IMPACT OF REGIONAL STAY-AT-HOME ORDER ON SMALL BUSINESSES AND WORKERS IN SAN FRANCISCO

Report for Supervisor Matt Haney

Presentation to:

BOARD OF SUPERVISORS
CITY AND COUNTY OF SAN FRANCISCO

December 22, 2020

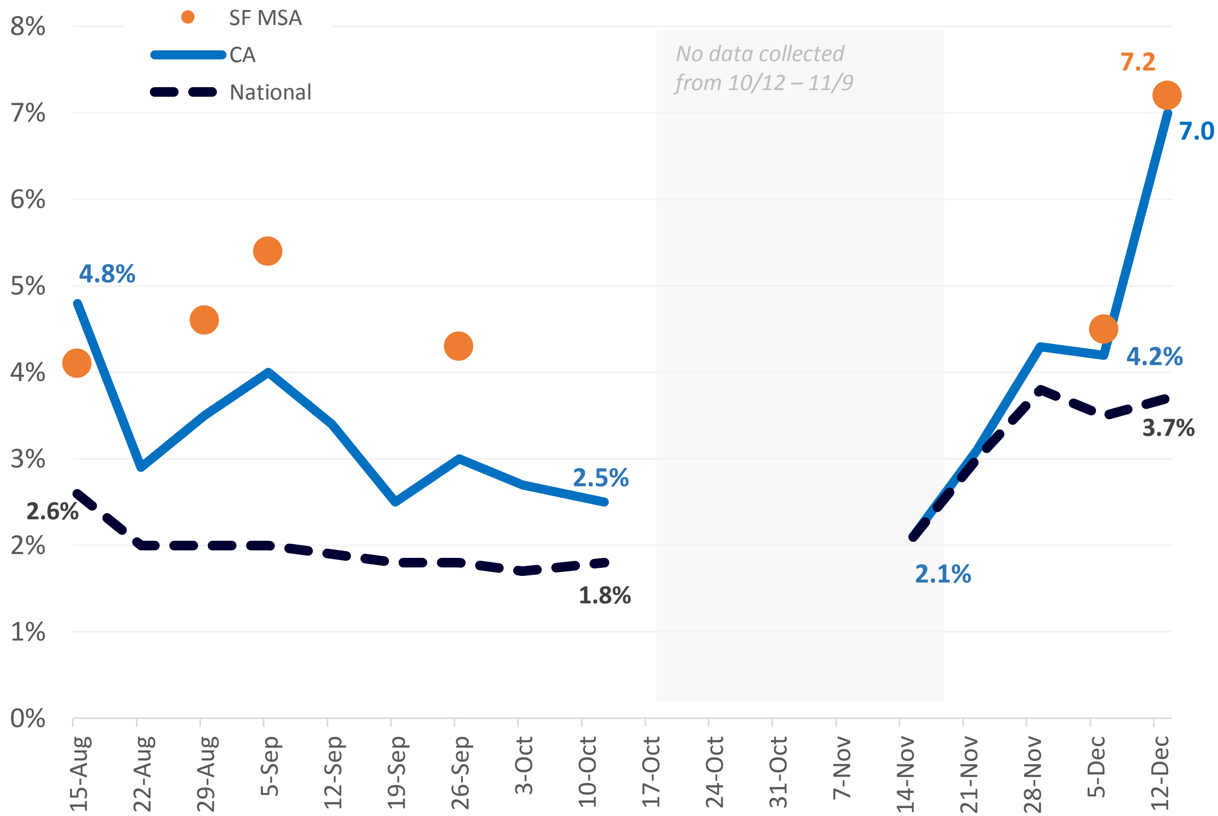
Key elements: Regional Stay-at-Home Order

- Retail operations at 20% capacity
- Restaurants take-out only
- Bars, breweries and distilleries closed
- Hair salons and barbershops closed
- Hotels and lodging for critical infrastructure support only
- Offices remote only except for critical infrastructure sectors where remote work not possible

Small business closures locally, statewide and nationally

7.2 percent of small businesses surveyed in the SF Metro area indicated they had temporarily closed in the week of Dec. 7 to 13

% of business respondents reporting a temporary closure in the last week



Source: US Census, Small Business Pulse Survey

Notes: SF MSA estimates are only included for estimates where the Coefficient of Variation was less than 0.30 as recommended by US Census.

- The Census Bureau has been weekly asking a national sample of around 25,000 businesses with 500 or fewer employees how they have responded to the COVID-19 pandemic (3,300 in California)
- This survey provides data on temporary closures among survey respondents nationally, in California and in the SF Metro Area
- **The latest data from Dec 7 to 12, 2020 showed that 7 percent of business reported in California and the SF Metro area were temporarily closed. This was almost double the national temporary closure rate (3.7 percent).**

IMPORTANT NOTE:

The survey data is categorized as "experimental" by the Census Bureau given larger than usual variation and potential data quality issues.

Estimated small business closures in San Francisco

According to the Business Pulse Survey, we estimate 5,031 small businesses may have closed temporarily from Dec. 7 to 13, an increase of 1,887 compared to the previous week.

