



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

OFFICE OF SMALL BUSINESS
REGINA DICK-ENDRIZZI, DIRECTOR

SMALL BUSINESS COMMISSION MEETING MINUTES

Monday, September 24, 2018
2:00 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102

SMALL BUSINESS COMMISSIONERS

Stephen Adams, President
Mark Dwight, Vice President
Matthew Corvi; Kathleen Dooley; William Ortiz-Cartagena;
Irene Yee Riley; Miriam Zouzounis

1. **Call to order and roll call.**

The meeting was called to order at 2:01 p.m.
Commissioners Adams, Corvi, Dwight, Dooley, Ortiz-Cartagena, Yee Riley, and Zouzounis were present.
Staff in attendance: Regina Dick-Endrizzi (Executive Director) and Richard Kurylo (Legacy Business Program Manager)

2. **General Public Comment. (Discussion Item)**

No members of the public requested to speak.

3. **Approval of Legacy Business Registry Applications and Resolutions. (Discussion and Action Item)**

- a) California Wine Merchant (Application No.: [LBR-2017-18-037](#))
- b) Creativity Explored (Application No.: [LBR-2018-19-004](#))
- c) Great Wall Hardware (Application No.: [LBR-2015-16-033](#))
- d) IXIA (Application No.: [LBR-2018-19-002](#))
- e) The Jug Shop (Application No.: [LBR-2017-18-042](#))
- f) San Francisco Bay View National Black Newspaper (Application No.: [LBR-2018-19-001](#))

Richard Kurylo (Program Manager, Legacy Business Program) informed the Commission that all six of the applications met the criteria for the Legacy Business Registry, and all six received positive recommendations from the Historic Preservation Commission. Mr. Kurylo recommended that the Small Business Commission adopt six resolutions to include the six businesses listed above (3a through 3f) on the Legacy Business Registry as Legacy Businesses under Administrative Code Section 2A.242.

Public Comment:

- Tom Temprano from the Office of Supervisor Rafael Mandelman spoke in support of Creativity Explored and IXIA.
- Linda Johnson spoke in support of Creativity Explored.
- Michael Priolo spoke in support of the Jug Shop.
- Willie Ratcliff spoke in support of San Francisco Bay View National Black Newspaper.

Commissioner Dooley spoke in support of Creativity Explored and IXIA. Commissioner Zouzounis spoke in support of the Jug Shop. Commissioner Ortiz-Cartagena spoke in support of the Jug Shop, Creativity

Explored and San Francisco Bay View National Black Newspaper. Commissioner Dwight congratulated all six applicants. Commissioner Adams spoke in support of Great Wall Hardware, IXIA and the Jug Shop.

Motion: Commissioner Dwight motioned to adopt six resolutions to include California Wine Merchant, Creativity Explored, Great Wall Hardware, IXIA, The Jug Shop and San Francisco Bay View National Black Newspaper on the Legacy Business Registry as Legacy Businesses under Administrative Code Section 2A.242.
2nd: Commissioner Dooley.

Aye: Commissioners Adams, Corvi, Dooley, Dwight, Ortiz-Cartagena, Yee Riley and Zouzounis.

Nay: None.

Absent: None

Motion passed, 7-0

4. **Board of Supervisors File No. 180803 - Planning Code - Mission Alcoholic Beverage Special Use District and Mission Street Neighborhood Commercial Transit District (Discussion and Action Item)**

Amy Beinart, aide to Supervisor Ronen, provided an overview of the proposed Planning Code changes to the Mission Alcoholic Beverage Special Use District and Mission Street Neighborhood Commercial Transit District. The key intent is to allow small retail, the arts, and food businesses to thrive and grow, and reduce rent pressure on the mom and pop from competing from the pressure of corporate businesses and office businesses. The area has historically been working class, home to Latino and immigrant families, arts organization, light industrial and legacy businesses. To help preserve the rich cultural and business history of the Mission under the Mission Action Plan led by the Planning Department, Supervisor Ronen, Office of Economic and Workforce Development and community stakeholders came together to develop a community stabilization plan. Ms. Beinart laid out the commercial zoning changes being proposed which is to require Conditional Use Authorization for restaurants and prohibit new brewpubs within a subarea of the Mission Alcoholic Beverage Special Use District. The Mission Street Neighborhood Commercial Transit District will establish limits on the number of eating and drinking establishments, require Conditional Use Authorization for new bars and replacing Legacy Businesses prohibit mergers of commercial space resulting in greater than 1,500 gross square feet, require ground-floor non-residential tenant space for large projects, and expand Philanthropic Service to the third floor and above and Light Manufacturing on side street. At two and five years there will be an evaluation by the Planning Department on the results of the zoning changes.

