

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Sarah Zárate

SUBJECT: SEE BELOW

DATE: June 25, 2024

Approved



Date

6/27/24

INFORMATION

SUBJECT: SUPPORTING COMMERCIAL TENANTS AND SMALL BUSINESSES IMPACTED BY RESIDENTIAL DEVELOPMENT

This memorandum provides an update on measures the State of California and the City of San José are taking to support commercial tenants and small businesses impacted by residential development.

BACKGROUND

On December 5, 2023, the City Council adopted an ordinance amending Title 20 of the San José Municipal Code (Item 10.1a). These actions eliminated commercial space requirements for developments that are 100% deed-restricted affordable housing projects. As part of the item, the City Council adopted a memorandum ([Item 10.1\(a\) 23-1662](#)¹) authored by Councilmember Ortiz that expressed concern over the impacts this would have on commercial tenants and small businesses, particularly in regard to displacement. The recommendation directed the City's Intergovernmental Relations (IGR) team to provide an informational memorandum on commercial tenant displacement. Specifically, the recommendation directed IGR to provide information on what measures the state and the City are taking to support commercial tenants and small businesses impacted by residential development.

¹ <https://sanjose.legistar.com/View.ashx?M=F&ID=12505445&GUID=4D93158A-1C02-4DAB-ADF9-0A55F9C564A9>

ANALYSIS

State Actions Supporting Small Businesses Impacted by Residential Development

State Agencies

The Governor's Office of Business and Economic Development (GO-Biz) serves as the state's lead agency for promoting job growth, economic development, and business assistance. The Governor's Office of Business and Economic Development offers a range of no-cost consultation services to business owners, including attraction, retention, and expansion services, site selection, permit assistance, regulatory guidance, small business assistance, international trade development, and assistance with state government agencies. The City consistently communicates with the Governor's Office of Business and Economic Development as the Administration is always looking for ways to collaborate on areas of shared interest. Additionally, the City has invited Dee Dee Myers, Senior Advisor to Governor Newsom and Director of the Governor's Office of Business and Economic Development, to San José and will look to use this opportunity to provide more insight into the unique small business community in San José and discuss additional opportunities to collaborate with the state to support small businesses.

The California Office of the Small Business Advocate (CalOSBA) is an office within the Governor's Office of Business and Economic Development that focuses on supporting small businesses. This office supports economic growth and innovation by ensuring that small businesses have the information and direct support they need to navigate resources, apply for programs and grants, and understand the regulatory frameworks of their industry. CalOSBA's core mission is to provide resources to all California small businesses, disabled veteran business enterprises, minority and women-owned businesses, and individuals who own and operate businesses located in low-wealth and rural communities. The California Office of the Small Business Advocate focuses on the following objectives:

- 1) Providing access to resources through technical assistance providers.
- 2) Advocating for small business owners across state agencies.
- 3) Advancing resilience, recovery, and innovation.
- 4) Championing economic mobility for underserved small business owners.

Recently, CalOSBA launched a new program aimed at providing capital for California's underinvested small businesses. The Technical Assistance for Capital Readiness Program will make \$25.3 million available to qualified businesses over the next five years. This funding derives from the U.S. Treasury's State Small Business Credit Initiative, which seeks to spur investment in businesses with one to nine employees, small manufacturing companies, and businesses operated by owners from underserved communities. With these funds, CalOSBA will partner with a statewide network of small business technical assistance centers that represent geographic and service diversity. This includes services in over 30 languages to further support small businesses and entrepreneurs of many different backgrounds. This new program will help

small business owners navigate the funding landscape and assist in successfully accessing the capital they need to start and grow their businesses in California. The technical assistance services will include tailored free one-on-one counseling and no- to low-cost training. IGR will continue to explore opportunities to collaborate with CalOSBA. Additional information on existing CalOSBA programs can be found in the **Attachment** - California Office of the Small Business Advocate Programs.

City's Legislative Program

The City of San José's Legislative Program is updated once per year by the City Council. It guides IGR's advocacy work, ensuring that the policies and funding the City pursues align with the City's top priorities as directed by the City Council. The Legislative Program has a number of policy positions that guide IGR's work in supporting small businesses. Included in the Legislative Program is a focus on catalyzing downtown revitalization and cultivating equitable investment in our neighborhoods. This work is guided by the following positions.