Inputs	**Value**	*Source*
Number of Total Businesses	93,457	*TTX (2018)*
Number of Small Businesses (<$1m Gross Receipts)	**69,869**	*TTX (2018)*
% Small Businesses	75%	

All Small Businesses Temporary Closures	**11/30 - 12/6**	**12/7 - 12/13**
Temporary Closure Rate*	4.5%	7.2%
Estimated Number of Small Businesses Temporarily Closed	**3,144**	**5,031**

Accommodation & Food Service Small Businesses		*Source*
Number of Small Accommodation & Food Service Businesses	6,548	*TTX (2018)*
% of Small Businesses	9.4%	
	11/30 - 12/6	**12/7 - 12/13**
Temporary Closure Rate**	13.3%	20.0%
Estimated # of Accommodation & Food Svcs Businesses Temporarily Closed	**871**	**1,310**
% of Total Temporary Closures	*28%*	*26%*

Source: BLA Estimates using data from US Census, Small Business Pulse Survey, Treasurer Tax Collector

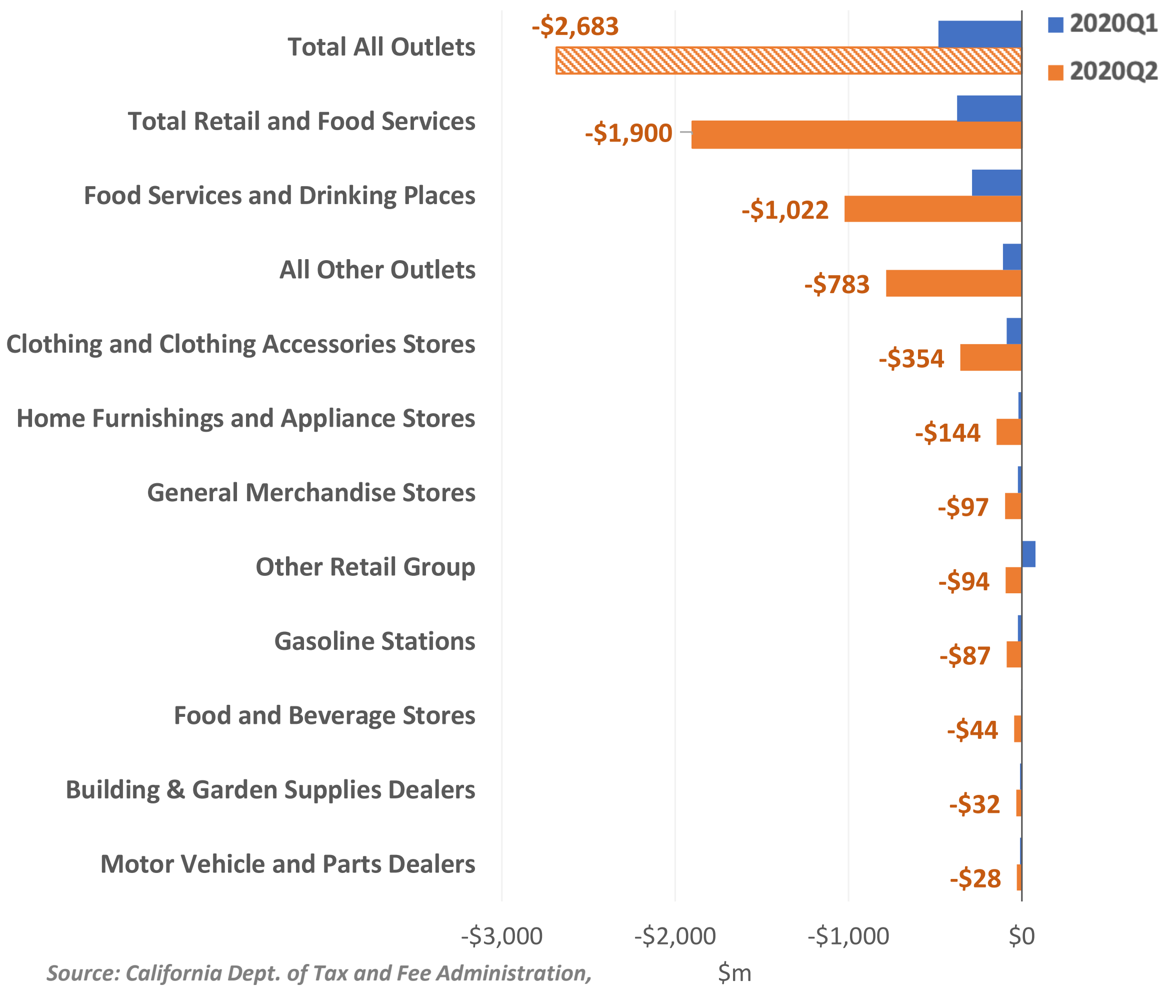
- **We combined data from the Treasurer Tax Collector on the number of businesses paying business taxes and the Census Small Business Pulse Survey** to estimate local temporary business closures
- While the actual number of closures may differ, **these estimates are likely an underestimate** as the Pulse Survey may not capture businesses that have closed permanently and may not be representative of small businesses in the County
- To provide an upper-level estimate, **we used data from the Pulse Survey on temporary closures at the state level in the Accommodation and Food Services Industry** (one of the most affected industries).
- **The closure rate for this industry was 20 percent, indicating 1,310 closures in SF restaurant and hotel small businesses from Dec 7 to 13.**

*Notes: *Based on SF MSA Temporary Closure Rate from Pulse Survey.** Based on California Temporary Closure Rate for this industry from Pulse Survey*

