



2022 Small Business Survey on Economic Recovery

San Francisco Small Business Commission

Our mission is to equitably support, preserve, and protect small businesses in San Francisco. We provide high quality direct services and programs, drive practical policy solutions, and serve as a champion for San Francisco's diverse small business community.

Survey Team

Anoshua Chaudhuri, Ph.D., Professor of Economics, SFSU

Tannaz Haghi, MS Quantitative Economics Student, SFSU

Cynthia Huie, President, SF Small Business Commission

Kerry Birnbach, Senior Policy Analyst/Commission Secretary, SF
Small Business Commission

Sharky Laguana, Former President, SF Small Business Commission

Acknowledgements

Grateful for the SFSU and SFSBC Partnership that started in 2020.

Thanks to Lam Family College of Business for the Lam-Larsen Community Engagement Award that was used to fund a research assistant for this study.

Thanks to graduate students Kelsey Brown, Justin Chau and Marco Ruffinelli for their service learning contributions.

Thanks for a wonderful Community-based Participatory Research partnership.



Cynthia Huie

Small Business Commission President



This survey quantifies many things we, as small business owners, know firsthand about the challenges ahead of us. We're facing staffing shortages and growing concerns about public safety. But more importantly, this survey demonstrates that small businesses are resilient, creative, and diverse leaders in our community.

Survey Goals



This is a follow-up study to the 2020–21 survey efforts to determine the impact of COVID-19 on small businesses.

The results of the initial survey helped the Small Business Commission successfully advocate for fee waivers/deferrals, grants, and the creation of the Shared Spaces Program.



This survey focuses on the state of recovery of small businesses and remaining challenges.

We wanted to better understand if and how small businesses changed their operations, the types of financial support they received, new challenges, and what could help their businesses thrive.



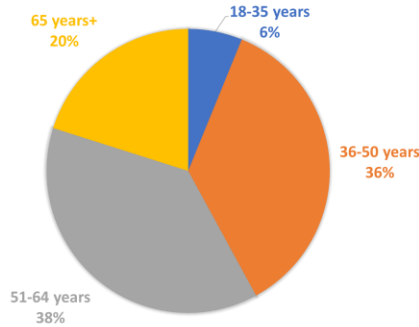
Methodology

Survey results reflect both qualitative data (one on one interviews and written responses to survey questions) as well as quantitative data (collected through print and online surveys).

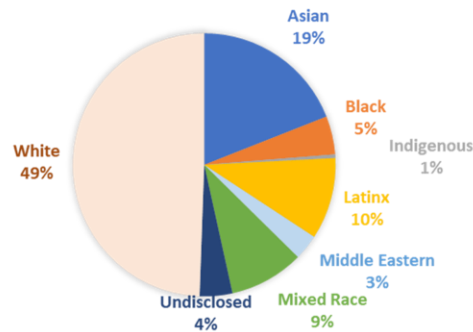
- Interviews: May – Aug, 2022
- Internet-based sample survey: Sept - Oct 2022
- Modified version of the 2021 COVID Impact survey
- Used Qualtrics to collect data
- Data collection period: Sept 7, 2022 - Oct 15, 2022
- Data collected in 8 most spoken languages in SF

Survey Respondents

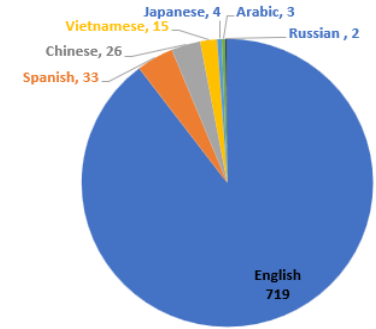
AGE OF BUSINESS OWNER



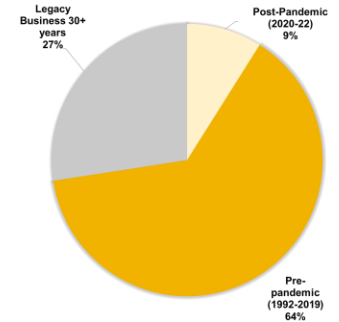
ETHNICITY OF OWNER



SURVEYS IN LANGUAGE



BUSINESS START DATE



802 surveys collected, 65% completed all questions.

48% business owners identified as male, 43% female, 2% gender queer/nonbinary, 1% transgender.

Geographically, the greatest number of responses came from businesses in: Mission, Noe Valley, South of Market, Union Square and Chinatown.

