

2026 City and County of San Francisco

Contracting Equity Study



Final Report

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Contracting Equity Study

Prepared for

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2026 CITY AND COUNTY OF SAN FRANCISCO CONTRACTING EQUITY STUDY EXECUTIVE SUMMARY

BBC Research & Consulting (BBC) analyzed \$7.9 billion of the City and County of San Francisco's (the City's) contracts and purchase orders to evaluate whether *small local businesses*—including small businesses with a location in San Francisco and small businesses actually headquartered in San Francisco—have fair opportunities to participate in City work. The purpose of the study was to assess:

- The percentage of dollars the City awarded to small local businesses during the *study period*, which was July 1, 2020 through December 31, 2024 (i.e., *utilization* or *participation*); and
- The percentage of dollars the City could award to small local businesses based on their ability to perform specific types and sizes of City contracts and purchase orders (i.e., *availability*).

The City can use information from the study to refine its efforts to encourage the participation of small local businesses in the projects that it awards, including the *Chapter 14B Local Business Program* [also called the *Local Business Enterprise (LBE) Program*], which is designed to help make sure that small local businesses have fair opportunities to participate in City work.

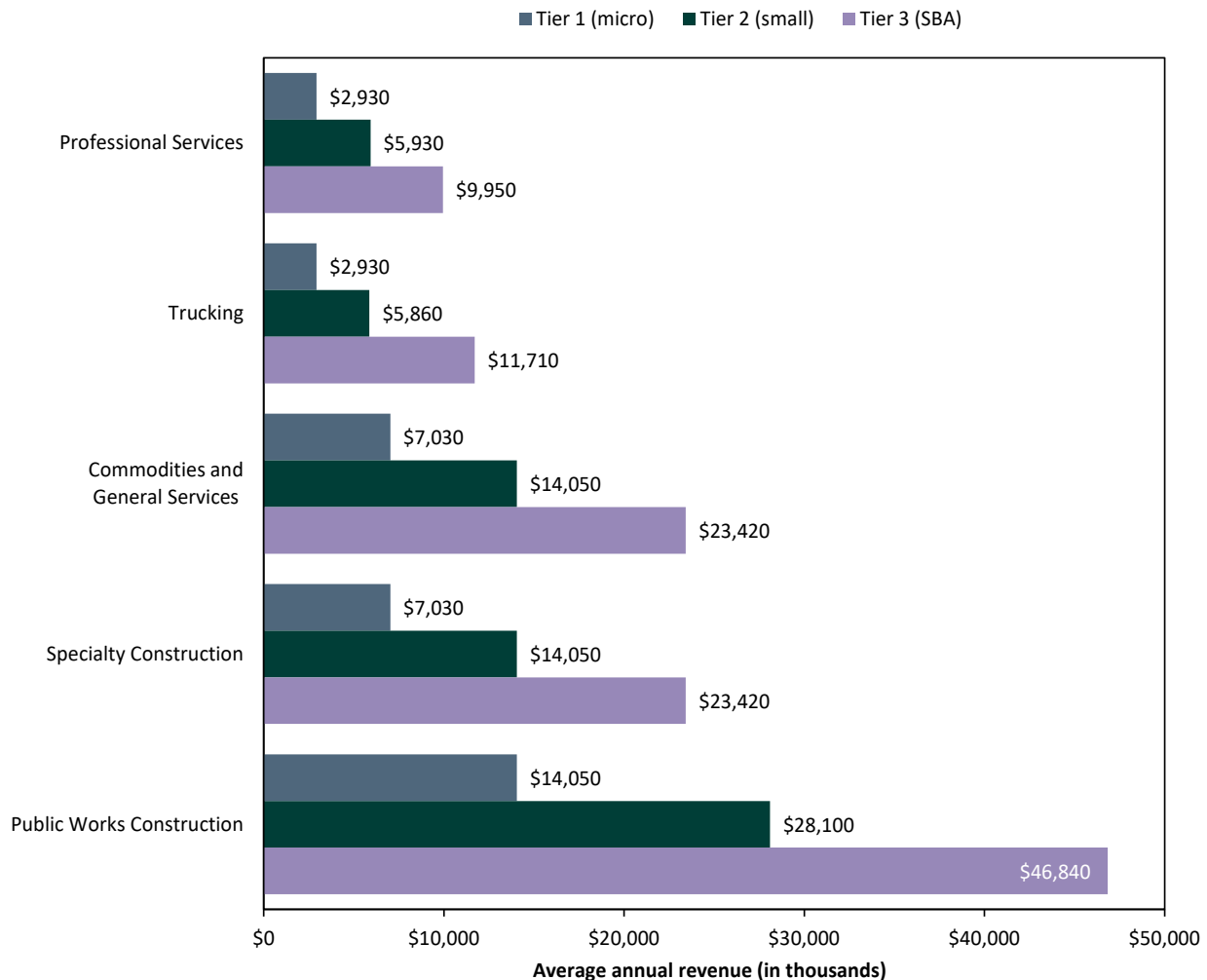
BBC defines a *small local business* as one with annual revenues less than the limits set for LBE certification, regardless of whether the business is actually certified as an LBE. There are three tiers of businesses that BBC refers to together as *small local businesses*:

- **Tier 1 (micro) businesses**, which are professional services and trucking businesses with revenues of less than \$2.93 million, commodities and general services and specialty construction businesses with revenues of less than \$7.03 million, and public works construction businesses with revenues of less than \$14.05 million;
- **Tier 2 (small) businesses**, which are professional services businesses with revenues greater than or equal to \$2.93 million but less than \$5.93 million, trucking businesses with revenues between \$2.93 million but less than \$5.86 million, commodities and general services and specialty construction businesses with revenues between \$7.03 million and \$14.05 million, and public works construction businesses with revenues between \$14.05 million and \$28.10 million; and
- **Tier 3 (SBA) businesses**, which are professional services businesses with revenues between \$5.93 million and \$9.95 million, trucking businesses with revenues between \$5.86 million and \$11.71 million, commodities and general services and specialty construction businesses with revenues between \$14.05 million and \$23.42 million, and public works construction businesses with revenues between \$28.10 million and \$46.84 million.¹

¹ The size limits of the program's SBA-LBE certification tier are not related to size limits set by the United States Small Business Administration, nor does Chapter 14B define SBA to mean Small Business Administration.

The revenue limits for each tier of small local businesses are also presented in Figure ES-1.

Figure ES-1.
Annual revenue limits for each tier of small local businesses



Note: A text description of [Figure ES-1](#) is provided in Appendix E.

A. KEY FINDINGS

The following key findings came out of the contracting equity study:

- The City underutilizes small local businesses in its contracts and purchase orders. The City could award 72.1 percent of its contract dollars to small local businesses based on their availability for that work, but it actually awarded only 36.5 percent of its contract dollars to those businesses during the study period.
- The City also underutilizes small local businesses headquartered in San Francisco in its contracts and purchase orders. Similar to all small local businesses considered together, the City could award 61.4 percent of its contract dollars to small local businesses headquartered in San Francisco based on their availability for that work, but it actually awarded only 31.0 percent of those dollars to those businesses during the study period.

- More than 80 percent of businesses headquartered in San Francisco that are available for City work earn less than \$7.0 million in annual revenue. Moreover, our analyses indicated that several economic barriers in the local marketplace make it more difficult for small businesses to compete for and perform City work, potentially making it harder for them to grow.

B. DETAILED RESULTS

BBC analyzed contracts and purchase orders the City awarded during the study period in construction, professional services, and commodities and general services work to estimate the availability of small local businesses for that work and their actual participation in it.

1. Availability analysis (Chapter 5 and Appendix B). BBC used what is called a *custom census* analysis to estimate the availability of small local businesses for the contracts and purchase orders the City awards, considering the work it awarded during the study period as representative of the work it will award in the future. An availability estimate indicates the percentage of dollars one might expect the City to award to a business group based on the characteristics of those businesses and the characteristics of the contracts and purchase orders the City actually awards.

a. Overall. Figure ES-2 presents the availability of small local businesses and small local businesses headquartered in San Francisco for the work the City awards. The overall availability of small local businesses for City work is 72.1 percent, meaning that the City could award 72.1 percent of its contract and purchase order dollars to those businesses based on their characteristics and the characteristics of the contracts and purchase orders that the City awards. Availability for City work differs across the size tiers of small local businesses:

- Local Tier 1 (micro) businesses: 60.1 percent;
- Local Tier 2 (small) businesses: 8.7 percent;
- Local Tier 3 (SBA) businesses: 3.3 percent; and
- Non-small local businesses: 27.9 percent.

Figure ES-3 presents the availability of small local businesses headquartered in San Francisco for the contracts and purchase orders that the City awards. As shown in Figure ES-3, the availability of small local businesses headquartered in San Francisco for City work is 61.4 percent. Again, availability for City work differs across the different tiers of small local businesses headquartered in San Francisco:

- Tier 1 (micro) businesses headquartered in San Francisco: 50.9 percent;
- Tier 2 (small) businesses headquartered in San Francisco: 7.7 percent;
- Tier 3 (SBA) businesses headquartered in San Francisco: 2.8 percent; and
- Non-small / non-headquartered in San Francisco businesses: 38.6 percent.

Figure ES-2.
Availability estimates for City work by business size

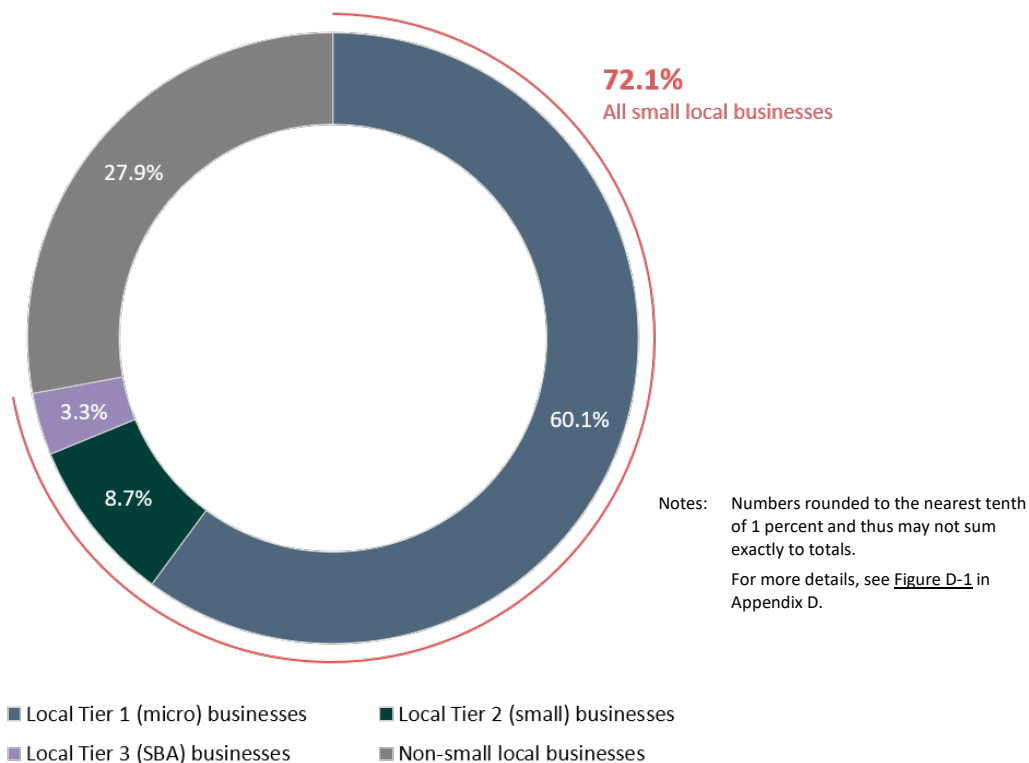
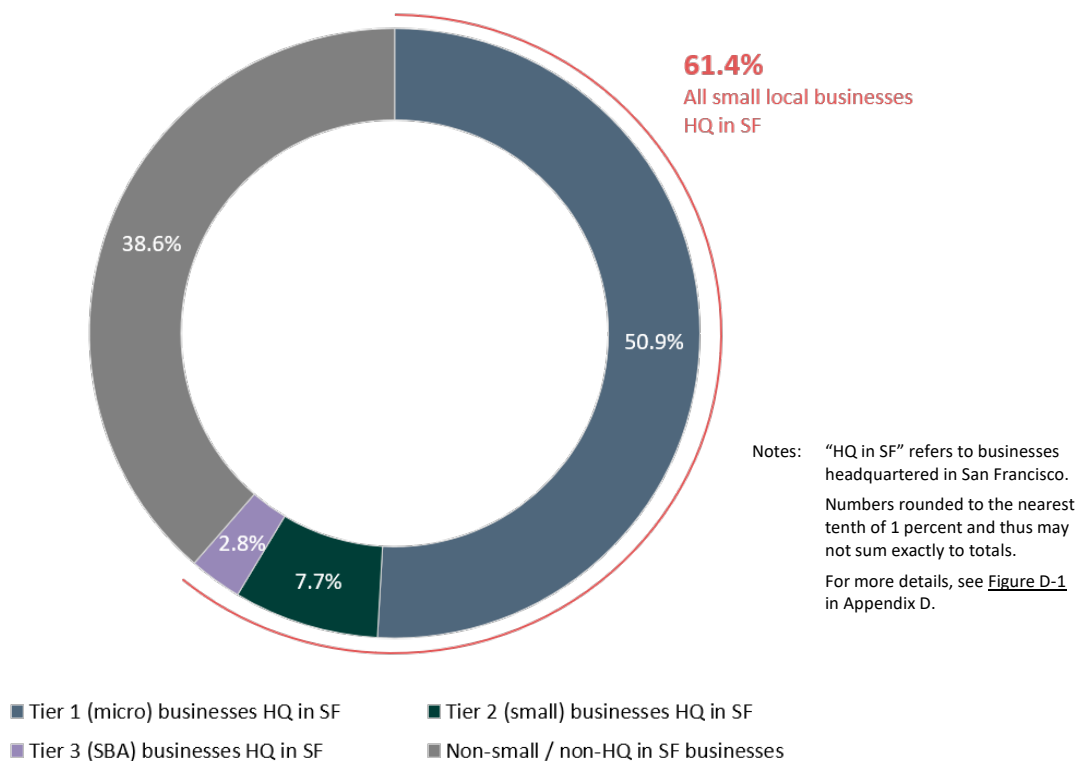


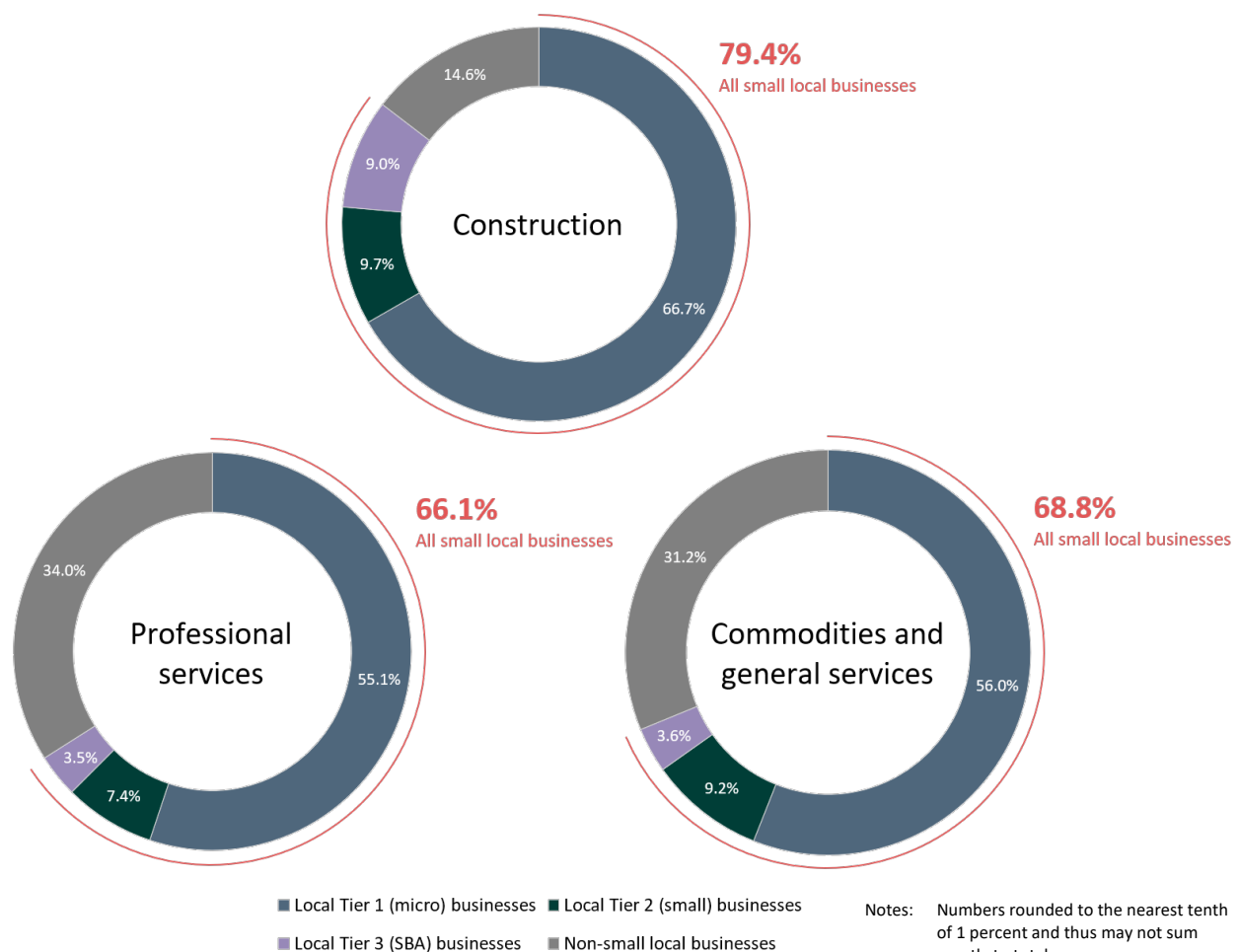
Figure ES-3.
Availability estimates for City work by business size and headquarters location



b. Industry. BBC also estimated the availability of small local businesses and small local businesses headquartered in San Francisco for City work separately by industry. As shown in Figure ES-4, small local businesses considered together show greater availability for the City's construction work (79.4%) than for its commodities and general services (68.8%) or professional services work (66.1%). The availability of small local businesses for City work differs across size tiers and industry:

- Local Tier 1 (micro) businesses show greater availability for construction work (66.7%) than for commodities and general services (56.0%) and professional services work (55.1%).
- Local Tier 2 (small) businesses show similar availability for construction (9.7%) and commodities and general services work (9.2%), but less availability for professional services work (7.4%).
- Local Tier 3 (SBA) businesses show similar availability for commodities and general services (3.6%), professional services (3.5%), and construction work (3.0%).
- Non-small local businesses show greater availability for professional services work (34.0%) than for commodities and general services (31.2%) and construction work (14.6%).

Figure ES-4.
Availability estimates for construction, professional services,
and commodities and general services contracts by business size



Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
For more details, see [Figures D-2, D-3, and D-4](#) in Appendix D.

“There are penalties if [a prime contractor doesn’t] utilize someone that [they] list on [a bid or proposal]. ... Most of the time people slip through the cracks. ... A lot of LBE subcontractors are in a precarious situation, because if they complain, they just destroy the relationship.”

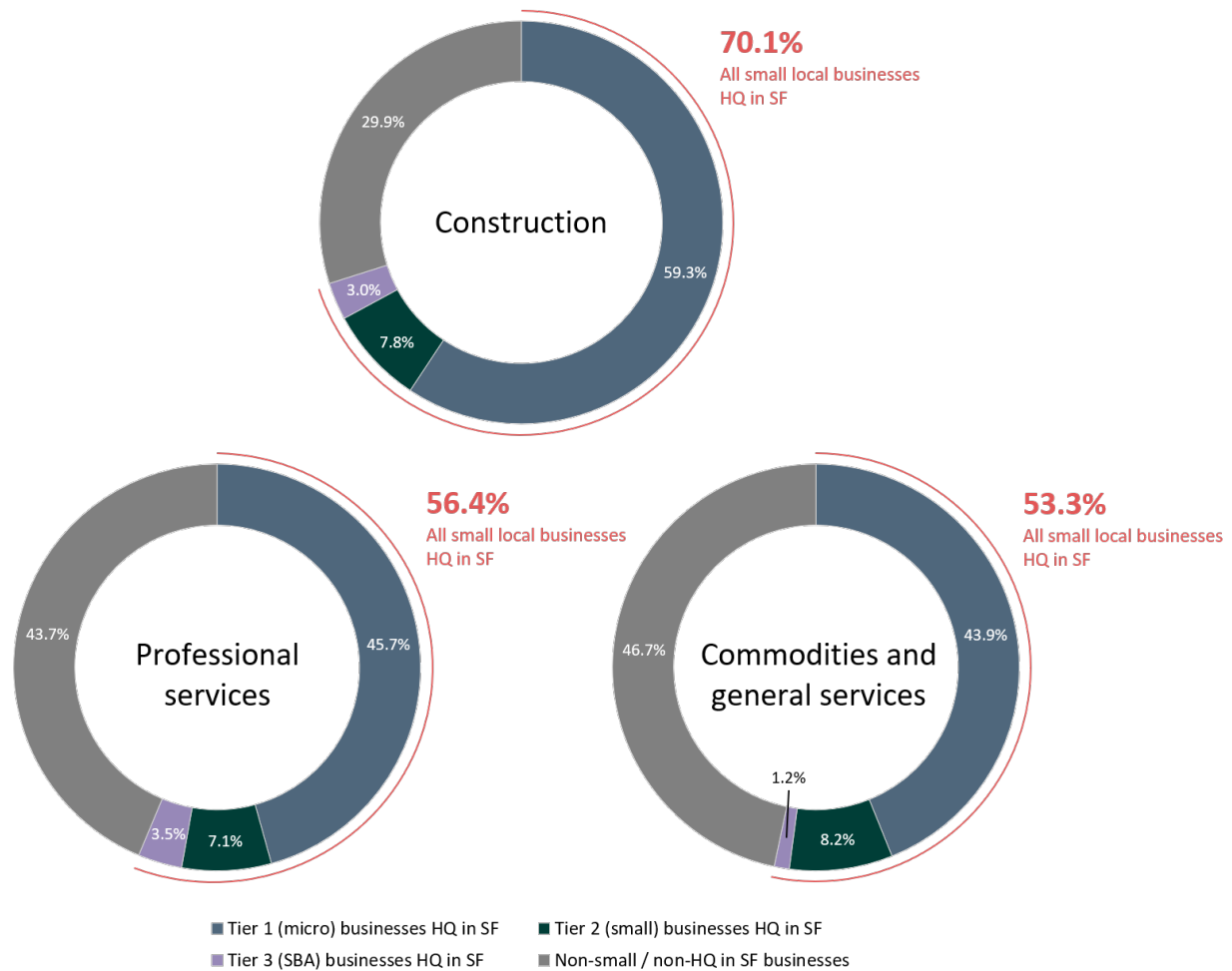
- REPRESENTATIVE OF A SMALL BUSINESS SUPPORT GROUP



As shown in Figure ES-5, small local businesses headquartered in San Francisco considered together also show greater availability for the City's construction work (70.1%) than for its professional services (56.4%) or commodities and general services work (53.3%). The availability of small local businesses headquartered in San Francisco for City work differs across size tiers and industry:

- Tier 1 (micro) businesses headquartered in San Francisco show greater availability for construction work (59.3%) than for professional services (45.7%) or commodities and general services work (43.9%).
- Tier 2 (small) businesses headquartered in San Francisco show similar availability for commodities and general services (8.2%) and construction work (7.8%), but less availability for professional services work (7.1%).
- Tier 3 (SBA) businesses headquartered in San Francisco show similar availability for professional services (3.5%) and construction work (3.0%), but less availability for commodities and general services work (1.2%).
- Non-small / non-headquartered in San Francisco businesses show greater availability for commodities and general services work (46.7%) than for professional services (43.7%) and construction work (29.9%).

Figure ES-5.
Availability estimates for construction, professional services, and commodities and general services contracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.
 Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
 For more details, see [Figures D-2](#), [D-3](#), and [D-4](#) in Appendix D.

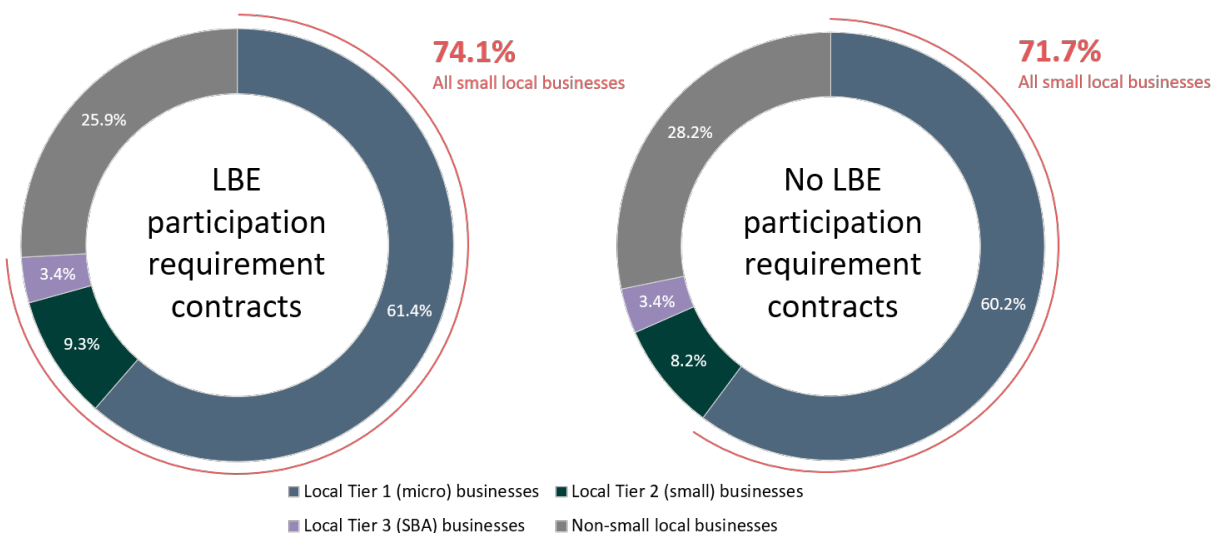
c. LBE participation requirements. As part of the LBE Program, the City sets requirements for the minimum percentage of LBE participation on a project if its estimated value is expected to exceed 50 percent of the City's formal competitive bid limit, which varies by project type.² Bidders have to meet the goal by subcontracting work to LBEs in line with or exceeding the minimum percentage and by submitting documentation of the good faith efforts they made to contact and attempt to work with LBEs that they have not worked with in the past. BBC examined the availability of small local businesses and small local businesses headquartered in San Francisco separately for contracts the City awards with LBE participation requirements (*LBE participation requirement contracts*) and contracts the City awards without LBE participation requirements (*no LBE participation requirement contracts*).

² The formal competitive bidding threshold for professional services and commodities is \$230,000 and the threshold for construction and general services is \$1.17 million.

As shown in Figure ES-6, the availability of small local businesses considered together is greater for the City's LBE participation requirement contracts (74.1%) than for its no LBE participation requirement contracts (71.7%). The availability of small local businesses differs across size tiers and LBE participation requirement status:

- Local Tier 1 (micro) businesses show greater availability for LBE participation requirement contracts (61.4%) than for no LBE participation requirement contracts (60.2%).
- Local Tier 2 (small) businesses show slightly greater availability for LBE participation requirement contracts (9.3%) than for no LBE participation requirement contracts (8.2%).
- Local Tier 3 (SBA) businesses show the same level of availability for LBE participation requirement contracts (3.4%) and no LBE participation requirement contracts (3.4%).
- Non-small local businesses show greater availability for no LBE participation requirement contracts (28.2%) than for LBE participation requirement contracts (25.9%).

Figure ES-6.
Availability estimates for LBE participation requirement and no LBE participation requirement contracts by business size



Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
For more details, see [Figures D-11](#) and [D-12](#) in Appendix D.

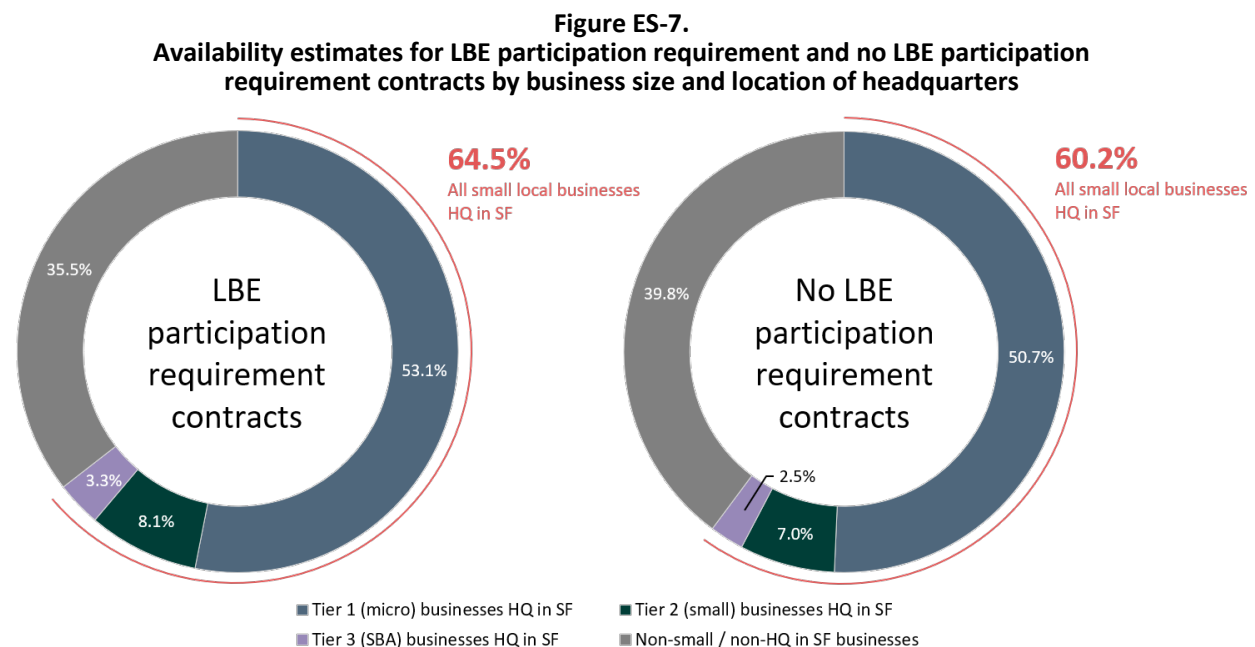
“[Contractors] reach out to you just to meet those requirements for a little paperwork. A lot of people say, 'check the box.'”

- OWNER OF AN LBE-CERTIFIED BUSINESS



BBC also examined the availability of small local businesses headquartered in San Francisco separately for LBE participation requirement and no LBE participation requirement contracts. As shown in Figure ES-7, the availability of small local businesses headquartered in San Francisco considered together is greater for LBE participation requirement contracts (64.5%) than for no LBE participation requirement contracts (60.2%). The availability of small local businesses headquartered in San Francisco differs across size tiers and LBE participation requirement status:

- Tier 1 (micro) businesses headquartered in San Francisco show greater availability for LBE participation requirement contracts (53.1%) than for no LBE participation requirement contracts (50.7%).
- Tier 2 (small) businesses headquartered in San Francisco show slightly greater availability for LBE participation requirement contracts (8.1%) than for no LBE participation requirement contracts (7.0%).
- Tier 3 (SBA) businesses headquartered in San Francisco show slightly greater availability for LBE participation requirement contracts (3.3%) than for no LBE participation requirement contracts (2.5%).
- Non-small / non-headquartered in San Francisco businesses show greater availability for no LBE participation requirement contracts (39.8%) than for LBE participation requirement contracts (35.5%).



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

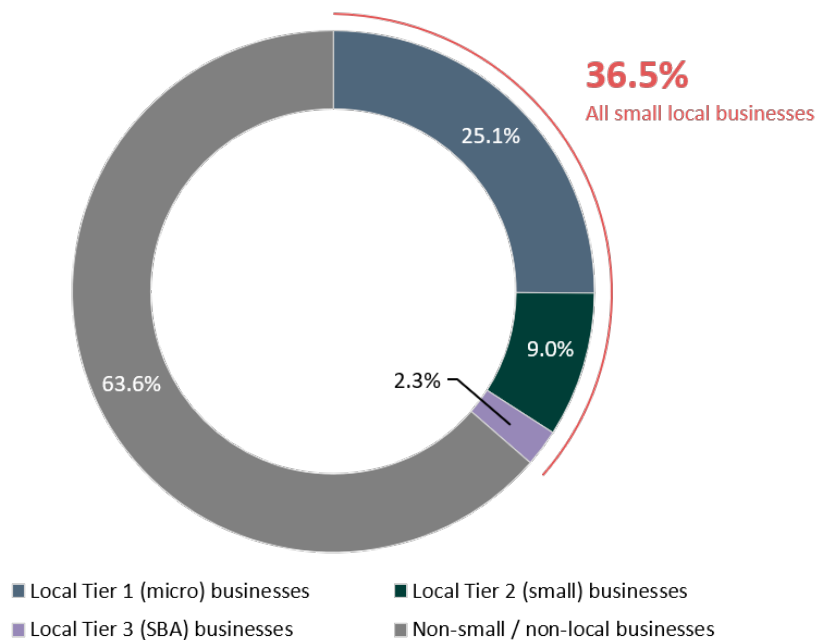
For more details, see [Figures D-11](#) and [D-12](#) in Appendix D.

2. Participation analysis (Chapter 6). BBC calculated the percentage of contract dollars the City awarded to small local businesses and small local businesses headquartered in San Francisco during the study period as a measure of their participation in City work. Results from the participation analysis provide a preliminary indication of any barriers those businesses might face in City contracting.

a. Overall. BBC calculated the participation of small local businesses and small local businesses headquartered in San Francisco in all the work the City awarded during the study period considered in total. As shown in Figure ES-8, the City awarded 36.5 percent of its project dollars to small local businesses during the study period. The participation of small local businesses differed across size tiers:

- Local Tier 1 (micro) businesses: 25.1 percent;
- Local Tier 2 (small) businesses: 9.0 percent;
- Local Tier 3 (SBA) businesses: 2.3 percent; and
- Non-small / non-local businesses: 63.6 percent.

Figure ES-8.
Participation results for City work by business size

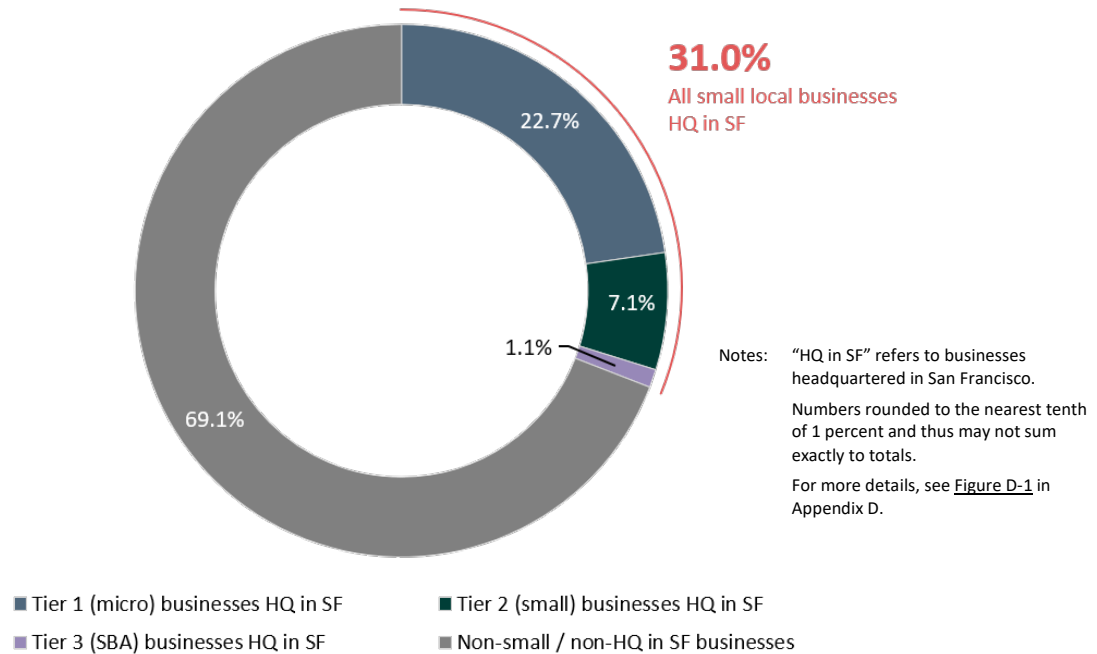


Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
For more details, see [Figure D-1](#) in Appendix D.

BBC also calculated the participation of small local businesses headquartered in San Francisco in all the work the City awarded during the study period considered in total. As shown in Figure ES-9, the overall participation of small local businesses headquartered in San Francisco was 31.0 percent. The participation of small local businesses headquartered in San Francisco differed across size tiers:

- Tier 1 (micro) businesses headquartered in San Francisco: 22.7 percent;
- Tier 2 (small) businesses headquartered in San Francisco: 7.1 percent;
- Tier 3 (SBA) businesses headquartered in San Francisco: 1.1 percent; and
- Non-small / non-headquartered in San Francisco businesses: 69.1 percent.