Other indicators of business impacts by sector

Taxable sales in SF County were 50 percent lower in the second quarter, down $2.6bn vs. 2019

Year over Year Change in Taxable Sales by Business Type in San Francisco County ($m)



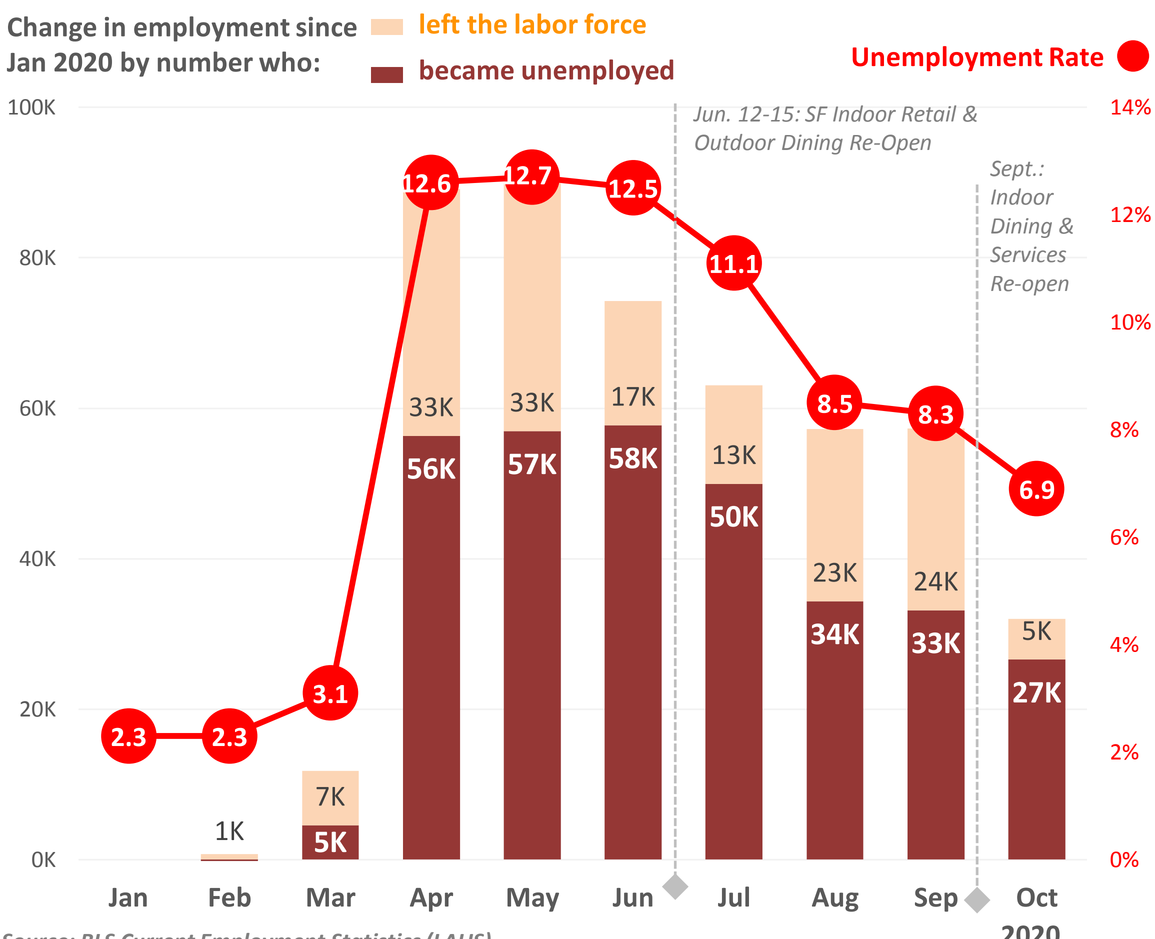
Source: California Dept. of Tax and Fee Administration,
Notes: Taxable sales do not include accommodation/ hotel taxes or other taxes collected directly by the County.

- State tax data shows **taxable sales in Q2 were 50 percent lower than a year ago, or $2.6bn lower in SF County**
- **38 percent of the reduction, or $1bn came for Retail and Food Services businesses**
- Separately, Harvard's Opportunity Insights tracker indicates **39 percent fewer small businesses had a financial transaction** within the last 3 days as of Nov. 30 compared to January 2020, up from 57 percent in April.*

** Based on data from third party credit card payment processor Womply*

SF Unemployment and Labor Force Participation

SF employment in October was down 5.6% (-32k) vs. January 2020, an improvement from May but 2x greater than January



Source: BLS Current Employment Statistics (LAUS)

*Notes: **Left the Labor Force** is based on reduction in total labor force (i.e. those employed or actively looking for employment).*
***Became unemployed** is based on the number reported who reported being out of work but actively looking.*

As of October 2020*:

40,072 (6.9%)

Number unemployed in San Francisco County (% of labor force)

26,585 (~2x)

more individuals unemployed compared to January 2020

5,380 (-0.9%)

fewer individuals in the labor force compared to January 2020 (up from -33,007 in May 2020)