26% of survey respondents were businesses in the accommodation/food services industry, 19% were in retail trade, 15% were in professional/scientific/technical services, 10% were other services, and 10% arts, entertainment, and recreation.

RECOVERY

How did businesses cope with COVID-19?



I have refinanced my personal home and sold some assets to generate cash to pay landlords but still this was not enough for some.



Self financing

20% of business owners noted that they used personal funds to support the business through the pandemic.



Changing business operations

More than 25% reported adopting curbside pick-up, moving services online, moving operations outdoors.

87% of businesses who moved to online sales have continued to use that platform.



Federal loans

44% of businesses received Federal loans (Economic injury disaster loans, Small Business Administration loans, Paycheck Protection Program).

7% of businesses received no financial assistance.

16% of businesses applied for the Federal Employee Retention Tax Credit (ERTC).

Current cash on hand (% of businesses)



How have small businesses changed since 2019?

- Overall business revenues have shrunk.
- Businesses have fewer employees today than pre-COVID-19.
- 12% businesses today have no rainy day fund available. 21% could cover one to four weeks of business operations.

Overall, how has business been affected by the pandemic?

87% of small businesses reported either a moderate or large negative impact.

Barriers to financial assistance

Accommodation and food services businesses cited lack of time as a main challenge to seeking financial support, including federal and local grants, loans, and tax credits.

Retail businesses were often not aware of the financial assistance programs that existed.

“It was many sleepless nights trying to look at this paperwork to figure out what you needed, what you did, and how to calculate this stuff. It was super confusing and very stressful.”

20%

business owners who felt that the financial assistance programs were not made for businesses like theirs

17%

business owners who were not aware of many of the programs that were available to them.

Top reasons businesses did not apply for assistance

16%

business owners who thought the application process for assistance was too overwhelming.

Language access and technical barriers

Older business owners cited language access and technical barriers (lack of computers/computer skills) as a main challenge.

Today's challenges

Overall, business indicated that the top three challenges that they face currently are an **increase in the costs of goods sold** (36%), **dirty and smelly streets** (32%), and **lack of customers** (31%).

“All of the advantages of being in San Francisco (tourists, conventions, lots of residents who like going out) virtually disappeared during the pandemic and are slow to return.”

Accommodation & food service

Supply chain disruptions
Staffing challenges
Increase in cost of goods sold

Retail

Lack of parking
Supply chain disruptions
Increase in cost of goods sold

Top 3 challenges by sector

Arts & entertainment

Staffing challenges
Not enough customers
Dirty and smelly streets

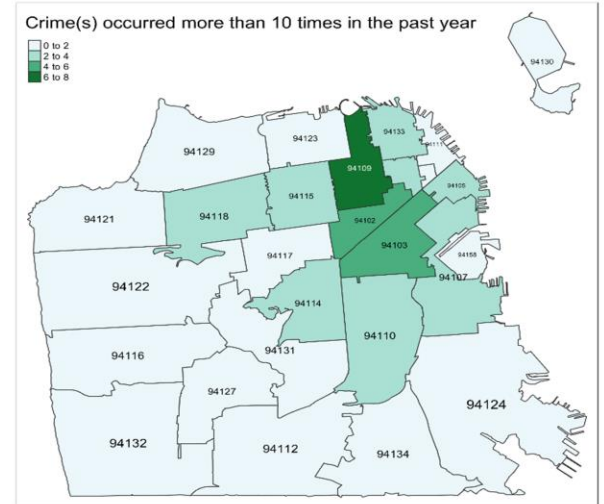
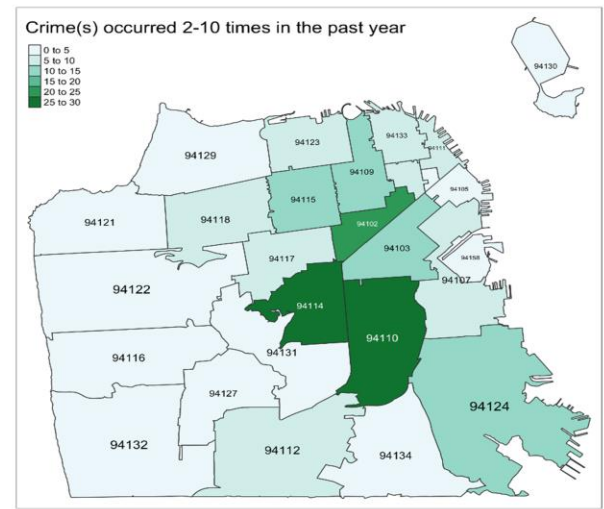
Health, education, other

