



## MEMORANDUM

August 7, 2020

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes   
Executive Director

**SUBJECT:** Request authorization of the use of \$1,000,000 from the Southern Waterfront Community Benefit and Beautification Fund to create and fund a loan program to support Micro-Local Business Enterprises (LBEs) that do business with the Port or are Port tenants and have been financially harmed by the COVID-19 pandemic.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution No. 20-33

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### EXECUTIVE SUMMARY

The Port Commission fosters and supports a robust network of small, local businesses in San Francisco and along the waterfront as both Port tenants and contractors for Port-related projects. The City established a Local Business Enterprise (LBE) program to expand contracting opportunities for small San Francisco-based firms. Port staff has explored various programs to help address hardships experienced by Port-related LBEs because of the COVID-19 pandemic. Staff proposes two programs to immediately support Port-related LBEs:

- 1) loan program with favorable terms, including partial loan forgiveness, and
- 2) rent forgiveness for LBE and other tenants.

These two immediate-support programs are designed to complement one another as described in this staff report and Agenda item 9E regarding rents during the August 11<sup>th</sup> Port Commission meeting. The loan program is the focus of this staff report.

**THIS PRINT COVERS CALENDAR ITEM NO. 7A**

The immediate-support programs may be further reinforced via longer-term interventions to support small businesses and LBEs, which were briefly discussed during the July 14<sup>th</sup> Port Commission meeting. Staff will bring longer-term interventions back to the Port Commission at a later date.

**STRATEGIC PLAN**

This project supports the goals of the Port’s Strategic Plan as follows:

Equity:

*By growing and preserving the number of local businesses competing for Port contracts by engaging teams that support the diversity of our City.*

*By continuing to build the capacity of local businesses to bid and compete on Port contracting opportunities with the objective of exceeding the Mayor’s 40% LBE aspirational goal.*

**BACKGROUND**

1. The Port relies on and also supports small businesses and LBEs.

The Port Commission fosters and supports a robust network of small and very small local businesses in San Francisco and along the waterfront. The City established the LBE program to expand contracting opportunities for small San Francisco-based firms, which are defined based on gross receipts by type of industry. The City’s Contract Monitoring Division (CMD), a division of the City Administrator’s Office, oversees adherence to the LBE program. CMD accepts and reviews applications and certifies qualifying local firms as LBEs. Once a business is certified as an LBE, it is also classified as a Minority Owned Enterprise (LBE-MBE), Woman Owned Enterprise (LBE-WBE), or Other Business Enterprise (LBE-OBE). An LBE is further categorized as an “SBA-LBE,” “Small-LBE,” or “Micro-LBE” based on gross receipts by type of industry. Micro-LBEs are the smallest business, as measured by average gross annual receipts and accordingly, and may be the most susceptible to harm from factors outside that LBEs control.

Table 1: **Maximum Average Gross Annual Receipts to Qualify as LBE by Industry**

	<u>SBA-LBE</u>	<u>Small-LBE</u>	<u>Micro-LBE</u>
Class A and B General Contractors	\$33,500,000	\$20,000,000	<b>\$10,000,000</b>
Specialty Construction Contractors	\$17,000,000	\$10,000,000	<b>\$ 5,000,000</b>
Goods, Materials and Equipment Suppliers and General Services	\$17,000,000	\$10,000,000	<b>\$ 5,000,000</b>
Trucking	\$ 8,500,000	\$ 3,500,000	<b>\$ 1,750,000</b>
Professional Services	\$ 7,500,000	\$ 2,500,000	<b>\$ 1,250,000</b>

LBEs provide key professional and construction services to the Port and are valued community partners. Historically, LBEs have experienced higher costs and competitive disadvantages compared to large businesses or businesses located outside San Francisco.

The Port through its Strategic Plan and its contracting portfolio is committed to engaging teams that support the diversity of the City and increasing the proportion of funds spent by the Port with LBEs and micro-LBE firms. There are currently 1,279 LBE firms certified by the CMD. Of those, 170 unique LBE firms are “Port-related” by either being located on Port property or serving on existing Port contracts as prime contractors, subcontractors/subconsultants, or suppliers. The Port has identified 131 Micro-LBE firms as Port-related. Table 2 reflects the number of Micro-LBE firms by LBE type and relationship to the Port.