- **Avoiding Small Business Displacement** - Support and advocate for policies and funding to help address the displacement of small businesses when redevelopment activity occurs on commercial space/land. This includes financial assistance and support for very small businesses (fewer than 10 employees) and home-based businesses on rent relief, equipment for better safety standards, and the City's existing Storefront Grants.
- **Transit-Oriented Development** - Support legislation and funding at the state and federal levels that promotes transit supportive commercial uses, employment uses, affordable housing adjacent to transit, and anti-displacement measures. Support coordinated development of transportation facilities, including transit, with private development and complementary with the City's Transportation Demand Management ordinance. Support a legislative approach that seeks to minimize residential and business displacement and ensure that new urban development is compatible with adjacent surrounding neighborhoods.
- **Nonprofit and Small Business Capacity Building** - Support programs that fund or provide capacity building for nonprofits in San José. Support and assist in strengthening the small business and neighborhood district ecosystems by designing programs that build organizational and professional capacity in community-based organizations in San José.
- **Opportunities for Expanded Small Business Operations** - Support efforts to extend retail and hospitality business operations, similar to efforts implemented in response to the COVID-19 pandemic such as expanded outdoor seating, outdoor markets, the pedestrianization of public streets, and to-go cocktails.

Active Bills IGR is Supporting in the State Legislature

IGR is currently supporting Senate Bill 1103, a commercial tenant protection bill authored by State Senator Caroline Menjivar. This bill extends various protections and notice requirements for lease terminations or rent increases to qualified commercial tenants. This bill will increase fee transparency and equity by capping security deposits for small business and non-profit tenants at one month's rent and extending statutory notice periods for rent increases and termination of tenancies. Additionally, Senate Bill 1103 will expand existing translation requirements to include commercial leases. The City's IGR team has sent a letter to Senator Menjivar expressing the City's support for this bill and offered support in helping to ensure its passage.

Efforts by the City to Support Small Businesses

Considering strained budgets and limited resources at the state level, the City of San José has stepped forward to support small and local businesses. Leveraging City's funds, the City has provided resources, added additional programs and initiatives, and established a new advisory committee to ensure that small businesses in our community have a voice in policy decisions. The City continues to engage the business community to look for ways that the City can support their needs. This work is ongoing, but the information below details the City's progress.

Planning Commission Study Session on Small Business Displacement

On August 11, 2021, the City's Planning Commission held a [Study Session on Small Business Displacement in San José](#)². The report, presented by OEDCA staff, covered several topics, including business resiliency at the neighborhood level, San Jose's anti-displacement pilot, and how the COVID-19 pandemic has impacted small business resiliency and displacement.

Office of Economic Development and Cultural Affairs Supports Small Businesses

In early 2024, the City's Office of Economic Development and Cultural Affairs (OEDCA) established the new Small Business Advisory Committee. This committee was formed to enable business owners and relevant stakeholders with the opportunity to advocate and provide feedback on key issues coming before the City Council. The committee is comprised of 12 members, representing interests from local neighborhood business associations, chambers of commerce, business support organizations, and other organizations with clear business interests, such as a bank or philanthropist.³ The Small Business Advisory Committee held its inaugural meeting on January 18, 2024, and has committed to meeting quarterly with the option to host additional events, seminars, and conferences.

OEDCA also serves as a liaison for businesses in San José when they need assistance navigating City processes. For example, OEDCA, on request from a San José business owner, may follow

² <https://www.sanjoseca.gov/home/showdocument?id=75917>

³ <https://www.sjeconomy.com/how-we-help/programs-and-services/san-jos-small-business-advisory-committee>

up with the Department of Planning, Building, and Code Enforcement and/or other City departments regarding the status of the proposed development and, where possible, provide a permitting timeline update to requesting parties. This practice ensures business owners have access to the most current information available, which informs the timing of future decisions on remaining in the current location and when to relocate.

OEDCA can also make service referrals, connecting small businesses with resources that they may need. For example, upon request from a San José business owner, OEDCA will make a referral to one of the City's partner organizations that offer free consultation on specific topics such as access to capital operational and marketing support. Unfortunately, challenges relating to relocation can result in increased costs for small businesses, impacting their cash flow, and may also require the owner to seek additional financing or working capital to support this transition.

OEDCA recently launched a new initiative that provides free legal services to San José's small businesses. The free legal service is provided by Elevate Community. A soft launch of the program started in late May 2024, with a full launch scheduled for late June 2024. The City's contract with Elevate Community will last 18 months through October 2025. This is the first time the City has designed, procured, and funded a free legal service with a focus on improving landlord-tenant relationships and advising on issues of relocation and displacement.

Five Wounds Study

In the summer of 2024, the Planning, Building, and Code Enforcement Department will publish the Five Wounds Study, which is jointly funded by the Santa Clara Valley Transportation Authority and the Planning, Building, and Code Enforcement Department. For the first time, the study will include a chapter on residential and business displacement, offering a menu of solutions for further analysis. The Five Wounds Study is scheduled for discussion at a City Council meeting in the fall of 2024. The Planning, Building, and Code Enforcement Department will provide a commentary on the consultant's study with recommendations to the City Council.

City's Underwriting Guidelines

Under the City's affordable housing underwriting guidelines, projects receiving funding from the City are required to create and implement a community engagement plan in the proposed community where residents and surrounding businesses may be impacted. Any proposed development to acquire land or rehabilitate existing structures using City funds that may result in the displacement of businesses must fully comply with both state and federal relocation laws. Developers are required to provide an assessment of the potential displacement of businesses, including a detailed summary of businesses and estimated costs and timing of relocation. The City must review and approve a relocation plan before the acquisition, rehabilitation, demolition, or construction funding.