Lack of parking
Hiring new employees
Dirty and smelly streets

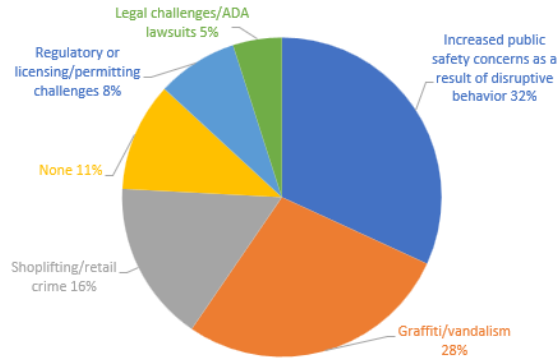
Public safety

Public safety concerns, graffiti/vandalism, and shoplifting/retail crime are ongoing challenges to small businesses.

One third of businesses were victims of crime between 2-10 times in the past year. When crimes did occur, businesses generally reported them 70% of the time.



SAFETY, CRIME, LEGAL CHALLENGES OVER THE PAST YEAR

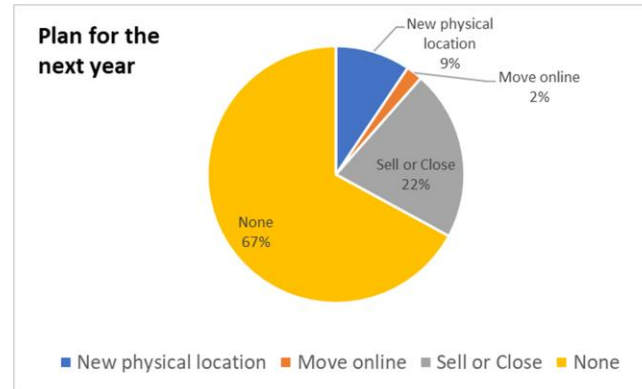


We have been broken into 3 times. One time cost us almost \$20k. We've had numerous windows broken.

Future plans

To better understand the magnitude of challenges that businesses are facing, the survey asked about any future plans to relocate the business, to sell or close the business, to move operations online, or maintain business as usual.

29% of businesses intend to sell, close, or move to a new location. Of those businesses indicating a plan to move, 46% would remain in San Francisco and 54% would move outside of the City.



The future of my business is great, but I'm taking it online. I'm going to close up my shops.

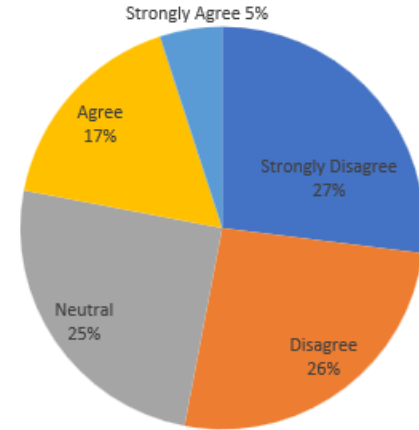
MORALE

Do you agree that San Francisco is generally a good place to own a small business?



As a small business owner, I'm broken hearted by San Francisco. Rents are high, we are paying pre-covid rent and I have lost over 50% of my clients, clients that lived in surrounding areas were scared to come into the city due to crime, homeless(ness), dirty (streets). I think about closing up and moving everyday.

22 percent of businesses agree that San Francisco is generally a good place to own a small business.

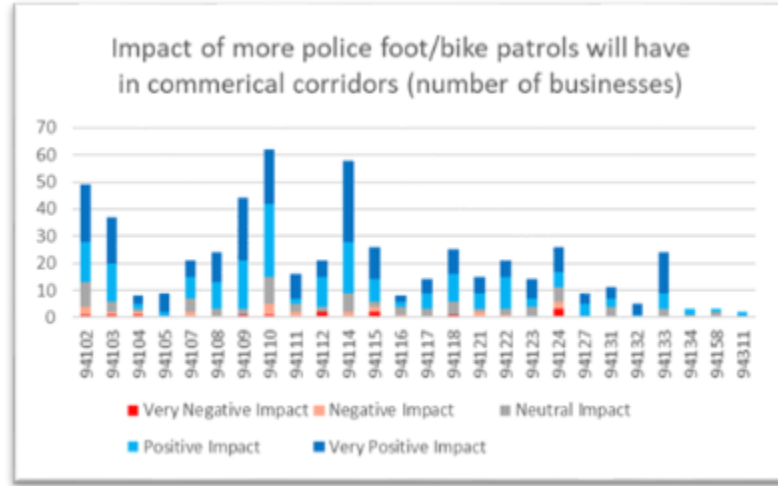


Attitudes toward policing, community ambassadors, and activating street space



I never see SFPD walking the streets in the Richmond District. Police don't patrol either.

