



CITY AND COUNTY OF SAN FRANCISCO  
LONDON N. BREED, MAYOR

OFFICE OF SMALL BUSINESS  
REGINA DICK-ENDRIZZI, DIRECTOR

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December 11, 2020

Honorable Mayor London N. Breed  
1 Dr. Carlton B. Goodlett Place, Room 200  
San Francisco, CA 94102-4681

RE: Recommendations for COVID Federal Economic Relief and Stimulus Packages

Honorable Mayor Breed:

The Small Business Commission writes to you on behalf of more than 90,000 San Francisco small businesses. This year has proven to be more challenging than anyone could have imagined. The Small Business Commission and I are very appreciative of your response to economic disruptions affecting small businesses, it has been robust, but more support is needed. We acknowledge that the economic need in San Francisco far outweighs the resources that we as a City are able to allocate. Localities like ours need Federal support, as soon as possible.

We are respectfully requesting that you consider the attached list of recommendations for Federal economic relief and stimulus as you advocate for San Francisco small business needs. We are confident that these recommendations, if adopted by Congress, would provide aid critical to our local economy's recovery. Without it, our beloved small businesses will incur losses that will be truly irrecoverable, and the impacts will be devastating for our collective road to economic recovery.

Thank you for your significant and continued leadership in responding to the local emergency. Please let us know what additional support you may need as you fight for San Francisco's economic needs.

Sincerely,

A handwritten signature in black ink that reads "Regina Dick-Endrizzi".

Regina Dick-Endrizzi, Executive Director, Small Business Commission

cc: Andres Power, Policy Director, Office of Mayor London N. Breed  
Edward McCaffrey, Manager, State and Federal Affairs, Office of Mayor London N. Breed  
Members of the Board of Supervisors  
Clerk of the Board  
Joaquin Torres, Director, Office of Economic and Workforce Development

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## San Francisco Small Business Commission Recommendations for Federal Relief and Economic Stimulus December 2020

### Expand and Refine the Paycheck Protection Program (PPP)

San Francisco's small businesses have been hit as hard, if not the hardest, as small businesses of any major US metro area<sup>1</sup>. According to data retrieved from the Small Business Administration, 22, 215 businesses in San Francisco received ~\$3 billion in PPP Loans. Just 4% of those loans were awarded to self-reported women-owned businesses, with an average award amount of \$127,000. 3% of awards went to self-reported minority-owned businesses, with an average award \$124,000. More than 80% of the all San Francisco PPP loans were under \$150, 000<sup>2</sup>. Set aside \$10 billion to offset lost San Francisco small business activity.

- Limit eligibility for PPP loans to small businesses with 100 or fewer employees and 300 employees for essential businesses.
- Ensure PPP set-asides are awarded to, or prioritized for, smaller borrowers and small businesses with 10 or fewer employees, and to women and minority owned businesses.
- Ensure that loans may be able to be serviced through small community lenders, including Community Development Financial Institutions (CDFIs), credit unions, small community banks, Minority Depository Institutions (MDIs).
- Ensure that poor credit, or liens resulting from business disruptions from COVID-19 are not conditions for denying loans.
- Expand forgivable expenses to include: paying for employee COVID testing, building cost of temporary outdoor dining spaces. This would support businesses who invested a significant amount in outdoor operations and are now closed.
- Blanket forgiveness of PPP loans under \$150, 000.
- Exempt PPP loans from Federal taxation.
- Simplify the loan forgiveness process (e.g., a one page application) for recipients of awards of \$150,000 or less.
- Ease restrictions on the use of relief funds to allow business owners to use the funds where they need it most.
- Allow companies who obtain complete forgiveness to be able to deduct payroll expenses from taxable income.
- Ensure that Health Care Security Ordinance required Medical Reimbursement Accounts and City Option contributions are deductible expenses.
- Extend the rehire period requirements in the PPP through the end of the calendar year 2021, or in accordance with vaccine availability.
- Reduce the interest rate of the unforgivable portions of the PPP loan to 0%.

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<sup>1</sup> Brookings: <https://www.brookings.edu/interactives/metro-recovery-index/>

<sup>2</sup> Source: Small Business Administration FOIA Request, 12/02/2020

- Provide small businesses with technical assistance needed to access PPP lending via financial technology.
- Require financial technology lenders to provide small business loan recipients with technical assistance and support before and after receiving the PPP loan.
- Expand eligibility for PPP to 501(c)(6) organizations, known as Business Leagues (e.g., Chamber of Commerce groups and Destination Marketing Organizations). These organizations not only employ thousands, but they also significantly support for local economies.