Diana Ponce De Leon, Office of Economic and Workforce Development, reviewed the work of the Mission Action Plan which began three years ago. This was done by developing economic development strategies, implementation strategy tools that both the City and Community could bring to the table. Ms. Ponce de Leon reviewed the economic development services that have currently been activated to help existing businesses; a visual overlay of the two zoning districts. She noted currently the Mission St. corridor currently has 26% restaurants and roughly 63% active uses that are not eating and drinking. The proposed changes allow for growth up to 30% for restaurants.

Commissioner Adams first started out commending Ms. Ponce de Leon, OEWD and the Invest In Neighborhoods team on the extensive work they have done in the Mission to preserve businesses.

Commissioner Ortiz-Cartagena also wanted to acknowledge Peter Papadopoulos, Ms. Ponce De Leon, Supervisor Ronen, OEWD, MEDA and Roberto Hernandez all worked together and came out with an actionable plan as a significant accomplishment.

Commissioner Zouzounis expressed appreciation for the attention for family owned businesses. Commissioner Zouzounis asked about the Alcohol Special Use District still in place from its 1987 form and includes Valencia? And Ms. Ponce De Leon answered yes. She asked about whether the Alcohol Special Use District will be looked at for other corridors and noted Valencia Street Whole Foods as an example that is a Legacy Business and can not obtain an alcohol license. Diego noted that with this study it does not include Valencia, so it is not being considered with this legislation, but does believe the Alcohol Special Use District would allow Valencia Whole Foods to get an ABC license with a Conditional Use.

Commissioner Dooley congratulated on the work done and is a firm believer that community is the one to figure out their own destiny.

Commissioner Yee Riley asked why a total ban on Brewery ABC license instead of requiring a Conditional Use? Ms. Ponce De Leon noted that breweries are still allowed in PDR spaces, this particular license can not be used for restaurant spaces where other types of licenses would also be needed.

Public Comment:

Peter Papadopoulos spoke in favor of the ordinance for both MEDA and the United Save the Mission, community development team.

Commissioner Ortiz-Cartagena asked for clarification on restaurant accessory use. Ms. Ponce De Leon identified that with the current recommendation of 30% for restaurant which will allow for 20 new eating and drinking establishments, but for example a corner store that has and ABC license and has a deli, this is consider accessory use and would not be counted in the 30%. Commissioner Ortiz-Cartagena asked how is it prevented from becoming a loophole? Ms. Ponce De Leon noted that with the monitoring that is required she feels confident that any business using this as a loophole will be identified.

Motion: Commissioner Dooley motioned to approve as drafted.

2nd: Commissioner Ortiz-Cartagena seconded that with the emphasis that OEWD and Planning continuously monitor the accessory use.

Aye: Commissioners Adams, Corvi, Dooley, Dwight, Ortiz-Cartagena, Yee Riley and Zouzounis.

Nay: None.

Absent: None

Motion passed, 7-0

5. Presentation on the Enactment, Licensing Rules and Regulations of **San Francisco Health Code, Article 19Q: Prohibiting the Sales of Flavored Tobacco Products and transitional support for small businesses affected by the ban.** (Discussion and Possible Action Item)

Derick Smith, from the Department of Public Health (DPH) provided the Commission an overview of ordinance and the June 6, 2018 voter referendum. Enforcement is only with retailers (brick and mortar) and not individuals. He also listed the programs that DPH provides that help individuals quit smoking and is developing a media campaign to advertise for these programs.

Janine Young, Senior Health Inspector, Retail Tobacco and Smoking Program provided a review of products that meet the definition of flavored tobacco products, covered the roll out of the ordinance, noted that it does not provide any exceptions or carve outs for any retailer (but did not clarify if this includes online retailers). The final date to sell flavored tobacco products was July 20, 2018. She noted the law does provide DPH the opportunity to enforce after rules and regulations are adopted. Right now, DPH is providing education and technical assistance to the retailers, so this is the only opportunity that brick and mortar retailers have to sell what is left in inventory. Ms. Young reviewed the 2018 timeline for developing rules and regulations: September through November is Outreach and Education; October to December developing compliance checklist; December public hearings; and January 2019 final rules and regulations go into effect. DPH's outreach to brick and mortar retailers is focuses on informing the business on the discontinuance the sale of products, to purchase only products labeled unflavored or unsweetened, and have it be listening session with the site visits. Ms. Young noted that DPH is consulting with OEWD to make sure DPH is conducting the right engagement with businesses and noted up to date information on rules and regulations is available to retailers on the website in addition to mailers being sent. Ms. Young noted that project plan is dynamic so that if DPH finds it needs to add more time that will be taken into consideration. The rules and regulations at this time only deal with density amend to add flavored regulations, amend to improve explanation on density and more transparent on the whole tobacco licensing process. She concluded her presentation listing four dates for the listening sessions beginning on 9/26 and ending on 10/9/18 to hear about the challenges from retailers.