To better understand what small businesses would find useful to address ongoing public safety concerns, the survey asked businesses about the effectiveness of three potential policies: increasing foot/bike patrols, adding more community ambassadors and non-police groups to monitor commercial corridors, and investing in more open/active street spaces through slow streets, public art, Shared Spaces, etc.



Businesses in zip codes representing Mission, Bernal, Civic Center, Hayes Valley, Noe Valley, Castro, Russian Hill, and Nob Hill indicated that foot/bike police patrols would have a high impact.

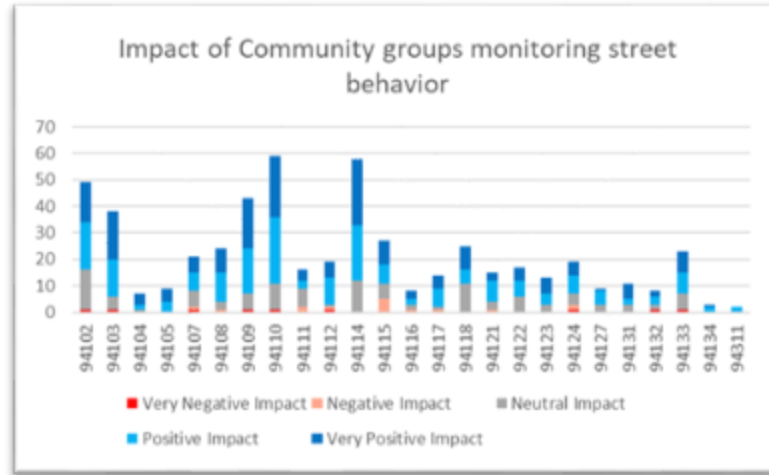
77% OF BUSINESSES INDICATED THAT MORE FOOT/BIKE PATROLS WOULD HAVE A POSITIVE IMPACT IN ADDRESSING PUBLIC SAFETY ISSUES.

Attitudes toward policing, community ambassadors, and activating street space



We are profitable, but the mental illness on the streets has hurt our ability to keep staff, we don't get prompt response from police, and we are consistently boldly shoplifted which hurts morale.

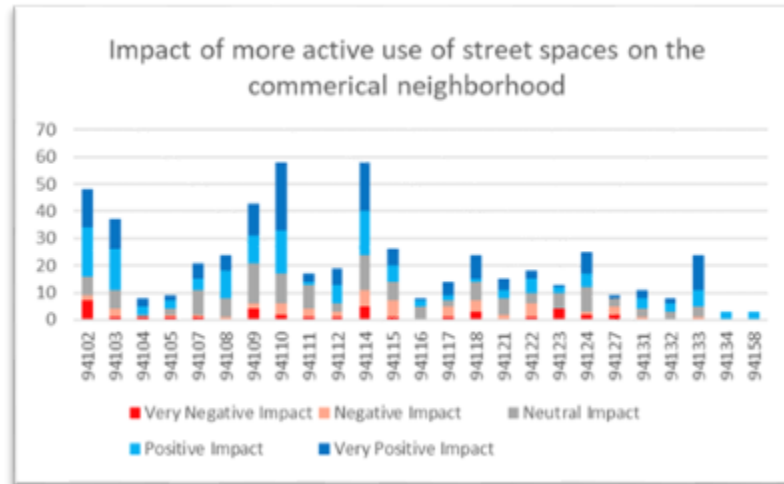
Businesses in zip codes representing Mission, Bernal, Civic Center, Hayes Valley, Noe Valley, Castro, Russian Hill, and Nob Hill indicated that foot/bike police patrols would have a high impact.



74% OF BUSINESSES INDICATED THAT MORE COMMUNITY AMBASSADORS TO MONITOR STREETS WOULD HAVE A POSITIVE IMPACT IN ADDRESSING PUBLIC SAFETY ISSUES.

Attitudes toward policing, community ambassadors, and activating street space

Businesses in zip codes representing Mission, Bernal, Noe Valley, Castro, Russian Hill, and Nob Hill indicated that more active use of street spaces through programs like Shared Spaces or public art would improve commercial corridors.