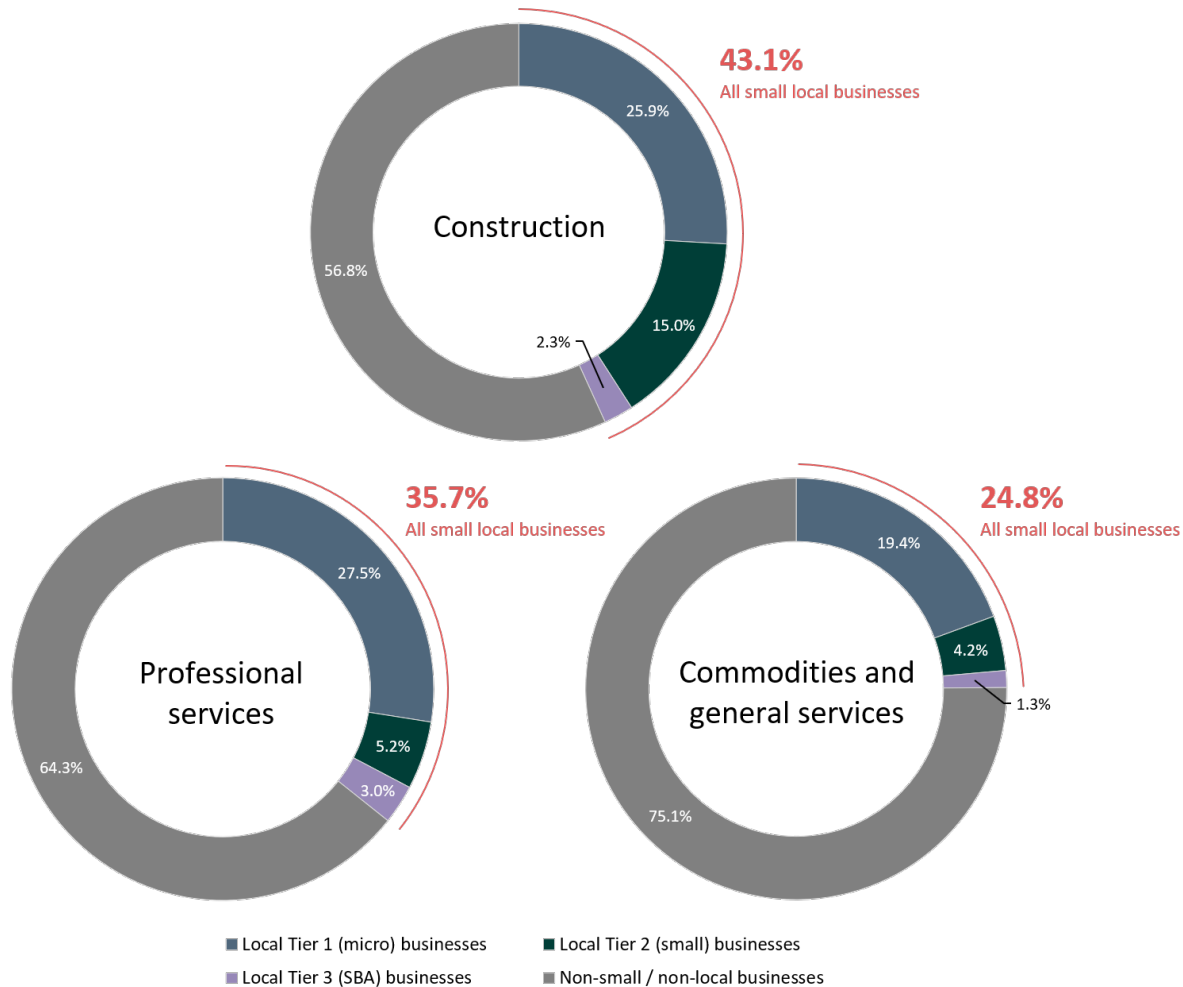
Figure ES-9.
Participation results for City contracts by business size and location of headquarters



b. Industry. BBC calculated the participation of small local businesses and small local businesses headquartered in San Francisco separately for the City's construction, professional services, and commodities and general services contracts to assess whether their participation differs by work type. As shown in Figure ES-10, the participation of small local businesses considered together was greater in the City's construction work (43.1%) than in its professional services (35.7%) and commodities and general services work (24.8%). The participation of small local businesses differed across size and industry:

- Local Tier 1 (micro) businesses showed greater participation in professional services work (27.5%) than in construction (25.9%) and commodities and general services work (19.4%).
- Local Tier 2 (small) businesses showed greater participation in construction work (15.0%) than in professional services (5.2%) and commodities and general services work (4.2%).
- Local Tier 3 (SBA) businesses showed slightly greater participation in professional services work (3.0%) than in construction (2.3%) and commodities and general services work (1.3%).
- Non-small / non-local businesses showed greater participation in commodities and general services work (75.1%) than in professional services (64.3%) and construction work (56.8%).

Figure ES-10.
Participation results for construction, professional services, and
commodities and general services contracts by business size



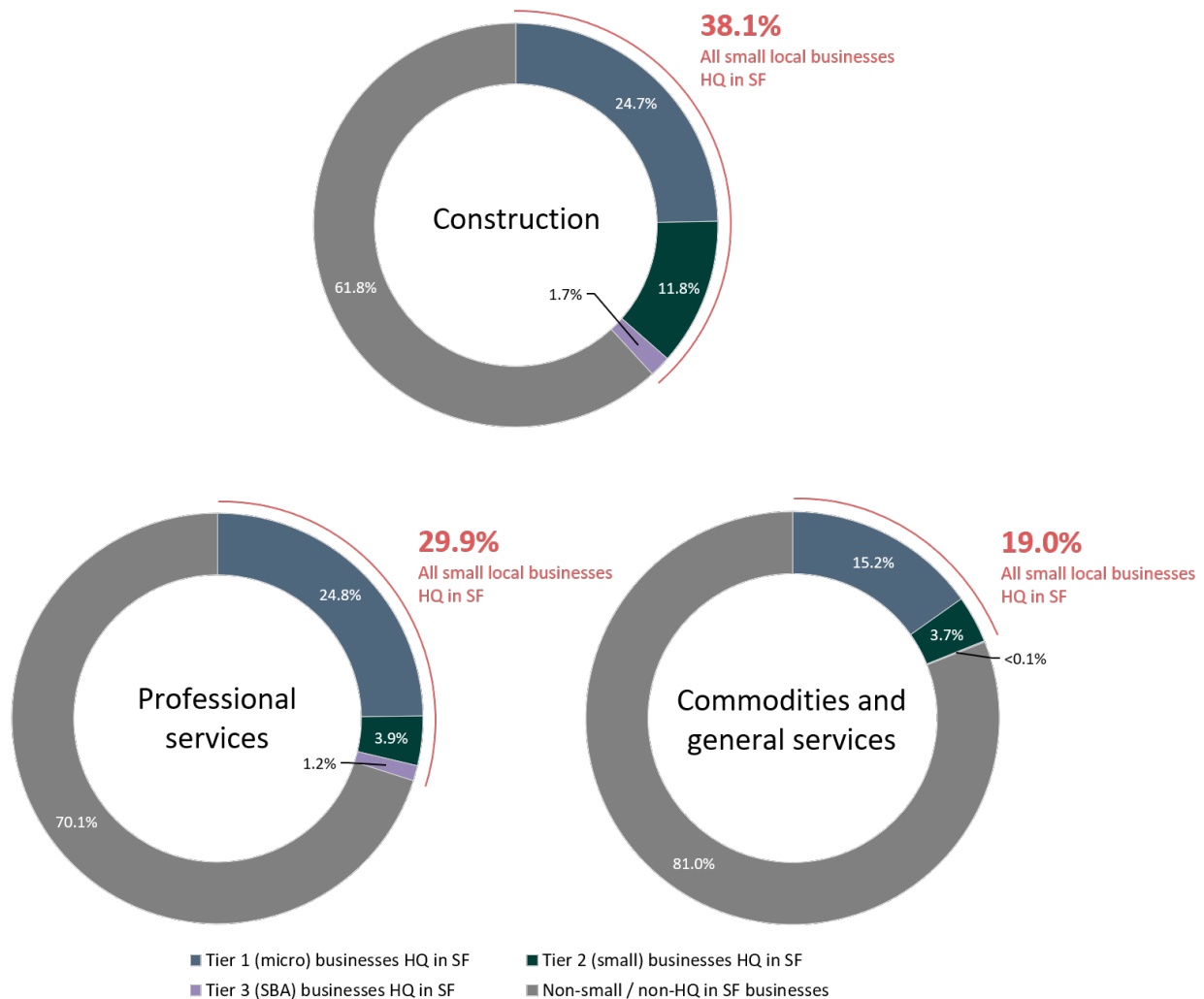
Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
 For more details, see [Figures D-2](#), [D-3](#), and [D-4](#) in Appendix D.

As shown in Figure ES-11, the participation of small local businesses headquartered in San Francisco considered together was greater in the City's construction work (38.1%) than in its professional services (29.9%) or commodities and general services work (19.0%). The participation of small local businesses headquartered in San Francisco differed across size tiers and industry:

- Tier 1 (micro) businesses headquartered in San Francisco showed similar participation in professional services (24.8%) and construction work (24.7%), but less participation in commodities and general services work (15.2%).
- Tier 2 (small) businesses headquartered in San Francisco showed greater participation in construction work (11.8%) than in professional services (3.9%) and commodities and general services work (3.7%).

- Tier 3 (SBA) businesses headquartered in San Francisco showed similar participation in construction (1.7%) and professional services work (1.2%), but showed less than 0.1 percent of participation in commodities and general services work.
- Non-small / non-headquartered in San Francisco businesses showed greater participation in commodities and general services work (81.1%) than in professional services (70.1%) and construction work (61.8%).

Figure ES-11.
Participation results for construction, professional services, and commodities and general services contracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

For more details, see [Figures D-2](#), [D-3](#), and [D-4](#) in Appendix D.

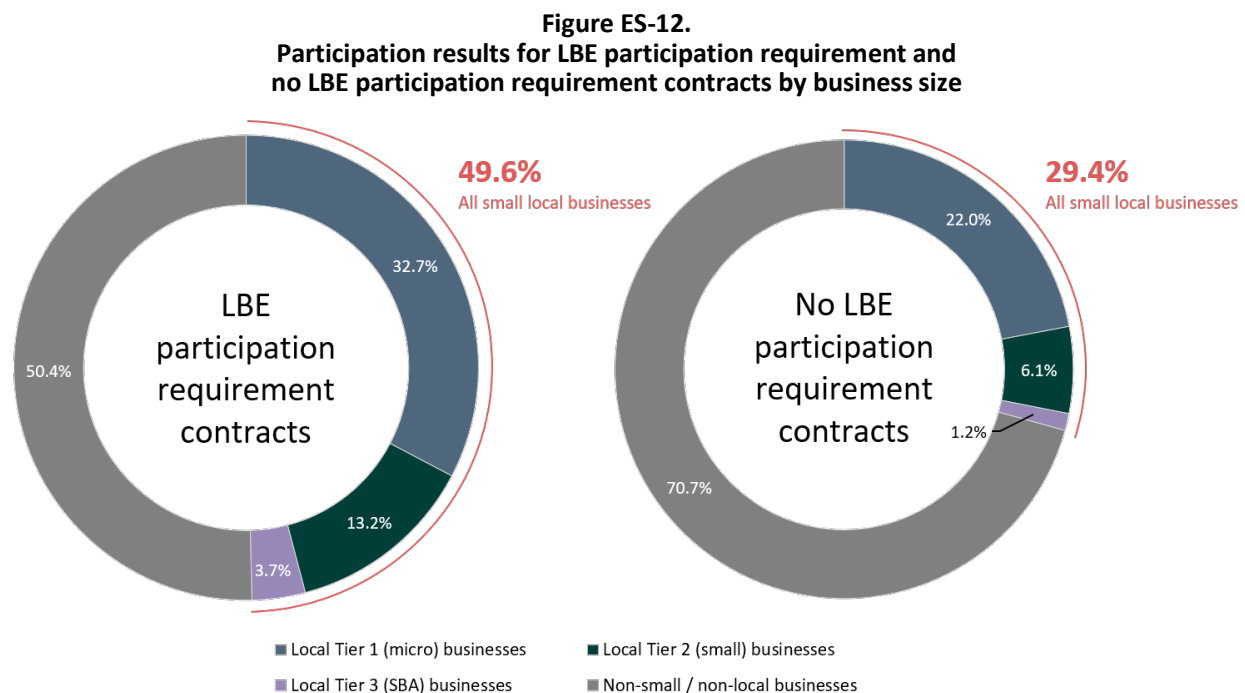


“Our biggest concern is the slow payment from the City on our projects. It's anywhere from a 60- to 100-day waiting period right now, all across the board, all City departments.”

- REPRESENTATIVE OF A CONSTRUCTION COMPANY

c. LBE participation requirement status. BBC examined the participation of small local businesses and small local businesses headquartered in San Francisco separately for LBE participation requirement and no LBE participation requirement projects. As shown in Figure ES-12, the participation of small local businesses considered together was greater in the City's LBE participation requirement contracts (49.6%) than in its no LBE participation requirement contracts (29.4%). The participation of small local businesses differed across size tiers and LBE participation requirement status:

- Local Tier 1 (micro) businesses showed greater participation in LBE participation requirement contracts (32.7%) than in no LBE participation requirement contracts (22.0%).
- Local Tier 2 (small) businesses showed greater participation in LBE participation requirement contracts (13.2%) than in no LBE participation requirement contracts (6.1%).
- Local Tier 3 (SBA) businesses showed greater participation in LBE participation requirement contracts (3.7%) than in no LBE participation requirement contracts (1.2%).
- Non-small / non-local businesses showed greater participation in no LBE participation requirement contracts (70.7%) than in LBE participation requirement contracts (50.4%).



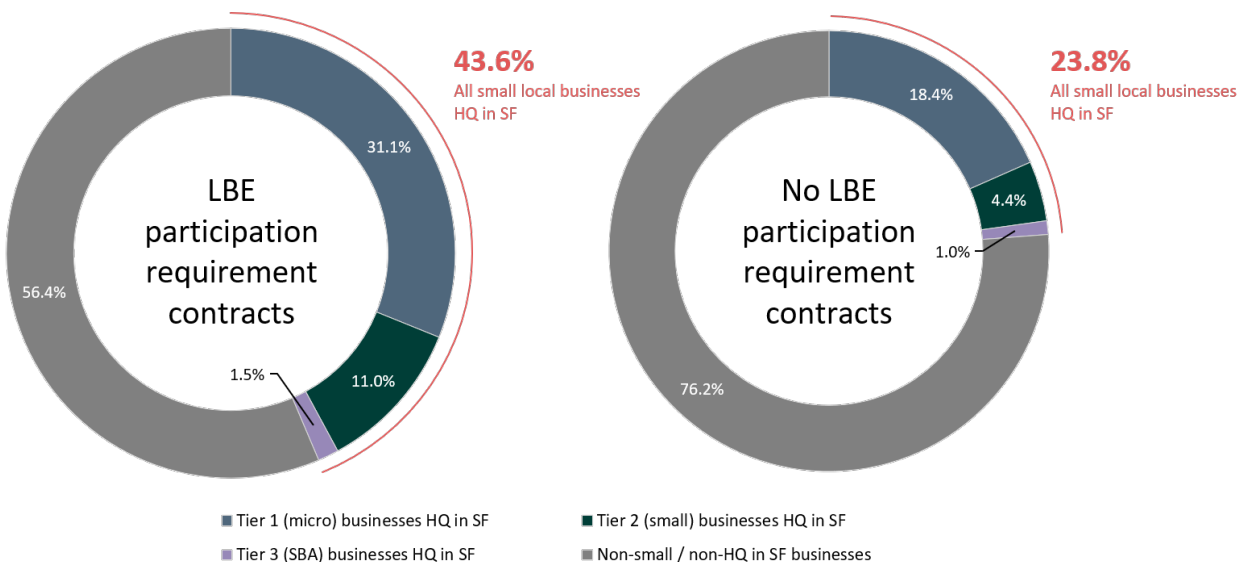
Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
For more details, see [Figures D-11](#) and [D-12](#) in Appendix D.

As shown in Figure ES-13, the participation of small local businesses headquartered in San Francisco considered together was greater in the City's LBE participation requirement contracts (43.6%) than in its no LBE participation requirement contracts (23.8%). The participation of small local businesses headquartered in San Francisco differed across size tiers and LBE participation requirement status:

- Tier 1 (micro) businesses headquartered in San Francisco showed greater participation in LBE participation requirement contracts (31.1%) than in no LBE participation requirement contracts (18.4%).

- Tier 2 (small) businesses headquartered in San Francisco also showed greater participation in LBE participation requirement contracts (11.0%) than in no LBE participation requirement contracts (4.4%).
- Tier 3 (SBA) businesses headquartered in San Francisco showed similar participation in LBE participation requirement contracts (1.5%) and no LBE participation requirement contracts (1.0%).
- Non-small / non-headquartered in San Francisco businesses showed greater participation in no LBE participation requirement contracts (70.7%) than in LBE participation requirement contracts (50.4%).

Figure ES-13.
Utilization results for LBE participation requirement and no LBE participation requirement contracts by business size and location of headquarters



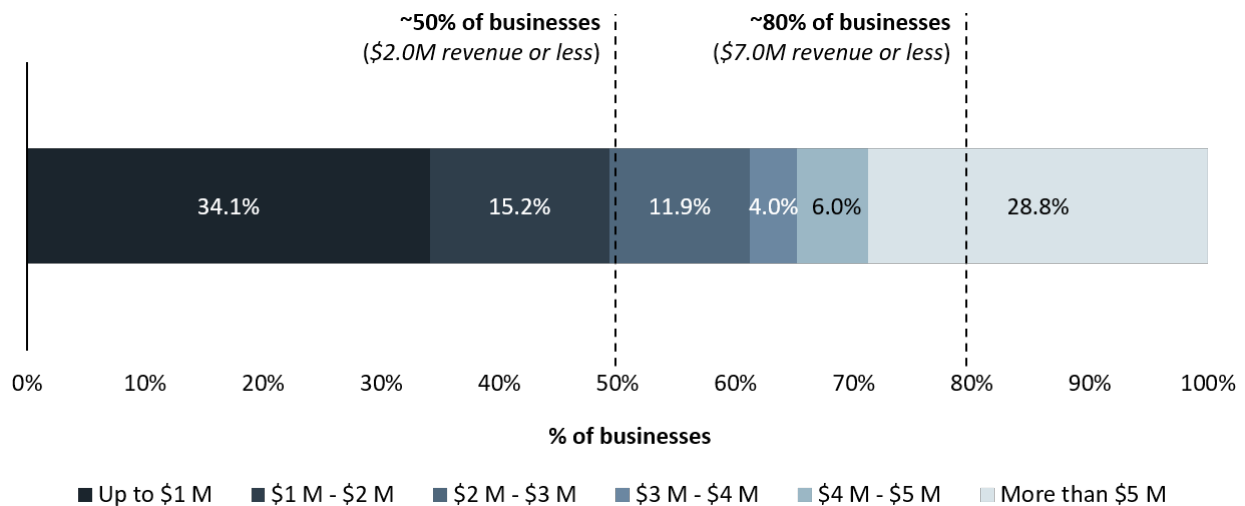
Notes: "HQ in SF" refers to businesses headquartered in San Francisco.
Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
For more details, see [Figures D-11](#) and [D-12](#) in Appendix D.

3. Business analyses (Chapter 8). BBC collected a great deal of information on local businesses available for the City's projects and businesses that are headquartered in San Francisco as well as local businesses and businesses headquartered in San Francisco that performed work on City projects during the study period. We present results for businesses headquartered in San Francisco in particular, because only businesses headquartered in San Francisco are eligible to participate in the City's LBE Program. The organization can use that information to tailor its contracting equity efforts to the specific needs of small local businesses in the marketplace.

a. Available businesses. BBC analyzed various characteristics of local businesses that are available for City work and that are headquartered in San Francisco, including information on their revenues, employee counts, ages, bid capacities, and whether they operate as prime contractors or subcontractors. We focus on two key analyses here: the distribution of available businesses headquartered in San Francisco based on their revenues and based on their bid capacities.

i. Business revenues. Contracting inclusion programs are usually designed to encourage the participation of *economically* disadvantaged businesses in organizations' contracts and purchase orders. A common measure of economic disadvantage is business revenue, so we explored the distribution of available businesses headquartered in San Francisco based on their annual revenues. As shown in Figure ES-14, 50 percent of businesses available for City work have annual revenues of \$2.0 million or less, and 80 percent of them have annual revenues of \$7.0 million or less. Those results indicate that most of the businesses available for City work that are headquartered in San Francisco would qualify as either Tier 1 (micro) businesses or Tier 2 (small) businesses.

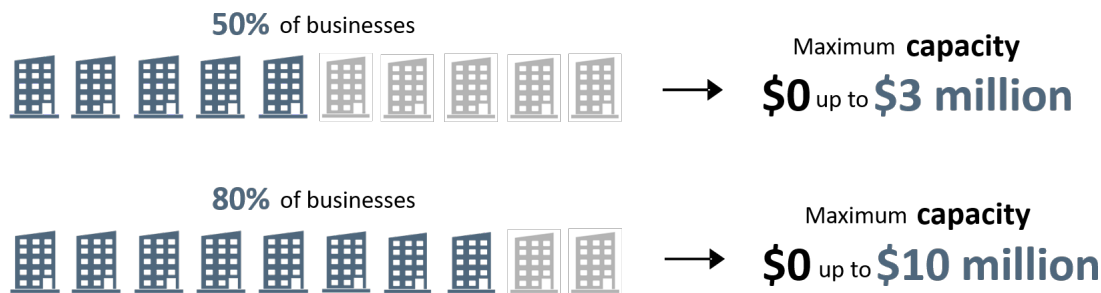
Figure ES-14.
Distribution of available businesses headquartered in San Francisco based on their annual revenues



Note: Numbers rounded to nearest one-tenth of one percent and thus may not sum exactly to totals. A text description of [Figure ES-14](#) is provided in Appendix E.

ii. Business capacity. It is useful for the City to understand the largest contracts that available businesses can perform (*business capacity*) so the organization can right-size contracting opportunities for small local businesses, particularly those headquartered in San Francisco. Businesses reported that information to us as part of availability surveys. As shown in Figure ES-15, approximately 50 percent of available businesses headquartered in San Francisco reported a maximum capacity between \$0 and \$3 million, and approximately 80 percent of businesses reported a maximum capacity between \$0 and \$10 million. In other words, only 20 percent of available businesses headquartered in San Francisco can realistically compete for City projects worth more than \$10 million.

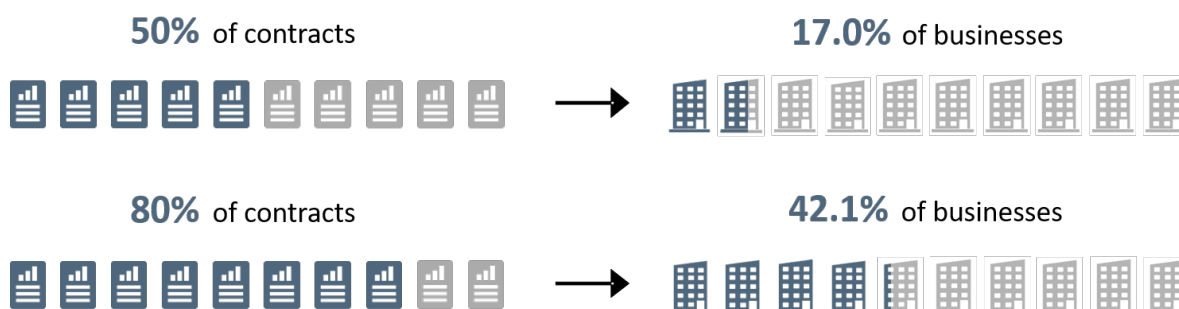
Figure ES-15.
Maximum bid capacities of available businesses headquartered in San Francisco



Note: A text description of [Figure ES-15](#) is provided in Appendix E.

b. Businesses that participated in City work. BBC examined the number of businesses headquartered in San Francisco to which the City awarded work during the study period to assess whether the City awards projects to a large number of those businesses or to only a small number of those businesses. We began the analysis by identifying all contracts and purchase orders the City awarded during the study period worth less than \$2 million. We then ordered all the businesses headquartered in San Francisco to which the City awarded such contracts from the business that won the most contracts of that size to the business that won the fewest contracts of that size. We then calculated the percentage of businesses that accounted for 50 percent and 80 percent of all the contracts worth less than \$2 million that the City awarded during the study period. As shown in Figure ES-16, during the study period, the City awarded 50 percent of contracts worth less than \$2 million to only 17.0 percent of the businesses that participated in that work, and 80 percent of those contracts to only 42.1 percent of participating businesses. Those results indicate that most of the contracts worth less than \$2 million that the City awards to businesses headquartered in San Francisco go to a relatively small number of businesses.

Figure ES-16.
Concentration of contract awards to participating businesses headquartered in San Francisco



Note: A text description of [Figure ES-16](#) is provided in Appendix E.

C. RECOMMENDATIONS (Chapter 9)

BBC presents several recommendations that the City should consider to refine its contracting equity efforts and its implementation of the LBE Program. The City should be particularly mindful of the legal requirements surrounding the implementation of different program measures, particularly as they relate to Chapter 14B of the City's administrative code.

1. Set new overall LBE and Micro-LBE goals. San Francisco Administrative Code Chapter 14B requires the City to establish an annual overall aspirational LBE participation goal based on the

availability of LBEs for City work and their past participation in that work.³ The City's current LBE and Micro-LBE goals are 40 percent and 20 percent, respectively (the Micro-LBE goal is a subset of the LBE goal). Based on data from the availability and participation analyses, BBC recommends that the City set an updated overall aspirational LBE goal of 41.6 percent and an updated overall aspirational Micro-LBE goal of 32.4 percent to more accurately reflect the representation of those businesses in the marketplace and their participation in City work. For more information on our goal-setting methodology—which includes establishing base figures, identifying any factors that might require any adjustment to those base figures, and making adjustments to the base figures—see **Chapter 9**.

2. Refine LBE certification. BBC recommends that the City consider simplifying its approach to certifying businesses as LBEs and updating its revenue standards for certification.

a. Ensure that each business is designated in only one LBE tier. The City certifies businesses as Micro-LBEs, Small-LBEs, and SBA-LBEs using annual revenue standards that are based on a business' primary line(s) of work, and those standards vary across work types. Businesses may be certified as LBEs in multiple tiers if they specialize in different types of work, all of which have different revenue limits for certification. For example, the annual revenue limit for Micro-LBE certification in public works construction is \$14.05 million, which is the same as the annual revenue limit for Small-LBE certification in specialty contracting. If a business performs both public works construction and specialty construction work, then it could be certified as a Micro-LBE in public works construction *and* as a Small-LBE in specialty construction. That business could then participate in different parts of the LBE Program based on the LBE tiers for which it has been certified and the type of project that the City is awarding. The City should consider certifying businesses in a single LBE tier based on the lines of work that account for the majority of businesses' revenues. To do so, the City would require businesses to demonstrate their primary lines of work through appropriate documentation verifying that those work types account for the majority of their annual revenues.

b. Establish a single revenue standard for each industry and LBE tier. As discussed above, the annual revenue limits that the City has established for LBE certification differ by work type and tier. BBC recommends that the City consider establishing a single revenue standard for all different work types and all different LBE tiers for construction and also lowering that revenue standard to better align LBE certification to the sizes of the smallest of "small" businesses. Using information from BBC's availability analyses, we found that the median revenue for construction businesses considered available for City work is \$2 million, and 80 percent of construction businesses considered available for City work report revenues of \$8.1 million or less. Therefore, BBC recommends that the City establish lower annual revenue standards for certifying construction businesses as Micro-LBEs, Small-LBEs, or SBA-LBEs and standardize those thresholds across all construction work types.

In addition to updating revenue standards for construction businesses seeking LBE certification, BBC recommends that the City consider simplifying its certification process by establishing a single set of revenue requirements across different work types and LBE tiers for commodities and general services and for professional services. Currently, the LBE Program differentiates between different work types within each industry. For example, architecture and engineering are considered separate work types within professional services. Similarly, general services and goods, materials, and equipment suppliers

³ San Francisco Administrative Code Section 14B.12.A

are considered separate work types within commodities and general services. However, the revenue standards do not differ between those work types or LBE tiers.

As an alternative to the current framework, BBC presents simplified certification revenue limits for each primary industry and for different LBE designations in Figure ES-17.

Figure ES-17.
Recommended revenue standards for LBE certification by tier and industry

Industry	Micro-LBE	Small-LBE	SBA-LBE
(a) Commodities and general services	\$7,030,000	\$14,050,000	\$23,420,000
(b) Professional services	\$2,930,000	\$5,860,000	\$9,950,000
(c) Trucking	\$2,930,000	\$5,860,000	\$11,710,000
(d) Construction	\$7,030,000	\$14,050,000	\$23,420,000

3. Expand the use of set-asides. Currently, the City sets aside at least 50 percent of all construction project opportunities and 25 percent of all professional services and commodities and general services project opportunities worth less than the formal competitive bid threshold for exclusive bidding by Micro-LBEs. The formal competitive bidding threshold for professional services and commodities is \$230,000, and for construction and general services, the threshold is \$1.17 million. BBC's analyses showed that the median capacity of small local businesses headquartered in San Francisco is \$3 million and the median capacity for certified Micro-LBE firms is \$2 million (see [Chapter 8](#) for more details on how BBC assessed business capacity). Given that the median capacity of certified Micro-LBEs is higher than the current set-aside thresholds set by the City, the City could consider increasing the set-aside thresholds to more closely align with the median capacities of its Micro-LBEs.



“I think [LBE certification] was an advantage because as soon as I got it, it seems like I started getting more invites to submit [requests for proposals].”

- OWNER OF A MICRO-LBE-CERTIFIED PROFESSIONAL SERVICES BUSINESS

CHAPTER 1.

Introduction

The City and County of San Francisco (the City) operates the fourth-largest city in California and the 17th-largest city in the United States. In addition to directly providing myriad services to its nearly 830,000 residents, including police and fire protection, road construction and maintenance, and a variety of social and economic services, the City typically spends hundreds of millions of dollars to procure various goods and services related to construction, professional services, and commodities and general services.¹ The City's Contract Monitoring Division (CMD) implements the *Chapter 14B Local Business Program* [also referred to as the *Local Business Enterprise (LBE) Program*] to help ensure that small businesses headquartered in San Francisco participate in the contracts and purchase orders that the City awards, and encourage the participation of small businesses with a location in San Francisco (i.e., *small local businesses*) in its work.

The City retained BBC Research & Consulting (BBC) to conduct a *contracting equity study* to evaluate the effectiveness of the LBE Program in encouraging the participation of small local businesses in its contracting and purchasing. As part of the study, we assessed:

- The percentage of contract dollars the City awarded to small local businesses during the *study period*, which was July 1, 2020 through December 31, 2024 (i.e., *utilization or participation*); and
- The percentage of contract dollars the City might be expected to award to small local businesses based on their availability to perform specific types and sizes of relevant contracts and purchase orders (i.e., *availability*).

The contracting equity study also examined other quantitative and qualitative information related to:

- Conditions in the marketplace for San Francisco residents and the businesses they own; and
- Contracting practices and business assistance programs the City has in place—including those that are part of the LBE Program—or that it could consider implementing in the future.

There are several ways in which information from the study could be useful to the City:

- The study identifies barriers San Francisco residents and businesses face in the marketplace that might affect their ability to compete for or obtain City work.
- It provides an evaluation of the effectiveness of the LBE Program in encouraging small local business participation in its projects.
- It provides insights into how the City could refine its contracting processes and its implementation of the LBE Program to better encourage the participation of small local businesses (including small businesses headquartered in San Francisco) in its work and help address any barriers those businesses face in the marketplace.

¹ See [Appendix A](#) for definitions of construction, professional services, and commodities and general services.

BBC introduces the 2026 City and County of San Francisco Contracting Equity Study in three parts:

- A. Background;
- B. Study scope; and
- C. Study team members.

A. Background

The City implements the LBE Program to encourage the participation of small local businesses in its contracts and purchase orders. The City initially established the Chapter 12D Program in April 1984, which included *race- and gender-based* program measures as part of the program. Race- and gender-based measures are contracting inclusion measures specifically designed to increase the participation of person of color- and woman-owned businesses, respectively, in an organization's contracts and purchase orders. However, in July 2004, the California Court of Appeal for the First District found the program violated Article I, Section 31 of the California constitution, which prohibits the use of race- and gender-based measures in public contracting. As a result, the City was enjoined from implementing the Chapter 12D Program and developed the LBE Program to encourage the participation of small local businesses in its contracting using only *race- and gender-neutral* program measures. In contrast to race- and gender-based measures, race- and gender-neutral measures are designed to increase the participation of particular groups of businesses, regardless of the race or gender of the owners, in an organization's contracts and purchase orders.

To participate in the LBE Program, eligible businesses must first become certified as such by submitting an online application to CMD. To be eligible for LBE certification, a business' average revenue over five years must be less than specified thresholds based on its industry, and the business must be headquartered in San Francisco. There are three tiers of LBE certification—Micro-LBE, Small-LBE, and SBA-LBE—each with different revenue limits.² The City also certifies businesses headquartered in its larger Public Utilities Commission (PUC) water system service area as PUC-LBEs. However, those businesses are only eligible for program measures specifically targeted toward PUC-LBEs. (For more information on the LBE Program and its requirements for various certifications, see [Chapter 7](#).)

Businesses certified as LBEs are eligible to participate in and benefit from a number of elements that are part of the LBE Program, including the following:

- Certain contracts and purchase orders worth less than the City's formal competitive bid threshold are set aside for exclusive bidding for Micro-LBEs.
- LBEs bidding as prime contractors are eligible for bid or evaluation preferences, and the preference amounts and which contracts are eligible for the program vary based on LBE tier.
- Businesses that form joint ventures with LBEs to bid on City work are eligible for bid and evaluation preferences that vary based on the amount of LBE partner participation in the project.

² The size limits of the program's SBA-LBE certification tier are not related to size limits set by the United States Small Business Administration for Small Business Enterprise certification, nor does Chapter 14B define SBA to mean Small Business Administration.

- The City offers bid preferences to LBE bidders and to bidders that use LBE subcontractors located in either the same neighborhood or ZIP code as the work itself. This program is a pilot and is set to sunset in 2027.
- The City sets contract-specific LBE participation requirements on many of its contracts and purchase orders to ensure LBE participation in subcontracts. Regardless of the amount of LBE participation on those contracts, the City requires bidders to submit documentation of the efforts made to encourage LBE participation on the project with businesses with which they have not worked before.
- CMD reviews particularly large projects for opportunities to unbundle scopes of work to make them more accessible to LBEs.
- As part of ensuring that all LBEs are paid promptly and are utilized as described in bid documents, the City requires prime contractors to submit documentation of payments to its subcontractors.
- The City provides supportive services to LBEs through its bonding and financial assistance program and its Mentor-Protégé Program.
- The City also seeks to maximize LBE participation through outreach to LBEs and businesses that could become certified as LBEs.

B. Study Scope

As part of the 2026 City of San Francisco Contracting Equity Study, BBC analyzed the participation and availability of small local businesses for the contracts and purchase orders the City awards. We based those and other analyses on the construction, professional services, and commodities and general services projects the City awarded between July 1, 2020 and December 31, 2024.

1. Definitions of business groups. To interpret the core analyses presented in the study, it is useful to understand how BBC defined small businesses, local businesses, businesses headquartered in San Francisco, and LBEs in our analyses.

a. Small businesses. BBC defined a small business as a business with revenue under the thresholds that determine eligibility for certification as an LBE, regardless of whether the business is certified as part of the LBE Program. There are three tiers of small businesses that we collectively refer to as *all small businesses* throughout the report:

- **Tier 1 (micro) businesses** are professional services businesses and trucking businesses with revenues less than \$2.93 million, commodities and general services businesses and specialty construction businesses with revenues less than \$7.03 million, and public works construction businesses with revenues less than \$14.05 million;
- **Tier 2 (small) businesses** are professional services businesses with revenues greater than or equal to \$2.93 million but less than \$5.93 million, trucking businesses with revenues greater than or equal to \$2.93 million but less than \$5.86 million, commodities and general services businesses and specialty construction businesses with revenues greater than or equal to \$7.03 million but less than \$14.05 million, and public works construction businesses with revenues greater than or equal to \$14.05 million but less than \$28.10 million; and

- **Tier 3 (SBA) businesses** are professional services businesses with revenues greater than or equal to \$5.93 million but less than \$9.95 million, trucking businesses with revenues greater than or equal to \$5.86 million but less than \$11.71 million, commodities and general services businesses and specialty construction businesses with revenues greater than or equal to \$14.05 million but less than \$23.42 million, and public works construction businesses with revenues greater than or equal to \$28.10 million but less than \$46.84 million.

b. Local businesses. BBC defined a local business as a business with a location in San Francisco, regardless of its size.

c. Businesses headquartered in San Francisco. BBC defined a business as headquartered in San Francisco if its primary office is located in San Francisco, regardless of size.

d. LBEs. BBC defined an LBE as a small local business headquartered in San Francisco that was specifically certified as such at the time of the study by CMD.