Commissioner Questions:

Commissioner Riley wanted to know how many businesses are affected by this ordinance. Ms. Young noted that there are 800 tobacco permits.

Commissioner Adams asked as to whether any enforcement has taken place to date and for clarification on Hooka businesses. Ms. Young noted that no enforcement is taking place until the final rules and regulations are adopted and that currently what is taking place is outreach, education and compliance checks with notices of correction without penalties; and for Hookah, smoking any type of tobacco product is illegal indoors, if the Hooka business is using heated steamed stones, they are not regulated under the tobacco or flavored tobacco ordinance and do not have a tobacco permit.

Commissioner Zouzounis noted that the presented did not provide specifics, there has been enough time to develop a mitigation plan. She would like for DPH to provide to the SBC how many meetings DPH has had with prior to the 9/24/18, the SBC meeting and any planned after the dates Ms. Young noted at the end of her presentation. Commissioner Zouzounis stressed to both DPH and OEWD that the feedback from businesses needs to centralize in one place so that all impacted businesses can be informed of each other's feedback. This feedback needs to be shared at all meetings with the businesses and the meetings need to include OEWD because mitigation will be brought up. Ms. Young noted that all feedback will be noted on DPH's website.

Commissioner Zouzounis ask Jorge Rivas from the Office of Economic and Workforce Development (OEWD) how they will bring other departments to the table to help with the mitigation process and how does the SBC and businesses get a list of mitigation support the City will provide? Mr. Rivas noted that both departments first wanted to hear the Small Business Commission recommendations and the direction it wants OEWD and DPH to focus its expected mitigation and incentives efforts. Commissioner Zouzounis provided a beginning list that consisted of:

- Business technical support in applying the newly proposed zoning regulations such as Flexible Retail for tobacco businesses to add in new retail element into businesses.
- Overall general technical assistance.
- Office of Cannabis- Allow tobacco paraphernalia shops to sell cannabis, allow the selling of cannabis products as accessory use and begin now to create the pathway.
- Feed Mitigation: Determine appropriate adjustment for DPH fees as the number of products, Cigarette Litter Abatement Fee, Deemed Approved Use should not be paying the amount of fees with the reduction of inventory.
- Enforcement: Increased enforcement efforts across the board is a scary time for immigrant owned businesses and there need to be some sort of coordination and acknowledgement of the impact of increase enforcement effort with this new law.
- Inquire into the process of the alcohol license buy back and how that works and how that could be applied to tobacco. Some businesses are completely devalued with this law. As this is a government taking of a business. Eminent Domain is how OEWD needs to approach this mitigation and is reflected in its response.

Mr. Rivas noted that the list Commissioner Zouzounis provided requires a deeper dive and review as some of the requests are out of the scope of the ordinance and will need to do further exploring of what is within the purview of this particular effort and if there are other possible efforts then it needs to be defined and what are the appropriate venues to go through. Commissioner Zouzounis requested that Mr. Rivas and the City be creative and not due just the bare minimum as the impact of the law is part of a broader context.

Director Dick-Endrizzi noted that it will be important to hear from OWED and DPH as to what can be done in this current budget year and what list of mitigation efforts need funding for the 19/20 budget year.

Commissioner Ortiz-Cartagena noted that he has spoken to businesses impacted, and while the voters upheld the Flavored Tobacco ban, he reiterated Commissioner Zouzounis comments, that this law is similar to

eminent domain. That there needs to be a buyback program for the tobacco licenses and it must be commiserate to the value the business, not a one size fits all buy back. Commissioner Ortiz-Cartagena emphasized that these small businesses set their business plan, signed leases years ago and never knew this was to come.

Commissioner Zouzounis noted that gentrification and displacement is a public health issue, shutting down these businesses is not to the well-being of the public.

No members of the public requested to speak.

Commissioner Adams noted that he would like to see in a motion 1) OEWD and DPH work with the Office of Cannabis to allow for smoke shop tobacco owners have first rights of selling cannabis, and 2) Work with other departments to develop mitigation efforts and work with the stakeholders on the mitigation efforts.