Table 2: **Micro-LBEs Related to Port by Category**

	LBE-MBE	LBE-WBE	LBE-OBE	<b>Total</b>
Tenants	17	5	8	30
Suppliers	4	1	8	13
Contractors*	31	32	32	95
<b>Total Port-Related Micro-LBEs</b>				<b>131*</b>

*\*seven tenants are also contractors/suppliers on Port projects.*

## 2. The COVID-19 pandemic and its economic impacts harm LBEs and the Port.

The COVID-19 pandemic has highlighted disadvantages for LBEs among the unprecedented and disastrous economic impacts across the City and nation.<sup>1</sup> In San Francisco, COVID-19 has disproportionately impacted communities of color. Bayview and Hunters Point has the highest rate of reported COVID-19 cases and the Mission neighborhood contains the largest number of cases.<sup>2</sup> This pattern is consistent with national statistics, where COVID-19’s worst effects hit communities of color. Additionally, businesses owned by people of color have received significantly less support from federal stimulus programs.<sup>3</sup>

For the Port, the economic harm of COVID-19 presents several significant risks, including:

<sup>1</sup> “Coronavirus is Hitting Black Business Owners Hardest.” *New York Times*, June 18, 2020.

<https://www.nytimes.com/interactive/2020/06/18/us/coronavirus-black-owned-small-business.html>

<sup>2</sup> The San Francisco Department of Public Health reports 242.82 COVID cases per 10,000 residents in Bayview Hunters Point and 978 COVID cases in the Mission. Data from August 3, 2020.

<https://data.sfgov.org/stories/s/adm5-wq8i/>

<sup>3</sup> “Few Minority-Owned Businesses Got Relief Loans They Asked For.” *New York Times*, May 18, 2020.

<https://www.nytimes.com/2020/05/18/business/minority-businesses-coronavirus-loans.html>

- To the vibrancy of the Southeastern Waterfront, which includes the Bayview community;
- To major Port projects using Micro-LBEs such as Pier 70, Mission Rock, and the Seawall Resiliency Program;
- Potential loss of revenue from tenants who are LBEs; and
- Operational continuity challenges, if key Port service providers cease to operate.

The COVID-19 pandemic has dramatically highlighted the disparities in health care and economic security in our society.<sup>4</sup> The disparities further motivates the Port to continue supporting the Port-related LBE community.

3. The SFHELP loan program provides a model for the Port to follow.

The City created the San Francisco Hardship Emergency Loan Program (SFHELP) in April 2020 in response to the COVID-19 emergency to support San Francisco small businesses with certain business expenses including payroll, rent, utilities, inventory, and other costs. SFHELP loans provide businesses up to a maximum amount of \$50,000 and have zero interest. SFHELP is a public-private partnership administered by the Office of Economic and Workforce Development (OEWD) with a third-party fiscal agent: Main Street Launch (Main Street). Main Street is a community development financial institution certified by the U.S. Department of the Treasury, with a mission to support small businesses in Oakland and San Francisco. Although SFHELP is not currently accepting additional applications for funds because the fund limit of \$5 million was reached, SFHELP provides a model that the Port may follow to foster and support a robust network of small local businesses, including Micro-LBEs.

**PROPOSED PROGRAM: MICRO-LBE HARDSHIP EMERGENCY LOAN PROGRAM**

Port staff recommends that the Port expend resources to support Port-related Micro-LBEs, including contractors, suppliers and tenants experiencing financial strain due to the COVID-19 pandemic. Using Port funds to capitalize and administer a loan program for Port-related entities complies with the Port’s obligations under the Burton Act.

Limiting loan program eligibility to LBEs will continue the Port’s ongoing efforts to foster the LBE community upon which the Port relies. Staff recommends a maximum loan size of \$50,000, the same as SFHELP, in order to ensure numerous businesses benefit from the loan program and in light of limited available funding. Staff further recommends limiting eligibility to Micro-LBEs because an up-to \$50,000 loan will have a greater impact for a Micro-LBEs as compared to larger LBEs. The Port can use documents and procedures created for SFHELP as models for a loan program to support Port-related Micro-LBEs.

Program Overview

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<sup>4</sup> “Health Equity Considerations and Racial and Ethnic Minority Groups.” U.S. Centers for Disease Control and Prevention, updated July 24, 2020. <https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/racial-ethnic-minorities.html>

The Port proposes to provide funds for a new Micro-LBE Hardship Emergency Loan Program (Micro-LBE Relief Program). The Micro-LBE Relief Program will be administered by OEWD and Main Street Launch. OEWD has an existing contractual relationship with Main Street. The ability to use OEWD's existing program framework with Main Street affords the rapid deployment of emergency financial assistance to address the needs of our most vulnerable small businesses. The Port would hire a certified LBE firm to conduct outreach, link, and recruit businesses for the Micro-LBE Relief Program.