2. Analyses in the study. The crux of the contracting equity study was to assess the participation and availability of small local businesses for the contracts and purchase orders the City awards in the areas of construction, professional services, and commodities and general services. The study also includes various analyses related to outcomes for San Francisco residents and businesses throughout the marketplace. BBC presents results from those analyses as follows:

a. Marketplace conditions. The study team conducted extensive quantitative analyses of conditions and potential barriers in the marketplace for San Francisco residents and businesses. In addition, we collected qualitative insights about potential barriers those businesses face in the marketplace through in-depth interviews, focus groups, public meetings, and other engagement efforts. BBC presents quantitative information about marketplace conditions in [Chapter 2](#) and [Appendix C](#) and qualitative information about marketplace conditions in [Chapter 3](#).

b. Data collection. BBC examined contract, purchase order, and vendor data from multiple sources to complete the availability and participation analyses. We present the study team’s contract, purchase order, and vendor data collection process in [Chapter 4](#).

c. Availability analysis. BBC analyzed the percentage of contract and purchase dollars one might expect the City to award to small local businesses based on their availability to perform specific types and sizes of City projects. That analysis was based on City data and surveys we conducted with more than 400 businesses in the local marketplace that work in industries related to the types of contracts and purchase orders the City awards. We present results from the availability analysis in [Chapter 5](#) and [Appendix B](#).

d. Participation analysis. BBC analyzed the contract and purchase order dollars the City awarded to small local businesses during the study period, including information about associated subcontracts. We present results from the participation analysis in [Chapter 6](#).

e. Program measures. BBC reviewed measures the City uses to encourage the participation of small local businesses in its contracts and purchase orders as part of and outside of the LBE Program. We present that information in [Chapter 7](#).

f. Analyses of the business community. BBC conducted key analyses of the characteristics of businesses potentially available for the projects the City awards and the businesses that performed work for the City during the study period. We present that information in **Chapter 8**.

g. Recommendations. The study team provided guidance related to additional program options and changes to current contracting practices the City could consider. We present those considerations in **Chapter 9**.

C. Study Team Members

The BBC study team was made up of four firms that, collectively, possess decades of experience related to conducting contracting equity studies in connection with small and local business programs.

1. BBC (prime consultant). BBC is a Denver, Colorado-based contracting equity and economic research firm that had overall responsibility for the study and performed all the quantitative and qualitative analyses.

2. IRML Consulting (IRML). IRML is a San Francisco-based, Micro-LBE-certified consulting firm specializing in advancing diversity, equity, and small business opportunities by creating programs for historically disadvantaged individuals and communities. For the contracting equity study, IRML conducted in-depth interviews and focus groups with business owners and other stakeholders in the marketplace.

3. GCAP Services (GCAP). GCAP is a Small Business-certified supportive services firm based in Costa Mesa and Sacramento, California. For the contracting equity study, GCAP reviewed policies and programs the organization has in place to identify any practices that might make it more difficult for small local businesses to compete for and perform City work.

4. Davis Research. Davis Research is a survey fieldwork firm based in Calabasas, California. The firm conducted telephone and online surveys with hundreds of businesses in the marketplace to gather information to serve as the basis for the availability and participation analyses.

CHAPTER 2.

Marketplace Analysis

In this chapter, BBC Research & Consulting (BBC) examines factors in the San Francisco marketplace that impact the ability of San Francisco residents to become business owners or impact the success of businesses with a location in San Francisco (i.e., *local businesses*). These factors include barriers San Francisco residents may face in accessing education, employment, management experience, or funding to start and grow a business. BBC grounds our analysis of marketplace conditions in historical research and econometric analyses of current conditions. These assessments offer insight into the experiences of San Francisco residents and how their experiences may differ from residents of the nine-county region that makes up the San Francisco Bay Area (the *Bay Area*) or from residents of other cities in the United States.¹ These comparisons provide context for the other analyses in the contracting equity study, particularly as they pertain to competition between Local Business Enterprises (LBEs) and non-local businesses.

Summary of Marketplace Conditions

BBC compared the ease of starting and growing a business in San Francisco to the surrounding Bay Area and other cities. We identified both factors that make doing business easier in San Francisco, as well as factors that make doing business more difficult. San Francisco's prominence in the technology industry provides ample resources and opportunities for workers and businesses in the professional services industry. San Francisco residents also have a high rate of educational attainment compared to residents of other cities and a higher rate of workers who work as managers in the construction and professional services industries—both factors that may contribute to better business success rates for entrepreneurs in the first several years of business. Likewise, a higher percentage of construction workers in San Francisco are business owners compared to the surrounding Bay Area. However, there are also factors that indicate there are greater challenges for business owners in San Francisco. For example, business owners in the construction industry in San Francisco have lower average earnings compared to construction business owners in the surrounding Bay Area. San Francisco has a high cost of living and a large income gap between people with and without college degrees. Additionally, in the construction and commodities and general services industries, San Francisco has a higher unemployment rate compared to the surrounding Bay Area. Such factors may make it more difficult for people in San Francisco to start or grow businesses in the construction and commodities and general services industries.

¹ The geographic area that comprises the Bay Area for the purposes of these analyses is Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties in California.

Understanding barriers that San Francisco residents and local businesses may face in the marketplace can inform policymakers as they work to craft policies that support residents attempting to start, grow, or expand businesses and compete for work with the City and County of San Francisco (the City). These policies can be especially impactful for residents who have faced historical inequities by creating a more level playing field.

BBC makes comparisons throughout this chapter that are informed by the City's policies and contracting practices. First, BBC compares economic conditions in San Francisco to economic conditions in the surrounding Bay Area. This comparison is relevant because the majority of the City's contracts are awarded to businesses located either in San Francisco or in the surrounding Bay Area, while the *Chapter 14B Local Business Program* (also referred to as the *LBE Program*) focuses specifically on businesses headquartered in San Francisco. Second, BBC compares economic conditions in San Francisco and the Bay Area to economic conditions in other cities in the United States, including factors related to the costs of living and doing business, educational attainment, and income inequality. This information may illustrate opportunities LBEs have or challenges they face when they compete with businesses located in other cities, and it may illuminate factors that may affect business owners' decisions to locate their businesses in San Francisco. Lastly, BBC compares economic conditions for residents and businesses in the three industries we analyzed as part of the contracting equity study: construction, professional services, and commodities and general services. This comparison may inform the City about which industries may require additional support for LBE businesses, including opportunities for it to provide industry-specific technical assistance or networking events. BBC does not provide these comparisons for every metric we examine in this chapter, but we present comparisons when data are available and when such comparisons may shed light on conditions for San Francisco residents and small local businesses. **Appendix C** presents additional marketplace analyses.

A. Historical and Current Marketplace Conditions

In this section, BBC uses existing literature, reporting, and research to describe the historic and current economic conditions in San Francisco and the Bay Area that may affect businesses interested in competing for City contracts and purchases. We examined wealth inequality among individuals in San Francisco and the Bay Area and how the cost of living and cost of doing business in San Francisco compares to other areas.

1. Unequal economic conditions. San Francisco has both a highly successful startup environment and substantial income inequality, particularly impacting people without college degrees who generally earn less than their college-educated counterparts. Understanding this dichotomy is important for understanding the varying conditions that business owners and businesses in San Francisco face.

In 2025, the Bay Area ranked seventh in the nation for rates of educational attainment out of 150 metro areas in the United States.ⁱ More than a quarter of all San Francisco residents (26 percent) had a graduate degree in 2025, compared to about 14 percent of all adults in the United States.ⁱⁱ Despite being a highly educated city, the benefits of education are not equally shared by all residents. A 2024 study found that out of the 50 largest cities in the United States, San Francisco has the largest income gap between people with college degrees and people without college degrees.ⁱⁱⁱ Because educational attainment is closely tied to entrepreneurial readiness and access to financing, these gaps may contribute directly to inequities in business ownership.^{iv}

The city's and the wider Bay Area's identity as a global center for technological innovation makes it especially attractive to businesses and workers in the professional services industry. The region's reputation as a center for innovation is bolstered by its high concentration of entrepreneurial activity, particularly in the technology industry, as well as a high concentration of venture capital investment firms. Research from 2025 tracking startups and new business formation ranked the Bay Area as the top global ecosystem for startups and found that 21 percent of all startups in the United States were located in the region.^v Some scholars have identified the Bay Area's robust research institutions, talent cultivation, and venture capitalist system as a source of economic resilience for the region.^{vi} These opportunities may make entrepreneurs more likely to locate their businesses in San Francisco or the surrounding Bay Area than in other cities in the United States.

San Francisco has not always been a hub for technology and startups. Prior to the dot-com boom of the late 1990s and early 2000s, San Francisco was at the center of the counterculture movement, attracting artists and activists from across the country.^{vii} As the rise of the Internet and its associated industries began to flourish in the city and major redevelopment began after the 1989 Loma Prieta earthquake, public and private rebuilding efforts centered around more tech-focused investment. This led to rapid gentrification, a process in which lower-income areas of a city experience an influx of middle-class or wealthy people, which results in the displacement of the existing residents.^{viii, ix} A 2020 study ranked San Francisco as the city with the highest percentage of gentrifying neighborhoods between 2013 and 2017.^x Gentrification often results in higher commercial rent for businesses, which may result in some businesses closing, moving out of the city, or being replaced with non-local businesses.^{xi}

Historic economic conditions in different neighborhoods in San Francisco and the Bay Area have also contributed to wealth inequality. Like many parts of the United States, the Bay Area has a history of discriminatory lending in some neighborhoods, otherwise known as redlining.^{xii} From the 1930s to the 1960s, the federal Home Owners' Loan Corporation discouraged investment or lending in certain San Francisco and Oakland neighborhoods. This included parts of the east side of San Francisco, including parts of Chinatown, the Mission District, the Western Addition, and Bayview. It also included large parts of West and East Oakland. The lack of investment in certain neighborhoods led to fewer banking options and limited access to business loans in the mid-20th century, which has lasting effects today, including higher rates of poverty and suppressed home values in some of these neighborhoods.^{xiii, xiv} Because many people start their businesses using equity in their homes, lower home values may affect people's ability to finance their businesses.^{xv, xvi} Together, historical policies such as redlining and ongoing economic trends such as gentrification have shaped today's wealth inequalities and contributed to persistent disparities in who is able to own, sustain, and benefit from business ownership in San Francisco.

San Francisco and the Bay Area have some of the highest incomes and home values in the United States. The United States Census Bureau published a 2024 report showing that the Bay Area had the highest median household income out of the top 25 metro areas in the United States.^{xvii} Furthermore, San Francisco ranks second in Forbes' ranking of United States cities with the largest number of billionaires (after New York City).^{xviii} Despite having some of the highest median incomes in the country, income inequality in the Bay Area has been increasing faster than in California as a whole. Research from 2021 found that median household income among the top 10 percent of households in the Bay Area increased 51 percentage points more than it did for the bottom 10 percent of households.^{xix} Greater income inequality can lead to the concentration of savings, credit access, and financial safety nets among higher-

income individuals while leaving lower-income entrepreneurs with fewer resources to cover startup costs or to qualify for business loans.

Understanding the effects of wealth inequality on businesses and prospective entrepreneurs can inform the City's efforts to provide technical assistance and contracting opportunities to local businesses in a manner that supports prosperity across different San Francisco neighborhoods and across different industries.

2. Location-specific costs. The costs of living and doing business in a region can significantly impact the ability of local businesses to provide competitive pricing for goods and services and their ability to win work with government organizations. When LBEs seek to win contract opportunities with government organizations such as the City, they are competing with other businesses located in the Bay Area, and in some cases, businesses from across the country, where the costs of living and doing business may be very different. Examining how costs of living and doing business compare in San Francisco to other parts of the Bay Area and other cities across the United States can shed light on how San Francisco's high costs may affect the ability of LBEs to win government work.

Cost-of-living increases raise operational costs for small businesses, impacting their profit margins and their ability to offer competitive wages to their employees.^{xx} San Francisco generally has higher housing costs than the Bay Area average. In June 2026, the average rent for a one-bedroom apartment in San Francisco was \$2,855, 23 percent higher than the Bay Area average of \$2,212, and 53 percent higher than the national average of \$1,340.^{xxi, xxii, xxiii} However, this is not the case for all cost-of-living comparisons. In MIT's Living Wage calculator, a living wage for one adult with no children in San Francisco is actually slightly less than a living wage in the larger San Francisco-Oakland-Fremont metro area (\$32.44 in San Francisco and \$33.71 in the metro area as of February 2026). In the same source, this relationship is reversed for families with children, mainly because the cost of childcare in San Francisco is higher than the Bay Area average.^{xxiv, xxv}

Businesses that contract with the City must follow the City's Minimum Compensation Ordinance when they pay workers for time spent working on a City contract, regardless of where the business is headquartered. As of January 2026, the minimum wage for for-profit contractors was \$21.54 an hour.^{xxvi} This ordinance works to even the playing field for the minimum amount contractors may pay, but it is not an indication of the average pay for workers on City contracts, which could be higher depending on the work type and the business. If San Francisco businesses need to offer higher wages than the minimum to attract qualified workers and keep up with the city's cost of living, they may need to pay higher wages than businesses headquartered in other parts of the country that may be able to pay the City's minimum contractor wage while still attracting workers in those areas.

In addition to the cost of living, the cost of doing business is also a relevant consideration when examining the ability of local businesses to compete for government work. In May 2026, the average commercial rent for office space in San Francisco was \$62.03 per square foot, compared to \$55.05 per square foot in the Bay Area, and \$32.91 average across the United States.^{xxvii} The high cost of commercial rent may lead businesses that are in industries dependent on large amounts of physical space to consider locating their business in other parts of the Bay Area outside of San Francisco. Other factors also contribute to the high cost of doing business in San Francisco. A 2022 study by Arizona State University created a cost of doing business index, which took into account metrics for the cost of fees to start a business, labor costs, the cost of electricity, the tax rate, and the cost of real estate. San Francisco

had the sixth-highest cost of doing business index among 83 cities.^{xxviii} However, industry-specific factors may affect how businesses respond to the region's costs. For example, professional services businesses may forgo some office space if some of their workers are able to work remotely, while commodities and general services businesses are often more dependent on physical space to produce goods or serve customers. In combination, high commercial rents, labor costs, and operational costs create substantial challenges for business formation and growth. Businesses must weigh these costs when they decide whether to establish their business in San Francisco.

B. Quantitative Analyses of Marketplace Conditions

BBC conducted extensive quantitative analyses to assess whether businesses face any barriers in San Francisco and the Bay Area. We also examined the potential effects any such barriers have on the formation and success of businesses as well as their availability for contracts and purchases the City awards. We examined local marketplace conditions in four primary areas:

- **Human capital**, to compare residents of San Francisco to residents of the surrounding Bay Area on characteristics related to education, employment, and gaining industry experience;
- **Financial capital**, to compare residents of San Francisco to residents of the surrounding Bay Area on characteristics related to wages, homeownership, and personal wealth;
- **Business ownership**, to assess whether San Francisco residents own businesses at a rate comparable to that of residents of the surrounding Bay Area; and
- **Business success**, to assess whether businesses owned by San Francisco residents have outcomes similar to those of businesses owned by residents of the surrounding Bay Area.

The data for the analyses comes from the United States Census Bureau, primarily from the American Communities Survey (ACS). The ACS is an annual survey of the United States population. To assess differences in how people start and grow businesses between San Francisco and the surrounding Bay Area, BBC used data from the ACS for people whose primary residence is in San Francisco or businesses located in San Francisco compared to people whose primary residence is in any other part of the Bay Area or to businesses located in any other part of the Bay Area. For most comparisons, we first examine differences in the two locations across all industries and then examine differences in the two locations in each of the industries included in the study. Analyzing data for all industries gives insight into general economic conditions in the two regions, while the industry-specific comparisons provide insight into differences in conditions for workers and businesses across industries. We only describe statistically significant results in this chapter.

1. Human capital. Human capital is the collection of knowledge, behavior, experience, and characteristics that make up an individual's ability to perform and succeed in the labor market. Factors such as education, business experience, and managerial experience have been shown to be related to later business success.^{xxix}

a. Education. Barriers associated with educational attainment may make entry or advancement in certain industries more difficult, because many occupations require at least a high school diploma, and some occupations—such as many in the professional services industry—require at least a four-year college degree. Education is a strong predictor of both income and personal wealth, which are both shown to be related to business formation and success.^{xxx} Likewise, differences in educational

attainment are related to income inequality. In 2024, people in the United States with a bachelor's degree earned on average 1.8 times as much as people with a high school degree who had never attended college.^{xxxii} San Francisco and Bay Area residents have varying rates of educational attainment. As shown in Figure 2-1:

- Across all industries, San Francisco residents (93.7%) are more likely to have graduated high school than residents of the surrounding Bay Area (91.6%). San Francisco residents are more likely to have an associate's degree or higher (87.2%) compared to residents of the surrounding Bay Area (79.4%). Moreover, San Francisco residents are more likely to have a bachelor's degree or higher (69.5%) compared to residents of the surrounding Bay Area (54.4%).
- San Francisco residents working in the construction industry (85.1%) are more likely to have graduated high school than residents of the surrounding Bay Area working in the construction industry (77.6%). San Francisco residents working in the construction industry are more likely to have an associate's degree or higher (68.1%) compared to residents of the surrounding Bay Area working in the construction industry (54.7%). Moreover, San Francisco residents working in the construction industry are more likely to have a bachelor's degree or higher (36.3%) compared to residents of the surrounding Bay Area working in the construction industry (19.2%).
- San Francisco residents working in the professional services industry are more likely to have an associate's degree or higher (95.2%) compared to residents of the surrounding Bay Area working in the professional services industry (92.9%). Moreover, San Francisco residents working in the professional services industry are more likely to have a bachelor's degree or higher (91.7%) compared to residents of the surrounding Bay Area working in the professional services industry (86.9%).
- San Francisco residents working in the commodities and general services industry (86.1%) are more likely to have graduated high school than residents of the surrounding Bay Area working in the commodities and general services industry (80.2%). San Francisco residents working in the commodities and general services industry are more likely to have an associate's degree or higher (73.4%) compared to residents of the surrounding Bay Area working in the commodities and general services industry (65.6%). Moreover, San Francisco residents working in the commodities and general services industry are more likely to have a bachelor's degree or higher (41.9%) compared to residents of the surrounding Bay Area working in the commodities and general services industry (30.1%).

Based on these differences, it appears that, on the whole, San Francisco residents are better prepared to work in industries that require college degrees or advanced training than residents of the surrounding Bay Area.

Figure 2-1.
Percentage of all workers who have obtained various levels of education, San Francisco and the surrounding Bay Area, by industry, 2019-2023

a. San Francisco residents

Industry	Less than High School	High School	Associate's Degree	Bachelor's Degree
All Industries	6.3%**	93.7%**	87.2%**	69.5%**
Construction	14.9%**	85.1%**	68.1%**	36.3%**
Professional services	0.5%	99.5%	95.2%**	91.7%**
Commodities and general services	13.9%**	86.1%**	73.4%**	41.9%**

b. Residents of the surrounding Bay Area

Industry	Less than High School	High School	Associate's Degree	Bachelor's Degree
All Industries	8.4%	91.6%	79.4%	54.4%
Construction	22.4%	77.6%	54.7%	19.2%
Professional services	0.7%	99.3%	92.9%	86.9%
Commodities and general services	19.8%	80.2%	65.6%	30.1%

Note: ** Denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95% confidence level.

Source: 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

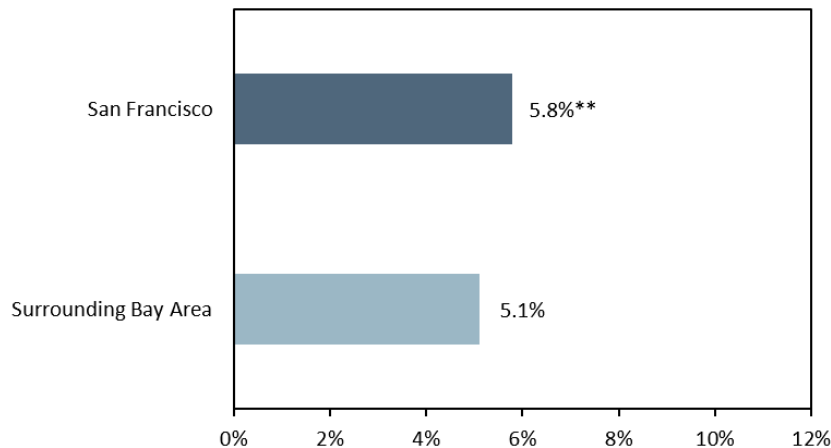
b. Employment and management experience. Another important factor related to later business ownership and success is acquiring direct experience in relevant industries. Any barriers that limit people from acquiring that experience or from advancing to management positions could prevent them from starting and operating businesses successfully.

i. Unemployment. BBC examined the relationship between residence location and unemployment. As shown in Figure 2-2a, across all industries, workers who live in San Francisco have a higher unemployment rate (5.8%) than workers who live in the surrounding Bay Area (5.1%). BBC also conducted regression analyses to assess whether there are relationships between residence location and unemployment, even after accounting for various personal factors such as age, education, and family status. We found that, even after accounting for such factors, workers who live in San Francisco are more likely to be unemployed compared to workers who live in the surrounding Bay Area.

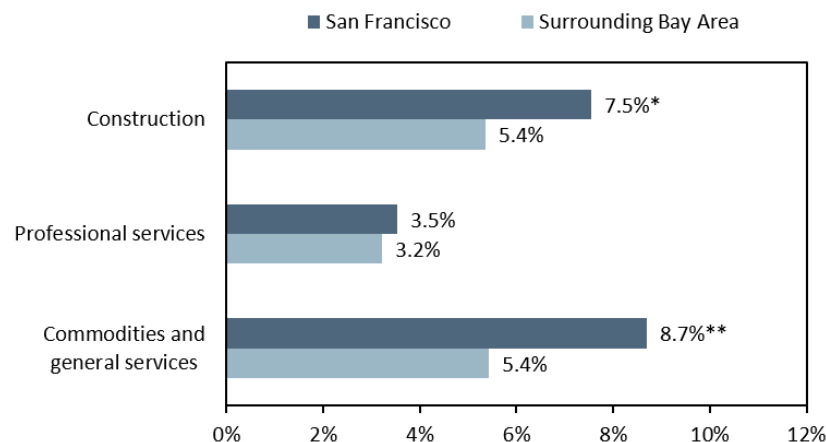
As shown in Figure 2-2b, in the construction industry, workers who live in San Francisco have a higher unemployment rate (7.5%) compared to workers who live in the surrounding Bay Area (5.4%). In the commodities and general services industry, workers who live in San Francisco have a higher unemployment rate (8.7%) than workers who live in the surrounding Bay Area (5.4%).

Figure 2-2.
Unemployment rates, San Francisco and the surrounding Bay Area, 2019-2023

a. Location



b. Location and industry



Note: *, ** Denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 90% and 95% confidence levels, respectively.

Text descriptions of Figures 2-2a and 2-2b are provided in Appendix E.

Source: 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

ii. Employment. Past employment can be an important indicator of future business ownership and entrepreneurial success. For example, research indicates that previous employment experience at a family member's small business is correlated with business owners' future success. Additionally, past experience working in an industry similar to a person's business is a very important indicator of business profitability and longevity.^{xxxii} In many cases, past employment experience is also a prerequisite for business ownership. For example, in California, a business owner must demonstrate four years of experience working as a journeyman under the supervision of a licensed contractor in order to obtain a contractor's or landscaper's license to own and operate a construction or landscaping company.^{xxxiii, xxxiv} Architects must complete the Architecture Experience Program, which requires over 3,000 hours of documented experience, prior to applying for a license to practice architecture and operate an architecture business.^{xxxv} Many other types of construction, professional services, and commodities and general services work have similar experience requirements, which make employment in relevant industries a meaningful precursor to successful business ownership.

BBC assessed the representation of workers in study-related industries who live in San Francisco compared to the representation of workers who live in the surrounding Bay Area. As shown in Figure 2-3, workers who are San Francisco residents make up 12.3 percent of the workforce in the region, and workers who are residents of the surrounding Bay Area make up the remaining 87.7 percent of the workforce. However, the distribution of workers by residence varies by industry. In the professional services industry, workers who are San Francisco residents make up 17.7 percent of workers, meaning they are overrepresented in the professional services industry compared to their representation in all industries (12.3%), while workers who live in the surrounding Bay Area (82.3%) are underrepresented in the professional services industry compared to their representation in all industries (87.7%). In contrast, workers who are San Francisco residents are underrepresented in the construction (6.8%) and commodities and general services industries (9.4%) compared to their representation in all industries (12.3%), while workers who live in the surrounding Bay Area are overrepresented in the construction (93.2%) and commodities and general services industries (90.6%) compared to their representation in all industries (87.7%).

Figure 2-3.
Demographic characteristics of workers in study-related contracting industries and all industries, San Francisco and the surrounding Bay Area, 2019-2023

Residence	All industries (n=199,423)	Construction (n=10,135)	Professional services (n=23,265)	Commodities and general services (n=13,094)
All Individuals	100.0%	100.0%	100.0%	100.0%
- San Francisco	12.3%	6.8%**	17.7%**	9.4%**
- Surrounding Bay Area	87.7%	93.2%**	82.3%**	90.6%**

Note: ** Denotes that the difference in proportions between workers in each study-related industry and workers in all industries is statistically significant at the 95% confidence level.

Source: 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

iii. Management experience. Past management experience can help individuals develop leadership skills and experience in making day-to-day decisions for the successful operation of a business. Some research indicates that previous managerial experience gained before an individual starts or opens a business generally improves their small business' outcomes.^{xxxvi} BBC examined the percentage of people who live in San Francisco and the surrounding Bay Area in management positions in construction, professional services, and commodities and general services industries. As shown in Figure 2-4:

- A larger percentage of San Francisco residents who work in the construction industry (17.3%) work as managers compared to residents of the surrounding Bay Area who work in the construction industry (10.6%).
- A larger percentage of San Francisco residents who work in the professional services industry (13.5%) work as managers compared to residents of the surrounding Bay Area who work in the professional services industry (11.5%).

BBC also conducted regression analyses to assess whether there are relationships between residence location and holding a management position, even after accounting for various personal factors such as age and family status. When accounting for personal factors, San Francisco residents who work in the professional services industry are more likely to hold a management position than residents of the surrounding Bay Area who work in the professional services industry. This indicates that in the professional services industry, San Francisco residents may be better positioned to start and grow their own businesses compared to residents of the surrounding Bay Area.

Figure 2-4.
Percentage of non-owner workers who worked as a manager in each study-related industry, San Francisco and the surrounding Bay Area, 2019-2023

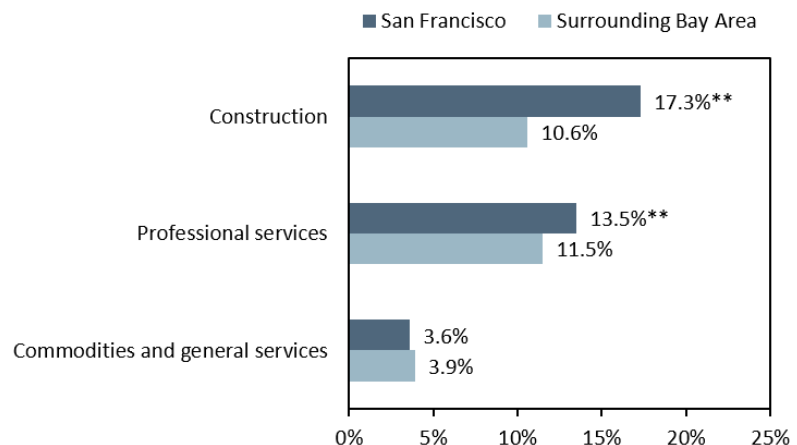
Note:

** Denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95% confidence level.

A text description of [Figure 2-4](#) is provided in Appendix E.

Source:

2019-2023 ACS 5% Public Use Microdata sample.
The raw data extract was obtained through the IPUMS program of the MN Population Center:
<http://usa.ipums.org/usa/>.



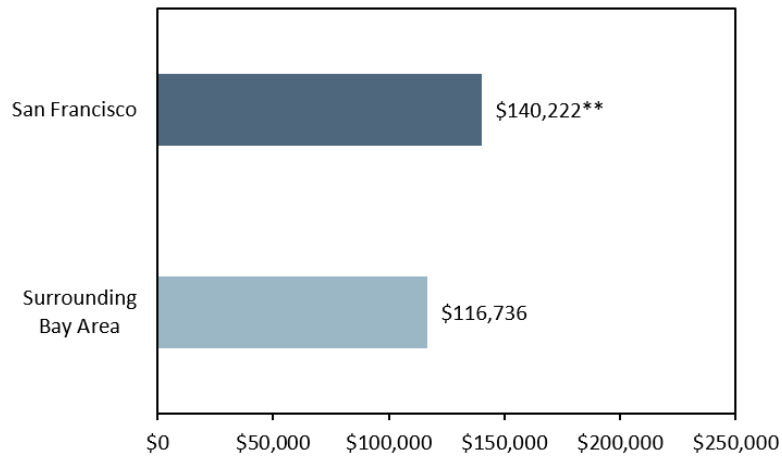
2. Financial capital. Access to financial capital, including income and assets such as home ownership, is an important indicator of business formation and success.^{xxxvii, xxxviii, xxxix} Individuals can acquire financial capital through many sources, including wages, personal wealth, homeownership, and loans. If barriers exist in accessing financial capital in the marketplace, people may have difficulty acquiring the funding necessary to start, operate, or expand businesses.

a. Wages and income. BBC assessed wages and income for workers who are residents of San Francisco and the surrounding Bay Area. Figure 2-5 presents mean annual wages for workers who live in San Francisco and in the surrounding Bay Area. As shown in Figure 2-5a, across all industries, workers who live in San Francisco have higher annual wages on average (\$140,222) than workers who live in the surrounding Bay Area (\$116,736). BBC also conducted regression analyses to assess whether there is a wage gap between workers who live in San Francisco and the surrounding Bay Area, even after accounting for various personal factors such as age and family status. The regression results indicate that workers who live in San Francisco are more likely to have higher annual wages on average, even after accounting for personal factors.

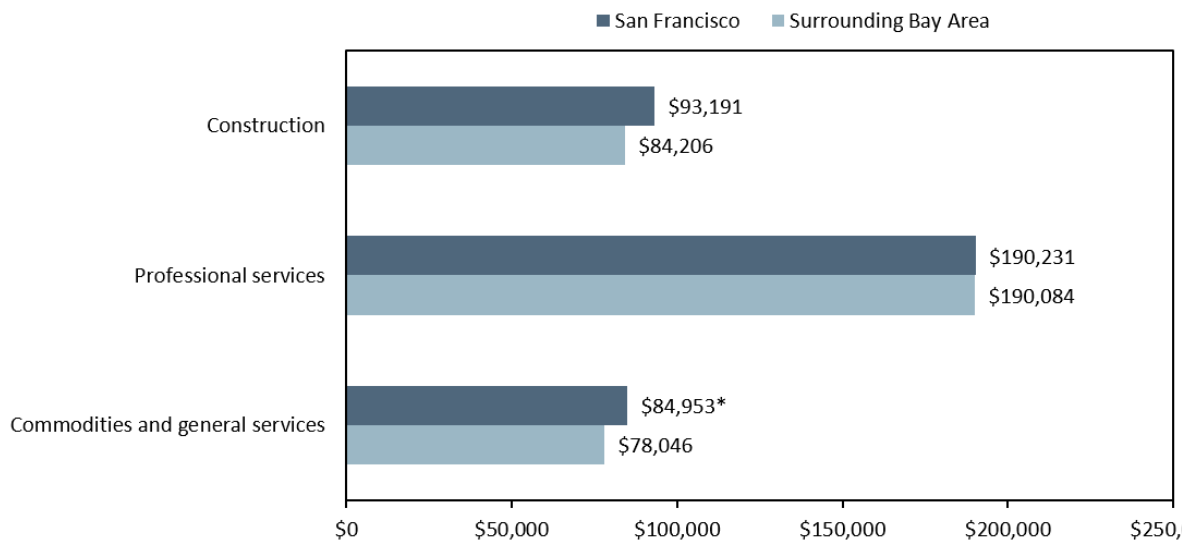
As shown in Figure 2-5b, in the commodities and general services industry, workers living in San Francisco have higher annual wages on average (\$84,953) compared to workers living in the surrounding Bay Area (\$78,046).

Figure 2-5.
Mean annual wages, San Francisco and the surrounding Bay Area, 2019-2023

a. Location



b. Location and industry



Note: The sample universe is all non-institutionalized, employed individuals aged 25-64 who are not in school, the military, or self-employed.

*, ** Denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 90% and 95% confidence levels, respectively.

Text descriptions of [Figures 2-5a](#) and [2-5b](#) are provided in Appendix E.

Source: 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

b. Homeownership. Home equity can also be a key source of business capital and contribute to business development.^{xi, xli, xlii} Like many major cities in the United States, most San Francisco residents rent rather than own their residences.^{xliii} However, in 2025, among the 100 largest metro areas in the country, the San Francisco Metro Area had the largest cost difference between renting and owning a home with a mortgage. The United States Census Bureau reported that the median rent in San Francisco

in 2025 was \$2,435, while the median mortgage cost was greater than \$4,000.^{2, xlv} Since home equity can serve as collateral when applying for a business loan, San Francisco homeowners may be better positioned to apply for a business loan compared to San Francisco renters.

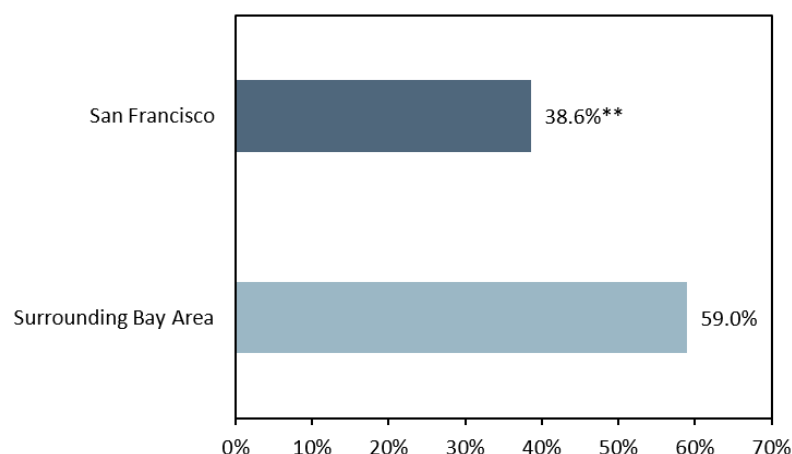
As shown in Figure 2-6a, San Francisco residents (38.6%) own their homes at lower rates than residents of the surrounding Bay Area (59.0%). BBC also conducted regression analyses to assess whether San Francisco residents are less likely to own their homes compared to residents of the surrounding Bay Area, even after accounting for various personal factors such as age and family status. The regression analysis results indicate that San Francisco residents are in fact less likely than residents of the surrounding Bay Area to own their homes, even after accounting for various personal factors.

We also assessed home ownership rates among workers in the construction, professional services, and commodities and general services industries. Across the three industries, workers who live in San Francisco own their homes at lower rates than workers who live in the surrounding Bay Area. As shown in Figure 2-6b:

- The homeownership rate among San Francisco residents working in the construction industry is 38.9 percent, compared to 49.6 percent among Bay Area residents working in the construction industry.
- The homeownership rate among San Francisco residents working in the professional services industry is 32.6 percent, compared to 61.2 percent among Bay Area residents working in the professional services industry.
- The homeownership rate among San Francisco residents working in the commodities and general services industry is 34.0 percent, compared to 49.8 percent among Bay Area residents working in the commodities and general services industry.

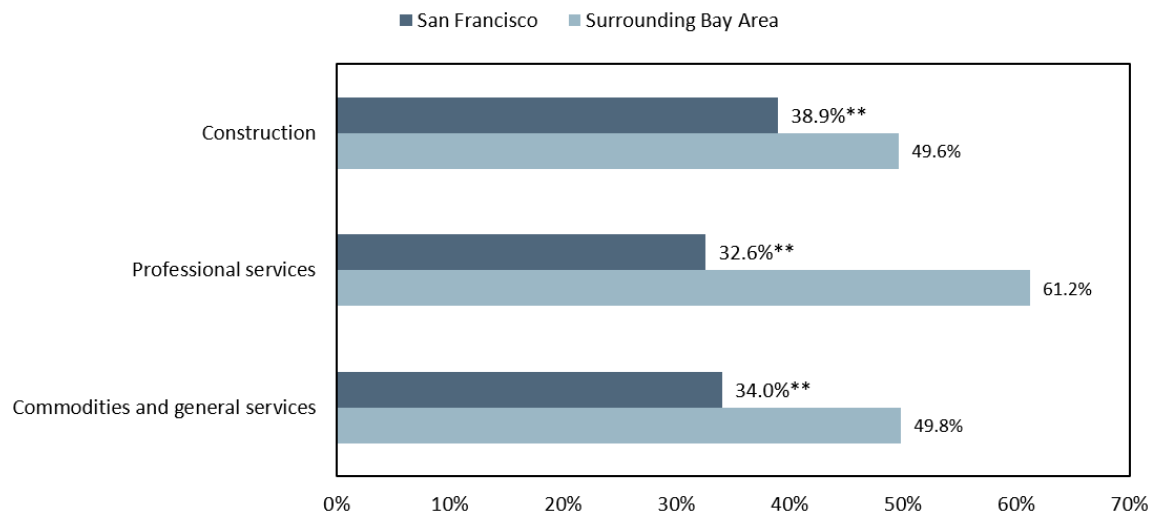
Figure 2-6.
Homeownership rates, San Francisco and the surrounding Bay Area, 2019-2023

a. Location



² The Census Bureau records housing costs over \$4,000 as \$4,000+ and does not report the exact number.

b. Location and industry



Note: The sample universe is all households.

** Denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95% confidence level.

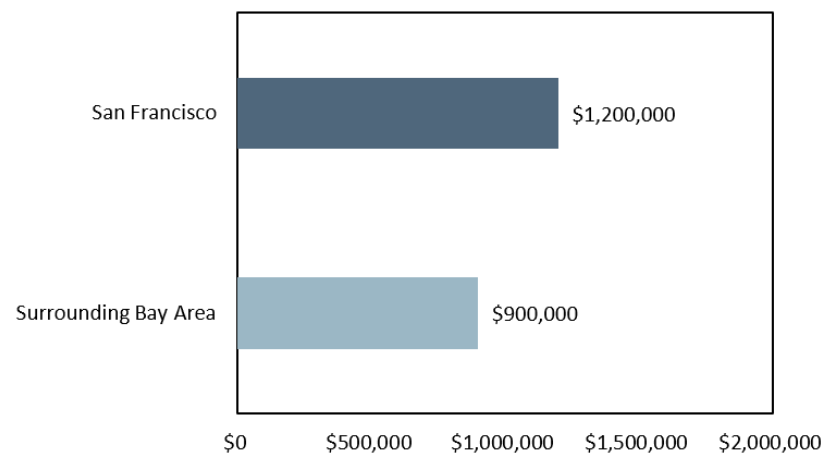
Text descriptions of [Figures 2-6a](#) and [2-6b](#) are provided in Appendix E.

Source: 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

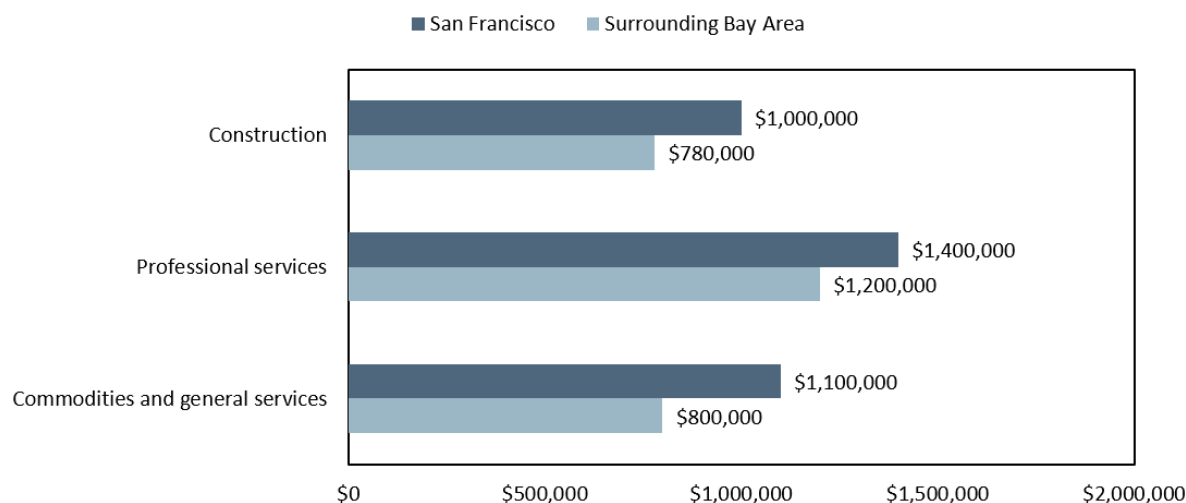
Figure 2-7 presents median home values for homeowners in San Francisco and in the surrounding Bay Area. As shown in Figure 2-7a, the median home value in San Francisco across all industries is \$1.2 million, compared to \$900,000 in the surrounding Bay Area. As shown in Figure 2-7b, median home values in San Francisco are also higher than the Bay Area for homeowners working in the study's three industries: construction (San Francisco: \$1 million; surrounding Bay Area: \$780,000), professional services (San Francisco: \$1.4 million; surrounding Bay Area: \$1.2 million), and commodities and general services (San Francisco: \$1.1 million; surrounding Bay Area: \$800,000).

Figure 2-7.
Median home values, San Francisco and the surrounding Bay Area, 2019-2023

a. Location



b. Location and industry



Note: The sample universe is all owner-occupied housing units.

Text descriptions of [Figures 2-7a](#) and [2-7b](#) are provided in Appendix E.

Source: 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

3. Business ownership. A high rate of self-employment (i.e., business ownership) in a region may indicate that a particular area is a good place for people to start a business.^{xlv} BBC examined rates of self-employment in San Francisco and the surrounding Bay Area for each study-related industry. As shown in Figure 2-8, workers in the construction industry who live in San Francisco (25.5%) own businesses at a higher rate than workers in the construction industry who live in the surrounding Bay Area (19.3%).

Figure 2-8.
Self-employment rates in study-related contracting industries,
San Francisco and the surrounding Bay Area, 2019-2023

Residence	Construction	Professional services	Commodities and general services
All individuals	19.7%	10.4%	16.2%
- San Francisco	25.5%**	10.4%	15.0%
- Surrounding Bay Area	19.3%	10.4%	16.3%

Note: ** Denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95% confidence level.

Source: 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

BBC also conducted regression analyses to determine whether differences in business ownership rates based on location exist, even after statistically controlling for various personal factors such as income, education, and familial status. The results indicate that workers in the construction industry who live in San Francisco are more likely to own businesses than workers in the construction industry who live in the surrounding Bay Area, even after accounting for personal factors. Additionally, the regression results indicated that, even after accounting for personal factors, workers in the professional services industry who live in San Francisco are more likely to own businesses compared to workers in the professional services industry who live in the surrounding Bay Area.

4. Business success. Factors such as the characteristics of the business owner (such as their personality, skills, and motivation), business operations (such as the company's capacity for innovation, customer orientation, and financial resources), and environmental factors (such as the legal, political, and economic environment in which a business operates) contribute to business success.^{xlvi} BBC analyzed differences in business success for businesses located in San Francisco and the surrounding Bay Area according to two key metrics: business receipts and business owner earnings.

a. Business receipts. BBC used data from the United States Census Annual Business Survey to examine data on business receipts to assess whether businesses located in San Francisco earn more than those located in the surrounding Bay Area. Figure 2-9 shows that businesses located in San Francisco earn more in annual business receipts (\$14.82 million) than businesses located in the surrounding Bay Area (\$11.7 million). However, as discussed earlier in the chapter, the cost of doing business in San Francisco is higher than the cost of doing business in the surrounding region, so the benefits of businesses earning more in San Francisco may be offset by the fact that it is more expensive to operate businesses in the city compared to the surrounding Bay Area.

Figure 2-9.
Mean annual business receipts, San Francisco and the surrounding Bay Area

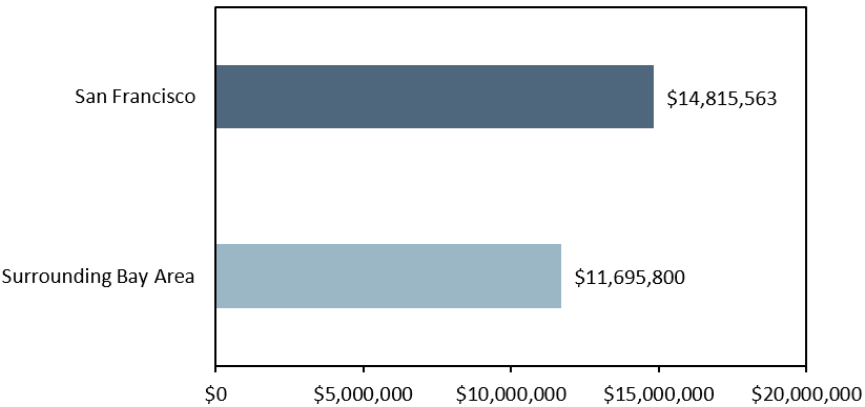
Note:

Includes employer firms. Does not include publicly-traded companies or other firms not classifiable by race/ethnicity and gender.

A text description of [Figure 2-9](#) is provided in Appendix E.

Source:

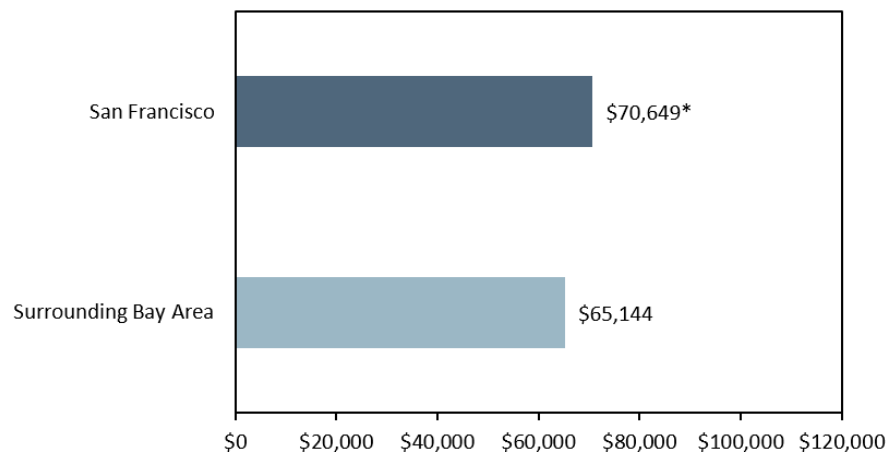
2022 Annual Business Survey.



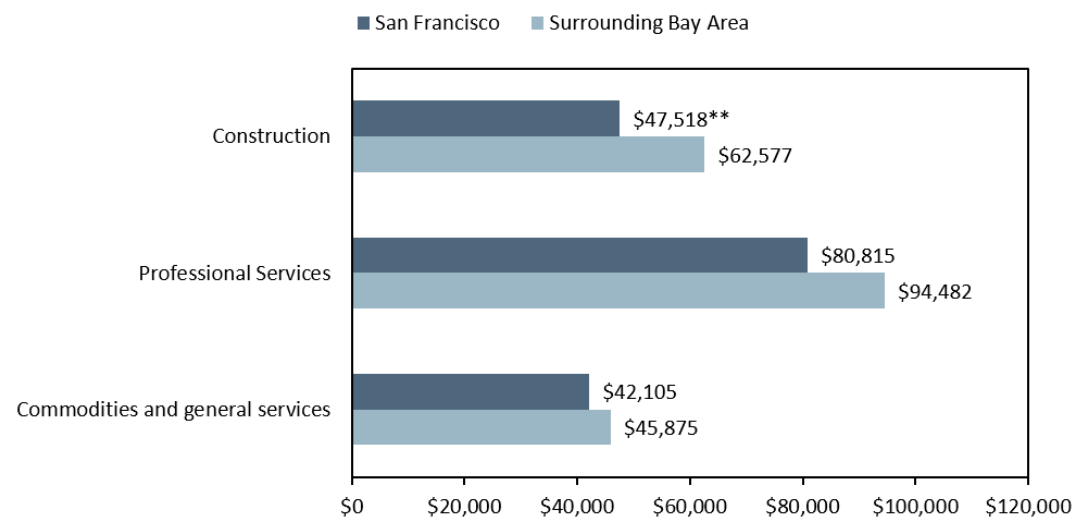
b. Business owner earnings. BBC also analyzed the earnings of business owners to assess whether business owners who live in San Francisco earn more than business owners who live in the surrounding Bay Area. As shown in Figure 2-10a, across all industries, business owners who live in San Francisco earn more on average (\$70,649) than business owners who live in the surrounding Bay Area (\$65,144). However, this is not the case for business owner earnings across the study's three industries. As shown in Figure 2-10b, owners of construction businesses who live in San Francisco earn less on average (\$47,518) than owners of construction businesses who live in the surrounding Bay Area (\$62,577).

Figure 2-10.
Mean annual business owner earnings, San Francisco and the surrounding Bay Area, 2019-2023

a. Location



b. Location and industry



Note: The sample universe is business owners aged 16 and over who reported positive earnings. All amounts in 2023 dollars.

*, ** Denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 90% and 95% confidence levels, respectively.

Text descriptions of [Figures 2-10a](#) and [2-10b](#) are provided in Appendix E.

Source: 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

C. Conclusion

BBC's analyses of marketplace conditions show that San Francisco residents have higher levels of educational attainment compared to residents of the surrounding Bay Area. Further, the city has a higher percentage of people who work as managers in the construction and professional services industry compared to the surrounding Bay Area. These factors indicate that it may be easier for San Francisco residents to start and grow a business compared to residents of the surrounding Bay Area. At the same time, there is a higher rate of unemployment for workers in the construction and commodities and general services industries in San Francisco compared to the surrounding Bay Area and a large income gap between people with and without college degrees living in San Francisco. Business owners

in the construction industry in San Francisco also have lower average earnings than their counterparts in the surrounding Bay Area. The City should use this information to guide its policies and programs in a manner that continues to support a strong professional services industry while providing additional support for entrepreneurs in the construction and commodities and general services industries who may face more challenges when starting and growing businesses in San Francisco.

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CHAPTER 3.

Qualitative Evidence of Marketplace Barriers

As part of the contracting equity study, business owners, trade association representatives, and other stakeholders had the opportunity to share personal insights about their experiences working in the San Francisco marketplace as well as with the City and County of San Francisco (the City) and other government agencies. BBC Research & Consulting (BBC) documented those insights and identified key themes about conditions in San Francisco for small local businesses. We used that information to supplement many of the quantitative analyses we conducted as part of the contracting equity study to provide context for study results and provide explanations for various barriers small and local businesses potentially face as part of City contracting and procurement. (See [Chapter 2](#) for BBC's quantitative analyses of marketplace conditions.)

A. Data Collection

The study team collected personal insights about marketplace conditions, experiences working with the City, and recommendations for programs the City could refine or implement to reduce barriers for small local businesses in its marketplace and encourage their participation in City contracting and procurement. We made various efforts between May 2025 and October 2025 to collect that information:

- **Public meetings:** BBC solicited written and verbal insights from stakeholders at three public meetings: two in-person meetings on May 20 and May 28, 2025, and one meeting hosted virtually on August 26, 2025.
- **In-depth interviews:** IRML Consulting (IRML) conducted 20 in-depth interviews with owners and other high-level representatives of local construction, professional services, and commodities and general services businesses to collect insights about interviewees' perceptions of, and experiences with, local contracting industries, working or attempting to work with government organizations in San Francisco, the City's business assistance programs, and other relevant topics. BBC identified interview participants primarily from a random sample of businesses the study team contacted during the availability survey process, stratified by business type and the race/ethnicity and gender of business owners (see [Chapter 5](#) and [Appendix B](#) for details on the availability survey process).
- **Availability surveys:** As part of the availability analysis, BBC conducted surveys with 522 businesses located and operating in San Francisco (see [Chapter 5](#) and [Appendix B](#) for details on availability surveys). The survey included an opportunity for participants to share qualitative insights about whether they have experienced barriers starting or expanding businesses in their industries, obtaining work, or working with government organizations in San Francisco. A total of 106 survey participants shared such information.
- **Focus groups:** IRML conducted four focus groups with representatives of business organizations, such as chambers of commerce, business assistance organizations, and trade groups, in addition to representatives of certified Local Business Enterprises (LBEs). We conducted the focus groups on June 25, June 26, August 29, and October 29, 2025. The study team engaged 41 participants across the four focus groups. During each focus group, participants discussed and shared insights about working with private and public sector organizations in San Francisco.

- **Written comments:** Throughout the study, the study team invited stakeholders and community members to submit written comments directly to BBC regarding their experiences working in San Francisco. Eleven community members shared such written comments.

B. Key Themes

BBC identified various themes from the personal insights we collected as part of the contracting equity study. We summarize the most prevalent themes by topic area and present representative quotations for each:

1. Entry and advancement;
2. Working with public agencies;
3. Barriers related to race; and
4. Business inclusion programs.

Summary of Key Themes

Business owners identified barriers related to gaining experience, finding mentorship opportunities, and accessing financing and insurance needed to support business growth and ownership. Business owners who are people of color and women also reported experiencing race- and gender-based discrimination in the San Francisco marketplace. Concerns about working with public agencies, including the City, centered on delayed payments and burdensome bid and prequalification requirements. While many participants viewed the LBE Program as critical to securing City work and growing their businesses, they also expressed concerns about inconsistent enforcement, including the use of LBE firms as “pass-throughs” and limited enforcement of good faith effort requirements.

To protect the anonymity of individuals and businesses, we indicate whether each quotation was from an interviewee, a public meeting participant (with the prefix "PT"), a focus group participant (with the prefix "FG"), or an availability survey participant (with the prefix "AV") in parentheses at the end of the quotation. In addition, for quotations from interviews, focus groups, and availability surveys, we identify the interview, focus group, or survey response with a unique number (e.g., "#15" for interviews, "#FG4" for focus groups, or "#AV9" for survey responses). We also preface them with a brief description of the ownership characteristics of the business and the business' line of work. We indicate whether each participant represents an LBE or a business with other relevant certifications.

1. Entry and advancement. Business owners and representatives shared their experiences starting and scaling their businesses in San Francisco and described various barriers to business success related to human and financial capital.

a. Mentorship. Having close mentors, especially those who own their own businesses, provides many business owners with guidance and sometimes financial support to launch their businesses. Despite their industry knowledge, study participants said they had to rely on mentors to learn the day-to-day

processes and skills of business ownership and to develop relationships important to business development. For example:

The Black woman owner of a Micro-LBE-certified professional services company stated, "I've had a lot of good mentors. ... I adopted them as my mentors to help me figure this stuff out because I knew nothing about contracting. ... I didn't know about how to make a proposal, let alone what your pricing should be and how you do this stuff, how you navigate and how you negotiate." [#2]

The Hispanic owner of a Small-LBE-certified construction company stated, "[My colleague] understood how to play the game and how to endear yourself to these larger White contractors. I took care of the engineering and the construction portion of it, managed our crews, and got that stuff done. But it was a great proving ground to develop my own relationships with these primes, number one. And to give myself some experience, learning the industry, and learning how to build things. And so that was ... kind of like [an] apprenticeship, mentorship. So when I started, I didn't start without knowing anybody in the industry, which is what 90 percent of our companies do. ... [Other business owners start as] a tradesperson, and then they're going to go jump in and start a business. And they have no connections in the industry, they don't know how to make connections." [#3]

b. Experience and expertise. Many business owners described working as managers or as high-level staff before starting their own businesses. Some business owners and representatives discussed how prior experience in those positions was crucial to success in business ownership, as it helped them develop key skills beyond industry knowledge. For example:

The Hispanic owner of a Small-LBE-certified construction company stated, "I worked for another civil firm for about nine years. And I was very dedicated to the point that people thought I was the owner of that company." [#3]

The Black woman owner of a Micro-LBE-certified professional services company stated, "I worked in the industry. I was the director of communications for [company], and so that's where I cut my teeth in learning all about what it means to be an effective communicator. I got a really good look at how policies are made and how you shape communications around public policies." [#2]

The Subcontinent Asian owner of a commodities and general services company stated, "I started just as a driver and we had like four drivers and then ever since then, I just kept moving up. I kept moving to dispatcher. After dispatcher, the truck manager, and then finally I started taking over." [#9]

One business representative said prior industry experience provides the technical skills necessary to perform work, but it does not necessarily help individuals learn other skills important to business ownership. Small business owners, in particular, may struggle to transition from fieldwork to management roles, as they typically have to master a wide range of responsibilities compared to larger businesses that have more resources and staffing. For example:

The representative of an LBE-certified professional services company stated, "Most LBEs know how to run a job. That's where they came from, the field. ... They understand that,

they have that down pat, but they don't know how to keep score, they don't know their accounting, and they don't know how to put a bid together. And so they go in business because they know how to build it, they don't know how to price it, and they don't know how to reconcile it. And unfortunately, that leads to major problems." [#FG2]

c. Financing barriers. Business owners described the importance of having consistent cash flow in order to bid on jobs and sustain their businesses. Additionally, without access to loans, lines of credit, or other financial assistance, business owners described having to rely on their personal wealth to start their businesses. For example:

The representative of a person of color (POC)-owned small business support group stated, "As a technical assistance provider, most of the time, the barriers that our clients run into is usually access to capital. Because not everybody starts off medium size or large. It is just hard for them to have enough cash flow to support certain bids. And they usually get disqualified because they can't prove that they're capable" [#FG4]

The Hispanic owner of a Small-LBE-certified construction company stated, "If you have a business, and you don't have any business credit, what are you going to rely on? You're going to rely on your personal credit. ... I could afford not to pay myself that first year. ... I was able to go a whole year without paying myself and allow me to build equity into the company, which I knew I needed to build to develop cash flow." [#3]

The representative of a POC-owned business support organization stated, "In the case of the majority population out there, there's generational wealth that doesn't happen very often in our community. Because I am twice as old as everybody, I grew my wealth by working as long as I did and deferred getting into business until I was almost eligible for social security. ... And I realized looking back that I couldn't have done it at age 30." [#FG1]

d. Insurance barriers. Small business owners described the inaccessibility and unaffordability of insurance as a key barrier in the marketplace, one that has implications for their ability to bid on jobs, work as subcontractors on project teams, and make a profit. Business owners expressed that insurance requirements for professional services work were unreasonably high. For example:

The Black woman owner of a Micro-LBE professional services company stated, "We shouldn't be held to the same standard as an engineering company to have all these kinds of different kinds of insurances that don't apply. All these things like that for a small business is a barrier. And it puts undue pressure on small businesses to make a decision about bidding on something because of these incongruent things that don't fit with your business. ... Sometimes the requirement for the basic liability is like \$5 million and my contract is like \$50,000. Why would I have to have insurance at that level when I'm getting only \$50,000 over three years? But if you want to be in the game, you've got to pay the price." [#2]

A participant in a public meeting stated, "I think one of the issues that we're having for small firms is the amount of insurance that [is] required by the agencies. It doesn't match the scope of services involvement and small firms, especially in the professional services

sector. But they're requiring \$5 million, \$10 million worth of professional liability [insurance], and it doesn't match the scope of their liability on these large projects." [#PT2]

The owner of an LBE-certified professional services company stated, "The insurance requirements need to reflect the actual risk involved. What is the dollar amount of the work being done? Are you going to require \$4 million worth of insurance that costs me \$1,000 for a job that costs \$3,000? Insurance is one-third of the total project price. Why do I need \$4 million worth of insurance to do one day of work for you?" [#8]

e. Networking. Business owners and representatives described how networking is essential to finding and obtaining work. Finding out about opportunities through word-of-mouth is often more valuable for smaller businesses that are likely to have fewer staff and resources to dedicate to looking for work opportunities. For example:

The representative of an LBE-certified construction company stated, "It's a lot of work. ... As an adult and being professionally in business for years, relationship building and maintaining those relationships is the key to us staying in business." [#13]

The White woman owner of a Micro-LBE-certified commodities and general services company stated, "Every Micro-LBE wears 10 different hats. ... We do so many different things. The average LBE can't be on all these different sites or looking for information in certain different places. ... So a lot of it comes from word-of-mouth or it's a chain. If I get information, I blast it out to everybody." [#4]

2. Working with public agencies. Business owners and representatives discussed their experiences learning about, bidding on, and performing work with the City and other public agencies.

a. Public versus private work. Business owners and representatives expressed how barriers such as slow payment processing and heavy paperwork requirements negatively affect their willingness to work in the public sector. These factors may have a disproportionately larger impact on small businesses that lack the financial and administrative buffers that larger businesses have, making them more sensitive to slow payments and delays in project timelines. For example:

The representative of a Black-owned LBE-certified commodities and general services company stated, "It's easier to get into the private work than getting into the government work. It should be easier for someone like us to get the government work, but it's not like that. It's a lot harder to get the government work." [#11]

The owner of an LBE-certified professional services company stated, "The paperwork San Francisco requires to be a client [is a barrier]. I'm a small business. I have three people working for me and then myself. And for a firm that has 300, 400 people ... they can dedicate a person to doing paperwork. I can't." [#8]

The Black woman owner of a Micro-LBE-certified professional services company stated, "I guess the fun part is actually doing the work. But I would say dealing with ... the Contract Monitoring Division [CMD], [they are] very nice people, but it's laborious trying to figure out how to submit these payment affidavits and it is just unwieldy sometimes. But outside of that, I think that the elongated process has probably been frustrating. We may submit [a proposal] in January and then not hear anything until September." [#19]

The White male owner of an LBE-certified professional services company stated, "This is true of pretty much any jurisdiction, they say, 'Oh, we need it right away,' and then they proceed to delay things weeks and months on end. It's very frustrating when they say they have a tight deadline and then you're just sitting there because somebody took a leave of absence for three months and you're not going to do anything on the project at all now." [#21]

b. Bid process barriers. Business owners, especially small business owners, explained challenges they experienced related to bidding on public work. Some business owners described how the paperwork required as part of the bid process can be unfamiliar and complicated. Because small business owners tend to "wear many hats," they often have less time to devote to pursuing work and putting proposals together without compromising their incomes. For example:

The representative of an LBE-certified construction company stated, "I think it's super challenging. I'm at the point where, as far as bidding on projects, I don't want to participate anymore. ... The problem is that bigger contractors have legal departments and multiple people in accounting and all kinds of project managers and project engineers and coordinators. They can spend hours doing this stuff all day. ... I don't have the resources or the time to spend filling out pages and pages of documents." [#13]

The representative of a POC-owned business support organization stated, "Just being ready to bid on these projects, you need the capital. But I'll say that now more than ever, you need the human capital to get through the paperwork. I've been doing this for decades. And I would say that the paperwork in the last five or 10 years to just even get your bid in, it almost feels like it went up exponentially. I've got admin staff, and we can barely keep up. And if you're starting out and you don't have a support staff that even has seen a CMD form, in my opinion, you just basically can forget it." [#FG1]

A representative of a Black woman-owned professional services company stated, "I think the only difficulty is that the RFPs [requests for proposals] are pretty laborious. It normally takes two people 40 to 80 hours to gather, collect, and respond in a thorough manner. Obviously, those are unpaid hours because you don't know if you will prevail on it, but those hours are spent." [#AV45]

The owner of an LBE-certified professional services company stated, "I don't have a law degree. I'm a biologist. Reading contract language and agreeing to 80 pages in a contract, it'll take me all day to read a contract and try to understand it. So when we're looking at contracts and all the legalese involved, it's really hard. That takes a toll on a small business. And I have to consider all that time as lost profits." [#8]

Small business owners expressed that it is often unclear whether the scope of work described in a City RFP is in line with their capacities and whether the project is worth the administrative burden of responding to RFPs. Other business owners said they have hesitated to bid on public projects because, if they serve as a subcontractor to a larger company, they only receive small pieces of work that often have strict, and sometimes insufficient, budgets. For example:

The Black woman owner of a Micro-LBE-professional services company stated, "So I do wish that the City would push these departments to be more specific so that companies and

firms would have a better indication whether this is worth a project to go after. It's just a hope and a prayer." [#2]

A participant in a public meeting stated, "The subcontractor requirements on ... contracts are very confusing to read. They are really hard to interpret. There's a lack of clarity in some of the requirements in terms of whether you qualify or not." [#PT3]

The Black woman owner of a Micro-LBE-professional services company stated, "There aren't a lot of communications, community engagement RFPs that come out. Because of that, I often have to become a sub on a bigger project. And then they usually don't have sufficient budgets or they're undefined. If CMD says you have to have 10 percent [of the budget], they're not going to give you 12 percent, even though the work may require that much of the budget, they're going to squeeze you to just the minimum. So I think the financial part has probably been the biggest barrier, is being able to get any contracts that are sufficient enough to feed your family." [#2]

The Black owner of a Micro-LBE-certified construction company stated, "Because of our size, a lot of times we're not going after the entire project. We're going after a portion of the project or a 'carve out' is what it's usually called. In that dynamic, we are typically set up for failure because we are bidding to our competitor and they're looking at the whole building, for example, they want you looking at the first floor of this nine-story building. In this type of scenario, oftentimes the number that they want us to be at is at either cost or significantly less than what they have plugged in for." [#6]

c. Prequalification. Many public agencies and prime contractors require businesses seeking to do work with them to prove that they have the minimum qualifications necessary to perform the work before they are contracted to do so (referred to as *prequalification*). Additionally, on certain contracts and purchase orders, the City may set minimum qualifications for evaluation purposes that can include requirements to demonstrate past experience on City contracts, adequate financial condition to perform work, and other examples of relevant experience. Many business owners described the City's prequalification requirements as a major barrier to working with the City, especially the requirement to demonstrate past performance with the City in best value procurements. For example:

A representative of a commodities and general services company stated, "The biggest problem is government past performance [requirements] because it [is] hard to get entry to government work, but we are being overlooked because of our lack of government experience." [#AV21]

A participant in a focus group stated, "It seems like that's the universal roadblock for small micro LBEs to get in is those prequalifications, and also just a general blurring of the actual process. A lot of us start as small companies attempting to grow. And the process for either partnering or becoming a sub on these projects, ... it's just very, very difficult." [#FG1]

d. Payment. Most study participants discussed how slow payments from the City negatively impact the success of their businesses. Small businesses, in particular, may not have the financial capital to cover their expenses while waiting for payment, which affects their ability to pay staff and pursue other work. For example:

A representative of a construction company stated, "Our biggest concern is the slow payment from the City on our projects. It's anywhere from a 60- to 100-day waiting period right now, all across the board, all City departments. That's the biggest hurdle, I suppose." [#AV17]

The White woman owner of a Micro-LBE-certified commodities and general services company stated, "Lucky if we get paid within four months ... there's no spending. We very rarely spend money [that could help grow or expand our business] because we don't know when it's coming in or it's definitely not coming in within the next 30 days. So for sure we ain't spending before something coming in." [#4]

The Black owner of a Micro-LBE-certified construction company stated, "[On] one project, we're close to eight, nine months without receiving a return. So we've been off the job for a very long time and still haven't been able to collect our final payment. ... A larger contractor already has the resources to where they're not leaning on a line of credit. They don't need to borrow money to pay their team. If you are waiting, who knows how many months to get [paid] and you're paying interest on all those months in between, it then makes your bottom line dwindle every single month." [#6]

The Black woman owner of a Micro-LBE-professional services company stated, "And then not getting paid for 90, 120 days, what do you do in between? You either have to take out a loan, which costs you 7 percent and ... if you had a line of credit, you're going to be up at 15 percent. ... You never recoup because you're now taking out your line of credit to cover, but you're paying the interest on that money that you're using over those two months. ... You never really get ahead." [#2]

The owner of an LBE-certified professional services company stated, "When you're getting paid by the City and it's three months late, that's hard to deal with for a small company. I've got to pay my people." [#8]

Business owners discussed the compounding delays of delayed payments for subcontractors, which often perform work on multiple small projects at a time. For example:

The representative of a POC-owned small business support group stated, "If you're thinking that these LBEs are working at one project, the duration which it takes to get a payment may be acceptable. But ... small businesses are not making a living off of doing one project at a time. They're doing four, five, six, maybe more projects. Subcontractors are doing a lot more of that. Me as a [general contractor], maybe four or five. Subcontractors are [doing] way more than that, probably in the double digits. And they're taking 90 days to get payment, and maybe that's lucky on a lot of projects. There's no way they're going to stay alive. They're not going to stay afloat." [#FG4]

The representative of a POC-owned business support organization stated, "Some of these large general contractors and owners tell us what we can charge per hour. They cap our markup. We have to pay our Social Security and Medicare. ... I'm not making the money I need to make per hour of every hour I worked, and then on top of that, it takes us 75 days to get paid, it's such a losing battle. ... There's no flexibility in that at all. ... We're not robber barons trying to get rich off of these projects, we just need to cover our costs. And if you're not even going to let us do that, what are we all doing here?" [#FG1]

The representative of an LBE-certified construction company stated, "The fact that you [the prime contractor] haven't been paid is not my issue. I haven't been paid by you, and my contract is with you. So that's our biggest struggle ... is trying to get paid in a timely fashion. We just completed a project on Christmas of last year. We just got paid like, three weeks ago. I mean, \$600,000 might not mean something to anyone else, but \$600,000 to us means a lot, especially when we wait nine months." [#13]

Multiple study participants described how payment is often further delayed due to minor invoicing mistakes that require re-approval from City departments, which can be time-consuming. For example:

The owner of an LBE-certified professional services company stated, "Now, if I'm a sub to a prime on a contract, especially if that prime is a large engineering firm, I'm even further back because the prime only pays when [they get] paid. If the prime makes a mistake in their invoicing and the City takes a month to take a look and go, 'No, this invoice is wrong,' they need to take another two or three weeks to revise that invoice. When it finally comes back, then it takes a month for the contractor to get paid, and then I get paid a month after that. So sometimes I'm looking at three, four, five months later." [#8]

The Hispanic owner of a Small-LBE-certified construction company stated, "Can I cross out this invoice and just get rid of this three cents, that's wrong initially and process it? Will the LBE have a problem with that? I think not. Rather than reject it, send it back, and start the process again? Really? For three cents? ... Because you got to jumpstart it again once it gets rejected, then everybody has to sign it again." [#3]

The White male owner of an LBE-certified professional services company stated, "On another project, they had submitted the invoice the way they had been submitting invoices, and then all of a sudden the person reviewing it says, 'Oh no, you can't submit it that way. You have to submit it this other way.' So we're delayed again. They owe us like \$35,000 and that's been held up for three to six months." [#21]

e. As-needed contracts. Small business owners described their experiences working on as-needed contracts. Many said they found it difficult not knowing whether they would be able to count on the income from that work or when they might receive it. For example:

A participant in a public meeting stated, "I've been listed on several as-needed projects for the City and I find they'll have me listed and they just do not use me and with no explanation. ... I've even been asked in the middle of a contract just to stop and cease work in the middle of me going through the process of hiring, getting people in a union, and just getting them going, and they're feeding their families. ... The City and County just [pulled] funding and stop[ped] us in the middle of that." [#PT3]

The Black woman owner of a Micro-LBE-professional services company stated, "I really take offense at the fact that the City has all these as-needed contracts, because you don't ever know when there's going to be work. And so you can't really put a value on it. So if you're projecting out about your financial resources and your budgets for the year as a company, you can't include those towards anything because you never know. ... So I don't go after very many as-needed contracts anymore. I just realized that it's sometimes nothing and I can't afford it." [#2]

A participant in a public meeting stated, "I've got two [as-needed] contracts I won with the [City] in 2022, and I have not seen an initial task order. It's 2025. I think it's unfair to put that level of burden on [small businesses]. And especially as a small firm, when you prime the work, it's very difficult to not be able to count on that to actually come through. You have actually just no sense of when your initial task order and when your payment for the work will come through." [#PT3]

3. Barriers related to race. Interviewees discussed instances of discrimination they observed or experienced working in their industries, such as stereotypical attitudes that ascribe negative assumptions to the capabilities of POC-owned businesses or their employees. POC business owners described having to work harder for their businesses to achieve the same level of success as similar businesses not owned by POCs.

a. Attitudes toward POC-owned businesses. Study participants described negative attitudes that exist in the San Francisco marketplace toward POC-owned businesses. Some business representatives perceived that larger, majority-owned companies are only working with POC-owned LBEs to improve their reputations, but that they do not treat POC-owned businesses fairly on the job. For example:

The representative of a POC-owned business support organization stated, "There's one City agency that, during a [Local Business Enterprise Advisory Committee] meeting, they said, 'Oh, her company's on this job just because she's a woman and she's a minority. She wouldn't be on this job [if she were not a minority woman].' I'm not going to name the department, but that was said by not somebody from the top, but it was said from a middle manager. And I heard it from somebody else that was in the meeting that said, 'You should probably understand the attitude about your company.' We're not naive, we know it's pretty pervasive." [#FG1]

The representative of a trade association stated, "There's an assumption that [POC-owned businesses] don't know how to do business and do business right. So they create certain barriers to keep us out. And it could be something small, but because we're starting out or maybe we didn't have as many breaks, it's enough to knock us out." [#FG3]

A participant in a public meeting stated, "So as we're trying to bid this thing or communicate with the outside general contractor, the [prime contractor] liked to take my Black picture and put it all on a computer and saying, 'We are working with the minorities. We are working with the colored folks and the small people.' See, they like to do all that stuff and put you in their promotional material. But at the same time, when it comes to getting these jobs and stuff, they threw a monkey wrench." [#PT1]

b. Double standards. POC-owned businesses described feeling like they were expected to perform to a different standard than other businesses to counteract negative assumptions about their businesses. For example:

The representative of a trade association stated, "As African Americans, we take the brunt. They always make it look like we just ain't never satisfied and we always crying and screaming and hollering. But when you're the lowest on the totem pole within the society at large, they always used to tell us you got to work extra harder to get twice as hard to get just as far." [#FG3]

The representative of an LBE-certified trucking company stated, "We have to have all our ducks in a row, all our I's dotted, all of our T's crossed, because we're considered Black trucking and San Francisco has been dominated by certain truckers for a really long time. So they're looking for a way to knock us out the box. So we make sure we're completely on point." [#FG2]

The White woman owner of a Micro-LBE-certified commodities and general services company stated, "Even though I'm White, we're looked at as Black trucking [because of our employees' and my husband's race]. ... We were in a situation where we had got a job and the company that we had got the job [from], they had sent one of their workers down there to his yard to see what kind of trucks he have. See if he's the real deal. Do they have a bunch of old junk or what kind of trucks do they have? So they'll do things like that because they really don't want to use us." [#4]

4. Business inclusion programs. Study participants described their experiences with the City's *Chapter 14B Local Business Program* (also referred to as the *LBE Program*) and the various measures offered as a part of the program, such as subcontracting requirements and set-aside contracts.

a. Certification. Study participants described the advantages of their business having LBE certification. Multiple business owners mentioned that they felt the certification was the only reason they were able to get work with the City. For example:

The Black woman owner of a Micro-LBE-certified professional services company stated, "I think [the certification] was an advantage because as soon as I got it, it seems like I started getting more invites to submit [responses to] RFPs." [#19]

A participant in a focus group stated, "So personally for me, if it wasn't for the LBE certification, then I would've never had a job because [prime contractors] don't want to give [work] to us." [#FG1]