### **Expand and Refine Economic Injury Disaster Loans (EIDLs) for COVID Relief**

- Set aside specific EIDL loans for small businesses with fewer than 100 employees.
- Set aside EIDL loan funds for localities with the weakest economic performance<sup>3</sup>.
- Set aside EIDL loan funds for the entertainment and nightlife sector.
- Increase the emergency grant advance amount to \$50,000.
- Increase the amount that can be borrowed to up to \$5 million.
- Reduce the interest rate for EIDLs due to COVID-19 to 1% for small businesses with less than 100 employees.
- Extend the application period for EIDLs through the end of the calendar year 2021.

### **Unemployment Insurance**

At present, San Francisco is observing an unemployment rate of 6.9%. This is slightly higher than the national average of 6.7%. With recent shutdown orders, we can expect that this rate will increase to more than 10%, akin to what we observed over the summer months<sup>4</sup>. Local jobless claims are also disproportionately affecting women, minorities, and those without college degrees<sup>5</sup>. These populations are also overrepresented in industries where we've seen the sharpest economic declines- hotels, restaurants, arts and entertainment, and personal services<sup>6</sup>. Pandemic Unemployment Insurance has also benefited close to 70,000 self-employed contractors, freelancers, and gig workers in San Francisco<sup>7</sup>.

- Extend all pandemic unemployment insurance programs through the end of calendar year 2021.
- Authorize Federal supplemental unemployment insurance benefits expanded by \$600 per week for through the end of calendar year 2021.
- Expand aid to include those paying taxes via using the Individual Taxpayer Identification Number (ITIN).
- Authorize funding for States to improve Unemployment Insurance processes and technology.

### **Tax Relief**

- Extend tax credits for required paid family and medical leave for small businesses and extend similar benefits for self-employed individuals. And, provide cash reimbursements for small businesses that offer paid family medical and sick leave during COVID-19.
- Extend the Employee Retention Credit through the end of calendar year 2021.

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<sup>3</sup> Brookings Metro Recovery Index: <https://www.brookings.edu/interactives/metro-recovery-index/>

<sup>4</sup> CA Employment Development Department: <https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Local-Area-Unemployment-Statistics-LAUS-/e6gw-gvii/data>

<sup>5</sup> US Bureau of Labor Statistics

<sup>6</sup> *Ibid* and CA Employment Development Department: <https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Local-Area-Unemployment-Statistics-LAUS-/e6gw-gvii/data>

<sup>7</sup> [need source]

- Eliminate the treatment of debt cancellation as taxable income when the debt cancellation is the related to COVID-19 relief<sup>8</sup>.
- Allow taxes owed as a result of the sale of assets that were fully depreciated in prior years under section 179 or, immediate expensing, to be deferred up to five years without penalty, if the company was unable to purchase new assets in 2020 and/or 2021 due to the impacts of COVID-19, or if the company's liabilities exceed the company's assets. Allow the company to waive the taxes owed on assets liquidated in 2020 and 2021<sup>9</sup>.

### **Bankruptcy Protections**

Many small businesses have failed due to no fault of their own as a result of the global pandemic. Despite observed closures, unemployment claims, and general financial stress- this year, bankruptcy claims among small businesses have declined. This may be due to a number of reasons, including but not limited to the ease of navigating the bankruptcy system and restrictions on how often an entity may file Chapter 7 Bankruptcy (once every eight year) and Chapter 13 (once every two years)<sup>10</sup>. In 2019, Small businesses accounted for more than 90% of business registrations in San Francisco. In 2018, they employed more than 350,000 workers. Being able to access the bankruptcy system would great benefit our most vulnerable small business owners and help them re-employ hundreds of thousands in the City.

- For small businesses that failed as a result of COVID-19, streamline and simplify the bankruptcy process so that owners are not saddled with excessive legal fees.
- For small businesses that failed as a result of COVID-19, create a new bankruptcy chapter that cannot be used in the future as a basis to deny credit or charge higher interest rates.
- For small businesses owners that are forced to declare personal bankruptcy due to a business that failed as a result of the impact of COVID-19, increase the federal homestead exemption in bankruptcy to include all equity in a primary residence.
- For small businesses owners that are forced to declare personal bankruptcy due to a business that failed as a result of the impact of COVID-19, establish that equity in primary residences, retirement savings, college savings, up to two vehicles, and \$25,000 in cash savings be exempt from collection due to personal guarantees on business debt.