Similar to SFHELP, the Micro-LBE Relief Program will assist Port-related Micro-LBEs pay for necessary business expenses including payroll, rent, utilities, inventory, and other costs. The Micro-LBE Relief Program will be coordinated with rent deferral and forgiveness programs created by the Port for tenants. Port staff anticipates that 131 Port-related Micro-LBEs may be eligible for assistance, as outlined below.

#### Micro-LBE Relief Program Eligibility

The proposed Micro-LBE Relief Program would use the six SFHELP qualifications listed below and add two additional qualifications. To qualify for a loan from the proposed program, a business must:

1. Possess a valid San Francisco Business License.
2. Be a for-profit business located in San Francisco and in good standing.
3. Demonstrate a 25% drop in revenues since January 1, 2020.
4. Have annual business revenues less than \$2.5M per year
5. Have no City and County of San Francisco tax liens or judgements

The additional criteria for the Port would require the business be:

6. Certified as a Micro-LBE with the City; and
7. Either be located on Port property, or be a prime or subcontractor/consultant on a Port project.

#### Micro-LBE Relief Program Terms

Port staff anticipates the following general loan terms, modeled after SFHELP, will provide needed help to eligible Micro-LBEs and reasonably assure repayment of Port funds.

- A. Loan amounts up to \$50,000 for eligible Micro-LBEs, as described below.
- B. Five year (60 month) repayment term with first regular payment due the first day of the month six months after the loan was disbursed.
- C. Zero percent (0%) interest
- D. No prepayment penalty
- E. Loan balance forgiveness options:
  - i. Upon repayment of fifty percent (50%) of the loan within first two years of disbursement, outstanding balance will be forgiven
  - ii. Upon repayment of seventy-five percent (75%) of the loan within first three years of disbursement, outstanding balance will be forgiven

Staff will monitor the Micro-LBE Relief Program throughout its life and the Executive Director may approve changes to borrower repayment plans based on a borrower's demonstrated financial hardship.

### Micro-LBE Relief Program Process and Use of Funds

The Port will contract an outreach and technical assistance coordinator to help Micro-LBEs navigate the program. All interested applicants will submit an inquiry form during a specific submission period. Upon closure of the submission period, Micro-LBEs will be selected using a lottery system of who will receive and be able to complete the full application. The Port may open additional submission periods until funds are committed.

The full application will include:

- Business Loan Application
- Information about the business and related individuals and employees
- Financial information about business expenses and demonstration of reduced revenues related to COVID-19

The underwriter will review the application for completeness and validate eligibility based on the requirements of the Micro-LBE Relief Program, including eligible expenses for six months.

Eligible expenses include:

- Payroll
- Rent (excluding Port tenants)
- Utilities
- Inventory
- Other necessary expenses

### Micro-LBE Relief Program Administration

OEWD has an existing contract with Main Street to administer various economic relief programs in response to the COVID-19 pandemic. The Port will enter into agreements with OEWD and Main Street to administer the Micro-LBE Relief Program, and to create application materials, a program manual, and loan documents for use in the Micro-LBE Relief Program. Main Street will originate and service the loan: entering into loan contracts with eligible Micro-LBEs based on the parameters described above, collecting payments, facilitating repayment of funds to Port, and completing all necessary reporting requirements. Mainstreet will charge an administrative fee of ten percent (10%). OEWD will not charge an administrative fee.

### **INTERACTION OF PROPOSED PROGRAM WITH POTENTIAL RENT FORGIVENESS**

Rent relief and forgiveness will be discussed under Item 9E on this August 11, 2020 Port Commission agenda and would provide an additional financial relief strategy for

LBEs located on Port property. Based on rent rolls, truck parking logs, and the Contract Monitoring Division LBE directory, there are currently 30 LBE firms that list Port property as their primary place of business; however 28 appear to have property agreements directly with the Port. To date the Port Commission has offered LBE tenants rent relief through a broad-based rent deferral for March – July 2020 and through the Opt-In Rent Deferral Program for August – December 2020. Micro-LBE Relief Program funds are intended to cover necessary expenses, such as rent. If the Port Commission approves rent forgiveness for Port tenants, then Micro-LBE Relief Program funds may not be used by Port tenants to pay rent to the Port.