Other business owners said prime contractors in San Francisco seem to have a negative association with LBE certification, believing that certified firms are more difficult or costly to work with than non-certified firms. In addition, some business owners described feeling like LBE certification does not help businesses develop relationships with other companies, as they are only interested in working with them to meet contract-specific subcontracting requirements. For example:

The representative of a trade association stated, "I feel that City agencies ... and [general contractors] GCs have this attitude, like 'LBEs are issues and they're difficult to work with'. And that just has been an ongoing thing. And there's always a premium attached to working with LBEs, and developers and general contractors don't like that. I feel like that's one of the biggest issues." [#FG3]

The White woman owner of a Small-LBE-certified professional services company stated, "I have a feeling that it might be a disadvantage [to be LBE-certified]. I feel like people who actually make these decisions have preconceptions about what it is like to work with an LBE. I bet they look at us and think, 'Oh, they can't handle it.' They just think, 'Micro, next.' That's my sense." [#5]

A participant in a focus group stated, "[Prime contractors give us work] because they have to meet certain contractual requirements. But at the same time, they give you the bare minimum. And most times, they try to get you to buy material for them that you're not even installing to meet their LBE goals. But ... if it wasn't for LBE [certification], I would never have a job. And [prime contractors] only [give work to subcontractors] because they have to, not because they want to." [#FG1]

The representative of an LBE-certified construction company stated, "Sometimes people call us and they go, 'This has to be a 20 percent LBE [participation],' or, 'This has to be a 50 percent SBE [small business entity participation],' or, 'In order for me to qualify as a general, I need a sub that's all LBE, SBE.' I become a hot commodity all of a sudden because they need me to get the job. But that's all I am. I'm a fleeting memory after that job's over." [#13]

Several business owners said that they have not experienced any advantages to LBE certification, citing that they face too much competition from firms outside of San Francisco or from other certified LBEs that have only recently set up an office in San Francisco. For example:

The Black woman owner of a Micro-LBE-professional services company stated, "How in the heck can a company that's [got] their main office is in San Diego, they get to get paid for flying back and forth? And you have companies like yours and mine right here, they can do better quality work, as far as I'm concerned." [#2]

The representative of a construction business support organization stated, "Personally, I haven't seen any advantages for becoming an LBE. ... Everybody's able to come to San Francisco and get these projects. We're not getting anything. And the projects that we do get, we're getting peanuts, we're getting crumbs. So now at the end of the day, you get contractors that are coming out from Los Gatos, Sacramento, Vegas, [Los Angeles], and they're coming out here, getting our addresses and becoming an LBE within six months, and they already have the bidding capacity [due to their size]." [#FG1]

b. Set asides. Study participants described the challenges Micro-LBEs face when competing with larger businesses for contracts. For example:

The representative of a business development nonprofit organization stated, "We work with a lot of small businesses, really startups, who want an opportunity. And they can't compete. You simply cannot compete with a larger company. ... If you're looking at lowest bid [when evaluating proposals], if you're looking at who's going to bring in the best cost, you can't compete with a larger company. ... It's simply not sustainable for the small businesses. And there aren't any opportunities for them." [#FG1]

Some business owners and representatives recommended having more set-aside contract opportunities for exclusive competition among different tiers of LBEs. For example:

The representative of a POC-owned business support organization stated, "They have done only a small part of it with mandating Micro-LBE set asides. In my opinion, there's not enough Micro-LBE opportunities for folks to get into a race that's a little bit slower, that doesn't have the liquidated damages that these mega projects has, doesn't have the

amount of schedule push that exists at the larger level, where you don't have to learn how to input things into Procore, and you don't have to make sure that you have answered a change order within three days, or you accept that extra work without being compensated for it." [#FG1]

A representative of a woman-owned professional services company stated, "Micro set-aside contracts are great, but there should be opportunities for non-Micro primes as well." [#AV80]

The representative of a POC-owned business support organization stated, "The quantity of bids that have been coming out has been significantly less than just a couple years ago. I don't disagree that it probably has a large portion to do with funding, but with that said, I think that carve-out for smaller businesses provides an opportunity for small businesses to really get their feet wet [in government contracting]. And those kinds of chances and opportunities are far [between] and fewer. ... They're not going to be taking on \$1 million, \$2 billion projects. They want to get their feet wet with something that's \$200,000, \$300,000." [#FG4]

The representative of a business development nonprofit organization stated, "The City, I believe, has a tool it can use and implement to create these smaller opportunities, set asides. ... The City [should] set aside smaller opportunities so that the businesses that we work with can actually grow without having to compromise so much of their business, which is risky when you have somebody paying payroll and doing all the things because you don't have capacity to do it." [#FG1]

A participant in a public meeting stated, "Local small businesses like ourselves, we have a cap of the amount of businesses we can do. ... They took it down from \$300,000 a year to \$50,000 a year [per Micro-LBE set aside contract for the Technology Marketplace]. They slashed it by one-fifth. ... I'm not sure what the reasoning is because they stand to gain by us doing more business with them. ... They end up losing the advantages of local businesses taking part in these contracts." [#PT2¹]

The representative of a POC-owned business support organization stated, "The City needs to step up and have more set-asides, and recognizing that the LBEs cannot necessarily compete with the larger contractors based on economies of scale." [#FG1]

c. Subcontracting requirements. When discussing contract-specific LBE subcontracting participation requirements, some business owners shared that their business, or businesses like theirs, were sometimes expected to act as "pass-throughs" as a way to give the prime contractor credit for LBE participation without offering meaningful work opportunities for the LBEs on the project. Others discussed a lack of enforcement for contract-specific requirements, noting that they had been listed as part of the project at time of award, but never given work throughout the life of the contract. Some of these businesses did not report the situations to the City for fear of damaging their relationship with the prime contractor or with the City itself. For example:

¹ The Technology Marketplace does not limit the total dollar value of work a business can perform on a contract in a single year, but rather sets a not-to-exceed amount for the duration of the contract, which may be multiple years in length.

The Black owner of a Micro-LBE-certified construction company stated, "We get offered that quite often, where a contractor will want to check that box of local participation. So we're offered to run all their employees through our payroll and kick us down a couple pennies, be engaged in the fraud. When I tell them no, we get completely excluded from an opportunity." [#6]

The representative of a POC-owned small business support group stated, "There are penalties if you don't utilize someone that you actually list on [a bid or proposal]. But I think what happens most of the time is people slip through the cracks. ... If an LBE doesn't make a commotion, it gets thrown to the wayside. With that said, a lot of LBE subcontractors are in a precarious situation, because if they complain, they just destroy the relationship." [#FG4]

A participant in a public meeting stated, "You scratch my back, I'll scratch yours. And that's exactly what happens, is that they already have somebody that they want to do the job, and they just need you to pass it through your LBE." [#PT2]

Written testimony submitted to BBC stated, "General contractors are actively offering Micro-LBE's pass-throughs on jobs to get them to take quick money, and walk away from opportunities that their businesses have rightfully won as members of the overall project teams. ... Many Micro-LBEs feel forced into taking this pass-through scenario, with CMD not enforcing any sanctions/repercussions when this occurs." [#WT7]

Written testimony submitted to BBC stated, "We have been incorporated since 2017, and throughout that time we have been offered to be a 'pass-through' multiple times." [#WT1]

For certain contracts, bidders on City contracts are required to submit evidence that they made genuine good faith efforts (GFEs) to include LBEs on their project teams, such as contacting LBEs or negotiating with them in good faith. Interviewees described instances of large contractors attending community events or performing outreach to LBEs only to fulfill GFE requirements without any meaningful intention to develop relationships with LBEs or include them on their project teams. For example:

A participant in a public meeting stated, "So what frustrates me is when these contractors come here or even some of these locals been around, they reach out to you just to meet those requirements for a little paperwork. A lot of people say, 'check the box.'" [#PT1]

The White woman owner of a Micro-LBE-certified commodities and general services company stated, "I got screwed in the good faith outreach at the airport. They basically showed like, 'Oh, we reached out to [my company]' as a good faith effort thing, but I got caught in their little trap because they knew from day one they weren't using me. The good faith effort outreach is not fair to us Micro-LBEs. It's a waste of our time. ... It's not even real. It's just some wording to say that they did it, and it doesn't mean that they have, and it means that they don't even have any interest in using locals. They're just checking the box." [#4]

The representative of a business development nonprofit organization stated, "When I first started working at [this company] years ago, people didn't even want to go to these meet-and-greets. They said it was a dog-and-pony show. And when we looked further into it, the primes really just had to make a good faith effort. So to a large extent, there was a dog-and-pony show. If you could do a couple of these networking events out in the community,

that was your good faith effort to say, 'Hey, I reached out to the community.' Now it does seem to be more teeth involved, but the program has to evolve." [#FG1]

A participant in a public meeting stated, "Large primes just use you simply so that they can make good faith efforts. ... There's got to be something where they actually have a commitment to actually use small businesses. The goals are toothless and there's got to be something where they actually have a commitment to actually use small businesses. ... They don't have to ever achieve those goals and there's no incentive for them to try. They just don't care." [#PT3]

d. Bid or evaluation preferences. The City's LBE Program includes various bid preferences for LBEs bidding as primes or part of joint ventures on City work, depending on contract size and LBE certification type (see [Chapter 7](#) for more information). Business owners shared their thoughts on bid and evaluation preferences. For example:

The White woman owner of a Micro-LBE-certified commodities and general services company stated, "They're putting premiums on contract. The general contractor is saying, 'You have to give 10 percent to an LBE.' They're like, 'Well, if you do, I'm putting an extra \$150,000 on it [to cover the cost of including an LBE in the project].' Now tell me what general contractor or what developer is going to be like, 'Yeah, I'll pay [an extra] \$150,000.' ... We understand some people are in need and something should be given to some contractors that use some LBEs. ... But it should be a situation where somebody is saying, 'Well, if you don't want to go by these rules, then we'll find somebody else because somebody else will want to do it.' ... It shouldn't just be opened up for everybody to fatten up their pockets just for using an LBE." [#4]

The representative of a Black-owned LBE-certified commodities and general services company stated, "I can share one example that we recently challenged [the bid preferences]. [City department] issued an RFP for some general services work. And currently we provide [similar] services for [the City]. So they combined all the opportunities and they issued an RFP. Instead, there was a 10 percent preference for local LBE-certified companies. We submitted a proposal for [City department], and [we were not asked to interview]. When we looked at it, our 10 percent preference point was not applied to the process. So we went back to [City department] and asked for this. [City department] responded by rejecting our protest and saying that they sent an addendum saying the contract was now \$18 million, and you won't be able to get that 10 percent price [preference]. We had to hire an attorney, so we were just going back and forth. ... CMD believed that we should get that. [City department] is saying that we shouldn't. ... If we had that 10 percent preference point with the proposal in the interview, we had a very high chance of getting the [work]. Why do we have to fight for something that the City put out there?" [#11]

e. Local Business Enterprise Advisory Council (LBEAC). The LBEAC is a committee made up of members who represent LBE-certified firms and City departments. The committee meets every month to discuss the LBE Program and issues affecting small businesses, and to suggest policy changes to the City based on those discussions. Interviewees described a lack of engagement from LBEAC with the LBE Program

and recommended that there be required attendance at meetings and that meeting agendas include meaningful conversations about the LBE Program. For example:

The White male owner of a Small-LBE-certified construction company stated, "The LBEAC committee, I'm a little disappointed in them. ... I did the in-person [meeting for the contracting equity study] and then, because there was only one of them [members of LBEAC] that showed up at the in-person one, I was interested to see who would show up on the online one, and then there was only two more. And it was kind of like, 'Well, why aren't you guys more engaged? This is your study, right? This is about the LBE community.' I would think there'd be a little bit more support from them. ... To me, just they're just there to be there, I think, a lot of the times. And I don't know, I haven't been on the committee, so I don't know what they do beyond the meetings that they have. But I think there's some work to do there with the committee. ... I don't know how you energize them more to do more." [#1]

The White woman owner of a Micro-LBE-certified commodities and general services company stated, "But a lot of these meetings, people feel it is just a waste of time because we're going to these meetings and we're still not getting contracts." [#4]

The representative of a trade association stated, "I really think that the LBEAC committee needs to be restructured. And maybe it's out with the old and new people coming in with some more energy, but it seems like we just have six meetings a year, and they pull in a developer to show up to do a presentation. But really, the LBEAC meeting is an advisory committee, and they should be taking action. ... They're just sitting there listening to a presentation and then trying to grill a developer. ... But where's them coming and collaborating and coming up with topics and how to help the system? And I think that's what's missing is they're not there spending the time to help the system and also bringing in the board of supervisors and educating them on the LBE [Program]. That's why no one knows about the LBEs, because there's no one championing them, right?" [#FG3]

Written testimony submitted to BBC stated, "For LBEAC members, there are no term limits, there is no equal representation across size categories (Micro-LBEs, LBEs, or SBA-LBEs), no equal representation across classifications (professional services, construction, trucking, etc.), and no rules on the number of meetings that each member must attend in a year. ... We suggest that for the LBE members of the LBE Advisory Committee, there is a four-year term limit, that there is equal representation across size categories, equal representation across classifications, and that each member can only miss one meeting per calendar year, or they will be replaced. ... This will give more opportunities for LBEs to participate on the LBEAC, and serve the LBE community." [#WT7]

f. Mentor-Protégé Program (MPP). In addition to emphasizing the importance of mentorship for small business development, business owners discussed how the MPP offered by the City might be improved by offering incentives to mentors. One participant mentioned that the program could benefit from more enforcement to ensure mentors are providing meaningful guidance to protégés. For example:

The representative of an LBE-certified trucking company stated, "The City already has so many programs to help people with their back office or teaching them how to do a bid or stuff like that. But it shouldn't be the general contractor, and the general contractor isn't

going to hold anybody's hand. There are some who will mentor you through it because they're part of a mentor-protégé program." [#FG2]

A participant in a public meeting stated, "Not everybody's going to do it [become a mentor] because they don't have to, right? There has to be some kind of policy, some kind of benefit, unfortunately. So what does that look like? If we have a mentorship program, they get some kind of money back, or they get points for winning future bids. There has to be some kind of thing that they get, unfortunately, that will help them make more money or something. And so [name], for example, on the fencing project. We're a huge part of that, one of our biggest contracts to date, and it would be great if there was some kind of mentorship program where he teamed up with a couple of LBEs who were his [protégés] and it would give him points for the next projects that he wins or some kind of benefit." [#PT3]

Written testimony submitted to BBC stated, "We do not believe that the Mentor Protégé Program subcommittee was formalized by the LBEAC post the passing of the legislation in November 2021, and therefore there were no meetings. ... The Mentor Protégé Program subcommittee needs to be formalized, an LBEAC member lead needs to be assigned, and the Subcommittee needs to be staffed by a CMD staff member. The subcommittee will then be responsible for outlining a structure and plan for how the Mentor Protégé Program will work, and drive value for both mentors and protégés. We anticipate that CMD will need to support the subcommittee by identifying mentors, and enforcing the program." [#WT7]

CHAPTER 4.

Data Collection and Analysis

Chapter 4 provides an overview of the contracts and purchase orders BBC Research & Consulting (BBC) analyzed as part of the 2026 City and County of San Francisco (City) Contracting Equity Study and the processes we used to collect relevant prime contract, subcontract, and vendor data from the City and other sources. Chapter 4 is organized in four parts:

- A. Contract and purchase order data;
- B. Vendor data;
- C. Subindustry classifications; and
- D. Review process.

A. Contract and Purchase Order Data

BBC collected information on contracts and purchase orders that the City awarded between July 1, 2020 and December 31, 2024 (the *study period*) from the City's PeopleSoft system. Those data served as the basis for the study's key analyses, including the participation and availability analyses. We collected the most comprehensive data available on the prime contracts the City awarded during the study period. We sought those data regardless of the businesses' statuses as small local businesses.

1. Prime contract and subcontract data. The City provided BBC with electronic data from its PeopleSoft system on all prime contracts, subcontracts, and purchase orders it awarded during the study period in the areas of construction, professional services, and commodities and general services. We requested the following information about each relevant contract or purchase order:

- Contract or purchase order number;
- Prime contractor name;
- Prime contractor identification number;
- Description of work;
- Award date;
- Award amount (including change orders and amendments);
- Amount paid-to-date;
- Funding source; and
- Use of contract-specific participation requirements.

The City advised BBC on how to interpret the data it provided, including how to best identify unique bid opportunities and how to aggregate related award or payment amounts, where possible.

2. Prime contract and subcontract amounts. For each prime contract and subcontract (i.e., *contract element*) included in our analyses, BBC examined the dollars the City awarded to each prime contractor and the dollars each prime contractor committed to any subcontractors. If a project did not include any subcontracts, we attributed the project's entire award amount to the prime contractor. If a project included subcontracts, we calculated the prime contract amount as the total project award amount less the sum of dollars committed to all subcontractors. In cases where informed by the City or where an award amount was not provided, BBC analyzed paid-to-date amounts.¹

3. Contracts and purchase orders included in study analyses. Figure 4-1 presents the number of contract elements and associated dollars BBC included in our analyses.

Figure 4-1.
Contract elements and associated dollars included in the contracting equity study

Contract type	Number	Dollars (in thousands)
Construction	1,735	\$3,257,309
Professional services	2,938	\$2,934,113
Commodities and general services	1,775	\$1,688,614
Total	6,448	\$7,880,035

Note: Numbers rounded to nearest dollar and thus may not sum exactly to totals.

Source: City data from PeopleSoft.

B. Vendor Data

BBC also compiled information on the businesses that participated in relevant prime contracts and subcontracts the City awarded during the study period, including:

- Business name;
- Alternative business names;
- Vendor identification number;
- Physical addresses and phone numbers;
- Headquarters address;
- Primary lines of work;
- Business size;
- Status as certified Local Business Enterprises (LBEs); and
- Year of establishment.

We relied on a variety of sources for that information, including:

- City contract and vendor data;

¹ For as-needed contracts, the City provided BBC with award and payment data for each task order associated with the contract. BBC analyzed the award amount for each task order rather than the total amount of the as-needed contract.

- Surveys the study team conducted with business owners and managers;
- The City's LBE directory;
- The California Unified Certification Program database;
- Supplier Clearinghouse lists;
- California Department of General Services Directory of Certified Businesses directory;
- Small Business Administration certification and ownership lists, including 8(a), HUBZone, and self-certification lists;
- Dun & Bradstreet (D&B) business listings and other business information sources;
- Business websites and other secondary research; and
- BBC revenue modeling.²

C. Subindustry Classifications

For each prime contract and subcontract included in our analyses, BBC determined the subindustry that best characterized the vendor's primary line of work (e.g., concrete work). We determined subindustries based on City contract, purchase order, and vendor data; surveys the study team conducted with prime contractors and subcontractors; business certification lists; D&B business listings; and other sources. Subindustries are grouped together by their purpose or function rather than the other types of work typically associated with a project or contract. For example, rebar and reinforcing steel and trucking, hauling, and storage are classified as commodities and general services, although those work types are often associated with construction work. Figure 4-2 presents subindustry classifications for the construction, professional services, and commodities and general services contracts and purchase orders we included in our analyses as well as the dollars the City awarded related to each subindustry during the study period.

² Because our core analyses rely on businesses' annual revenue, when BBC did not have complete information about the revenues of available, utilized, or certified businesses in our study databases, we used a statistical model to estimate revenues for those businesses. This model is trained to estimate businesses' revenues given business characteristics we obtained through the third-party business database. We trained our refined revenue model on a collection of confirmed revenues for thousands of small and large businesses that BBC has surveyed across the country over multiple years for which we have complete information about other business characteristics, such as industry and subindustry, number of employees, business age, and business location. By assessing the overlaps of these characteristics for businesses with and without confirmed revenue information, we are able to use our modeling program to simulate revenue information for businesses that we previously could not include in analyses without modeled data.

Figure 4-2.
Contract and procurement dollars by subindustry

Industry	Total (in thousands)
Construction	\$3,257,309
- Highway, street, and bridge construction	\$907,253
- Water, sewer, and utility lines	\$670,292
- Nonresidential building construction	\$578,686
- Electrical work	\$294,751
- Water and sewer treatment plant construction	\$244,084
- Plumbing and HVAC	\$156,223
- Excavation, drilling, wrecking, and demolition	\$103,743
- Other special trade contractors	\$91,940
- Other heavy construction	\$70,194
- Concrete work	\$53,313
- Masonry, stonework, tile setting, and plastering	\$22,544
- Roofing, siding, and sheet metal work	\$21,214
- Structural steel erection	\$11,981
- Painting, striping, and marking	\$8,884
- Carpentry and floor work	\$8,695
- Developers and operative builders	\$7,968
- Residential construction	\$5,544
Professional services	\$2,934,113
- IT and data services	\$1,062,223
- Engineering	\$835,824
- Environmental services	\$234,378
- Construction management	\$185,213
- Architectural and design services	\$149,266
- Other professional services	\$143,128
- Business and management consulting	\$74,742
- Financial services and consulting	\$60,908
- Human resources and job training services	\$35,365
- Surveying and mapmaking	\$34,282
- Advertising, marketing, and public relations	\$33,276
- Transportation planning services	\$26,479

- Testing and inspection	\$19,373
- Other architecture and engineering	\$13,614
- Medical laboratory services	\$11,358
- Landscape architecture	\$9,640
- Safety training service	\$5,044
Commodities and general services	\$1,688,631
- Staffing services	\$139,173
- Security guard services	\$136,921
- Industrial equipment and machinery	\$134,318
- Landscaping services	\$133,966
- Waste and recycling services	\$110,970
- Transit operations	\$91,782
- Elevator goods	\$81,633
- Dining services	\$71,146
- Safety equipment	\$66,633
- Furniture	\$66,633
- Office equipment and supplies	\$62,423
- Other construction materials	\$58,529
- Automobiles	\$54,505
- Electrical equipment and supplies	\$49,768
- Cleaning and janitorial services	\$44,509
- Other goods	\$42,953
- Security systems services	\$28,123
- Uniforms and apparel	\$27,972
- Concrete, asphalt, sand, and gravel products	\$27,965
- Vehicle parts and supplies	\$27,265
- Other services	\$26,279
- Trucking, hauling, and storage	\$23,569
- Petroleum and petroleum products	\$21,141
- Document services	\$18,098
- Rebar and reinforcing steel	\$17,774
- Food products, wholesale and retail	\$17,059
- Printing, copying, and mailing	\$16,066
- Communications equipment	\$14,410

- Other transit services	\$13,519
- Cleaning and janitorial supplies	\$12,454
- Heavy construction equipment rental	\$12,353
- Equipment maintenance and repair	\$11,447
- Pest control and extermination	\$10,027
- Towing services	\$10,000
- Office administrative services	\$5,425
- Catering and restaurants	\$1,000
- Vehicle maintenance and repair	\$823

Note: Numbers rounded to nearest dollar and thus may not sum exactly to totals.

Source: City data from PeopleSoft.

BBC combined related subindustries that accounted for relatively small percentages of total contract and purchase dollars into eight “other” subindustries: other heavy construction, other special trade contractors, other construction materials, other professional services, other architecture and engineering, other transit services, other goods, and other services. For example, the dollars the City awarded to vendors for camera sales represented less than 1 percent of the total dollars we examined as part of the study. So, we combined camera sales with goods that also accounted for relatively small percentages of total dollars into the “other goods” subindustry. There were also various contracts and purchase orders we classified into subindustries that we did not ultimately include in our analyses:

- Purchases and grants the City made with or awarded to government agencies, utility providers, hospitals, social service providers, or nonprofit organizations (\$3.8 billion);
- Contracts and purchase orders that reflected “national markets”—that is, subindustries dominated by large national or international businesses—or subindustries where the City awarded most of the dollars to businesses located outside the relevant geographic market area, which we defined as San Francisco county for the availability and participation analyses (\$1.6 billion);³
- Purchases that often include property purchases, leases, or other pass-through dollars (\$1.5 billion);⁴ or
- Types of work not typically included in contracting equity studies and that account for relatively small percentages of the City’s contract and purchase dollars (\$171.0 million).⁵

D. Review Process

The City reviewed contract, purchase order, and vendor data throughout the study process. BBC consulted with the City to discuss the data collection process, review information the study team gathered, and present summary results. We incorporated the City’s feedback in the final contract, purchase order, and vendor data we used for our analyses.

³ Examples of such work include specialty vehicles and industrial chemicals.

⁴ An example of such work is real estate consulting.

⁵ An example of an industry not typically included in contracting equity studies is legal services.

CHAPTER 5.

Availability Analysis

BBC Research & Consulting (BBC) analyzed the availability of small local businesses *ready, willing, and able* to perform work on the construction, professional services, and commodities and general services contracts and purchase orders the City and County of San Francisco (the City) awards. Chapter 5 describes the availability analysis in three parts:

- A. Purpose;
- B. Methodology; and
- C. Results.

Appendix B provides more information about the analysis and the methodology we used to conduct it.

Summary of Results

BBC conducted availability analyses to provide an estimate of the total contracting dollars the City might be expected to award to small local businesses, given the characteristics of businesses in the marketplace ready, willing, and able to perform work with the City. Information on business characteristics was gathered using a survey with hundreds of businesses in the marketplace that acted as a representative sample of all businesses. Availability analysis results indicate that the City might be expected to award 72.1 percent of its contracting dollars to local small businesses, and 61.4 percent of those dollars to small businesses headquartered in San Francisco, based on the availability of those businesses for that work. Although availability varies across different contract sets, generally Tier 1 (micro) businesses were available for the majority of the contract dollars the City awarded during the study period.

A. Purpose

BBC examined the availability of small local businesses for City prime contracts and subcontracts that the City can use as benchmarks against which to compare the actual participation of those businesses in its work. This information will support the City's implementation of the *Chapter 14B Local Business Program* [also referred to as the *Local Business Enterprise (LBE) Program*]. Estimating availability is useful to the City in setting overall aspirational goals for the participation of small local businesses in the projects it awards, as well as providing information necessary to set contract-specific requirements for the participation of LBEs in its contracts and purchase orders. Additionally, information on the availability of small local businesses can inform the types of contracts and purchase orders on which the City should implement various elements of the LBE Program and inform the design or operation of other program measures the City currently uses as part of the program.

B. Methodology

BBC used a *custom census* approach—which accounts for specific business and project characteristics such as work type, role, size, capacity, location, and interest—to estimate the availability of small local businesses for City work. The availability analysis focused on specific areas of work, or *subindustries*, associated with the contracts and purchase orders the City awarded between July 1, 2020 and December 31, 2024 (the *study period*), which serves as a proxy for the work it might award in the future. We began the analysis by identifying the specific subindustries in which the City awarded most of its contracting dollars as well as the geographic area most applicable to the City’s contracting inclusion program (i.e., the *relevant geographic market area*, or *RGMA*). Because the City’s LBE Program is limited to businesses headquartered in San Francisco, we determined that the RGMA for the availability analysis should be San Francisco (referred to as *the San Francisco marketplace*).

1. Availability surveys. After identifying the RGMA, BBC worked with Davis Research to conduct extensive surveys with 522 businesses in the marketplace to develop a representative and unbiased database of businesses located in the RGMA that perform types of work relevant to City projects. The objective of the survey process was not to collect information from every relevant business located in the RGMA, but rather, to collect information from an unbiased subset of the relevant business population that appropriately represents the entire population in a statistically valid manner. We conducted telephone and online surveys with business owners and managers to collect specific characteristics about their companies and identify local businesses *potentially available* for City prime contracts and subcontracts.

a. Business directory. BBC began the survey process by compiling a *directory* of all types of businesses—regardless of ownership characteristics—that perform relevant work and are located in the RGMA, based primarily on information from Dun & Bradstreet (D&B) Marketplace listings. We compiled information about businesses based on 8-digit Standard Industry Classification (SIC) codes most related to the contracts and purchase orders the City awarded during the study period. We obtained listings on 5,713 local businesses that perform work related to those work specializations. We did not have working phone numbers for 1,012 of those businesses, but we attempted surveys with the remaining 4,701 businesses.

b. Survey information. The study team conducted availability surveys with businesses listed in our directory to collect various pieces of information about each one, including:

- Status as a private sector business (as opposed to a public agency or nonprofit organization);
- Status as a subsidiary or branch of another company;
- Location of the business’ headquarters;
- Age of the business;
- Primary lines of work;
- Interest in performing work for government organizations;
- Interest in performing work as a prime contractor or subcontractor;
- Largest prime contract or subcontract the business is able to perform;

- Whether the business is able to work or serve customers in the San Francisco marketplace;
- Business size in terms of revenue and number of employees;
- Race of the owner(s); and
- Gender of the owner(s).¹

c. Availability database. After conducting availability surveys, BBC compiled an availability database that included the above information about businesses potentially available for relevant City projects. We included businesses in the database if they reported possessing the following characteristics:

- Being a private sector business that is active and operational;
- Having primary lines of work relevant to City projects;
- Being able to perform work or serve customers in the San Francisco marketplace; and
- Being interested in working for government organizations.

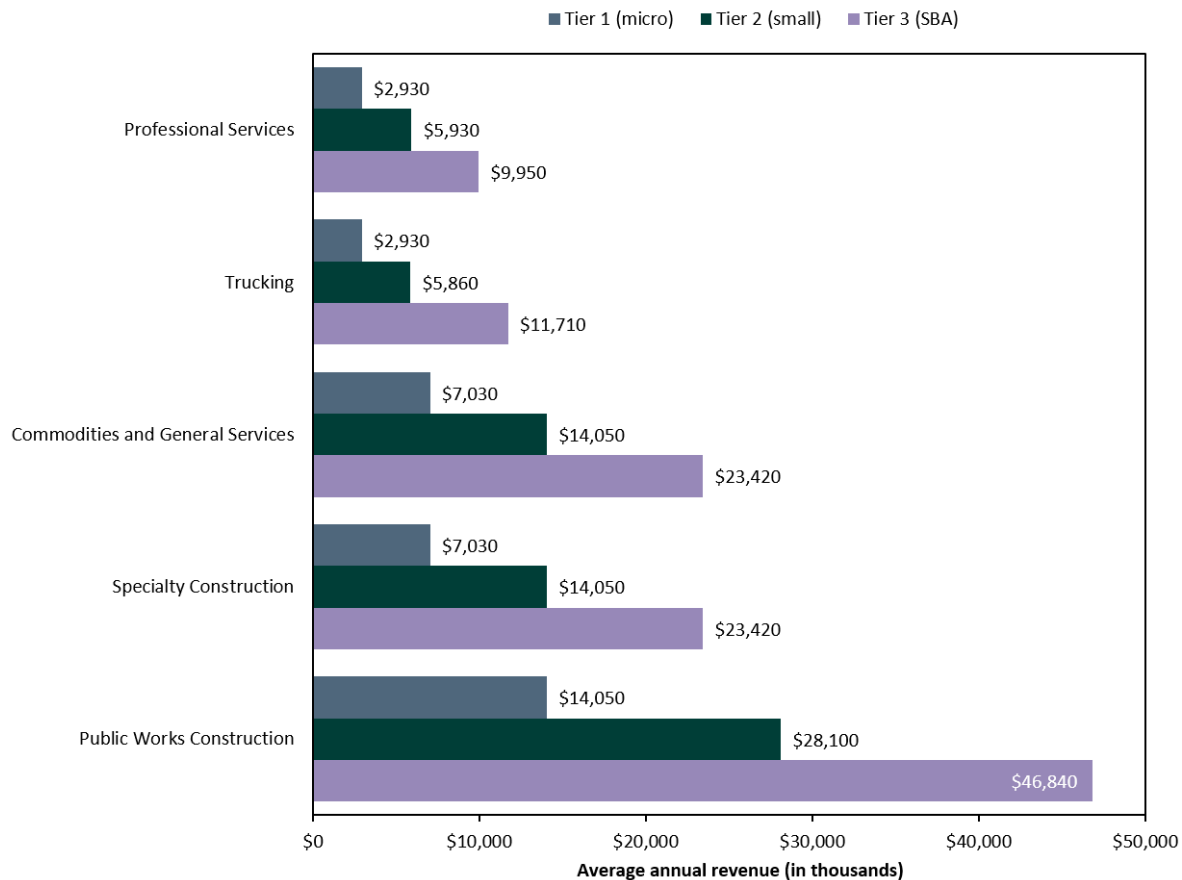
BBC compiled a database of 406 businesses we considered potentially available for City work. We considered the availability of small local businesses for City projects across three size tiers:

- **Tier 1 (micro) businesses** are professional services businesses and trucking businesses with revenues less than \$2.93 million, commodities and general services businesses and specialty construction businesses with revenues less than \$7.03 million, and public works construction businesses with revenues less than \$14.05 million;
- **Tier 2 (small) businesses** are professional services businesses with revenues greater than or equal to \$2.93 million but less than \$5.93 million, trucking businesses with revenues greater than or equal to \$2.93 million but less than \$5.86 million, commodities and general services businesses and specialty construction businesses with revenues greater than \$7.03 million but less than \$14.05 million, and public works construction businesses with revenues greater than \$14.05 million but less than \$28.10 million; and
- **Tier 3 (SBA) businesses** are professional services businesses with revenues greater than or equal to \$5.93 million but less than \$9.95 million, trucking businesses with revenues greater than or equal to \$5.86 million but less than \$11.71 million, commodities and general services businesses and specialty construction businesses with revenues greater than or equal to \$14.05 million but less than \$23.42 million, and public works construction businesses with revenues greater than or equal to \$28.10 million but less than \$46.84 million.

Figure 5-1 presents the revenue limits for each small local business tier across the professional services, trucking, specialty construction, public works construction, and commodities and general services industries.

¹ Although BBC collected data on the race and gender of the business owner(s), this information was not used in our analyses.

Figure 5-1.
Small local business size tiers by industry



Note: A text description of [Figure 5-1](#) is provided in Appendix E.

We present results separately for businesses with a location in San Francisco and businesses that are headquartered in San Francisco for each of the three tiers described above. Businesses headquartered in San Francisco are a subset of businesses with a location in San Francisco, and therefore, results for businesses headquartered in San Francisco are included within results for businesses with a location in San Francisco. Currently, only businesses headquartered in the city are eligible to participate in the LBE Program. However, we provide availability estimates for all small local businesses to provide the City with data to guide potential program measures it can implement to support the inclusion of all small local businesses in its work.

1. Overall. Figure 5-2 presents the percentage of businesses in the availability database that are small local businesses. As shown in Figure 5-2, 86.5 percent of businesses in the availability database are small local businesses. The distribution of businesses varies by size:

- Local Tier 1 (micro) businesses represent 77.3 percent of businesses in the availability database;
- Local Tier 2 (small) businesses represent 6.7 percent of businesses in the database;
- Local Tier 3 (SBA) businesses represent 2.5 percent of businesses in the database; and
- Non-small local businesses represent 13.5 percent of the database.

Figure 5-2.
Percent of businesses in the availability database by size

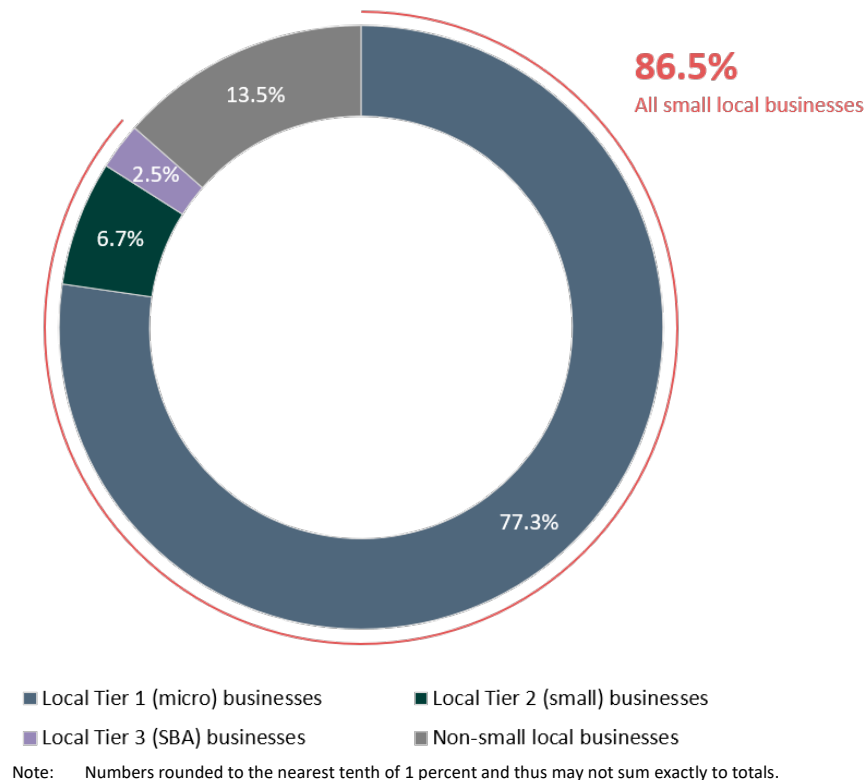
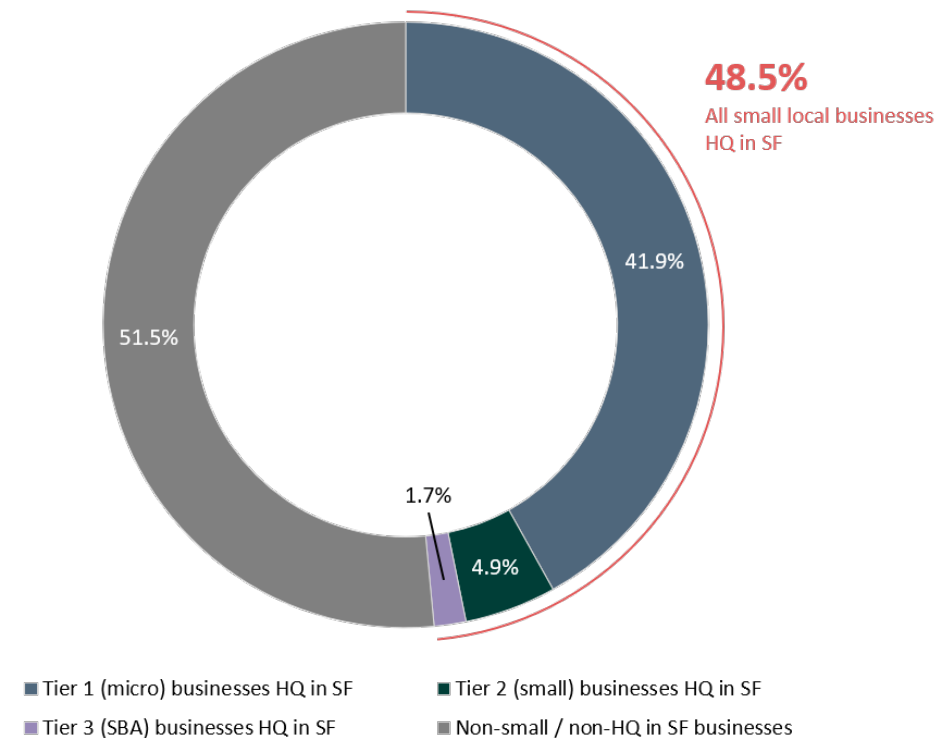


Figure 5-3 presents the percentage of businesses in the availability database that are small businesses headquartered in San Francisco. As shown in Figure 5-3, small businesses headquartered in San Francisco comprise 48.5 percent of businesses in the availability database. The distribution of businesses varies by size and location of headquarters:

- Tier 1 (micro) businesses headquartered in San Francisco represent 41.9 percent of businesses in the availability database;
- Tier 2 (small) businesses headquartered in San Francisco represent 4.9 percent of businesses in the database;
- Tier 3 (SBA) businesses headquartered in San Francisco represent 1.7 percent of businesses in the database; and
- Non-small / non-headquartered in San Francisco businesses represent 51.5 percent of businesses in the database.