5.6%

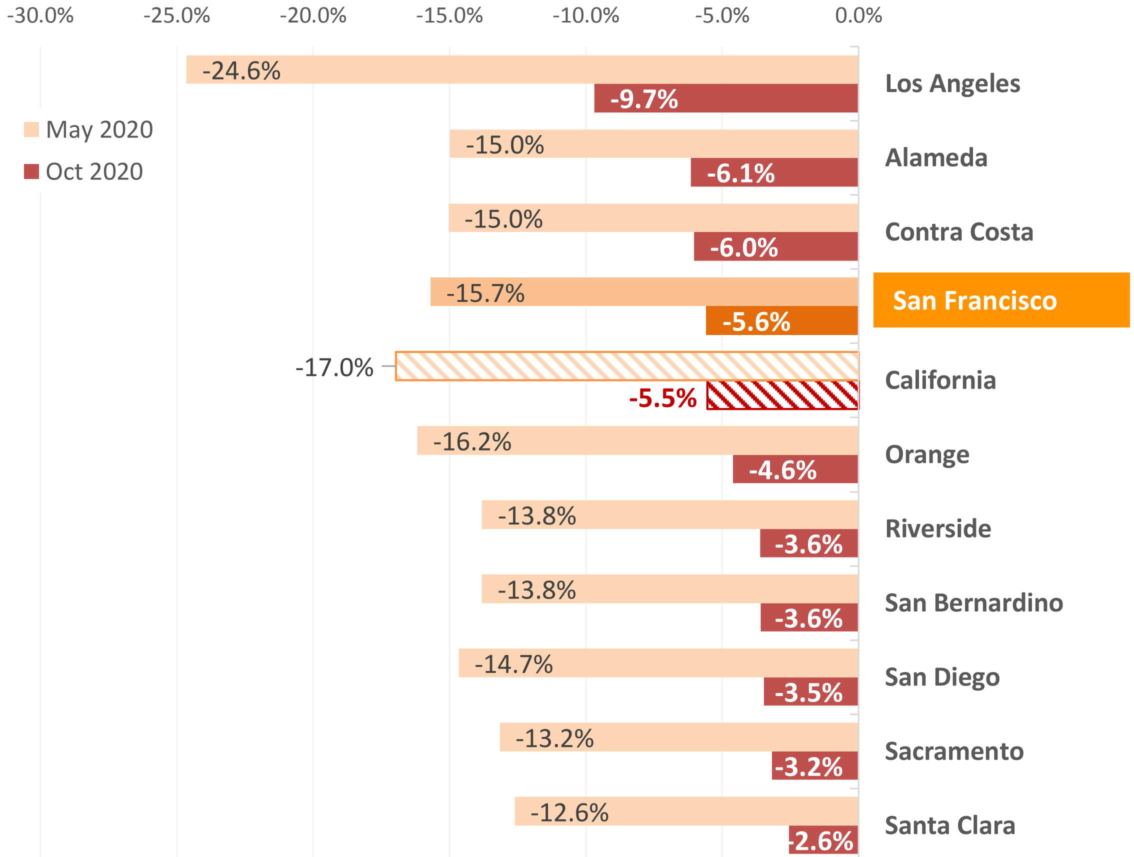
percent reduction in employment compared to Jan. 2020 (down from 15.7% in May)

**Employment status is measured as of the week ending the 12th of each month.*

SF Employment Recovery Compared to Major California Counties

San Francisco's employment recovery in October was similar to Alameda and Contra Costa but slower than Santa Clara and other large Southern California counties (excluding Los Angeles)

% Change in Employment compared to January 2020 by County



As of October 2020:

-5.6%

percent reduction in employment vs. Jan. 2020 in San Francisco County

541,072

employment in SF, down 32k from 573k in January, up from a low of 483k in May 2020

-5.5%

percent reduction in employment on Jan. 2020 across all California

Source: BLS Current Employment Statistics (LAUS)
Notes: Major Metro Avg includes the top 10 largest counties with metropolitan centers (excluding Kern County). Alameda, Contra Costa, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, Santa Clara

SF Employment Reductions by Industry

Leisure and hospitality accounted for 43.6 percent of employment reductions from November 2019 to 2020; 13.7 percent were from trade, transportation and utilities industries

Employment Change by Industry from Nov. 2019 to Nov. 2020, SF Metro Division (San Francisco and San Mateo Counties)

Industry	Nov 2019	Nov 2020	% YoY Change	YoY Change (000s)	% of Total YoY Chg.
Leisure and Hospitality	149.2	100.7	-32.51%	**(48.5)**	**43.6%**
Trade, Transportation, and Utilities	158.0	142.8	-9.62%	**(15.2)**	**13.7%**
Government	133.9	121.6	-9.19%	**(12.3)**	**11.1%**
Information	100.4	90.3	-10.06%	**(10.1)**	**9.1%**
Education and Health Services	148.8	140.6	-5.51%	**(8.2)**	**7.4%**
Other Services	41.8	35.5	-15.07%	**(6.3)**	**5.7%**
Professional and Business Services	297.9	291.9	-2.01%	**(6.0)**	**5.4%**
Mining, Logging and Construction	43.3	39.6	-8.55%	**(3.7)**	**3.3%**
Manufacturing	39.1	36.0	-7.93%	**(3.1)**	**2.8%**
Financial Activities	87.4	89.6	2.52%	**2.2**	**-2.0%**
Total	**1,200**	**1,089**	**-9.27%**	**(111.2)**	100.0%

Source: BLS Current Employment Statistics (SAE)

Notes: Based on BLS Current Employment Statistics, State and Metro Area Employment, Hours and Earnings for the San Francisco-Redwood City Metropolitan Division (San Franc