## **FUNDING**

Funding for the loan program in the amount of \$1,000,000 will be allocated on a one-time basis from the Port's Southern Waterfront Community Benefit and Beautification Fund. If the Port Commission approves this, the Port will enter into a memorandum of understanding or other agreements, including loan documents, with OEWD and Main Street to administer the Micro-LBE Relief Program as described in this report. If approved by the Port Commission, the Port may engage an LBE for outreach to the Micro-LBE Relief program for a contract with a value of less than \$10,000.

## **NEXT STEPS**

Port staff recommends that the Port Commission approve the attached resolution.

Prepared by: Stephanie Tang, Contracts and Procurement  
Manager  
Finance and Administration Division

Wyatt Donnelly-Landolt, Finance Analyst  
Finance and Administration Division

and

Boris Delepine, Legislative Affairs Director  
Executive Division

For: Katharine Petrucione, Deputy Director  
Finance and Administration Division

**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 20-33**

- WHEREAS, The Port Commission fosters and supports a robust network of small and very small local businesses in San Francisco and along the waterfront as both Port tenants and contractors for Port-related projects; and
- WHEREAS, Supporting small and very small local businesses furthers the Port’s Strategic Plan by growing and preserving the number of local businesses competing for Port contracts, by engaging teams that support the diversity of our City, and by continuing to build the capacity of local businesses to bid and compete on Port contracting opportunities with the objective of exceeding the Mayor’s 40% local business enterprise aspirational goal; and
- WHEREAS, The City created the local business enterprise (LBE) program to expand contracting opportunities for small San Francisco-based firms; and
- WHEREAS, LBEs have experienced higher costs and competitive disadvantages compared to large businesses and those located outside of San Francisco; and
- WHEREAS, LBEs provide key professional and construction services to the Port and are valued community partners; and
- WHEREAS, LBEs are categorized as “SBA-LBE,” “Small-LBE,” or “Micro-LBE” based on gross receipts by type of industry. Micro-LBEs are the smallest businesses, as measured by average gross annual receipts, and may be the most susceptible to harm from factors outside their control; and
- WHEREAS, The COVID-19 pandemic has highlighted the disadvantages experienced by LBEs during the unprecedented and disastrous economic impacts of the pandemic across the City; and
- WHEREAS, The COVID-19 pandemic has severely impacted neighborhoods adjacent to the Port including Bayview and Hunters Point; and
- WHEREAS, The COVID-19 pandemic has disproportionately impacted communities of color in San Francisco and across the nation; and
- WHEREAS, Businesses owned by people of color have received significantly less support from federal stimulus programs; and
- WHEREAS, The COVID-19 pandemic and its economic impacts harm LBEs and the Port and create risks to the vibrancy of the Southeastern Waterfront,

which includes the Bayview and Hunters Point communities; to major Port projects that rely on LBEs such as Pier 70, Mission Rock, and the Seawall Resiliency Program; of lost revenue from tenants who are LBEs; and presenting operational continuity challenges, if key Port service providers cease to operate; and

WHEREAS, The Port works with 131 Micro-LBEs that currently either contract with the Port as prime, subcontractors/subconsultants, or are tenants located on Port property; and

WHEREAS, The City created the San Francisco Hardship Emergency Loan Program (SFHELP) in April 2020 in response to the COVID-19 emergency to provide funds to support San Francisco small businesses with certain business expenses including payroll, rent, utilities, inventory, and other costs. SFHELP is administered by a third-party contractor: Main Street Launch, a community development financial institution certified by the U.S. Department of the Treasury, whose mission is to support small businesses in Oakland and San Francisco (Main Street); and

WHEREAS, SFHELP is not currently accepting applications for funds because its fund limit was reached, and provides a model that the Port may use to foster and support a robust network of small local businesses; and

WHEREAS, To mitigate potential risks to the Port caused by COVID-19 and its economic impacts, the Port desires to create a loan program to support Port-related Micro-LBEs; and

WHEREAS, The Port desires to create and fund a Micro-LBE Hardship Emergency Loan Program with approximately \$1,000,000 in funding, which program will assist Port-related Micro-LBEs finance necessary business expenses to survive the COVID-19 pandemic under substantially the same terms and conditions described in Attachment A to this Resolution (Micro-LBE Relief Program); and

WHEREAS, The Port has identified \$1,000,000 funds from the Southern Waterfront Community Benefit and Beautification Fund to capitalize and pay for the administration of the Micro-LBE Relief Program and to contract with an LBE to conduct outreach, link, and recruit businesses for the Micro-LBE Relief Program; and