Figure 5-3.
Percent of businesses in the availability database by size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

2. Calculations. BBC only considered a portion of the businesses in the availability database as potentially available for any given prime contract or subcontract (referred to generally as a *contract element*). We identified the type of work, contract size, and contract role for each contract element and then took the following steps to estimate the availability of small local businesses for each one:

1. We identified businesses in the availability database that reported that they:
 - Perform work in that particular role (i.e., as a prime contractor or a subcontractor);
 - Perform that type of work; and
 - Can perform work of that size or larger.
2. We then counted the number of small local businesses as well as all other businesses that met the criteria in step 1.
3. We translated the counts of businesses in step 2 into percentages for each relevant business group relative to all businesses we identified as available for the contract element.

Figure 5-4 provides an example of how we estimated availability for a subcontract associated with a project the City awarded during the study period.

BBC repeated the above steps for each contract element the City awarded within a particular project set (e.g., construction projects) and then multiplied the percent availability of small local businesses for each contract element by the dollars associated with it. We then added results across all contract

elements and divided by the total dollars the City awarded as part of the project set, resulting in estimates of the percent of relevant project dollars one would expect the organization to award to small local businesses based on their availability for the specific types and sizes of the projects it awards.

3. Markov Chain Monte Carlo (MCMC). With any survey effort where the survey sample does not represent the entire population and the response rate is less than 100 percent, there is some amount of random error or potential for unintended bias associated with the survey process itself. BBC used MCMC simulations to adjust our observed availability estimates to help account for any such issues as part of the availability survey process. For the simulations, we specified a *prior* for the MCMC model, which represented any initial knowledge we had about the population of local businesses potentially available for relevant projects the City awarded. Such knowledge was available to us from the United States Census Bureau, which provides percentages of businesses located in San Francisco County that work in the local construction, professional services, and commodities and general services industries. We supplemented that information with nationwide United States Census data on the percentages of small businesses performing work in each industry. We specified data from the United States Census Bureau as a prior in our model so it could better estimate business availability for each contract element included in the analysis.

Once we specified the prior, we ran two MCMC models, each with six sequential chains of Monte Carlo simulations for each contract element in our analysis: one model for simulating the availability of small local businesses with a location in San Francisco and one model for simulating the availability of small local businesses headquartered in San Francisco. Each chain included 4,000 simulations, so in total, we ran 24,000 Monte Carlo simulations for each model for each contract element.² Essentially, the model generated estimated availability for each contract element if we had repeatedly conducted our availability survey 24,000 times, resulting in less random error and mitigating any unintended bias in the survey process. The availability estimates we report in the next section and in subsequent analyses are the estimates we observed adjusted for results from the MCMC process.

C. Results

BBC estimated the overall availability of small local businesses for the construction, professional services, and commodities and general services projects the City awards as well as separately for various subsets of those projects. For each set of projects, we present availability estimates for all small businesses with a location in San Francisco considered together and separately for each relevant size

Figure 5-4. Example of calculating availability for a City subcontract

On a contract the City awarded during the study period, the prime contractor awarded a subcontract worth \$22,500 for architecture and engineering work. To determine the availability of small local businesses for the subcontract, BBC identified businesses in the availability database that indicated they:

- Perform architecture and engineering work;
- Perform work as subcontractors; and
- Are able to perform work of equal size or larger than \$22,500.

We found 10 businesses in the availability database that met those criteria, eight of which were small. Thus, the availability of all small local businesses for the subcontract was 80 percent (i.e., $8/10 \times 100 = 80$).

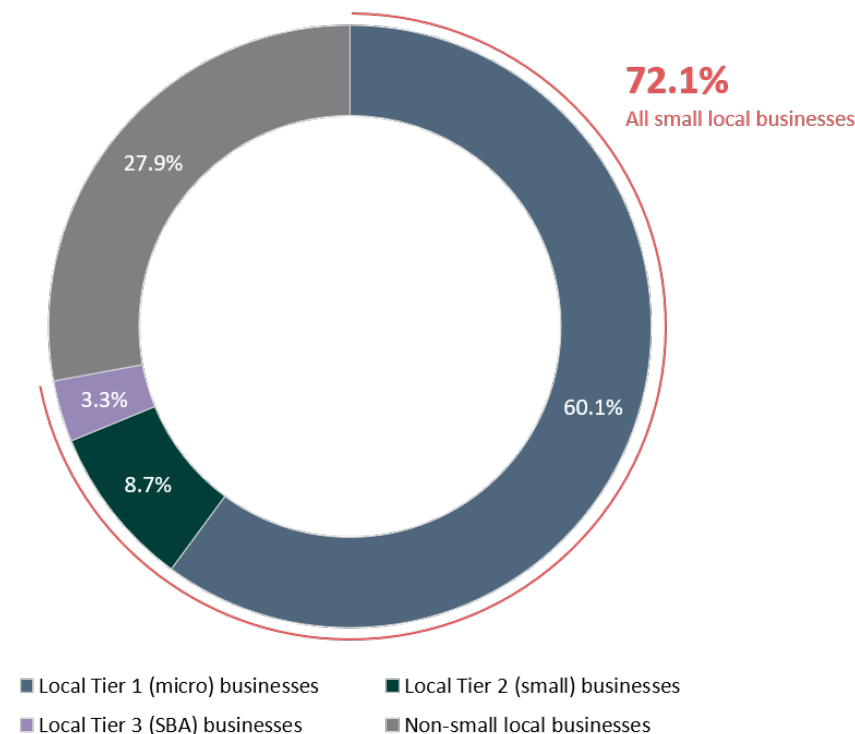
² Across all the 6,449 contract elements included in the analyses, there were 478 unique sets of combinations of business and project characteristics (i.e., availability sets). For computational efficiency, we ran MCMC simulations on each unique availability set and then applied them to each appropriate contract element.

tier. Additionally, we present results for all small businesses headquartered in San Francisco considered together and separately for each relevant size tier. A key assumption of the availability analysis is that the work the City awarded during the study period is representative of the work that the organization will award in the future. If the types and sizes of the projects the City awards in the future differ substantially from the work it awarded during the study period, then the organization should adjust availability estimates accordingly.

1. Overall. Figure 5-5 presents dollar-weighted estimates of the overall availability of small local businesses for City work. As shown in Figure 5-5, the availability of all small local businesses considered together for City work is 72.1 percent, indicating that one might expect the organization to award approximately 72.1 percent of its project dollars to small local businesses based on the availability of those businesses for that work. Small local businesses across size tiers exhibit the following levels of availability for City work:

- Local Tier 1 (micro) businesses: 60.1 percent;
- Local Tier 2 (small) businesses: 8.7 percent;
- Local Tier 3 (SBA) businesses: 3.3 percent; and
- Non-small local businesses: 27.9 percent.

Figure 5-5.
Availability estimates for City work by business size



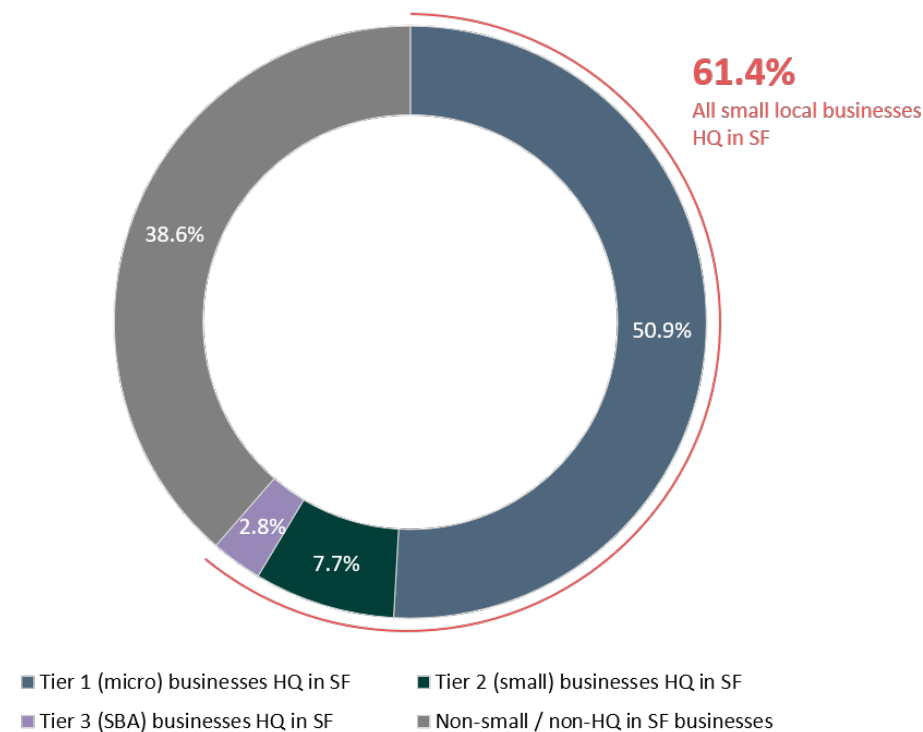
Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
For more details, see [Figure D-1](#) in Appendix D.

Figure 5-6 presents the overall availability for small local businesses headquartered in San Francisco considered together. As shown in Figure 5-6, small local businesses headquartered in San Francisco are

available for 61.4 percent of the contract dollars the City awards. Small local businesses headquartered in San Francisco across size tiers exhibit the following levels of availability for City work:

- Tier 1 (micro) businesses headquartered in San Francisco: 50.9 percent;
- Tier 2 (small) businesses headquartered in San Francisco: 7.7 percent;
- Tier 3 (SBA) businesses headquartered in San Francisco: 2.8 percent;
- Non-small / non-headquartered in San Francisco businesses: 36.8 percent.

Figure 5-6.
Availability estimates for City work by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

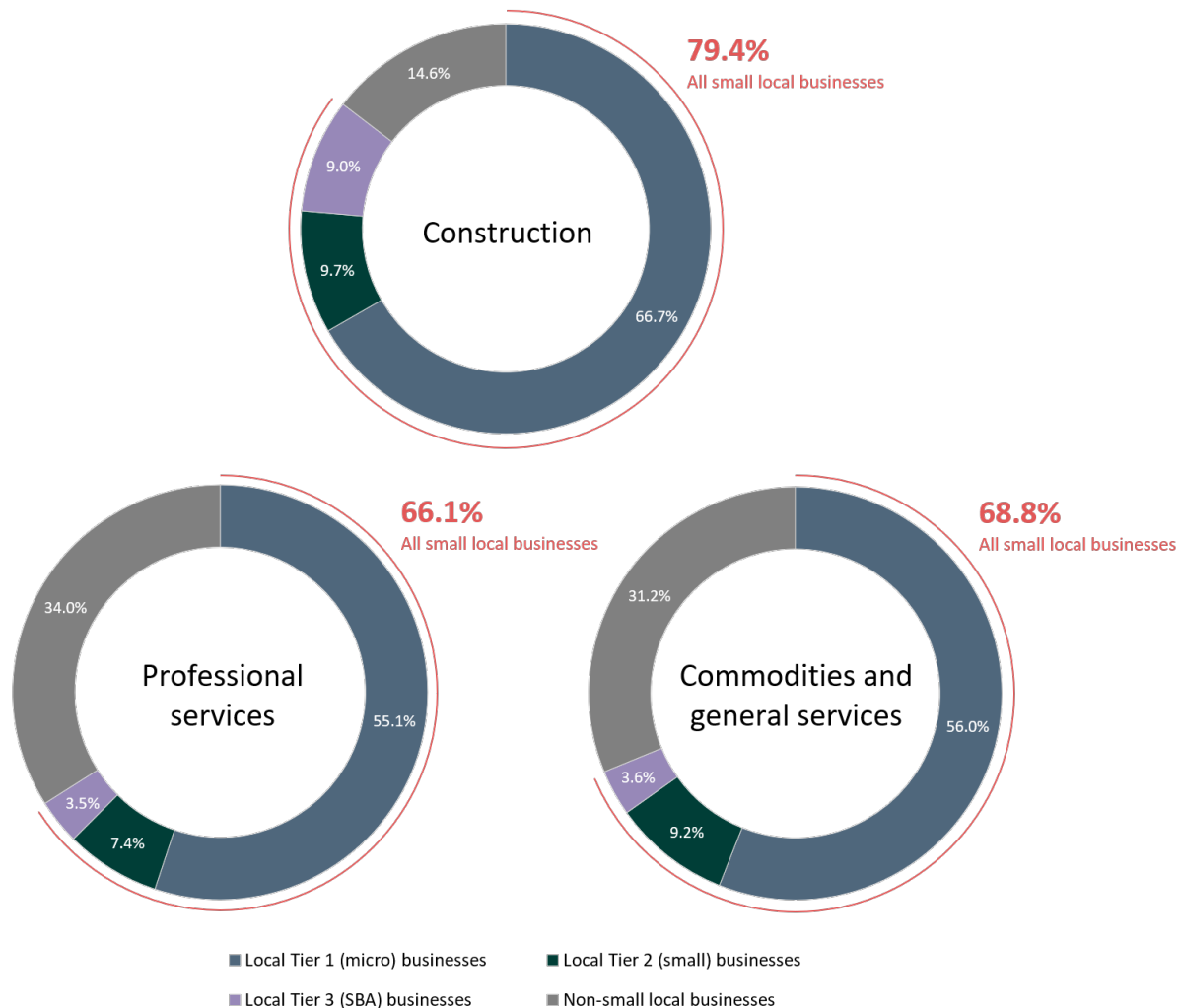
For more details, see [Figure D-1](#) in Appendix D.

2. Industry. BBC also examined the availability of small local businesses separately for City construction, professional services, and commodities and general services work to assess whether the availability of those businesses differs by industry. As shown in Figure 5-7, small local businesses considered together exhibit greater availability for the City's construction work (79.4%) than for its commodities and general services (68.8%) or professional services work (66.1%). The availability of small local businesses across size tiers differs by industry:

- Local Tier 1 (micro) businesses exhibit greater availability for construction work (66.7%) than for commodities and general services (56.0%) or professional services work (55.1%).
- Local Tier 2 (small) businesses exhibit greater availability for construction work (9.7%) and commodities and general services work (9.2%) than for professional services work (7.4%).

- Local Tier 3 (SBA) businesses exhibit similar availability for commodities and general services (3.6%), professional services (3.5%), and construction work (3.0%).
- Non-small local businesses exhibit greater availability for professional services work (34.0%) than for commodities and general services work (31.2%) and construction work (14.6%).

Figure 5-7.
Availability estimates for construction, professional services,
and commodities and general services contracts by business size



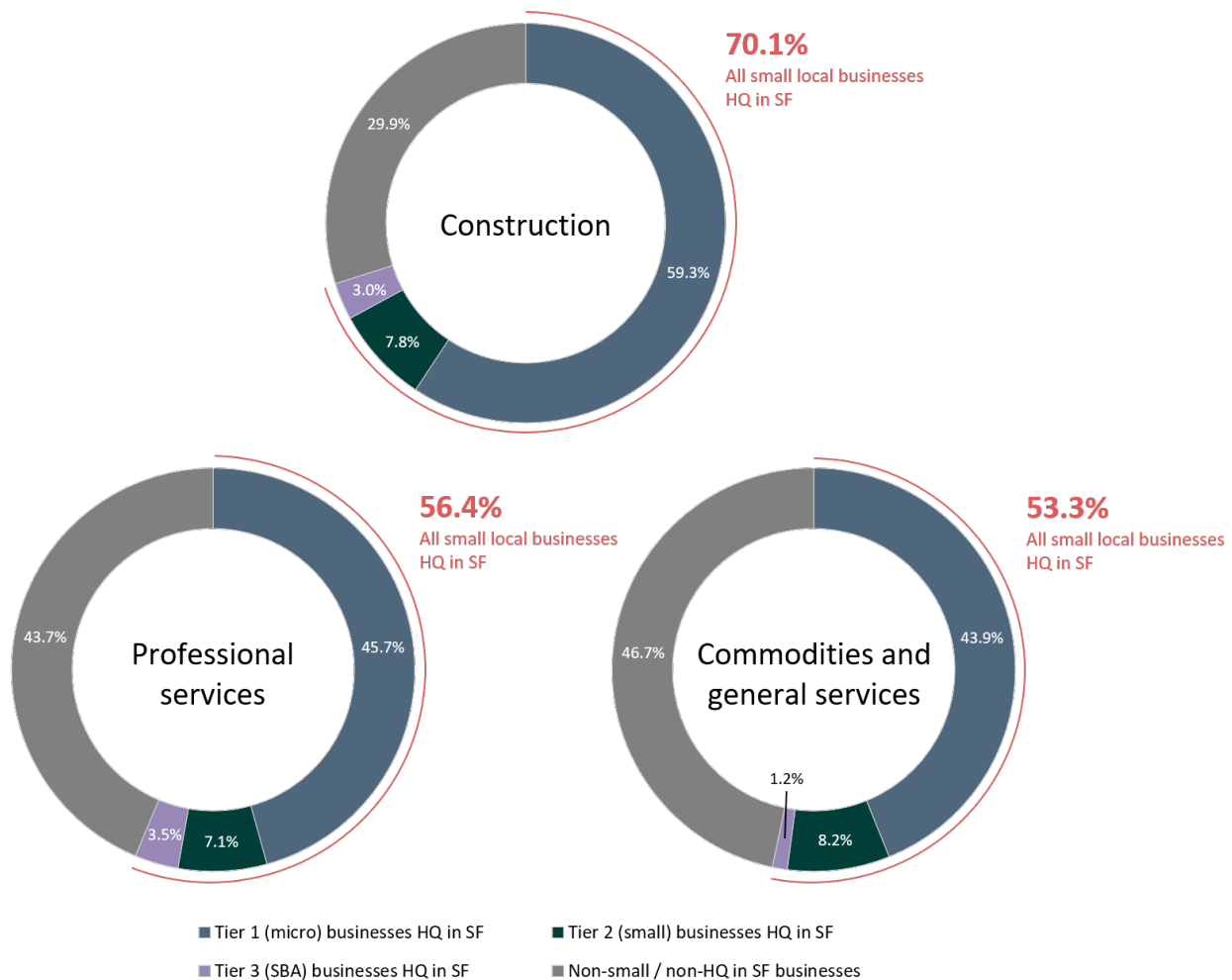
Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

For more details, see [Figures D-2](#), [D-3](#), and [D-4](#) in Appendix D.

Figure 5-8 presents availability results for small local businesses headquartered in San Francisco considered together. As shown in Figure 5-8, small local businesses headquartered in San Francisco considered together exhibit greater availability for the City's construction work (70.1%) than for its professional services (56.4%) or commodities and general services work (53.3%). The availability of small local businesses headquartered in San Francisco across size tiers differs by industry:

- Tier 1 (micro) businesses headquartered in San Francisco exhibit greater availability for construction work (59.3%) than for professional services (45.7%) or commodities and general services work (43.9%).
- Tier 2 (small) businesses headquartered in San Francisco exhibit similar availability for commodities and general services (8.2%), construction (7.8%), and professional services work (7.1%).
- Tier 3 (SBA) businesses headquartered in San Francisco exhibit greater availability for professional services (3.5%) and construction work (3.0%) than for commodities and general services work (1.2%).
- Non-small / non-headquartered in San Francisco businesses exhibit greater availability for commodities and general services work (46.7%) than for professional services work (43.7%) and construction work (29.9%).

Figure 5-8.
Availability estimates for construction, professional services, and commodities and general services contracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

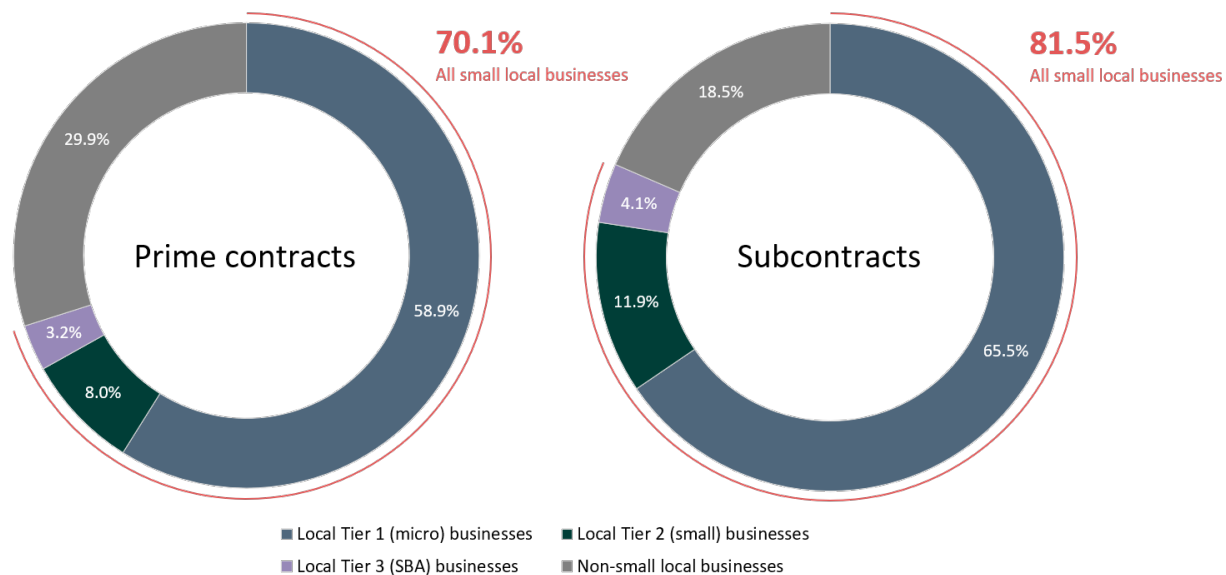
Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

For more details, see [Figures D-2, D-3, and D-4](#) in Appendix D.

3. Contract role. Many small businesses often work as subcontractors, as prime contracts are typically larger than subcontracts, and project size is typically inversely related to the availability of small businesses for organization work (i.e., the larger the project, the less the availability of small businesses). For those reasons, it is instructive to examine availability estimates separately for City prime contracts and subcontracts. Availability for the prime contract piece of a project was analyzed separately from the availability for subcontract elements; only businesses that indicated that they were able to perform prime contract work were considered available for prime contracts and only businesses that indicated that they were able to perform subcontract work were considered available for subcontracts. As shown in Figure 5-9, the availability of small local businesses considered together for City subcontracts (81.5%) is greater than for its prime contracts (70.1%). The availability of small local businesses across size tiers differs by contract role:

- Tier 1 (micro) businesses exhibit greater availability for subcontracts (65.5%) than for prime contracts (58.9%).
- Tier 2 (small) businesses also exhibit greater availability for subcontracts (11.9%) than for prime contracts (8.0%).
- Tier 3 (SBA) businesses exhibit similar availability for subcontracts (4.1%) and prime contracts (3.2%).
- Non-small local businesses exhibit greater availability for prime contracts (29.9%) than for subcontracts (18.5%).

Figure 5-9.
Availability estimates for prime contracts and subcontracts by business size



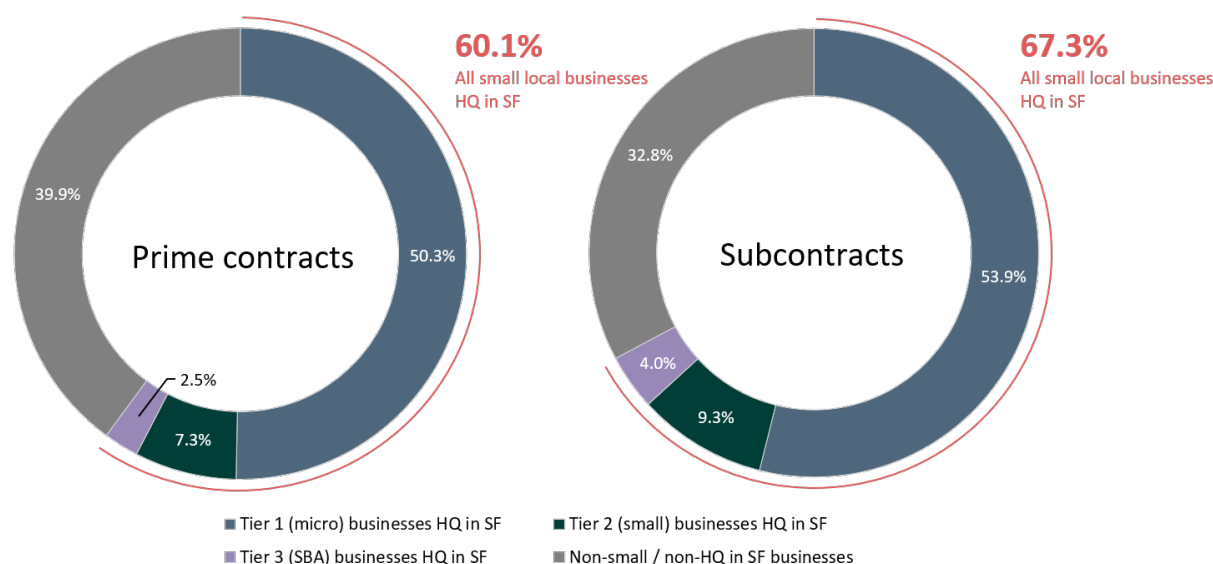
Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
 For more details, see [Figures D-5](#) and [D-6](#) in Appendix D.

Figure 5-10 presents the availability of small local businesses headquartered in San Francisco for prime contracts and subcontracts. As shown in Figure 5-10, the availability of small local businesses headquartered in San Francisco considered together is also greater for City subcontracts (67.3%) than for its prime contracts (60.1%). The availability of small local businesses headquartered in San Francisco across size tiers differs by contract role:

- Tier 1 (micro) businesses headquartered in San Francisco exhibit greater availability for subcontracts (53.9%) than for prime contracts (50.3%).
- Tier 2 (small) businesses headquartered in San Francisco also exhibit greater availability for subcontracts (9.3%) than for prime contracts (7.3%).
- Tier 3 (SBA) businesses headquartered in San Francisco exhibit slightly greater availability for subcontracts (4.0%) than for prime contracts (2.5%).
- Non-small / non-headquartered in San Francisco businesses exhibit greater availability for prime contracts (39.9%) than for subcontracts (32.8%).

Figure 5-10.

Availability estimates for prime contracts and subcontracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

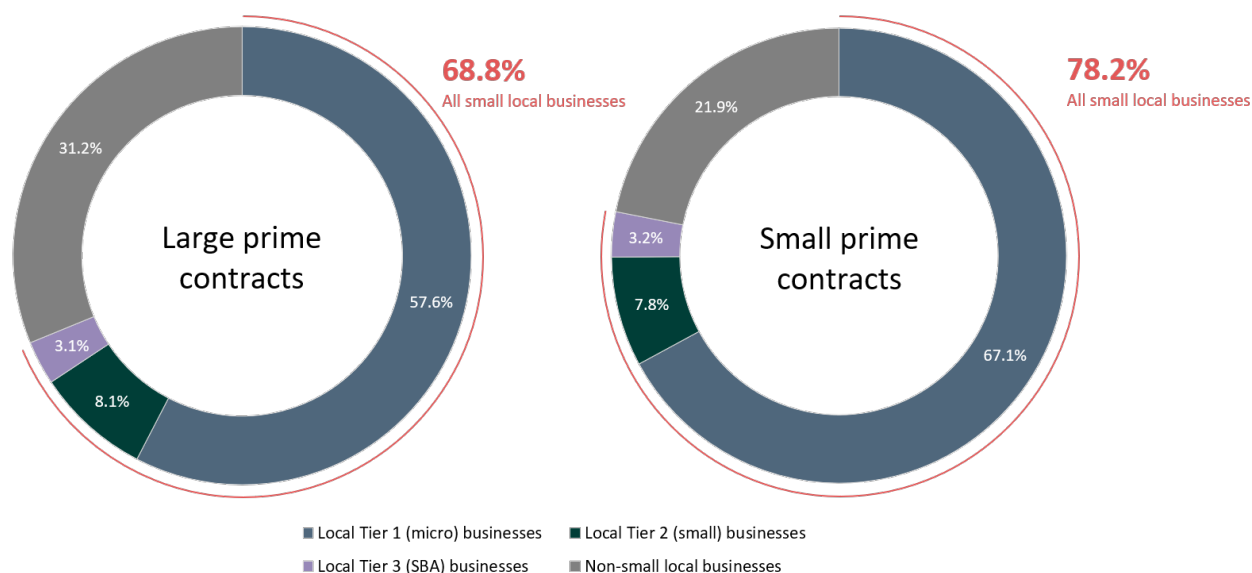
For more details, see [Figures D-5](#) and [D-6](#) in Appendix D.

4. Prime contract size. BBC examined the availability of small local businesses separately for *large* prime contracts—that is, construction contracts worth more than \$2 million, professional services contracts worth more than \$3 million, and commodities and general services contracts worth more than \$1 million—and *small* prime contracts—that is, construction contracts worth \$2 million or less, professional services contracts worth \$3 million or less, and commodities and general services contracts worth \$1 million or less—the City awarded during the study period. To determine the threshold for which a contract is considered large or small, BBC used the median capacity for available businesses in each industry. That analysis helped us assess whether prime contract size was related to the availability and capacity of small local businesses for City work. As shown in Figure 5-11, the availability of small local

businesses considered together is greater for City small prime contracts (78.2%) than for its large prime contracts (68.8%). The availability of small local businesses across size tiers differs by prime contract size:

- Local Tier 1 (micro) businesses exhibit greater availability for small prime contracts (67.1%) than for large prime contracts (57.6%).
- Local Tier 2 (small) businesses exhibit similar availability for large prime contracts (8.1%) and small prime contracts (7.8%).
- Local Tier 3 (SBA) businesses also exhibit similar availability for small prime contracts (3.2%) and large prime contracts (3.1%).
- Non-small local businesses exhibit greater availability for large prime contracts (31.2%) than for small prime contracts (21.9%).

Figure 5-11.
Availability estimates for large and small prime contracts by business size



Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

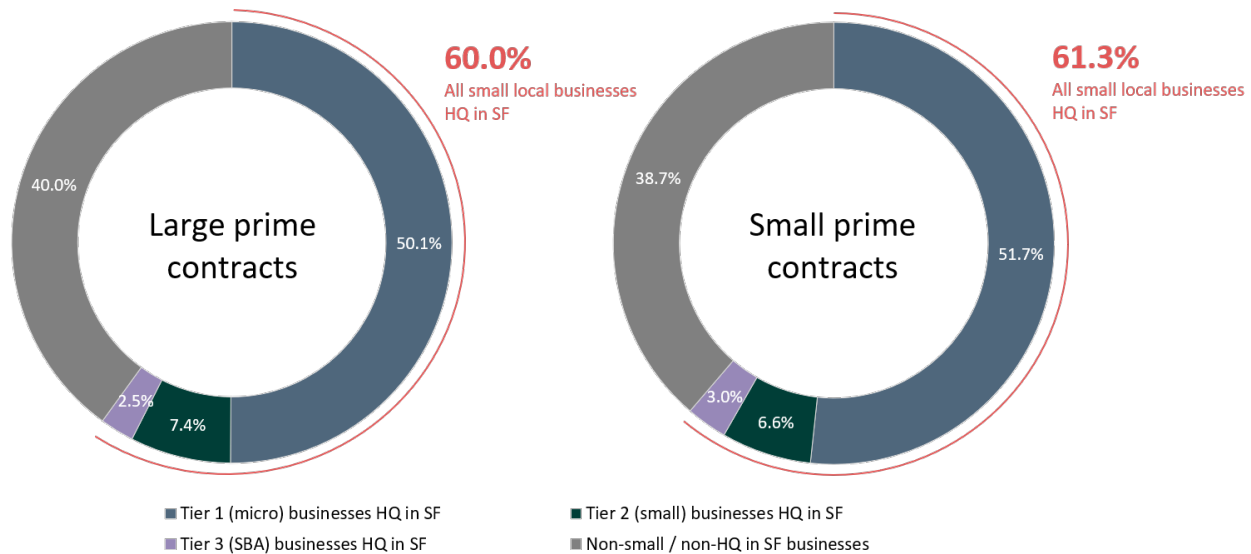
For more details, see [Figures D-5](#) and [D-6](#) in Appendix D.

Figure 5-12 presents the availability of small local businesses headquartered in San Francisco for large and small prime contracts. As shown in Figure 5-12, the availability of small local businesses headquartered in San Francisco considered together is slightly greater for the City's small prime contracts (61.3%) than for its large prime contracts (60.0%). The availability of small local businesses headquartered in San Francisco across size tiers differs by prime contract size:

- Tier 1 (micro) businesses headquartered in San Francisco exhibit slightly greater availability for small prime contracts (51.7%) than for large prime contracts (50.1%).
- Tier 2 (small) businesses headquartered in San Francisco exhibit similar availability for large prime contracts (7.4%) and small prime contracts (6.6%).

- Tier 3 (SBA) businesses headquartered in San Francisco also exhibit similar availability for small prime contracts (3.0%) and large prime contracts (2.5%).
- Non-small / non-headquartered in San Francisco businesses exhibit greater availability for large prime contracts (40.0%) than for small prime contracts (38.7%).

Figure 5-12.
Availability estimates for large and small prime contracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

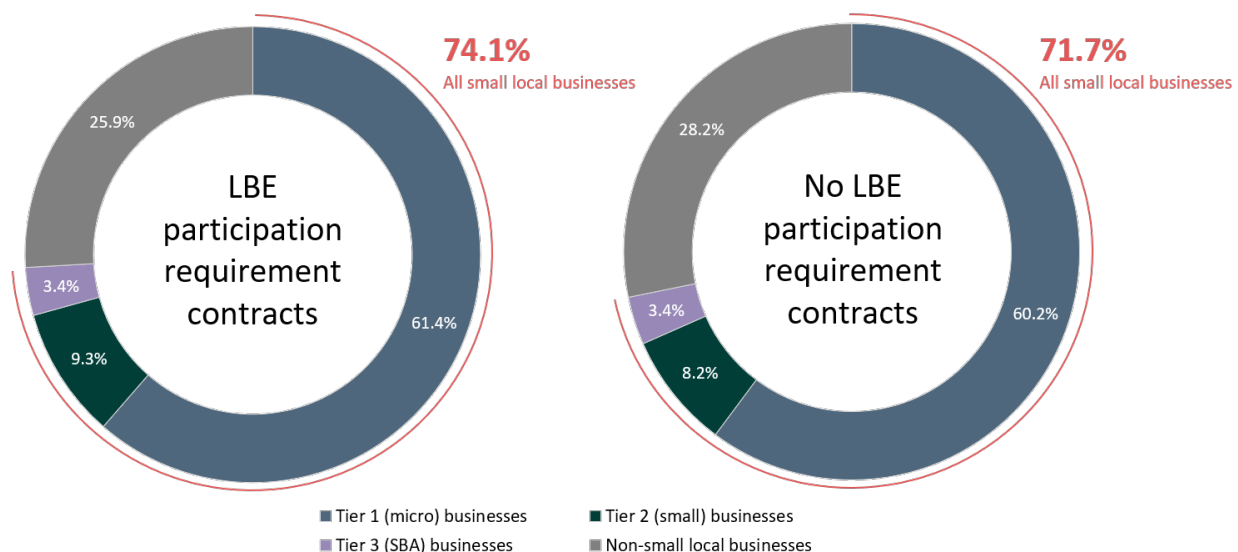
For more details, see [Figures D-7](#) and [D-8](#) in Appendix D.