Industries with Largest Share of Employment Reductions, SF Metro

30 percent of year-over-year employment reductions in SF Metro Division were in the restaurant and bar industries in November 2020

Leisure & Hospitality

Employment Change by Industry from Nov. 2019 to Nov. 2020, San Francisco & San Mateo Counties (Metro Division)

Industry	Nov 2019 (000s)	Nov 2020 (000s)	% YoY Change	YoY Change (000s)	% of Total YoY Chg.
Food Services and Drinking Places	102.1	69.1	**-32.3%**	**(33.0)**	29.7%
Accommodation	26.4	16.6	**-37.1%**	**(9.8)**	8.8%
Performing Arts, Spectator Sports, and Related Industries	6.3	2.4	**-61.9%**	**(3.9)**	3.5%
Sector Total*	***149.2***	***100.7***	***-33%***	***(48.5)***	***43.6%***
Metro Division Total	1,200	1,089	-9%	(111)	100%

Source: BLS Current Employment Statistics (SAE)

*Notes: *Sector Total does not add up due to non-disclosure of employment for other low level industries in the sector.*

Based on BLS Current Employment Statistics, State and Metro Area Employment, Hours and Earnings for the San Francisco-Redwood City Metropolitan Division (San Francisco)

As of November 2020:

-33,000

reduction in employment in Food Services & Drinking Places on Nov. 2019 (1 out of every 3 jobs lost)

1 in 11 (9,800)

jobs lost compared to Nov. 2019 were in hotels and accommodation

62% (-3,900)

percent reduction in arts and sports employment on Nov. 2019

SF Metro Employment Reductions: Trade, Transportation & Utilities

Transportation & Warehousing and Clothing store employment had the largest reduction in jobs in this sector, with a reduction of 10,900 jobs

Trade, Transportation & Utilities

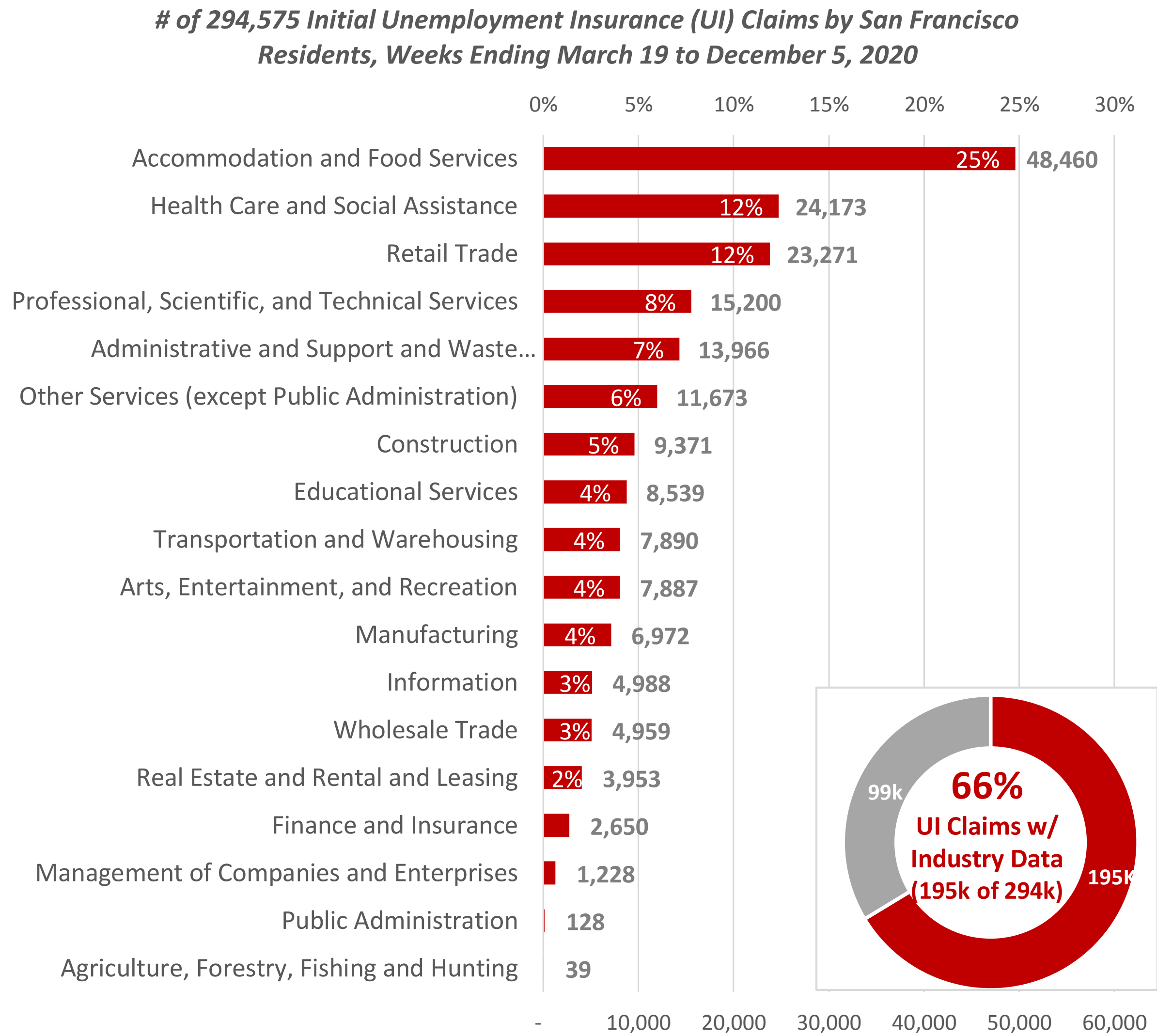
Employment Change by Industry from Nov. 2019 to Nov. 2020, San Francisco & San Mateo Counties (Metro Division)

