLE | SFCHRONICLE.COM

LEGACY

From page A4

spond to a request for comment. Still, grants to landlords have successfully encouraged them to maintain legacy tenants, said Katy Tang, executive director of the Office of Small Business. Of the more than 370 businesses added to the registry, from shoe bars to craft shops, just 50 have closed or left the city.

"At the same time," said Tang, "as I'm signing off on all these payments, I wish that it was going into the hands of the business owner directly instead."

Initially, that's how the program worked.

In 2011, amid rising commercial rents, gentrification and high-profile closures of historic businesses like the Lexington Club and the Gold Dust Lounge, the Board of Supervisors, which then included Tang, voted unanimously to create the Legacy Business Registry. The first pilot program was inspired by a list of historic bars and restaurants owned by San Francisco Heritage, a nonprofit focused on preservation, which coined the legacy business term.

The registry would honor businesses 50 or more years old for as long as landlords risked that had "contributed to San Francisco's history and identity," and were nominated by a supervisor or the mayor. To back up the registry with monetary assistance, the board approved a small business loan to create a Legacy Business Historic Preservation Fund. The city began to allocate it million a year in 2015.

On top of the grants to landlords, there were grants paid directly to owners, for business use from marketing to tenant improvements, calculated at \$100 per employee and capped at 100 employees. For Sam's Grill, that amounted to \$45,000 between 2016 and 2021, when it was one of the first businesses added to the registry.

That first year, the fund gave almost \$400,000 in grants to 10 businesses (which they put toward uses like marketing, human resources and tenant improvement) and just two grants to landlords, totaling about \$45,000. The next year a grant more than doubled to 73 businesses and \$200,000 to 44 landlords.

But by 2021, it wasn't working. The combined grants exceeded available funds — as the city controller's office originally warned voters was likely to happen — and soon, the city paid no businesses a total of almost \$100,000, stretching the budget by lowering the per-employee payment rate, if one at grants to landlords totaling more than \$200,000. Hereafter, more grants were predicted in years to come.

Shirley Laguarda, a former director of the Small Business Commission, said one problem was that the registry "got clogged up" all the more because they listed more employees.

Nate Albers, who wrote the legislation as an aide for Supervisor David Campos, agreed that too many businesses had joined the registry,



Photo by Byron Wittmann/The Chronicle

Oliver Castellanos, from left, Jonathan Morgan and Rick Keating eat lunch Thursday at Sam's Grill in San Francisco. Some landlords who get grants from the Legacy Business Program offer tenants a credit toward rent, but that's not required.

"If there's some sort of stipulation that some portion needs to be reinvested into the legacy business, that would be huge."

—Katy Tang, executive director of Small Business



The original location of Sam's Grill at an old Coliseum St. is memorialized in a new photo on the wall of the current location. The restaurant's landlord does not share any of the legacy grant.

"If I were to go back and make tweaks, I would tweak it to make it a little harder to be on the list," said Albers. Now he'd focus on businesses that are open to the public, excluding nonprofits.

At a meeting in November 2021, the Small Business Commission directed the program to begin prioritizing the grants to landlords over grants to businesses.

Tang characterized the decision as a strategic and collective one made out of necessity. The grants were growing "astronomical," and the landlord grants were determined to be more effective in the last year they were issued, between 2021 and 2022, grants to businesses totaled \$200,377 and grants to landlords were \$729,359 — requiring extra budget. Tang said.

There are other benefits to the registry, like free marketing, business counseling and other services provided by the Office of Small Business. An

applicant and the Legacy Business Program's small staff in reviewing employee numbers to calculate the grants to businesses.

At Christmas's Golden Gate Portline Cakes Factory, where visitors can watch their food items pressed into sweet-smelling cookies, owner Kevin Chao said the promise of grants helped encourage his landlord to renew his lease.

While he no longer gets a grant himself, his landlord collects \$2,000 per year from the city, but would like to see more landlords required to be like hers.

"If there's some sort of stipulation that some portion needs to be reinvested into the legacy business, that would be huge," Tang said.

Small Business Heritage, president of San Francisco Heritage, said

a legacy business itself, still hopes the city can find more funding for the program and pay business owners. "If the budget got tighter, it would be a drop in the bucket to the city budget, but it could actually make a difference to these businesses," he said.

The program was groundbreaking, he argued, a leader that's since been emulated from Arlington, Va., to San Antonio, Texas. "It's so popular everywhere," he said. "It can really change the way people think about how they hold on to the past and keep it alive for the future."

Lafont also pointed to the case of businesses that own their own buildings. At St. Mary's Park, established in 1923 and aptly named for its Bloddy Mary, owner Maria Davis is her own landlord. That makes her ineligible for a grant.

Still, Davis praised the legacy business program for the sense of community it provides. "It's almost like a Rotary Club or something," said Davis. And she's not online with the title. It feels like an honor.

With that honor came a Legacy Business because she installed outside bar last month. It was one of 97 for which funding was available. For the next round of grants, legacy business owners will have to pay out of pocket.

Reach Caleb Pershan at caleb.pershan@sfgate.com

PROPOSAL: CREATE A NEW FUND IN THE ADMIN. CODE

Create a new “Legacy Business Program Fund” in the Administrative Code

- Possible because the Legacy Business Historic Preservation Fund did not include a dedicated source of funding
- Place annual funding in this new Legacy Business Program Fund
- City Attorney opinion: This is acceptable

NEW GRANT

Business Stabilization Grant

- Gives OSB/SBC flexibility to create rules that otherwise would not be possible without going back to the voters
- Replicate the Rent Stabilization Grant as a new grant within the Legacy Business Program Fund with slight changes to the rules
- The new grant would come before the SBC as an action item
- The Board of Supervisors would have a review period

Proposed Rule Changes for New Grant

- Require that landlords share at least 50 percent of the new “Business Stabilization Grant” with Legacy Businesses

This could take effect with all new landlord grants starting fiscal year 2024-25 and would exclude existing Rent Stabilization Grant re-applications, which will phase out over time

- Eliminate the Special Contingency Provision that landlords are allowed to put in the lease, which allows a landlord to cancel a Legacy Business’ lease if the landlord does not receive \$4.50 per square foot through the Rent Stabilization Grant

A golden-tinted photograph of the Golden Gate Bridge and the San Francisco skyline. The bridge's towers and suspension cables are prominent on the left side, extending across the frame. The city buildings are visible in the background, creating a dense urban landscape. The overall color scheme is a warm, monochromatic gold.

QUESTIONS?

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www.legacybusiness.org (Legacy Business Registry)

www.sf.gov/legacybusiness (Legacy Business Program)