Operations outside and (the) shared space(s) program pretty much saved us.

52% OF BUSINESSES INDICATED THAT MORE ACTIVE USE OF STREETS WOULD HAVE A POSITIVE IMPACT IN COMMERCIAL CORRIDORS.

Business needs

Businesses indicated that they currently need grants and loans, better street conditions, and more customers. These mirrored the challenges that businesses indicated they were facing: increased costs of doing business, dirty and smelly streets, and lack of customers.

When business needs are evaluated by business owner ethnicity, Asian and Middle-Eastern business owners asked for increased security. Black, Latinx, and mixed race business owners asked for more grants and loans. White business owners asked for improved street conditions.

To support long term growth, 34% of businesses requested marketing/sales assistance, 21% requested help finding and hiring employees, and 14% would like help with developing an online presence/online sales.

What would be the greatest support to your business right now?	% businesses
Access to grants/loans	33
Improved street conditions	30
Greater marketing and messaging to increase customers	21
Increased security systems/cameras	15
Accounting/financial assistance	10
Employee hiring/recruiting	10



We are profitable, but the mental illness on the streets has hurt our ability to keep staff, we don't get prompt response from police, and we are consistently boldly shoplifted which hurts morale.

Opportunities and policy recommendations



Invest in safer and cleaner streets

Concerns for worker safety and business security came up frequently throughout the survey, as did complaints that sidewalks were filthy and smelly. Qualitative responses from business owners noted that the burden of cleaning sidewalks frequently falls to small businesses and their employees. This survey asked about the potential effectiveness of three evidence based interventions: targeted law enforcement through bike and foot patrols, non-police community ambassador models, and improvements to the built environment.



Expand community ambassador programs

74% of business owners also supported non-police community ambassadors or street monitors. Ambassador programs have been an increasingly utilized alternative to police in commercial districts for a variety of reasons: some communities feel uncomfortable with greater police presence, and/or staffing shortages at the San Francisco Police Department have limited availability to provide officers. Some neighborhoods already have community ambassador programs; others do not, and there are different ambassador models throughout the City. Some focus on wayfinding and supporting visitors/tourists, others employ retired police officers, and some focus on employing formerly incarcerated individuals. Regardless of what community ambassador program is utilized, all should have direct connections with 311 and first responders.



Implement Police foot/bike patrols

Businesses indicated widespread support for additional foot/bike patrols. 77% of business owners thought they would have a very positive/positive impact. Having a police presence in business districts provides a sense of security to business owners and shoppers, and also serves as a deterrent to crime. 15% of businesses would like either greater security around their business or grants to install security systems or cameras.

Opportunities and policy recommendations



Invest in safer and cleaner streets



Develop small business directories and resources

Although every neighborhood has a local district police station, business owners and their employees are not always familiar with local beat officers or have their up to date contact information. Likewise, district police stations should have a directory of business owners readily available should a break-in or other emergency occur.



Increase citywide sidewalk cleaning initiatives

The Department of Public Works provides citywide pressure washing services to business districts through a variety of programs including Clean Corridor SF, Community Corridors, and the City's OnE Team. 311, the City's service hotline, receives nearly 30,000 calls for street and sidewalk cleaning a month. Only seventy nine percent of those requests are addressed within 48 hours. Because of slow response times, small businesses noted that employees regularly clean trash, human waste, and needles from around their storefront. While some Community Benefit Districts and Merchant groups have arranged for additional power washing and street cleaning, there is an ongoing need for more frequent cleaning services across the City.

Opportunities and policy recommendations



Better information about tax credits and application assistance

Only 16% of businesses reported applying for the Employee Retention Tax Credit, which can provide businesses up to \$26,000 per employee whom they kept on staff through COVID-19. Other federal tax credits were also underutilized (14% businesses applied for sick/family leave credits, Restaurant Revitalization Fund, etc.). Many businesses noted that they were overwhelmed by financial assistance applications, and faced technical and language barriers.



Accounting and bookkeeping support

Applications for financial assistance during COVID-19 often required tax and financial information from prior years; a business without updated bookkeeping would have difficulty tracking that information and may not have applied for assistance. In interviews, businesses with accountants or financial advisors noted that they were able to take advantage of federal loans and assistance easily, but wouldn't have been able to apply for those resources on their own. Bookkeeping training, including technical support with accounting applications, would benefit small businesses who are unable to afford an accountant. Offering training and support in multiple languages would address some of the language access barriers that came up in survey results.