Industry	Nov 2019 (000s)	Nov 2020 (000s)	% YoY Change	YoY Change (000s)	% of Total YoY Chg.
Transportation and Warehousing	46.5	39.6	**-14.8%**	**(6.9)**	45%
Clothing and Clothing Accessories Stores	9.8	5.8	**-40.8%**	**(4.0)**	26%
Air Transportation*	11.3	9.3	**-17.7%**	**(2.0)**	13%
Merchant Wholesalers, Nondurable Goods	11.6	9.8	**-15.5%**	**(1.8)**	12%
Merchant Wholesalers, Durable Goods	12.3	11.1	**-9.8%**	**(1.2)**	8%
Miscellaneous Store Retailers	5.5	4.6	**-16.4%**	**(0.9)**	6%
General Merchandise Stores	9.7	8.8	**-9.3%**	**(0.9)**	6%
Health and Personal Care Stores	6.7	6.5	**-3.0%**	**(0.2)**	1%
Food and Beverage Stores	17.9	18.1	**1.1%**	**0.2**	-1%
Couriers and Messengers	7.5	8.4	**12.0%**	**0.9**	-6%
Sector Total**	**158.0**	**142.8**	**-10%**	**(15.2)**	**13.7%**
Metro Division Total	**149.2**	**100.7**	**-33%**	**(48.5)**	**43.6%**

Source: BLS Current Employment Statistics (SAE)

*Notes: * Air Transportation is also included in "Transportation and Warehousing"; **Sector Total does not add up due to non-disclosure of employment for other low level industry in the sector. Based on BLS Current Employment Statistics, State and Metro Area Employment, Hours and Earnings for the San Francisco-Redwood City Metropolitan Division (San Francisco and San Mateo)*

Unemployment Insurance Claims by Industry



From March 13 to Dec 5, 2020:

1 in 4

UI claims were from the Accommodation & Food Services industry

1 in 4

UI claims were from Health Care and Social Assistance and Retail Trade industries together (around twice the January – March 2020 share of claims)

IMPORTANT NOTES:

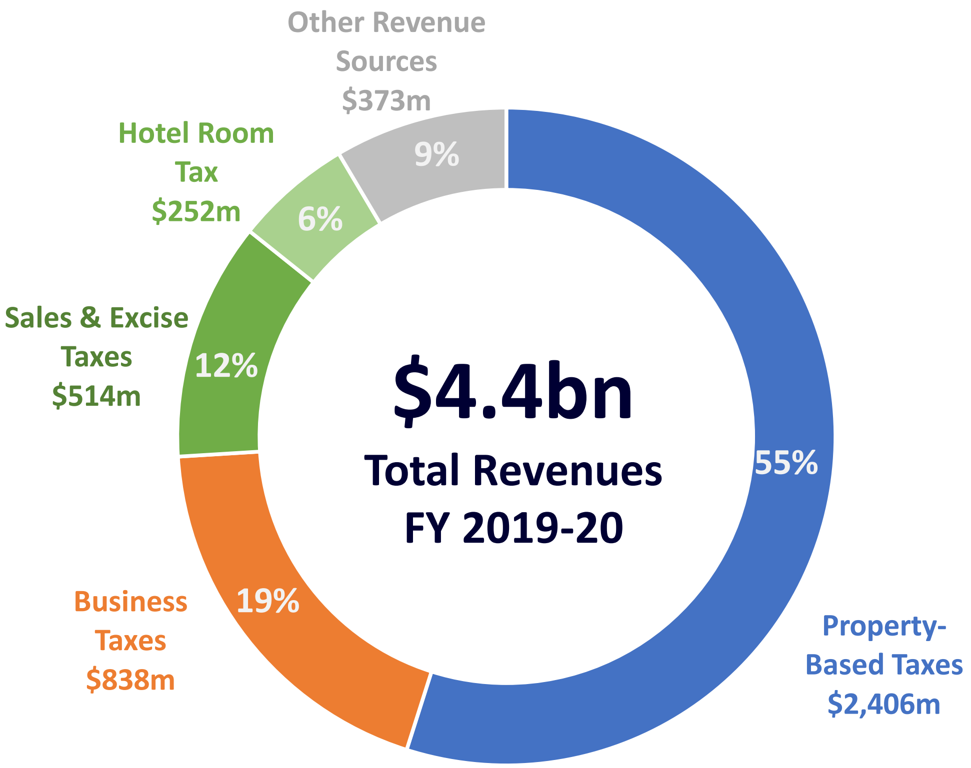
- *New dataset from CA EDD*
- *34% of Initial Claims do not have industry data.*
- *Does not include PUA Claims (i.e. self-employed, those not eligible for state unemployment insurance)*

Source: California Employment Development Department (via OEWD)

Notes: Industry based on NAICS 2-digit industry codes. Industry is determined based on employer information submitted when applying for Unemployment Insurance benefits from EDD. This employer information is then linked to other administrative data to determine industry code