EVALUATION AND FOLLOW-UP

The City Manager's Office of Economic Development and Cultural Affairs is currently preparing the Commercial Anti-Displacement Strategy Status Report to be heard at the Community and Economic Development Committee on November 18, 2024. This report will detail the City's approach going forward to define a policy for supporting small businesses displaced by development. This report will set the terms of reference and scope for the design of a citywide policy on addressing business displacement, and a consultant study will follow in early 2025 with the aim of a report back to the Community and Economic Development Committee in the fall of 2025.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, City Manager's Office of Economic Development and Cultural Affairs, and the Departments of Finance, Housing, and Planning, Building, and Code Enforcement.

/s/

Sarah Zárate

Director, Office of Administration, Policy,
and Intergovernmental Relations

For questions, please contact Zane Barnes, Deputy Director and Chief Intergovernmental Relations Officer, Office of Administration, Policy, and Intergovernmental Relations at Zane.Barnes@sanjoseca.gov.

Attachment: California Office of the Small Business Advocate Programs



CALIFORNIA OFFICE OF THE SMALL BUSINESS ADVOCATE PROGRAMS

MISSION

The California Office of the Small Business Advocate (CalOSBA) supports economic growth and innovation statewide. CalOSBA's core mission is to provide resources to all California small businesses, disabled veteran business enterprises (SB/DVBEs), minority and women-owned businesses, and individuals who own and operate businesses located in low-wealth and rural communities.

CalOSBA drives a collaborative and comprehensive outreach and engagement strategy through advocacy, sharing resources, and building resilience through programs and our Technical Assistance Network that supports growth and business sustainability.

CALOSBA OBJECTIVES

The mission-critical activities the regional teams support are:

1. Provide access to resources through technical assistance providers.
2. Advocate for small business owners across state agencies.
3. Advance resilience, recovery, and innovation.
4. Champion economic mobility for underserved small business owners.

SMALL BUSINESS TRAINING AND CONSULTING SERVICES

- **Technical Assistance Program (TAP)** – \$23 million each year to expand small business services, free one-on-one consulting, and no-cost or low-cost training.
- **Capital Infusion Program (CIP)** – \$3 million in annual funding through 2022-23, which supports one-on-one business consulting provided by the Small Business Development Center (SBDC) network to assist small businesses in accessing capital.
- **Accelerate California Inclusive Innovation Hubs** – Accelerate California Inclusive Innovation Hubs aim to stimulate partnerships, economic development, job creation, industry sectors, and entrepreneurship among technology and science-based firms in underserved geographies, regions, and communities.

GRANT PROGRAM HIGHLIGHTS

- **California Dream Fund** – One-time \$35 million grant program to seed entrepreneurship in the State of California. The Dream Fund pairs intensive startup training and consulting with grants for eligible new small businesses. For the latest status on this program, visit calosba.ca.gov/california-dream-fund.
- **California Small Business COVID-19 Relief Grant Program** – \$4 billion disbursed in nine rounds to provide grants to small businesses and nonprofits adversely impacted by the COVID-19 pandemic. For the latest status on this program, visit careliefgrant.com.
- **Microbusiness COVID-19 Relief Grant** – The California Microbusiness COVID-19 Relief Grant Program is a one-time \$50 Million grant program that provides \$2,500 grants to eligible microbusinesses in participating California counties. For the latest status on this program, visit calosba.ca.gov/funding-programs.
- **California Venues Grant Program** - The California Venues Grants Program is a one-time \$150 million grant program for eligible independent live events that have been affected by COVID-19. For the latest status on this program, visit cavenuesgrant.com.
- **California Nonprofit Performing Arts Grants Program** – One-time \$50 Million grant program that will provide grants up to \$75,000 to eligible nonprofit performing arts organizations to encourage workforce development. For the latest status on this program, visit canonprofitperformingarts.com.

ADVOCACY AND OUTREACH

Under the direction of CalOSBA's Director, the team is comprised of a Small Business Direct Support Supervisor, three Regional Advisors and three Small Business Local Engagement Specialists who represent Northern, Central Valley, and Southern California.

RESILIENCE, RECOVERY, AND DISASTER PREPAREDNESS

CalOSBA is the program lead for the Economic Recovery Support Fund responsible to educate, aid, and support California business owners by equipping them with resources and information on emergency preparedness and to take preventative measures before disasters such as wildfires, earthquakes, and floods occur. Are you ready? Visit outsmartdisaster.com

SUPPORT ECONOMIC MOBILITY TO UNDERSERVED SMALL BUSINESS OWNERS

CalOSBA continues to work to develop a statewide ecosystem through a collaborative network of resource partners and external stakeholders that provide resources to support the continued growth and economic mobility of small businesses in underserved communities.