5. LBE participation requirement status. As part of its operation of the LBE Program, the City sets requirements for LBE participation on a contract if the estimated value of the project is expected to equal or exceed 50 percent of the City's formal competitive bid threshold, which varies by project type. BBC examined the availability of small local businesses separately for contracts the City awarded during the study period on which it set LBE participation requirements (*LBE participation requirement contracts*) and contracts the City awarded during the study period on which it did not set LBE participation requirements (*no LBE participation requirement contracts*). No LBE participation requirement contracts do not include contracts or purchase orders exempt from LBE Program requirements, but do include contracts for which a waiver was requested or contracts that were set aside for exclusive bidding by Micro-LBEs. Although this program measure intends to increase participation of LBEs in subcontracts, BBC analyzed the availability of LBEs in both the prime contract and subcontract elements of projects for which LBE participation requirements were applied. That analysis helped us assess the effectiveness of the City's use of LBE participation requirements in encouraging the participation of small local businesses in the contracts and purchase orders it awards. As shown in Figure 5-13, the availability of small local businesses considered together is greater for City LBE participation requirement contracts (74.1%) than for its no LBE participation requirement contracts (71.7%). The availability of small local businesses across size tiers differs by LBE participation requirement status:

- Local Tier 1 (micro) businesses exhibit slightly greater availability for LBE participation requirement contracts (61.4%) than for no LBE participation requirement contracts (60.2%).
- Local Tier 2 (small) businesses also exhibit slightly greater availability for LBE participation requirement contracts (9.3%) than for no LBE participation requirement contracts (8.2%).
- Local Tier 3 (SBA) businesses exhibit the same level of availability for LBE participation requirement contracts (3.4%) and no LBE participation requirement contracts (3.4%).
- Non-small local businesses exhibit greater availability for no LBE participation requirement contracts (28.2%) than for LBE participation requirement contracts (25.9%).

Figure 5-13.

Availability estimates for LBE participation requirement and no LBE participation requirement contracts by business size



Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

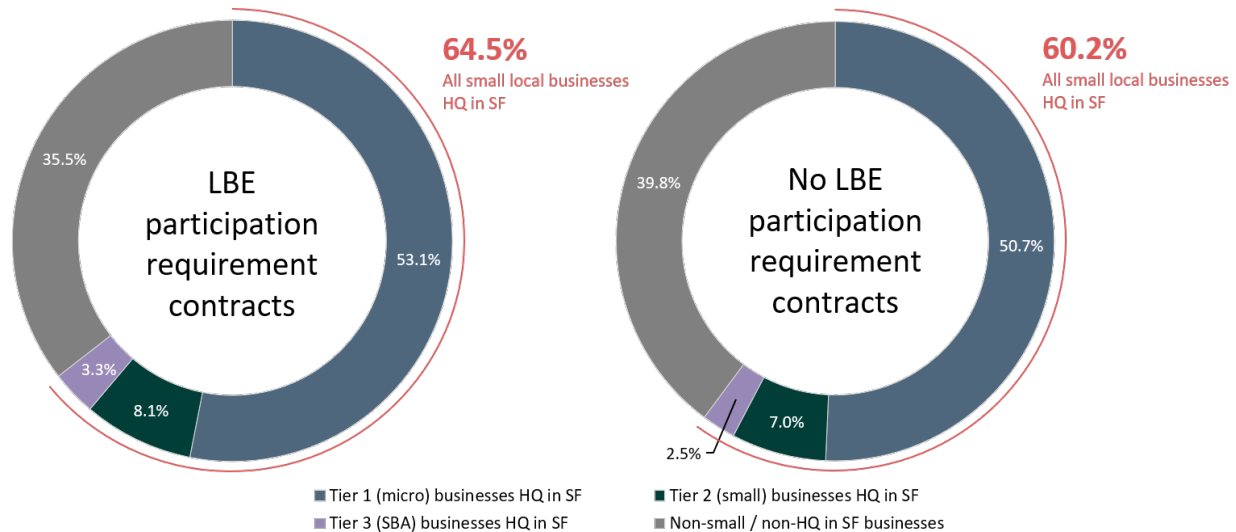
For more details, see [Figures D-11](#) and [D-12](#) in Appendix D.

Figure 5-14 presents availability results for small local businesses headquartered in San Francisco for LBE participation requirement and no LBE participation requirement projects. As shown in Figure 5-14, the availability of small local businesses headquartered in San Francisco considered together is greater for City LBE participation requirement contracts (64.5%) than for its no LBE participation requirement contracts (60.2%). The availability of small local businesses headquartered in San Francisco across size tiers differs by LBE participation requirement status:

- Local Tier 1 (micro) businesses headquartered in San Francisco exhibit greater availability for LBE participation requirement contracts (53.1%) than for no LBE participation requirement contracts (50.7%).
- Local Tier 2 (small) businesses headquartered in San Francisco exhibit slightly greater availability for LBE participation requirement contracts (8.1%) than for no LBE participation requirement contracts (7.0%).

- Local Tier 3 (SBA) businesses headquartered in San Francisco exhibit similar availability for LBE participation requirement contracts (3.3%) and no LBE participation requirement contracts (2.5%).
- Non-small / non-headquartered in San Francisco businesses exhibit greater availability for no LBE participation requirement contracts (39.8%) than for LBE participation requirement contracts (35.5%).

Figure 5-14.
Availability estimates for LBE participation requirement and no LBE participation requirement contracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

For more details, see [Figures D-11](#) and [D-12](#) in Appendix D.

CHAPTER 6.

Utilization Analysis

BBC Research & Consulting (BBC) measured the participation of small local businesses in the construction, professional services, and commodities and general services contracts and purchase orders the City and County of San Francisco (the City) awarded between July 1, 2020 and December 31, 2024 (the *study period*). We measured participation in terms of *utilization*—the percentage of project dollars the City awarded to those businesses during the study period. Chapter 6 presents the utilization analysis in two parts:

- A. Purpose; and
- B. Results.

Summary of Results

Utilization analysis results indicate that the City awarded 36.5 percent of its relevant project dollars to small local businesses, and 31.0 percent of its relevant project dollars to small local businesses headquartered in San Francisco. Across all contract sets, Tier 1 (micro) businesses exhibited the highest levels of participation. While participation varies across contract sets, participation was highest in construction work, subcontracts, small prime contracts, and contracts with LBE participation requirements. Small local business participation was significantly higher on contracts with LBE participation requirements (49.6%) compared to contracts without LBE participation requirements (29.4%). Businesses headquartered in San Francisco generally followed similar participation trends, but at slightly lower rates.

A. Purpose

Calculating the percentage of dollars the City awarded to small local businesses during the study period is useful in determining whether certain business groups face barriers related to the organization's contracting and procurement processes and will support the City's operation of the *Chapter 14B Local Business Program* [also referred to as the *Local Business Enterprise (LBE) Program*]. The City could use this information to compare small local business participation to its overall aspirational goal for LBE participation in its contracts and purchase orders, and to identify the types of contracts and purchase orders on which the City should implement the LBE Program to best encourage greater LBE participation. This information is also useful for the City to consider in its design or operation of other program measures it currently uses as part of the program.

B. Results

BBC calculated the overall participation of small businesses located in the *relevant geographic market area (RGMA)* (i.e., small local businesses) in the construction, professional services, and commodities and general services projects the City awarded during the study period as well as separately for various

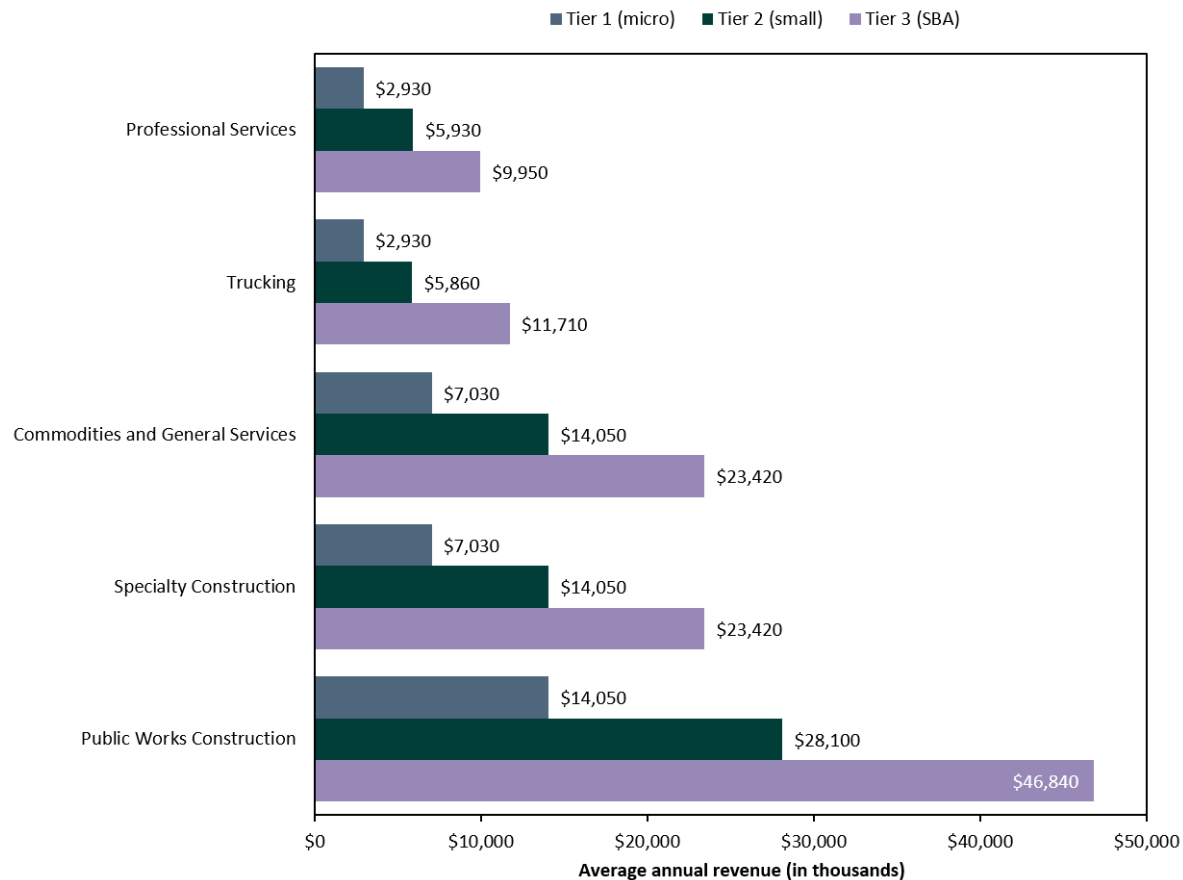
subsets of those projects.¹ We calculated the participation of small local businesses for City projects across three size tiers:

- **Tier 1 (micro) businesses** are professional services businesses and trucking businesses with revenues less than \$2.93 million, commodities and general services businesses and specialty construction businesses with revenues less than \$7.03 million, and public works construction businesses with revenues less than \$14.05 million;
- **Tier 2 (small) businesses** are professional services businesses with revenues greater than or equal to \$2.93 million but less than \$5.93 million, trucking businesses with revenues greater than or equal to \$2.92 million but less than \$5.86 million, commodities and general services businesses and specialty construction businesses with revenues greater than or equal to \$7.03 million but less than \$14.05 million, and public works construction businesses with revenues greater than or equal to \$14.05 million but less than \$28.10 million; and
- **Tier 3 (SBA) businesses** are professional services businesses with revenues greater than or equal to \$5.93 million but less than \$9.95 million, trucking businesses with revenues greater than or equal to \$5.86 million but less than \$11.71 million, commodities and general services businesses and specialty construction businesses with revenues greater than or equal to \$14.05 million but less than \$23.42 million, and public works construction businesses with revenues greater than or equal to \$28.10 million but less than \$46.84 million.

Figure 6-1 presents the revenue limits for each small local business tier across the professional services, trucking, specialty construction, public works construction, and commodities and general services industries.

¹ The RGMA on which BBC focused the utilization analysis was San Francisco (referred to as the *San Francisco marketplace*).

Figure 6-1.
Small business size tiers for analysis



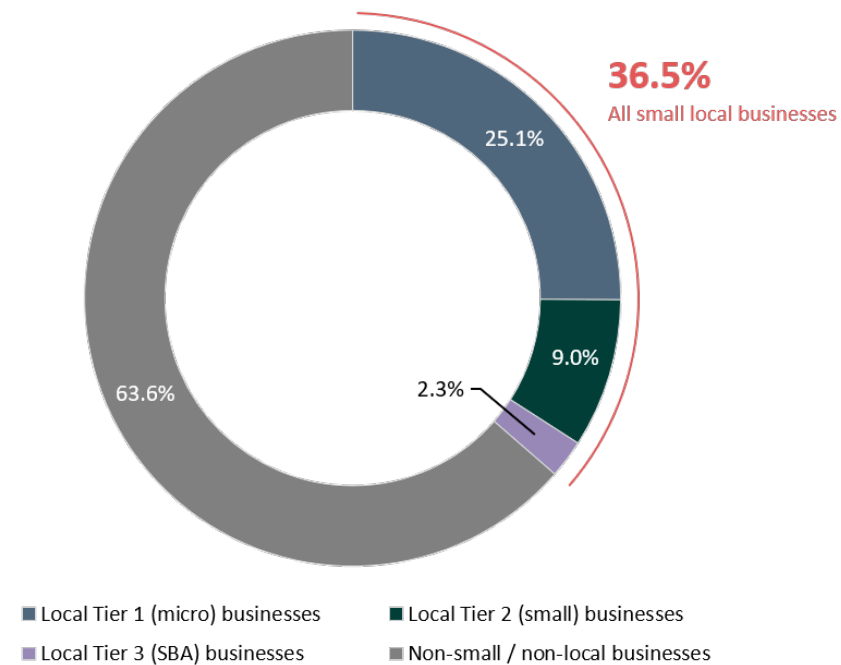
Note: A text description of Figure 6-1 is provided in Appendix E.

We present results separately for businesses with a location in San Francisco and businesses that are headquartered in San Francisco for each of the three tiers described above. Businesses headquartered in San Francisco are a subset of businesses with a location in San Francisco, and therefore, results for businesses headquartered in San Francisco are included within results for businesses with a location in San Francisco. Currently, only businesses headquartered in the city are eligible to participate in the LBE Program. However, we provide utilization results for all small local businesses to provide the City with information about the participation of all small local businesses in its work.

1. Overall. Figure 6-2 presents the overall participation of small local businesses in City work. Overall, the City awarded 36.5 percent of relevant project dollars to small local businesses considered together. The participation of small local businesses differed across size tiers:

- Local Tier 1 (micro) businesses: 25.1 percent;
- Local Tier 2 (small) businesses: 9.0 percent;
- Local Tier 3 (SBA) businesses: 2.3 percent; and
- Non-small / non-local businesses: 63.6 percent.

Figure 6-2.
Utilization results for City work by business size

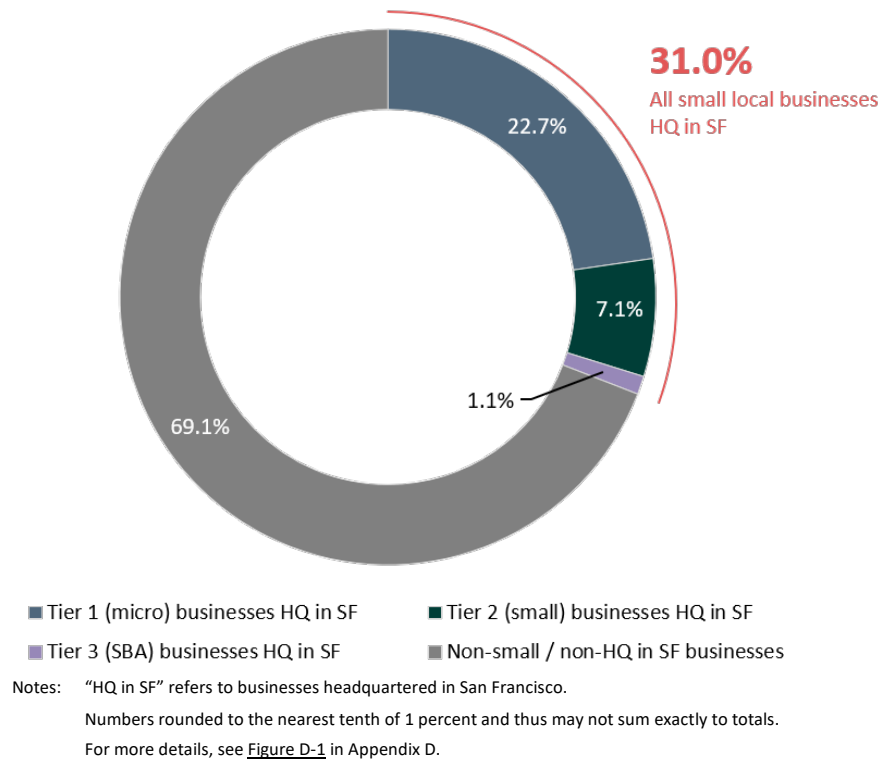


Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
For more details, see [Figure D-1](#) in Appendix D.

Figure 6-3 presents the overall participation results for small local businesses headquartered in San Francisco. As shown in Figure 6-3, the participation of small local businesses headquartered in San Francisco considered together was 31.0 percent. The participation of small local businesses headquartered in San Francisco differed across size tiers:

- Tier 1 (micro) businesses headquartered in San Francisco: 22.7 percent;
- Tier 2 (small) businesses headquartered in San Francisco: 7.1 percent;
- Tier 3 (SBA) businesses headquartered in San Francisco: 1.1 percent; and
- Non-small / non-headquartered in San Francisco businesses: 69.1 percent.

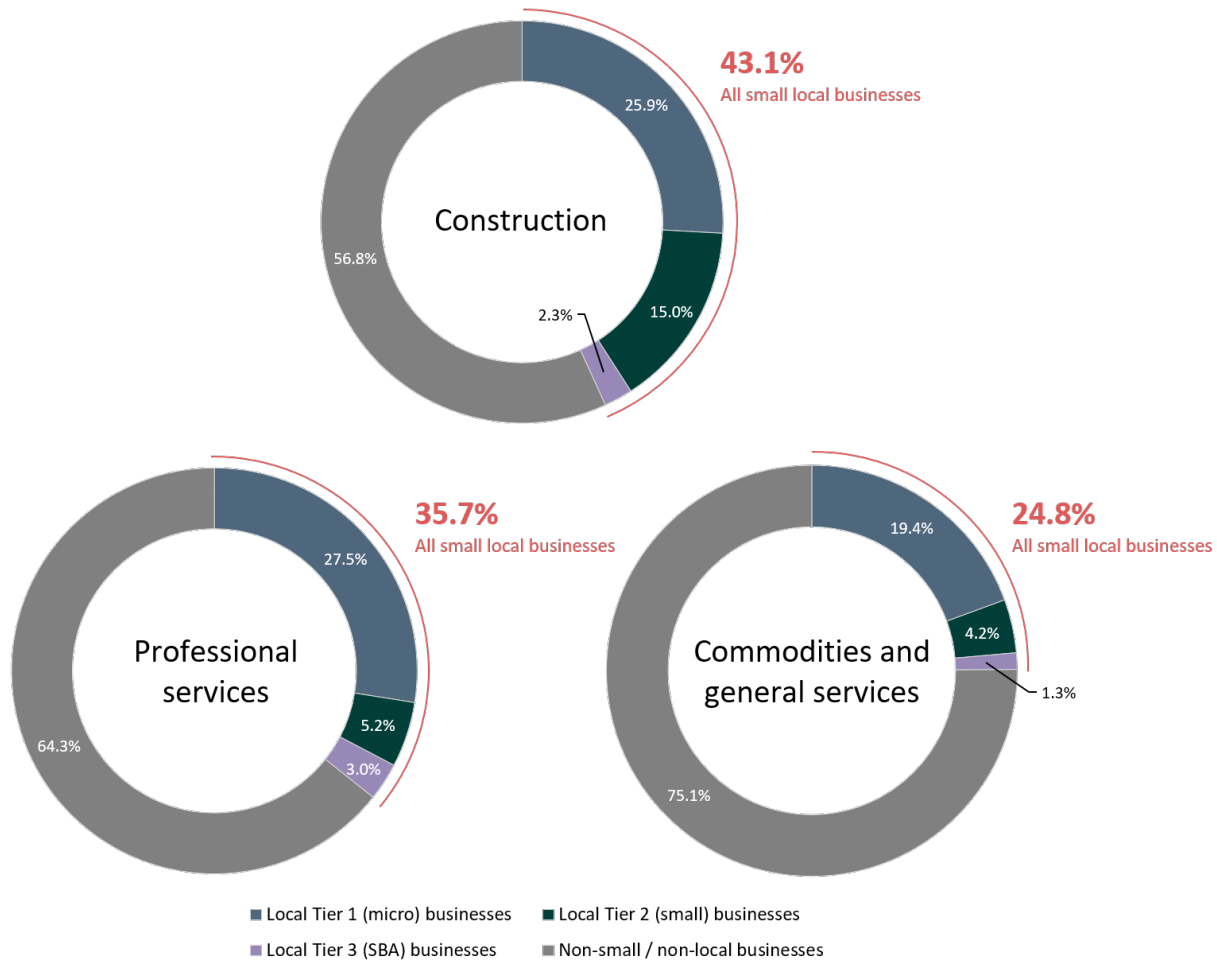
Figure 6-3.
Utilization results for City contracts by business size and location of headquarters



2. Industry. BBC also examined the participation of small local businesses separately for the City's construction, professional services, and commodities and general services work to assess whether the participation of those businesses differed by industry. As shown in Figure 6-4, the participation of small local businesses considered together was greater in the City's construction work (43.1%) than in its professional services (35.7%) or commodities and general services work (24.8%). The participation of small local businesses across size tiers in City work differed by industry:

- Local Tier 1 (micro) businesses exhibited greater participation in professional services work (27.5%) than in construction (25.9%) or commodities and general services work (19.4%).
- Local Tier 2 (small) businesses exhibited greater participation in construction work (15.0%) than in professional services (5.2%) or commodities and general services work (4.2%).
- Local Tier 3 (SBA) businesses exhibited slightly greater participation in professional services work (3.0%) than in construction (2.3%) or commodities and general services work (1.3%).
- Non-small / non-local businesses exhibited greater participation in commodities and general services work (75.1%) than in professional services (64.3%) and construction work (56.8%).

Figure 6-4.
Utilization results for construction, professional services, and
commodities and general services contracts by business size



Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

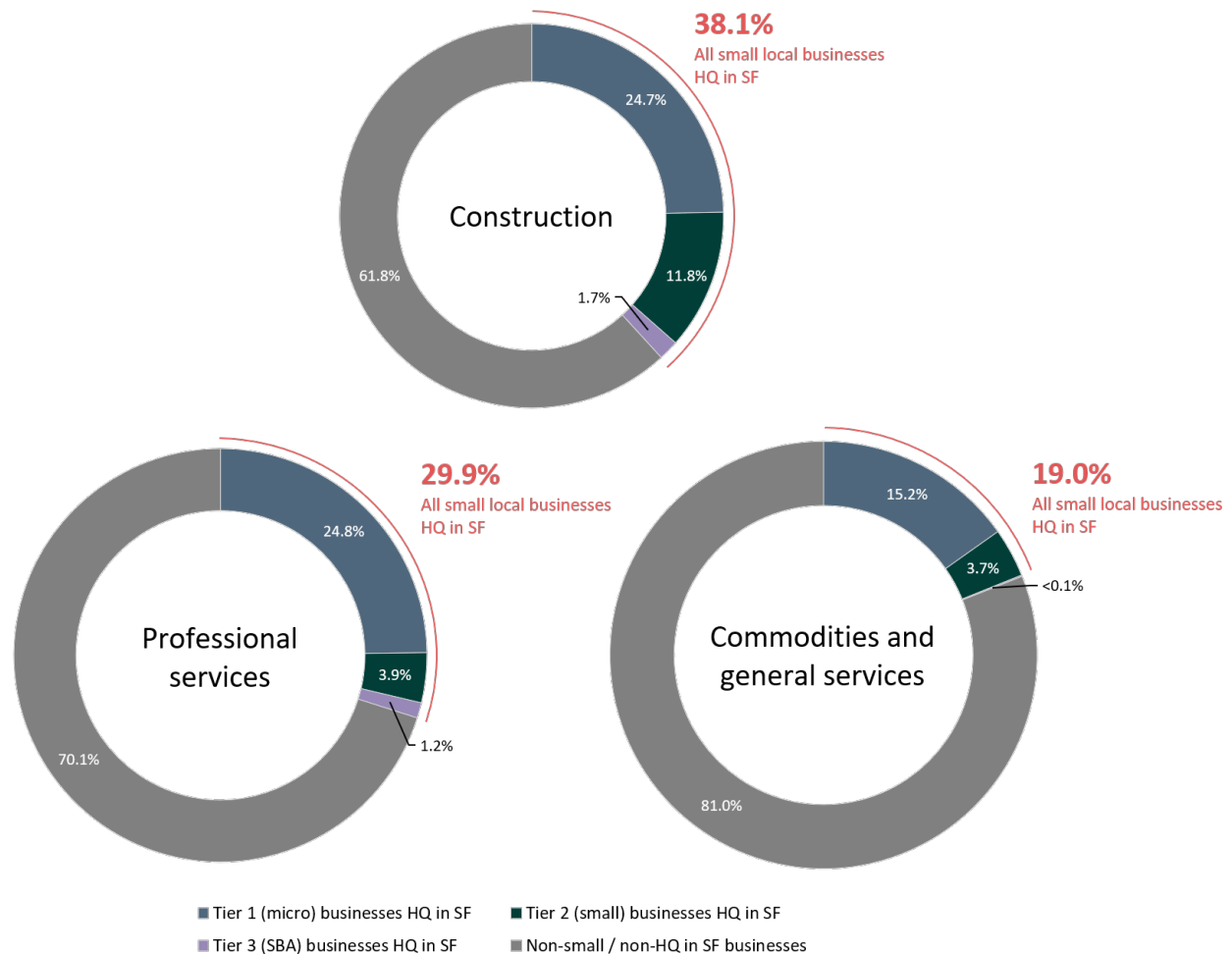
For more details, see [Figures D-2](#), [D-3](#), and [D-4](#) in Appendix D.

Figure 6-5 presents results for the participation of small local businesses headquartered in San Francisco in City contracts by industry. As shown in Figure 6-5, the participation of small local businesses headquartered in San Francisco considered together was greater in the City's construction work (38.1%) than in its professional services (29.9%) or commodities and general services work (19.0%). The participation of small local businesses headquartered in San Francisco across size tiers in City work differed by industry:

- Tier 1 (micro) businesses headquartered in San Francisco exhibited greater participation in professional services (24.8%) and construction work (24.7%) than in commodities and general services work (15.2%).
- Tier 2 (small) businesses headquartered in San Francisco exhibited greater participation in construction work (11.8%) than in professional services (3.9%) or commodities and general services work (3.7%).

- Tier 3 (SBA) businesses headquartered in San Francisco exhibited greater participation in construction (1.7%) and professional services work (1.2%) than in commodities and general services work (<0.1%).
- Non-small / non-headquartered in San Francisco businesses exhibited greater participation in commodities and general services work (81.1%) than in professional services (70.1%) and construction (61.8%) work.

Figure 6-5.
Utilization results for construction, professional services, and commodities and general services contracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

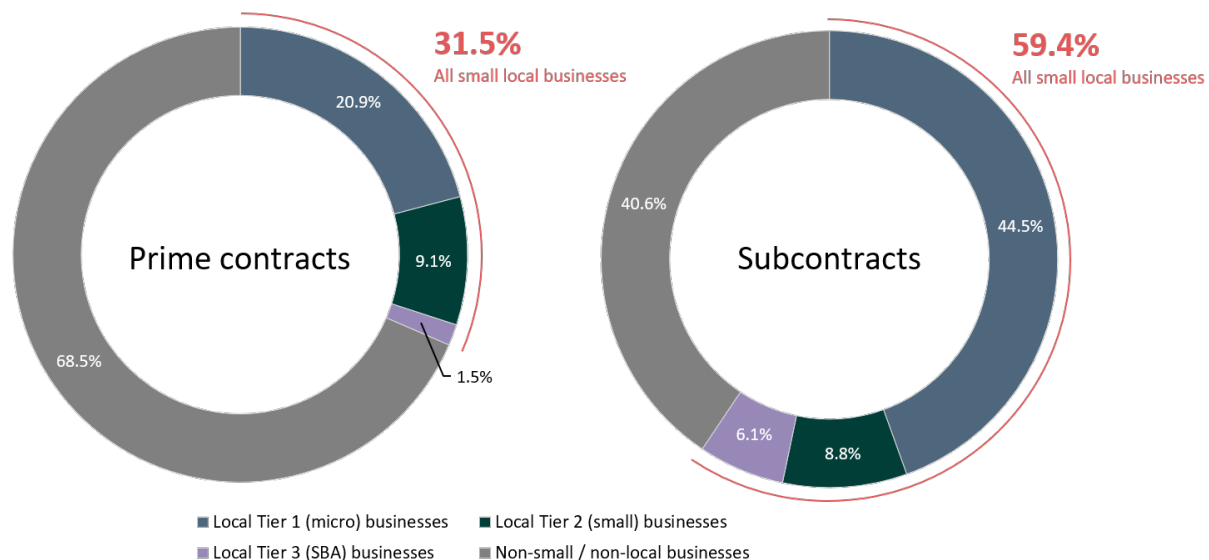
For more details, see [Figures D-2](#), [D-3](#), and [D-4](#) in Appendix D.

3. Contract role. Many small businesses often work as subcontractors, as prime contracts are typically larger than subcontracts, and project size is typically inversely related to the participation of small businesses for organization work (i.e., the larger the project, the less the participation of small businesses). For those reasons, it is instructive to examine utilization results separately for City prime contracts and subcontracts. As shown in Figure 6-6, the participation of small local businesses

considered together was greater in the City's subcontracts (59.4%) than in its prime contracts (31.5%). The participation of small local businesses across size tiers differed by contract role:

- Local Tier 1 (micro) businesses exhibited greater participation in subcontracts (44.5%) than in prime contracts (20.9%).
- In contrast, local Tier 2 (small) businesses exhibited greater participation in prime contracts (9.1%) than in subcontracts (8.8%).
- Local Tier 3 (SBA) businesses exhibited greater participation in subcontracts (6.1%) than in prime contracts (1.5%).
- Non-small / non-local businesses exhibited greater participation in prime contracts (68.5%) than in subcontracts (40.6%).

Figure 6-6.
Utilization results for prime contracts and subcontracts by business size



Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

For more details, see [Figures D-5](#) and [D-6](#) in Appendix D.

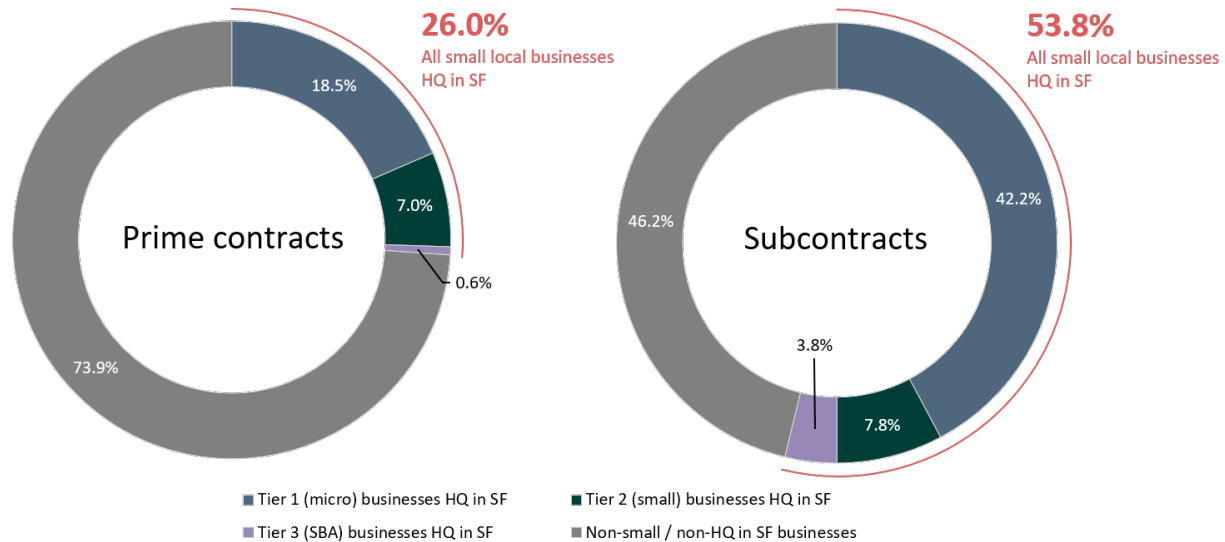
Figure 6-7 presents results for the participation of small local businesses headquartered in San Francisco in City prime contracts and subcontracts. As shown in Figure 6-7, the participation of small local businesses headquartered in San Francisco considered together was greater in the City's subcontracts (53.8%) than in its prime contracts (26.0%). The participation of small local businesses headquartered in San Francisco across size tiers differed by contract role:

- Tier 1 (micro) businesses headquartered in San Francisco exhibited greater participation in subcontracts (42.2%) than in prime contracts (18.5%).
- Tier 2 (small) businesses headquartered in San Francisco exhibited similar participation in subcontracts (7.8%) and prime contracts (7.0%).
- Tier 3 (SBA) businesses headquartered in San Francisco exhibited greater participation in subcontracts (3.8%) than in prime contracts (0.6%).

- Non-small / non-headquartered in San Francisco businesses exhibited greater participation in prime contracts (73.9%) than in subcontracts (46.2%).

Figure 6-7.

Utilization results for prime contracts and subcontracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

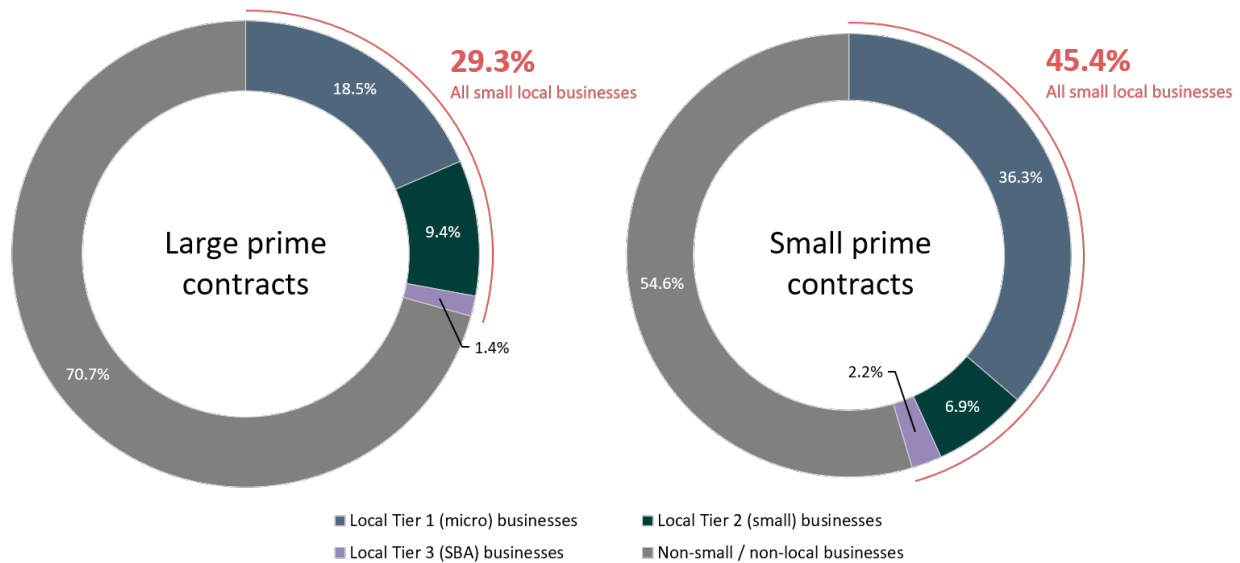
Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

For more details, see [Figures D-5](#) and [D-6](#) in Appendix D.

4. Prime contract size. BBC examined the participation of small local businesses separately in *large* prime contracts—that is, construction contracts worth more than \$2 million, professional services contracts worth more than \$3 million, and commodities and general services contracts worth more than \$1 million—and *small* prime contracts—that is, construction contracts worth \$2 million or less, professional services contracts worth \$3 million or less, and commodities and general services contracts worth \$1 million or less—the City awarded during the study period. To determine the threshold for which a contract is considered large or small, BBC used the median capacity for available businesses in each industry. That analysis helped assess whether prime contract size was related to the participation of small local businesses in that work. As shown in Figure 6-8, the participation of small local businesses considered together was greater in the City's small prime contracts (45.4%) than in its large prime contracts (29.3%). The participation of small local businesses across size tiers in City work differed by prime contract size:

- Local Tier 1 (micro) businesses exhibited greater participation in small prime contracts (36.3%) than in large prime contracts (18.5%).
- In contrast, local Tier 2 (small) businesses exhibited greater participation in large prime contracts (9.4%) than in small prime contracts (6.9%).
- Local Tier 3 (SBA) businesses exhibited similar participation in small prime contracts (2.2%) and large prime contracts (1.4%).
- Non-small / non-local businesses exhibited greater participation in large prime contracts (70.7%) than in small prime contracts (54.6%).