City General Fund Tax Revenues by Source

FY 2019-20 Revenues by Type

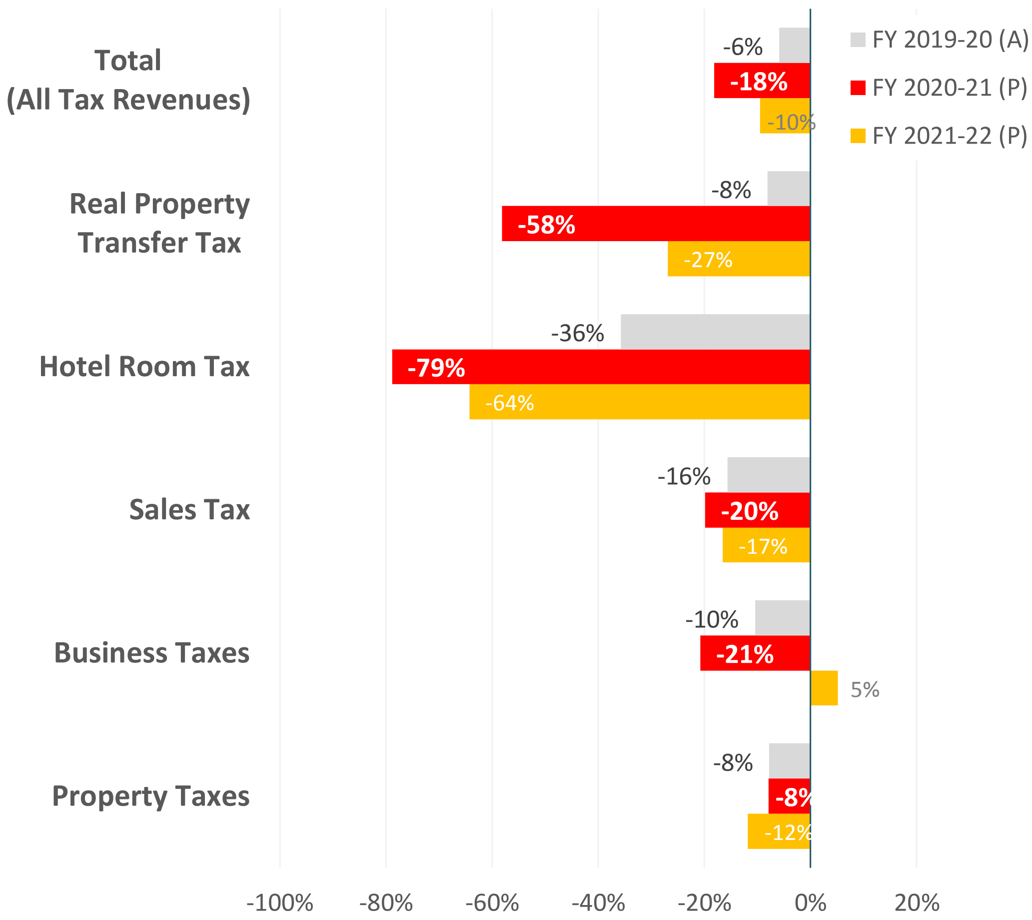


- Controller projects a **$635m reduction in FY 2020-21 General Fund revenues compared to FY 2019-20**, or 14.4%
- **34% of total taxable property by value was associated with commercial properties, as of July 1, 2020 ($97.5bn)**
- **Hotel Room Taxes are projected to shrink by two-thirds in FY 2020-21, or from $252m to $83m**

Source: Controller's Office 3 month Budget Outlook Report
Notes: FY 2019-20 are actuals (pre-audit).
***Property-Based Taxes** include Property Taxes and Real Property Transfer Taxes*
***Sales & Excise Taxes** include Sales Tax, Parking Tax, Utility User & Access Line Taxes, Sugar Sweetened Beverage Tax, Stadium Admissions Tax, Cannabis Tax, Public Safety Sales Tax.*
***Other Revenue Sources** include: Interest Income, Public Safety Realignment funds, Health and Welfare Realignment funds, and SFO Transfer In*

City General Fund Tax Revenues

% Change in Tax Revenue by Source compared to FY 2018-19



Source: Controller's Office

Notes: FY 2019-20 are actuals (pre-audit), FY2020-21 are based on 3-month budget outlook projections, FY 2021-22 are forthcoming projections from the 5-year Financial Plan

- **From $4.1 billion in FY 2018-19, General Fund tax revenues are projected to decline by $749 million, or 18% through FY 2020-21**
- **Hotel, Business and Sales tax account for 58% of projected reductions from FY 2018-19 to 2020-21 (-$433m)**
- Hotel Revenue per Available Room down 87% in October vs. January 2020 ($30 vs. $227 RevPAR)
- **Total Citywide revenues are not expected to recover to FY 2018-19 levels until FY 2022-23**
- 70% of business payroll tax base comes from office-based sectors, indicating resilience for that sector

Federal Financial Relief Programs

- Payroll Protection Program and Economic Injury Disaster Loans as of November 24, 2020

Business Type	Number of Recipients	Amount Borrowed	Average Amount Borrowed	Share of SF Recipients	Share of SF Loans
Small Business	21,529	$3,312,910,343	$153,881	57.8%	79.7%
Self-Employed/Sole Proprietorship	14,448	$401,884,269	$27,816	38.8%	9.7%
Nonprofit	1,250	$443,331,251	$354,665	3.4%	10.7%
Grand Total	**37,227**	**$4,158,125,864**	**$111,697**	**100%**	**100%**