Draw down Federal Employee Retention Tax Credits

Communication campaigns can encourage small business owners to take advantage of available credits and provide direction on how to begin the process, potentially drawing down significant federal dollars into the local economy. City collaborations to match small businesses with Certified Public Accountants could help more businesses understand and apply for the Employee Retention Tax Credit.

Opportunities and policy recommendations

Assistance finding and hiring employees

Businesses noted that with the high costs of living in San Francisco, there is a shrinking workforce in many of their industries. They requested help with recruiting and retaining employees.

Utilize the City's Workforce Development Division

The City's Workforce Development Division trains and connects residents with career growth opportunities and job recruitment services. Closer collaboration with the Office of Small Business can ensure that smaller employers are aware of, and utilize, those job recruitment services. Recent small business job fairs have been well attended and successful; there is an opportunity to build on that momentum. In particular, industry-specific job fairs, or job fairs based on neighborhood locations would be helpful.

Opportunities and policy recommendations



Eliminate excessive fees and taxes

Many businesses cited ongoing City taxes and fees as a reason that they felt that San Francisco was not a good place to own a small business. With such high fees, they are unable to retain qualified employees as they struggle with the increased costs of doing business. The City has passed recent legislation to extend fee waivers for new businesses (the First Year Free program) and established a small business exemption within the City's Gross Receipts Tax. Efforts to streamline permitting and zoning requirements for small businesses have also reduced the financial burden of opening or modifying a business.

➡ Healthcare Security Ordinance Reform

Survey respondents specifically cited the Healthcare Security Ordinance (HCSO), as an outdated fee that they pay. HCSO was implemented in 2007 and mandated that businesses with 20 or more employees to contribute to employee health access, either through coverage through a city-funded program, private insurance, or through a reimbursement program. Since 2013, as part of national health care reform, California now offers Covered California, an insurance marketplace for health coverage for all residents. As such, the HCSO is now duplicative to the Covered California. As of January 2022, the HCSO had accumulated \$104 million in inactive accounts from employer contributions, in part because employees were unaware of their benefits or didn't know how to access them. Those funds will be escheated to the City's general fund. Policymakers should return unused funds to businesses, or reallocate them to benefit small business development.

➡ Fee consolidation/simplification

Small businesses pay a range of fees depending on what they sell/serve. If a cafe moved into a storefront that required no interior upgrades or improvements it would pay an annual business registration/license fee, annual health permit (with inspection fees), a point of sale fee, food handlers permit fees, and an annual business property fee. If the cafe wanted to sell alcohol, have furniture on the sidewalk, get a parklet, have an outdoor heater, or put up an awning/sign, each of those would be additional costs. A comprehensive review by each department associated with small business fees could identify potential administrative efficiencies to lower or eliminate outdated/rarely used fees.

Opportunities and policy recommendations



Eliminate excessive fees and taxes



Extend the First Year Free Program

The First Year Free Program, administered by the Office of the Treasurer and tax Collector, began in November 2021 as a tool to provide financial relief to new and expanding small businesses. The program waives initial business permit and license fees for businesses opening or expanding a commercial use, earning up to \$5 million in annual gross receipts.

To date, First Year Free has supported over 3,000 businesses. First Year Free is currently set to expire in June 2023. First Year Free serves businesses at a critical time in their early development. New businesses are not making any revenue until they open and First Year Free helps them cross that finish line. Economic recovery in San Francisco will take time; First Year Free should be extended to provide ongoing support to small businesses.



Language translation is critical

10 percent of surveys were completed in language, indicating that one in ten business owners would prefer to communicate in languages other than English. This highlights the importance of having materials translated into all of the common languages spoken in San Francisco.



Different ethnic groups get their city information through different channels

Latinx business owners indicated that text and social media is a main way they receive information. White business owners rely on email, and Asian business owners prefer getting information through newspapers or TV. To ensure businesses get important updates and information from the City, a variety of outreach methods are needed.

Lessons Learned

Small Business Commissioners

2023

Cynthia Huie President

Sharky Laguana Outgoing President

Miriam Zouzounis Vice President

Tiffany Carter

Lawanda Dickerson

Rachel Herbert

William Ortiz-Cartagena

Katy Tang Executive Director, Office of Small Business

Kerry Birnbach Sr. Policy Analyst/Commission Secretary,
Office of Small Business

Small Business Survey on Economic Recovery

San Francisco Small Business Commission
San Francisco State University
March 2023