### **Enhance EDA CARES ACT Recovery Assistance**

The US Economic Development Administration (EDA) received \$1.5 billion through the CARES Act for economic development assistance programs to help communities prevent, prepare for, and respond to coronavirus. Communities utilized assistance to create revolving loan funds and other financial resources to help small businesses during the pandemic<sup>11</sup>. Revolving loan funds and other forms of financial assistance that are locally managed will be able to better serve the most vulnerable small businesses and address their unique needs<sup>12</sup>.

- Re-authorize additional funds for EDA grants and allocate to localities by need.

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<sup>8</sup> <https://www.irs.gov/taxtopics/tc431#:~:text=In%20general%2C%20if%20you%20have,the%20year%20the%20cancellation%20occurs.>

<sup>9</sup> <https://www.chamberofcommerce.org/section-179-deduction>

<sup>10</sup> Bankruptcy and the Covid-19 Crisis: [https://www.hbs.edu/faculty/Publication%20Files/21-041\\_a9e75f26-6e50-4eb7-84d8-89da3614a6f9.pdf](https://www.hbs.edu/faculty/Publication%20Files/21-041_a9e75f26-6e50-4eb7-84d8-89da3614a6f9.pdf)

<sup>11</sup> Institute for Local Self Reliance, <https://ilsr.org/information-on-covid-19-small-business-assistance-programs/>

<sup>12</sup> Urban Institute, <https://www.urban.org/urban-wire/pandemic-threatening-latino-entrepreneurship-local-leaders-can-help>

### **Relief for The Restaurant Industry**

The Restaurant industry has lost more jobs than any other sector in San Francisco. This has been especially observed in the downtown area, where over 85% of our small business restaurants are closed.

- Include tenets of the Restaurant Act in the next stimulus package.

### **Relief for Entertainment and Nightlife Businesses**

Entertainment and nightlife businesses were among the first to close and will be the last to open. These concert halls and venues, bars, and clubs have significant cultural significance for San Francisco.

- Allocate up to \$10 billion in grants specifically for eligible independent venues for expenses such as rent, utilities and payroll. Allow supplemental grants to be issued in the future if funding remains available, and permit recipients to use grants for costs incurred during the pandemic.

### **Business Interruption Insurance:**

- Pass the Pandemic Risk Insurance Act – this would provide a backstop for up to 95% of the cost of coronavirus related insurance claims, up to \$750 billion. This would be especially helpful for the hardest hit industries- like entertainment and nightlife, and tourism and hospitality.

### **Childcare**

Small business owners and workers are extraordinarily limited in their options for childcare, especially where private childcare options are not affordable.

- Allocate adequate funding for State to support childcare programs for small businesses and workers.

### **Provide Mortgage & Rent Payment Relief**

- Require or incentivize commercial property owners to relieve small business owners of outstanding lease obligations if they have permanently closed due to COVID-19.
- Establish protections for small businesses that own property, from seizure or forced sale. Small businesses that own property, especially in prime commercial real estate markets may feel pressure to sell or even be threatened by seizure from mounting debts due to COVID-19.
- Extend the federal moratorium on mortgage defaults to commercial property owners and allow the restructuring of mortgages for commercial property owners whose incomes are affected by COVID-19.
- Extended relief from rent and mortgage payments on commercial loans guaranteed by the US SBA would provide relief and allow business owners to use those funds to shore up operations in other areas and increase their ability to survive.<sup>13</sup>

### **Personal Protective Equipment:**

- Expand access to effective personal protective equipment, including through use of the Defense Production Act.
- Fund personal protective equipment for essential businesses and industries.

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<sup>13</sup> CAMEO Network: <https://cameonetwork.org/wp-content/uploads/2020/11/COVID-19-Key-Insights-study.pdf>



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**Additional Areas of Support for Small Businesses:**

- Expand SBA guarantees for non-bank CDFIs, increasing CDFI's that serve micro-businesses.<sup>14</sup>
- Provide San Francisco \$50MM in startup funding for approximately 500 new businesses in 2021.
- Create a federally managed secured asset buyback program: Certain capital-intensive small businesses may be temporarily oversupplied with fixed assets that are secured by debt, and for which there's an active resale market. Examples of fixed assets: vehicles, specialized equipment, high-end inventory.
- Enforce and bolster anti-competitive business practice policies and protections to prevent over-consolidation in industries from a rush of small business acquisitions.
- Support a national shop local campaign to bring small businesses back to life post crisis.

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<sup>14</sup> CAMEO Network: <https://cameonetwork.org/policy-and-advocacy/federal-issues/>