Details: Payroll Protection Program

Size of Loan	Number of Recipients	Amount Borrowed	Reported Jobs Retained
Under $150,000	18,339	$677,352,989	66,234
$150,000-$350,000	2,025	$455,534,769	30,354
$350,000-$500,000	574	$239,657,240	15,302
$500,000-$1 million	697	$476,189,290	28,710
$1-$2 million	338	$469,671,417	27,598
$2-$5 million	199	$604,370,957	35,015
$5-$10 million	43	$298,593,692	13,112
Total SF Recipients	**22,215**	**$3,221,370,355**	**216,325**
Small Business	14,508	$2,642,244,882	171,755
Self-Employed/Sole Proprietorship	6,734	$161,189,357	15,414
Nonprofit	973	$417,936,115	29,156

Details: Economic Injury Disaster Loans

Size of Loan	Number of Recipients	Gig Work Recipients	Amount Borrowed	Average Amount Borrowed
Under $150,000	11,657	1,193	$395,513,721	$33,929
$150,000-$350,000	3,254	8	$492,596,688	$151,382
$350,000-$500,000	101	0	$48,645,100	$481,635
Total SF Recipients	**15,012**	**1,201**	**$936,755,509**	**$62,400**
Small Business	7,026	--	$671,716388	$95,604
Self-Employed/Sole Proprietorship	7,714	--	$240,694,912	$31,202
Nonprofit	272	--	$24,344,209	$89,501

Local Financial Relief Programs: OEWD

Program	Funding Source	Funding Available	Funding Committed	Funding Expended	# of Applications Received	# of Loans/ Grants Issued to Businesses	Median Loan/ Grant Amount ($)
SF HELP (Hardship Emergency Loan Program)	Give2SF & General Fund	$ 9,450,000	**$ 5,619,157**	**$ 6,633,927**	6,331	243	$22,000
African American Small Business Revolving Loan Fund	Give2SF & General Fund	$ 2,700,000	**$ 2,300,000**	**$ 988,000**		23	$50,000
Latino Small Business Fund (SF HELP extension)	Give2SF & General Fund	$ 2,475,000	**$ 747,500**	**$ -**	N/A	N/A	N/A
SF Shines for Reopening	General Fund	$ 1,414,465	**$ 679,340**	**$ 116,784**	863	190	$2,000
Resiliency Fund	Give2SF	$ -	**$ 1,000,000**	**$ 1,000,000**	1,500	128	
Resiliency Fund Round 2	Give2SF	$ -	**$ 1,500,000**	**$ 1,352,500**	4,048	207	$6,000
Mini Grants (Women's Entrepreneurship)	N.A.	$ -	**$ 160,000**	**$ 160,000**	1,084	77	$2,000
Mini Grants (Neighborhood)	N.A.	$ -	**$ 790,000**	**$ 790,000**	900	277	$2,000
Total		**$ 16,039,465**	**$ 12,795,997**	**$ 11,041,211**	**14,726**	**1,145**	

Estimated unpaid commercial rent in San Francisco

Initial BLA estimates suggest between $19m to $38m in commercial rent for retail and offices may be unpaid per month due to COVID-19 related non-payment

- Based on data from the Assessor on secured property value assessments and various financial and survey data, we are developing estimates of unpaid rent in the commercial sector since the start of the COVID-19 pandemic.

BLA Estimates of Unpaid Commercial Rent by Sector (part of forthcoming report)

	Total Rented CRE		*Rent Due*		***Unpaid Rent***	
Sector*	**Total CRE Sq. Ft.**	**Total Occupied Rented CRE Sq. Ft.**	**Rental Rate per Sq. Ft. per year**	**Total CRE Rent Due per Month ($m)**	**% of Rent Unpaid**	**Total Unpaid Rent per Month ($m)**
Office	80 - 104m	66.4m - 86.3m	$67 - 80	$371m - 575m	0.30%	**$1 – 1.7m**
Retail (Total)	40 - 52m	34.0m - 44.2m	$65	$184m - 239m	9.85 - 15%	**$18 - 36m**
*Retail - Small/ Neighborhood Shops***	*12m*	*10.2m*	*$36*	*$31m*	*56%*	*$17.1m*
Hotel/ Accommodation	20 - 30m	TBC	TBC	TBC	18%	**TBC**
Industrial	23 - 42m	18.4m - 37.8m	$30	$46m - 94m	TBC	**TBC**
Total (Office & Retail)	**163 - 228m**	**118.8m – 168.3m**	**TBC**	**$601m - 940m**	**TBC**	**$19m – 37.6m**

Source: BLA Estimates based on various sources.

Notes: Total Commercial Real Estate square footage estimates are based on Assessor Secured Tax Rolls data for FY 2019-20 and commercial real estate broker reports. Unpaid Rent Estimates are from survey data (i.e. SFAA Commercial Rent survey, Small Business Pulse Survey) and industry financial data on payment of rents and mortgages or mortgage securities (CMBS).

**Sector is determined based on Assessor property class and use categories.*

***Retail - Small/ Neighborhood Shops is defined based on Assessor property types with mixed commercial and retail uses, such as properties with 1 – 14 residential units and commercial store.*

Questions and comments

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December 22, 2020

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