WHEREAS, Using Port funds to capitalize and administer the Micro-LBE Relief Program for Port-related entities is consistent with the Port's obligations under the Burton Act (Stats. 1968, Ch. 1333, as amended); and

WHEREAS, Limiting loan program eligibility to Micro-LBEs will continue the Port's ongoing efforts to foster the LBE community upon which the Port relies; and

- WHEREAS, The Micro-LBE Relief Program will enable the Port to offer loans of up to \$50,000 to ensure multiple LBEs may receive assistance; and
- WHEREAS, The Port will enter into agreements with Main Street and the Office of Economic and Workforce Development (OEWD); now therefore, be it
- RESOLVED, That the Port Commission approves the creation of and funding a Micro-LBE Hardship Emergency Loan Program as described in this Resolution and Attachment A to this Resolution; and further be it
- RESOLVED, That the Port Commission hereby authorizes the Executive Director to allocate on a one-time basis \$1,000,000 from the Port's Southern Waterfront Community Benefit and Beautification Fund to capitalize and pay for the administration of the Micro-LBE Relief Program and to contract with a certified LBE for outreach and recruitment of Port-related Micro-LBEs in connection with the Micro-LBE Relief Program; and further be it
- RESOLVED, That the Port Commission authorizes the Executive Director to enter into a memorandum of understanding or other agreements, including loan documents, with Main Street Launch and the Office of Economic and Workforce Development, to approve of changes to borrower repayment plans based on a borrower's demonstrated financial hardship, and to enter any other agreement, work order, or purchase order necessary to effectuate the purposes of the Micro-LBE Relief Program and this Resolution that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director, or her designee, of any such documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 11, 2020.***

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Secretary

## Attachment A

### **Terms and Conditions Micro-LBE Relief Program**

#### Micro-LBE Relief Program Administration

1. \$1,000,000 from the Southern Waterfront Community Benefit and Beautification Fund is allocated to the Micro-LBE Relief Program.
2. Port will enter into agreements with the Office of Economic and Workforce Development (OEWD) and Main Street Launch to administer the Micro-LBE Relief Program.
3. Main Street Launch, a community development financial institution certified by the U.S. Department, will originate and service loans.
4. The maximum administrative fee or cost from Port funds will not exceed ten percent (10%), and ninety percent (90%) of funds disbursed by the Port must either be disbursed to eligible loan applicants or be returned to the Port.
5. Port may enter an agreement with an LBE for outreach services for a contract of a value no greater than \$9,999.

#### Micro-LBE Relief Program Purpose and Distribution of Funds

1. The Micro-LBE Program seeks to assist Port-related Micro-LBEs finance necessary business expenses to survive the COVID-19 pandemic
2. All interested applicants will submit an inquiry form during a specific submission period.
3. Upon closure of the submission period, Micro-LBEs will be selected using a lottery system of who will receive and be able to complete the full application.
4. Additional submission periods may be opened until funds are committed.
5. The full application will include a business loan application, information about the business and related individuals and employees, and financial information about business expenses and demonstration of reduced revenues related to COVID-19
6. The underwriter will review the application for completeness and validate eligibility based on the requirements of the Micro-LBE Relief Program, including eligible expenses for six months.
7. Eligible expenses include:
  - Payroll
  - Rent (excluding Port tenants)
  - Utilities
  - Inventory
  - Other necessary expenses

### Micro-LBE Relief Program Terms

- F. Loan amounts up to \$50,000 for eligible Micro-LBEs
- G. Five year (60 month) repayment term with first regular payment due the first day of the month six months after the loan was disbursed.
- H. Zero percent (0%) interest
- I. No prepayment penalty
- J. Loan balance forgiveness options:
  - i. Upon repayment of fifty percent (50%) of the loan within first two years of disbursement, outstanding balance will be forgiven
  - ii. Upon repayment of seventy-five percent (75%) of the loan within first three years of disbursement, outstanding balance will be forgiven

### Micro-LBE Relief Program Eligibility

To qualify for a loan from the proposed program, a business must:

- 8. Possess a valid San Francisco Business License.
- 9. Be a for-profit business located in San Francisco and in good standing.
- 10. Demonstrate a 25% drop in revenues since January 1, 2020.
- 11. Have annual business revenues less than \$2.5M per year
- 12. Have no City and County of San Francisco tax liens or judgements
- 13. Certified by the Contract Monitoring Division as a Micro-LBE
- 14. Be located on Port property, or be a prime or subcontractor/consultant on a Port project