
STEPHEN ADAMS, PRESIDENT
MARK DWIGHT, VICE PRESIDENT
KATHLEEN DOOLEY, COMMISSIONER
SHARKY LAGUANA, COMMISSIONER
WILLIAM ORTIZ-CARTAGENA, COMMISSIONER
IRENE YEE RILEY, COMMISSIONER
MIRIAM ZOUZOUNIS, COMMISSIONER

June 24, 2019

Resolution No. 002-2019-SBC

Economic Mitigation Measures Responsive to City Bans on the Sales of Certain Tobacco Products

Resolution

WHEREAS, the Small Business Commission, whose mandate was established by the voters in 2003; and

WHEREAS, that mandate specifically authorizes the Small Business Commission to set policies for the City regarding small businesses, consistent with any overall objectives established by the Mayor and the Board of Supervisors through the adoption of legislation, in order to promote the economic health of the small business community in San Francisco, its employees, and its customers; and

WHEREAS, that mandate specifically requires the Small Business Commission to review all legislation affecting small businesses and make recommendations to the Board of Supervisors; and

WHEREAS, that mandate specifically requires that the Small Business Commission review rules and regulations adopted by City departments that affect small businesses and recommend modifications that would promote the health of small businesses; and

WHEREAS, there are approximately 700 small businesses that are City licensed tobacco retailers; and

WHEREAS, since implementation of the San Francisco Permit Density Cap, the total number of tobacco retail permits has declined by 23%; and



WHEREAS, on September 5, 2017 the City and County of San Francisco enacted BOS File No. 170441 Health Code - Banning the Sale of Flavored Tobacco Products; and

WHEREAS, the Office of Economic Analysis issued an economic impact report on June 13, 2017 relative to File No. 170441 and estimated that there could be a \$50 million dollar loss in the sales per year of flavored tobacco products;

WHEREAS, the Small Business Commission passed a motion on September 24, 2018 recommending that the Office of Economic and Workforce Development and Department of Public Health develop economic mitigation measures for licensed tobacco retailers who would be affected by the flavored tobacco ban;

WHEREAS, the ban on the sales of flavored tobacco products by City licensed retailers has had a direct adverse effect on the economic health of the City licensed tobacco retailers

WHEREAS, the Board of Supervisors first passed on June 18, 2019 BOS File Nos. 190312 Health Code - Restricting the Sale, Manufacture, and Distribution of Tobacco Products; and

WHEREAS, based on figures provided in the June 13, 2017 Office of Economic Analysis Economic Impact Report on the Banning the Sale of Flavored Tobacco, the Office of Small Business estimates that there may be a \$70 million loss in sales per year from banning e-cigarette products; therefore be it

RESOLVED, that the Small Business Commission requests that, in the spirit of equitable policy administration, the Mayor and the Board of Supervisors administer economic mitigation measures in support of San Francisco small business retailers who are licensed to sell tobacco products; and be it

FURTHER RESOLVED, that the City Controller's Office should be directed to conduct an Economic Impact Report on BOS File No. 190312 and an updated report on the impact of BOS File No. 170441; and be it

FURTHER RESOLVED, that economic mitigation measures should be developed in partnership with merchants, the Office of Small Business, the Office of Economic and Workforce Development, the



Small Business Development Center, the Controller’s Office, the City Attorney’s Office, and the Board of Supervisors; and be it

FURTHER RESOLVED, that economic mitigation measures be administered in a timely manner and no later than January of 2020 in order to offset anticipated losses due to the implementation of BOS File No. 190312; and be it

FURTHER RESOLVED, that proposed economic mitigation measures be presented to the Small Business Commission for their input and approval.

I hereby certify that the Small Business Commission ADOPTED the foregoing Resolution on June 24, 2019.



Regina Dick-Endrizzi
Director, Office of Small Business

Ayes – 6: Adams, Dwight, Laguana, Ortiz-Cartagena, Yee Riley, Zouzounis

Nays – 0

Absent – 1: Dooley



DATE: June 24, 2019

RE: SBC Resolution – Economic Mitigation Measures – Background Information

- ~738 San Francisco licensed tobacco retailers who may be economically impacted
- 700+ are non-formula retail small businesses
- San Francisco licensed tobacco retailers have high rates of compliance with local laws
- The Controller’s Office estimated in [June of 2017](#) that retailers could **lose a combined \$50 million in sales** from a ban on flavored tobacco products
- Based on the Controller’s data, it is estimated that retailers could **lose a combined \$70 million in sales** from a ban on e-cigarette products¹:

District	Number of Licensed Tobacco Retailers	Est. Sales Loss from Flavored Tobacco Ban: \$50,000,000 (Effective January 2019)	Est. Sales Loss from Ban on Electronic Cigarettes: \$70,358,000 (est. Effective January 2020)	Est. Total Combined Loss per District incurred by both bans
1	50	\$3,387,500	\$4,766,750	\$8,154,250
2	46	\$3,116,500	\$4,385,410	\$7,501,910
3	132	\$8,943,000	\$12,584,220	\$21,527,220
4	37	\$2,506,750	\$3,527,395	\$6,034,145
5	75	\$5,081,250	\$7,150,125	\$12,231,375
6	123	\$8,333,250	\$11,726,205	\$20,059,455
7	28	\$1,897,000	\$2,669,380	\$4,566,380
8	59	\$3,997,250	\$5,624,765	\$9,622,015
9	92	\$6,233,000	\$8,770,820	\$15,003,820
10	52	\$3,523,000	\$4,957,420	\$8,480,420
11	44	\$2,981,000	\$4,195,620	\$7,176,620

¹ The June 2017 Economic Impact Report on banning the sale of flavored tobacco products estimated that there are 37,244 adult e-cigarette users. This number has likely gone up. A four pack of e-cigarette liquid tobacco costs ~\$20.99. A starter e-cigarette pack costs ~\$64.99. If the average user consumer spends \$157.42 per month and purchases 1 e-cigarette starter kit per year (\$64.99), the total estimated loss in sales for the city would be \$70,357,640. Estimated losses are presented as being evenly distributed. This will likely not be the case. Some stores only sell e-cigarette products and will be forced to close. Some stores only sell traditional cigarettes

- **Small businesses that only sell this product** would have to close six months after enactment
- Economic impact considerations:
 - Ownership/commercial space structure:
 - Measures should consider whether the store owner owns or leases their commercial space. Those who lease are more at risk. Those who own may wish to sell their business, change their business model, sell their property, or lease to a new type of business. Those who lease may have to break their lease due to their business closing, or may have financial challenges in making their commercial rent.
 - Create fast-tracked pathways for businesses to diversify inventory and consumer offerings:
 - Flex retail; Pop-ups with restaurants; Fast tracked permitting with Planning and Building
 - Expand Healthy Retail SF to assist most vulnerable corner stores:
 - The current Healthy Retail SF program assists corner stores in upgrading their storefronts (through SF Shines), transitioning their current consumer offerings to more healthy options through technical assistance and infrastructure support, and assists with long-term business planning. An estimated \$70k is spent per store. At minimum, this fund should be expanded to \$3.5 million annually to allow for 50 stores to participate per year.
 - Expand technical business assistance for corner stores and grocers:
 - This can be provided through SBDC, OSB, and OEWD.
 - Determine with Controller a valuation of stores that are in danger of closing and develop a tobacco retail permit buy-back program that considers:
 - Discretionary cash flow relative to the product inventory;
 - Number of years the tobacco license has been held;
 - Proximity to localities that will continue to sell e-cigarette and flavored tobacco products;
 - The density of tobacco retail permits in the district.