Motion: Commission Zouzounis made a motion that included Commissioners Adams two items 1) OEWD and DPH work with the Office of Cannabis to allow for smoke shop tobacco owners first rights of selling cannabis, and 2) Work with other departments to develop mitigation efforts and work with the stakeholders on the mitigation efforts. And for DPH and OEWD to start working on the list the mitigation efforts the SBC is providing, and it is to be included as part of the plan and timeline. The list of mitigation efforts for DPH and OEWD to start with are:

- Feed Mitigation: Determine appropriate adjustment for DPH fees as the number of products, Cigarette Litter Abatement Fee, Deemed Approved Use should not be paying the amount of fees with the reduction of inventory. These fees are included in the Tax and Treasures Office in the fee justice program. Reassessment of industry fees on Convenience Stores.
- Work with the Office of Cannabis on accessory use and small business pathway for businesses for businesses willing to get rid of their tobacco licenses (in addition to the motion on smoke shops).
- Implement flexible retail legislation and how that pairs with small businesses.
- Develop a plan for buying back tobacco licenses by taking a look at the alcohol license buy back model and to integrate into the current technical assistance and listening session asking how much is the value of the various businesses.
- Taylor the listening sessions towards the mitigation efforts and provide dates as to when you think that centralized feedback will be issued and up on the website.
- Have one big meeting after the small ones so that the different stakeholders can hear all the feedback given.

2nd: Commissioner Adams

Aye: Adams, Corvi, Dooley, Dwight, Ortiz-Cartagena, Yee-Riley and Zouzounis

Nay: None.

Motion passed, 7-0

6. **Quarterly Report for the Legacy Business Program for April through June 2018. (Discussion and Possible Action Item)**

Richard Kurylo (Legacy Business Program Manager, Office of Small Business) presented the [Legacy Business Program Quarterly Report, April through June 2018](#). In April through June, the Office of Small Business received 12 Legacy Business Registry nominations, 10 applications and \$400 in application fees. The Small Business Commission listed 6 businesses on the Registry. Since the program began, there have been 219 nominations, 165 applications and \$7,650 in application fees received, and 135 businesses were listed on the Registry as of June 30, 80.7% of which were for-profit businesses versus nonprofit organizations. For Business Assistance Services, technical assistance was provided to 49 unduplicated clients and 233 hours of consulting this fiscal year. Since the program launched, the Legacy Business Program has served 88 unique clients and has provided nearly 740 hours of consulting. Business assistance services include one-on-one consulting, assistance with Legacy applications, technical assistance, and all training workshops offered via the

San Francisco Small Business Development Center. For the Business Assistance Grant, there was an application rate of 64.9%, with 72 of 111 eligible Legacy Businesses applying. There was an average of 16.85 full-time equivalent employees per applicant and an average grant payment of just over \$8,685. Total grant payments were slightly over \$625,000. For April through June, we paid six Rent Stabilization Grants to landlords of Legacy Businesses. The average square footage of the six applications was about \$2,500 square feet, and the average grant was about \$11,400. There have been numerous press articles about Legacy Businesses, and the Office of Small Business did 9 tweets about the Legacy Business Program between April and June. Mr. Kurylo covered major accomplishments from April through June, as well as major upcoming activities for July and beyond.

Commissioners Adams and Dooley thanked Mr. Kurylo.

No members of the public requested to speak.

7. **Director's Report. (Discussion Item)**

Director Dick-Endrizzi provided an update of the Accessible Business Entrance Program, including the 1990 checklist submitted to date, and developing grant program from the Disability Access Funds collected through business registration; noted the Legacy Business logo will be presented at the October 22, 2018 and an update on the two grant programs. The Director noted legislation scheduled for upcoming meetings – BOS File No. 180805 -Agreements Between Cannabis Businesses and Labor Organizations - Hiring Graduates of Apprenticeship and Pre-Apprenticeship Programs and BOS File No. 180912 -Police and Health Codes - Regulation of Cannabis Businesses and three State Bills the Governor signed and a status update on the hiring of the Policy Analyst/Commission Secretary.

No members of the public requested to speak.

8. **Commissioners' Reports. (Discussion Item)**

Commissioner Yee-Riley noted today September 24, 2018 is the official date for the Autumn Moon. The Autumn Moon Festival and Parade was held in Chinatown on the September 15-16, 2018. Mayor Breed and Assembly member David Chiu were in attendance for the parade.

No members of the public requested to speak.

9. **New Business. (Discussion Item)**

No New Business introduced by the Commission

No members of the public requested to speak.

10. **Adjournment. (Action Item)**

Motion: Commissioner Dwight motioned to adjourn.

2nd: Commissioner Ortiz-Cartagena

Aye: All in favor.

Nay: None.

Motion passed, 7-0

The meeting was adjourned at 3:54 PM.