Figure 6-8.
Utilization results for large and small prime contracts by business size

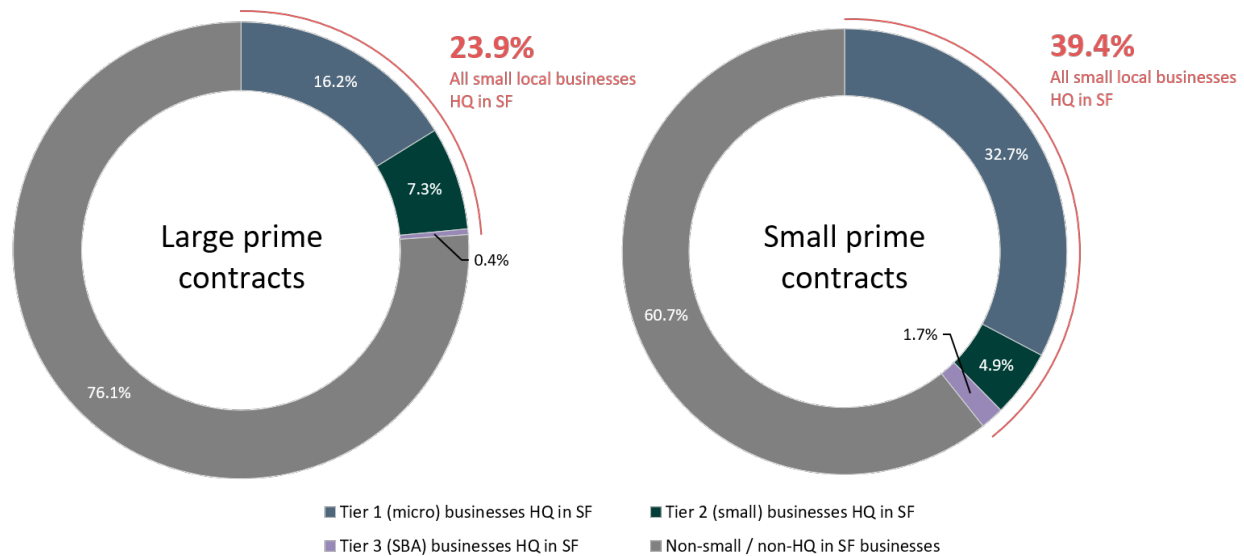


Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.
For more details, see [Figures D-5](#) and [D-6](#) in Appendix D.

Figure 6-9 presents results for the participation of small local businesses headquartered in San Francisco in City large prime contracts and small prime contracts. As shown in Figure 6-9, the participation of small local businesses headquartered in San Francisco considered together was also greater in the City's small prime contracts (39.4%) than in its large prime contracts (23.9%). The participation of small local businesses headquartered in San Francisco across size tiers in City work differed by prime contract size:

- Tier 1 (micro) businesses headquartered in San Francisco exhibited greater participation in small prime contracts (32.7%) than in large prime contracts (16.2%).
- In contrast, Tier 2 (small) businesses headquartered in San Francisco exhibited greater participation in large prime contracts (7.3%) than in small prime contracts (4.9%).
- Tier 3 (SBA) businesses headquartered in San Francisco exhibited slightly greater participation in small prime contracts (1.7%) than in large prime contracts (0.4%).
- Non-small / non-headquartered in San Francisco businesses exhibited greater participation in large prime contracts (76.1%) than in small prime contracts (60.7%).

Figure 6-9.
Utilization results for large and small prime contracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

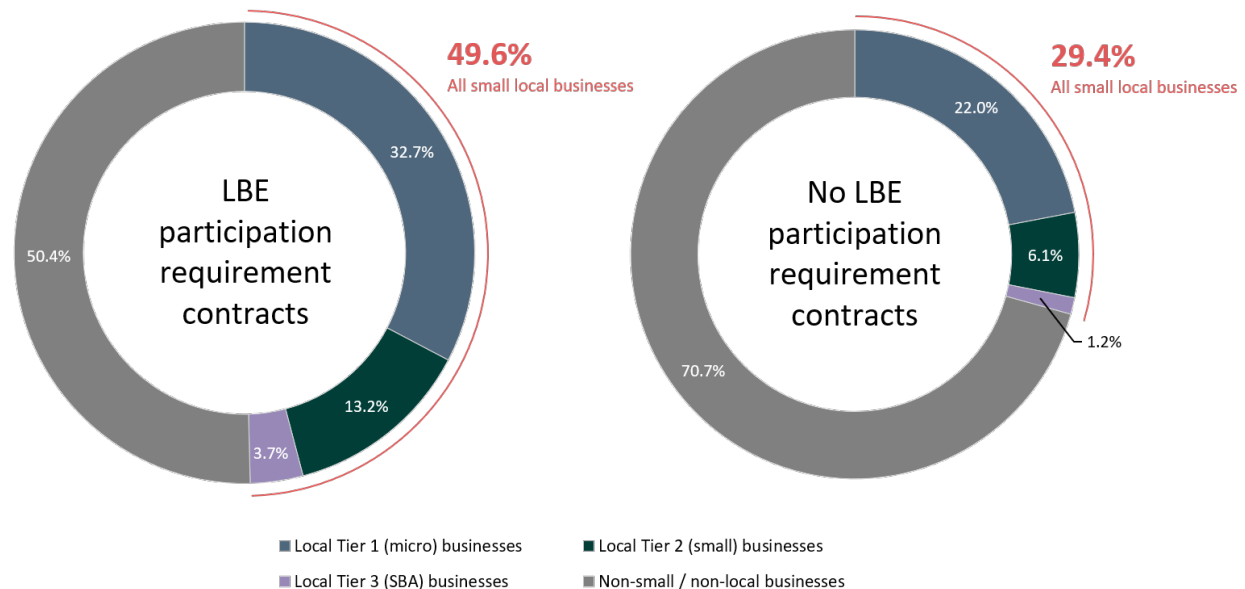
For more details, see [Figures D-7](#) and [D-8](#) in Appendix D.

5. LBE participation requirement status. As part of its operation of the LBE Program, the City sets requirements for LBE participation on a contract if the estimated value of the project is expected to equal or exceed 50 percent of the City's competitive bid threshold, which varies by project type. BBC examined the participation of small local businesses separately for contracts the City awarded during the study period on which it set LBE participation requirements (*LBE participation requirement contracts*) and contracts the City awarded during the study period on which it did not set LBE participation requirements (*no LBE participation requirement contracts*). No LBE participation requirement contracts do not include contracts or purchase orders exempt from LBE Program requirements, but do include contracts for which a waiver was requested or contracts that were set aside for exclusive bidding by Micro-LBEs. Although this program measure intends to increase participation of LBEs in subcontracts, BBC analyzed participation of LBEs in both the prime contract and subcontract elements of projects for which LBE participation requirements were applied. That analysis helped us assess the effectiveness of the City's use of LBE participation requirements in encouraging the participation of small local businesses in the contracts and purchase orders it awards. As shown in Figure 6-10, the participation of small local businesses considered together was greater in the City's LBE participation requirement contracts (49.6%) than in its no LBE participation requirement contracts (29.4%). The participation of small local businesses across size tiers in City work differed by LBE participation requirement status:

- Local Tier 1 (micro) businesses exhibited greater participation in LBE participation requirement contracts (32.7%) than in no LBE participation requirement contracts (22.0%).
- Local Tier 2 (small) businesses exhibited greater participation in LBE participation requirement contracts (13.2%) than in no LBE participation requirement contracts (6.1%).
- Local Tier 3 (SBA) businesses exhibited greater participation in LBE participation requirement contracts (3.7%) than in no LBE participation requirement contracts (1.2%).

- Non-small / non-local businesses exhibited greater participation in no LBE participation requirement contracts (70.7%) than in LBE participation requirement contracts (50.4%).

Figure 6-10.
Utilization results for LBE participation requirement and no LBE participation requirement contracts by business size



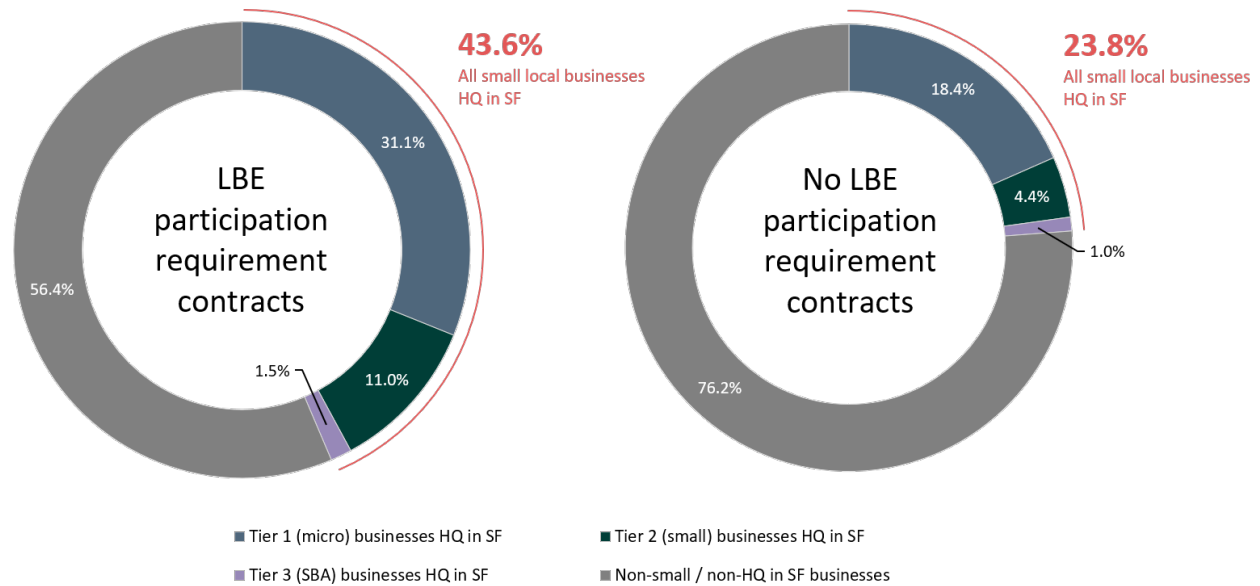
Notes: Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

For more details, see [Figures D-11](#) and [D-12](#) in Appendix D.

Figure 6-11 presents results for the participation of small local businesses headquartered in San Francisco for LBE participation requirement and no LBE participation requirement projects. As shown in Figure 6-11, the participation of small local businesses headquartered in San Francisco considered together was also greater in the City's LBE participation requirement contracts (43.6%) than in its no LBE participation requirement contracts (23.8%). The participation of small local businesses headquartered in San Francisco across all size tiers differed by LBE participation requirement status:

- Tier 1 (micro) businesses headquartered in San Francisco exhibited greater participation in LBE participation requirement contracts (31.1%) than in no LBE participation requirement contracts (18.4%).
- Tier 2 (small) businesses headquartered in San Francisco also exhibited greater participation in LBE participation requirement contracts (11.0%) than in no LBE participation requirement contracts (4.4%).
- Tier 3 (SBA) businesses headquartered in San Francisco exhibited similar participation in LBE participation requirement contracts (1.5%) and no LBE participation requirement contracts (1.0%).
- Non-small / non-headquartered in San Francisco businesses exhibited greater participation in no LBE participation requirement contracts (70.7%) than in LBE participation requirement contracts (50.4%).

Figure 6-11.
Utilization results for LBE participation requirement and no LBE participation requirement contracts by business size and location of headquarters



Notes: "HQ in SF" refers to businesses headquartered in San Francisco.

Numbers rounded to the nearest tenth of 1 percent and thus may not sum exactly to totals.

For more details, see [Figures D-11](#) and [D-12](#) in Appendix D.

CHAPTER 7.

Program and Policy Review

The City and County of San Francisco (the City) has various policies and programs in place to support its commitment to increasing opportunities for small local businesses to compete for and perform work on the contracts and purchase orders it awards. At the core of those efforts is the *Local Business Enterprise (LBE) Program*, which offers bid discounts, rating bonuses, and other incentives and preferences to encourage the participation of LBEs in the prime contracts and subcontracts the City awards. Chapter 7 provides an overview of the LBE Program, the City's procurement policies, and other efforts it uses to encourage the participation of small local businesses in its contracting and procurement. BBC Research & Consulting (BBC) presents our review of the City's program measures in four parts:

- A. LBE Program overview;
- B. Procurement policies and program measures;
- C. Contract administration policies and program measures; and
- D. Supportive services.

A. LBE Program Overview

The City implements the LBE Program, also referred to as the Chapter 14B Local Business Program after the ordinance that governs the program, to encourage the participation of LBEs in its contracting. The City initially established the Chapter 12D Program via Ordinance No. 139-84, which was passed in April 1984 and included *race- and gender-based* program measures as part of the program. Race- and gender-based measures are contracting inclusion measures specifically designed to increase the participation of person of color- and woman-owned businesses, respectively, in an organization's contracts and purchase orders. However, in July 2004, the California Court of Appeal for the First District found the program violated Article I, Section 31 of the California constitution, which prohibits the use of race- and gender-based measures in public contracting. As a result, the City was enjoined from implementing the Chapter 12D Program and developed the LBE Program to encourage the participation of small local businesses in its contracting using only *race- and gender-neutral* program measures.

1. LBE certification. A business must get certified as an LBE in order to participate in the LBE Program. A business is eligible for LBE certification if it meets the following criteria:

- It is an independent company;
- It is continuously in operation;
- It is a for-profit enterprise;
- Its main business location (i.e., headquarters) is in San Francisco; and

- It performs a commercially useful function.¹

A non-profit organization may also be certified as an LBE if it meets the following criteria:

- Its headquarters is in San Francisco;
- An individual qualified to perform the type of work for which the organization is certified must fully manage and control all of the organization's work in the industry in which it is certified; and
- If the organization is certified as a supplier, it must maintain a warehouse in San Francisco.²

Businesses and non-profit organizations must also meet size requirements to become certified as LBEs. There are three tiers of LBE certification: Micro-LBE, Small-LBE, and SBA-LBE certification.³ Each tier has different revenue limits, and businesses must have revenues below these limits in order to be certified at that tier. Figure 7-1 outlines each LBE certification tier and the revenue limits for each tier in each industry. Importantly, because the LBE certification is based on industry, a single business may be certified into multiple categories based on its lines of work and average annual revenue. The Office of the Controller reviews these revenue limits every five years and increases them proportionally to the Urban Regional Consumer Price Index.

Figure 7-1.
LBE certification tier revenue limits

Industry	Micro-LBE certification (in thousands)	Small-LBE certification (in thousands)	SBA-LBE certification (in thousands)
Public works/construction (Class A and Class B general contractors)	\$14,050	\$28,100	\$46,840
Specialty construction	\$7,030	\$14,050	\$23,420
Goods/materials/equipment suppliers	\$7,030	\$14,050	\$23,420
General services providers	\$7,030	\$14,050	\$23,420
Trucking	\$2,930	\$5,860	\$11,710
Architecture and engineering	\$2,930	\$5,860	\$9,950
Professional services	\$2,930	\$5,860	\$9,950

Source: San Francisco Administrative Code Chapter 14B.

The LBE Program also includes a Public Utilities Commission (PUC)-LBE certification for businesses that seek to work with the PUC and are located within the PUC water system service area but outside San

¹ *Commercially useful function* refers to a business providing equipment, supplies, or services needed for a project. The business must be solely responsible for a distinct element of the work, and must perform, manage, and supervise it according to industry standards.

² The scope of the contracting equity study did not include work performed by non-profits or other charitable organizations.

³ The size limits of the program's SBA-LBE certification tier are not related to size limits set by the United States Small Business Administration for Small Business Enterprise certification, nor does Chapter 14B define SBA to mean Small Business Administration.

Francisco.⁴ All LBE certification requirements—with the exception of having its headquarters in San Francisco—apply to PUC-LBEs.

Once a business or non-profit organization is certified as an LBE, it may elect to be classified under one of the following categories:

- Minority-owned Business Enterprises (MBEs), which are owned and controlled by people who identify as Black, Arab, Asian, Iranian, Latino, or Native American;
- Woman-owned Business Enterprises (WBEs), which are owned and controlled by people who identify as women; or
- Other Business Enterprises (OBEs), which include all other LBEs, including certified non-profits, that are not owned by people who identify as POCs or women.⁵

Generally, LBE certifications are valid for three years. After that, a business must recertify by submitting documentation that demonstrates that it still meets the LBE eligibility requirements.

2. Contract Monitoring Division (CMD). The City's CMD implements the LBE Program and monitors the number of LBEs that are available to work on City contracts, as well as the number of LBEs that participate in City contracts every year. CMD is also responsible for providing information and assistance to LBEs to encourage their participation in City contracts. CMD also regularly reviews minimum qualifications, evaluation criteria, and scoring methodologies to ensure that they are fair to LBEs wishing to participate in City contracts and can make recommendations to the originating department for potential revisions or updates.

B. Procurement Policies and Program Measures

The City has several procurement policies in place designed to reduce barriers for LBEs and create more opportunities for them to compete for and perform work on City projects.

1. Advertising. The City advertises solicitations for formal competitively bid projects for a minimum of 10 calendar days before bid opening in at least one newspaper or on the City's website.⁶ For many contracting opportunities, the City also conducts outreach to LBEs that perform work relevant to the corresponding project through the CMD newsletter and email notifications to make sure they are aware of the opportunity. It also holds networking events, such as the Affordable Housing Construction Mixer and a recurring Small Business Workshop, that connect City staff with LBEs interested in its work.

2. Unbundling. City departments that award contracts must review all contracts to determine if there are opportunities to break them into multiple, smaller pieces of work to make them more accessible to small businesses. A Contract Compliance Officer reviews all projects—with special attention to

⁴ The PUC water system service area includes Tuolumne, Mariposa, Stanislaus, San Joaquin, Alameda, San Mateo, and Santa Clara counties in California.

⁵ Demographic data is collected for informational purposes only and is not used in any programmatic or procurement decisions.

⁶ *Formal competitively bid* projects are projects over a certain size (the formal competitive bid threshold) that must be advertised publicly, and for which the City must accept bids or proposals from interested businesses. The formal competitive bid threshold for the City is updated every five years, and between January 1, 2025 and December 31, 2030 is set at \$230,000 for professional services and commodities, and \$1.17 million for construction and general services.

particularly large projects, such as construction-related projects estimated to cost more than \$5 million, professional services contracts estimated to be worth more than \$1 million, or commodities contracts with terms longer than one year—for any opportunities to unbundle the associated work.

3. Micro-LBE set asides. The City reviews each procurement worth less than the formal competitive bid thresholds and identifies at least 50 percent of all construction contracts and at least 25 percent of all professional services and commodities contracts under the formal competitive bid thresholds to set aside for exclusive bidding by Micro-LBEs. Construction contracts worth more than the formal competitive bid threshold may be set aside if each specified task in the contract is worth less than the formal competitive bid threshold. Contracts set aside for exclusive bidding by Micro-LBEs may be rejected and rebid if fewer than two certified Micro-LBEs that perform the corresponding type of work submit bids or if the price of contracting with a Micro-LBE would be higher than fair market value.

4. San Francisco First Program. The San Francisco First Program applies to informal contracts worth more than \$10,000 but less than the formal competitive bid thresholds. All efforts should be made to award projects of this size first as Micro-LBE set asides, and should a contract or purchase order not be awarded through the Micro-LBE set-aside process, the department soliciting bids for that work must take all efforts to obtain at least three bids from Small-LBEs or Micro-LBEs.⁷

5. Bid or evaluation preferences. The City awards bid or evaluation preferences to LBEs when evaluating bids and proposals, which results in discounts for bids submitted by LBEs and evaluation bonuses for proposals submitted by LBEs. Bid discounts are only for evaluation purposes and do not impact award amounts for LBEs if they win the resulting contracts. For more information on how bid and evaluation preferences are taken into consideration during evaluation, see Figure 7-2.

Bid or evaluation preferences vary by LBE tier and contract value. For contracts worth more than \$10,000 but less than \$10 million, Micro-LBEs or Small-LBEs receive a 10 percent bid or evaluation preference. If the apparent low bidder is not a Micro-LBE or Small-LBE and the value of the contract is greater than \$400,000, an SBA-LBE bidder receives a 5 percent bid discount. SBA-LBEs only receive bid or evaluation preferences for contracts worth more than \$400,000 but less than \$10 million if the apparent low bidder is not a Micro-LBE or Small-LBE. For professional services or construction-related contracts estimated to cost more than \$10 million but less than or equal to \$20 million, all LBE bidders receive a 2 percent bid or evaluation preference.

The City also applies evaluation preferences to bids submitted by joint ventures (JVs) that include LBEs and that include businesses located in the same area where the work is taking place.

⁷ As of July 1, 2024 the delegated purchasing amount is \$20,000.

Figure 7-2.
Bid or Evaluation Preferences

As part of the LBE Program, the City uses **bid or evaluation preferences** when comparing bids and proposals from LBE-certified businesses to businesses that are not LBE-certified. The City gives extra points to LBEs during proposal evaluations or discounts on final bids during bid comparisons.

Example 1: Bid

Bidder	A	B	C
Certified?	Yes	No	No
Bid amount	\$115,000	\$110,000	\$120,000
Bid discount	\$11,500 (10%)	N/A	N/A
Adjusted bid amount	\$103,500	\$110,000	\$120,000

In Example 1, Bidder A would be deemed the apparent low bidder after applying an LBE bid discount. The contract would be awarded for \$115,000, because the discount is only considered for evaluation purposes.

Example 2: Proposal

Proposer	A	B	C
Certified?	Yes	No	No
Pre-bonus evaluation score	90.0	85.0	92.0
Bonus	9.0 (10%)	N/A	N/A
Adjusted evaluation score	99.0	85.0	92.0

a. JVs. JVs that include a Micro-LBE or Small-LBE partner are eligible for evaluation preferences for professional services contracts and purchase orders that depend on the percentage of the contract amount the LBE performs. Figure 7-3 presents the evaluation preferences the City grants to JVs that include different tiers of LBEs and for different types of contracts.

Figure 7-3.
JV evaluation preference criteria for professional services contracts valued at more than \$10,000 and less than \$10 million

LBE JV participation	Evaluation preference
Greater than 35.0% and less than 40.0%	2.0%
Greater than or equal to 40.0%	4.0%
100.0%	6.0%

Source: San Francisco Administrative Code Chapter 14B.

b. Neighborhood program. As part of the LBE Program, CMD has established a pilot neighborhood program to encourage the participation of LBEs with locations in the same ZIP codes as where the work

associated with the contracts on which they bid would be completed (called *Project ZIP Code LBEs*) or in the same Supervisorial District as where the associated work would be completed (called *Neighborhood LBEs*) for general contracting work.⁸ Project ZIP Code LBEs and Neighborhood LBEs receive various bid discounts, depending on their levels of participation in the work and the type of contract, on top of the LBE bid discounts they may already be receiving, as described above. Figure 7-3 presents the bid discounts the City grants based on those factors as part of the neighborhood program.

Figure 7-3.
LBE neighborhood preference pilot program incentives

LBE location	LBE role	Minimum LBE participation	Bid discount
Neighborhood	Prime contractor	No minimum	1.0%
Neighborhood	Subcontractor	Greater than or equal to 50.0%	0.5%
Project ZIP code	Prime contractor	No minimum	1.5%
Project ZIP code	Subcontractor(s)	Greater than or equal to 50.0%	1.5%

Source: San Francisco Administrative Code Chapter 14B.

6. LBE subcontracting requirements. If the estimated value of a contract is equal to or exceeds 50 percent of the formal competitive bid threshold, the City sets percentage requirements for the participation of LBEs in the contract. The City may set separate requirements for the participation of Micro-LBEs, Small-LBEs, and SBA-LBEs if there are enough available LBEs to perform on the contract as subcontractors. Bidders must meet the percentage requirement at the time of bid by subcontracting with LBEs in order for the City to consider their bids responsive. Unless otherwise stated in the solicitation documents, only Small-LBEs and Micro-LBEs can be counted for credit toward meeting the requirement. LBE bidders cannot count any work they self-perform toward meeting an LBE subcontracting requirement.

7. Good faith efforts (GFEs). For contracts worth more than the formal competitive bid thresholds, all bidders must submit evidence of the efforts they made to encourage LBE participation on their project teams with businesses with which they have not worked before.⁹ The City scores GFEs using a points system, and bidders must obtain at least 50 points to be considered responsive. Examples of acceptable GFEs include:

- Contacting LBEs to identify potential subcontractors (1 point for each LBE contacted);
- Following up with interested LBEs and negotiating with them in good faith (10 points for each interested LBE);
- Selecting an LBE for the project team (30 points for each LBE); and

⁸ The City is divided into 11 Supervisorial Districts which serve as the geographic boundaries that determine voter eligibility for Board of Supervisors elections, established in the San Francisco Charter Section 13.110.

⁹ Bidders that exceed the LBE subcontractor participation requirement by at least 35 percent do not have to submit GFE documentation.

- Including Micro-LBEs as subcontractors that have not previously done work with the bidder in the last five City contracts the bidder was awarded (satisfies GFE outreach requirements on its own).¹⁰

Design-build and construction manager/general contractor projects have separate requirements for GFEs, including advertising for trade subcontractors and holding pre-bid or pre-proposal meetings.

C. Contract Administration Policies and Program Measures

The City has several policies in place for active contracts that help support LBEs currently working on City projects.

1. Prompt payment. The City requires prime contractors to submit progress payment requests or invoices to the City within 30 days of receiving invoices from LBE subcontractors. Once submitted, prime contractors are required to pay all subcontractors subject to Chapter 14B within three business days of receiving payments from the City. Then, within 10 days of receiving payments from the City, prime contractors must submit documentation of the payments they made to subcontractors.

2. Reporting. CMD submits reports to the Board of Supervisors and the Mayor every three months detailing the overall participation of LBEs in City contracting and any waivers granted by the office exempting contracts from being subject to the regulations of Chapter 14B.

D. Supportive Services

The City also provides the following services to support LBEs.

1. Citywide bonding and financial assistance program. The City provides guarantees to private bonding and finance institutions to encourage them to provide bonding to LBE-certified businesses working on City contracts. Businesses may need to complete a bonding assistance training program to ultimately obtain bonding through the program. The guarantees may cover up to 40 percent of the face value of bonds (up to \$750,000) and may cover up to 50 percent of the principal amount of loans or 50 percent of the losses faced by the institution if loans default, whichever is less, as long as the total cost is less than \$1 million. Additionally, the City operates the Contractor Accelerated Payment Program (CAPP), which provides working capital loans to LBE-certified businesses that have been awarded City construction projects as either a prime contractor or a subcontractor. These loans can vary between \$10,000 and \$250,000. Interest rates are 4 percent for first-time borrowers with a 1 percent fee, and can be used to pay for materials, supplies, labor, and leasing. Loan recipients have access to trainings as part of the program, focusing on preparing cash flow projections and budgeting as well as other technical assistance.

2. Mentor-Protégé Program (MPP). The City offers an MPP intended to connect successful, established businesses with Micro-LBEs to increase their capacity and ability to do work on City projects. Mentors help Micro-LBEs learn about business organization and management; leadership; financial and strategic planning; obtaining insurance, loans, and bonding; and business engagement. Mentors and protégés apply for the program through CMD, which then matches mentors and protégés based on their experience and qualifications. Mentors that attend all events within the first three months

¹⁰ If bidders have won fewer than five contracts with the City, then listing any Micro-LBE with which they have not worked on a City contract will satisfy this requirement.

of the MPP and spend at least six hours with their protégés can be exempted from submitting GFE documentation when bidding on City contracts for up to two years. CMD has also established a pilot program that makes mentors eligible for a 1 percent bid discount, up to \$300,000, on public works construction projects.

CHAPTER 8.

Analysis of the Business Community

BBC Research & Consulting (BBC) collected detailed information about businesses potentially available for the contracts and purchase orders the City and County of San Francisco (the City) awards and about the businesses that performed work on City contracts during the *study period*.¹ That information can be valuable to the City in tailoring its implementation of the *Chapter 14B Local Business Program* [also referred to as the *Local Business Enterprise (LBE) Program*] to the specific characteristics of businesses operating in the *relevant geographic market area (RGMA)*.² The City could use the information in this chapter to refine its contracting processes and its business program measures targeted at small businesses or develop new processes and measures. For example, the City could use information on the revenues of businesses available for City work to adjust its revenue standards for LBE certification or information on business capacity to reevaluate the sizes of contracts eligible to be set aside for exclusive bidding for certified Micro-LBEs.

A. Analysis of the Business Community

BBC assessed characteristics of the businesses that are available for or that participated in City work. This information can help the City strengthen the *race- and gender-neutral* business inclusion measures it uses to support small local businesses, such as set asides or LBE subcontracting participation requirements, and help it better meet the needs of certified LBEs by tailoring those business inclusion measures to the characteristics of the businesses in the marketplace that need the most support.

1. Available businesses. BBC conducted surveys with hundreds of businesses with locations in San Francisco (referred to as *local* businesses) to understand the different types of local businesses available for the contracts and purchase orders the City awards. We used that information to provide the City with a better understanding of the characteristics of the businesses in the marketplace that are *ready, willing, and able* to compete for and perform work on City contracts and purchase orders. In this study, businesses *must* have a location in San Francisco to be considered potentially available for City contracts.

a. General characteristics. Figure 8-1 presents descriptive characteristics of the businesses BBC considered available for City contracts and purchase orders. We present the following information for all available local businesses considered together as well as separately for local businesses that are also headquartered in San Francisco and local businesses that are headquartered elsewhere:

- Median annual revenues;
- Median number of employees;
- Median business age;

¹ The study period for the contracting equity study was July 1, 2020 through December 31, 2024. Contracts the City awarded during that time period were included in study analyses.

² The RGMA for the study was San Francisco (referred to as the *San Francisco marketplace*).

- Median *bid capacity* (i.e., largest contracts businesses report being able perform);
- Percentage of businesses interested in prime contracting work;
- Percentage of businesses interested in subcontracting work; and
- Percentage of businesses that meet the City's LBE Program size standards.³

As shown in Figure 8-1:

- Available businesses headquartered in San Francisco generally earn more in annual revenue (median = \$2.0 million) than available businesses headquartered elsewhere (median = \$1.0 million), but that difference is not statistically significant ($t = 0.43$; $p < 0.66$).
- Available businesses headquartered in San Francisco generally employ more people (median = 10 employees) than available businesses headquartered elsewhere (median = 6 employees), but that difference is not statistically significant ($t = 0.15$; $p < 0.88$).
- Available businesses headquartered in San Francisco are generally the same age as available businesses headquartered elsewhere (median = 22 years old).
- Available businesses headquartered in San Francisco can perform contracts and purchase orders that are generally larger (median capacity = \$3.0 million) than the contracts that available businesses headquartered elsewhere can perform (median capacity = \$1 million), and that difference is statistically significant ($t = 2.70$; $p < 0.01$).
- The vast majority of available businesses, regardless of where they are headquartered, are interested in performing prime contract work (headquartered in San Francisco = 90.8%; headquartered elsewhere = 95.2%). Similarly, nearly all available businesses, regardless of the location of the business' headquarters, are interested in performing subcontract work (headquartered in San Francisco = 99.5%; headquartered elsewhere = 96.3%).
- A larger percentage of available businesses headquartered in San Francisco meet the City's LBE Program size standards (90.8%) than businesses headquartered elsewhere (81.5%), and that difference is statistically significant ($\chi^2 = 6.69$; $p < 0.01$).⁴

³ For more information on the revenue requirements for the LBE Program, see Chapter 7.

⁴ For age, capacity, employees, and revenue, BBC transformed each raw data point by its natural log before conducting two-tailed t -tests.

Figure 8-1.
General characteristics of available businesses

Characteristic	All	Headquartered in San Francisco	Headquartered elsewhere
Revenue (median)	\$1.4M	\$2.0M	\$1.0M
Employees (median)	9	10	6
Age (median)	22 years	22 years	22 years
Capacity (median)	\$2.0M	\$3.0M	\$1.0M
Prime contractor (%)	92.9%	90.8%	95.2%
Subcontractor (%)	98.0%	99.5%	96.3%
Meets LBE size standards	86.5%	90.8%	81.5%

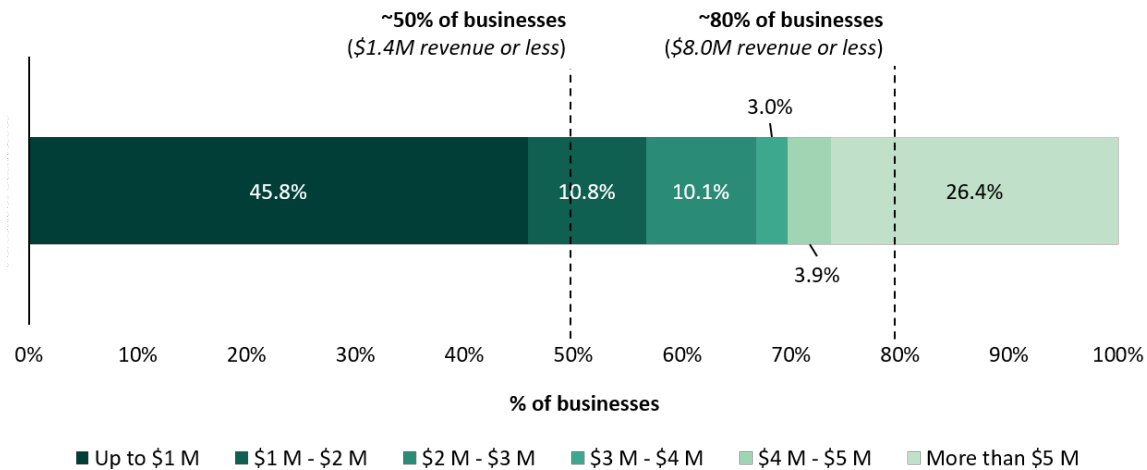
Note: n = 406 for revenue, prime contract interest, subcontract interest, and headquarter location;
n = 173 for capacity; n = 289 for age.

b. Business size. The City's LBE Program is limited to businesses whose revenues are less than or equal to different industry-specific size standards (for example, trucking businesses must have revenues less than or equal to \$11.71 million on average, whereas architecture firms must have revenues less than or equal to \$9.95 million on average; for more information, see [Chapter 7](#).)

As part of our availability surveys, BBC collected information on business revenue from businesses potentially available for City work. Should the City decide to update or revise its revenue thresholds for businesses to be eligible to participate in the LBE Program, it could use this information to inform its decision-making process. We explored the annual revenues of businesses potentially available for City work by examining the distribution of available businesses based on their annual revenues. We analyzed that information for all available businesses considered together and separately for available businesses headquartered in San Francisco.

i. All businesses. Figure 8-2 presents the distribution by revenue of the 406 available businesses for which we had that information. BBC obtained revenue data as part of availability surveys, by seeking publicly available revenue data or certification data, or by simulating revenues from other factors on which we had data (e.g., number of employees, industry, and business age). The two vertical dashed lines in the figure represent the points at which 50 percent and 80 percent of those businesses reported revenues of those amounts or less. As shown in Figure 8-2, 50 percent of all the businesses BBC identified as available for City work reported annual revenues of \$1.4 million or less, and 80 percent reported annual revenues of \$8.0 million or less.

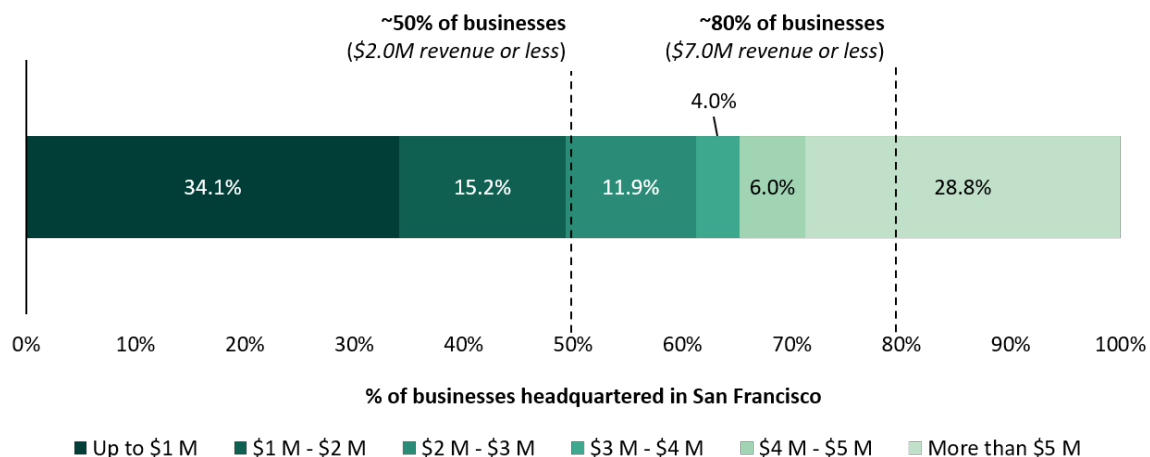
Figure 8-2.
Distribution of all available businesses based on reported revenue



Note: $n = 406$.
 Numbers rounded to nearest one-tenth of one percent and thus may not sum exactly to 100 percent. A text description of [Figure 8-2](#) is provided in Appendix E.

ii. Businesses headquartered in San Francisco. BBC separately examined the distribution of 217 available businesses headquartered in San Francisco for which we had revenue data. As shown in Figure 8-3, available businesses headquartered in San Francisco generally showed a narrower distribution of annual revenues than all available businesses considered together. Approximately 50 percent of businesses headquartered in San Francisco available for City work reported annual revenues of \$2.0 million or less (compared to \$1.4 million or less for all businesses), and approximately 80 percent of them reported annual revenues of \$7.0 million or less (compared to \$8.0 million or less for all businesses). Although not presented in Figure 8-3, a smaller percentage of businesses headquartered in San Francisco reported annual revenues of greater than \$40 million (4.6%)—the largest revenue category—than did businesses headquartered elsewhere (13.8%), and that difference is statistically significant ($\chi^2 = 9.36$; $p < 0.01$).

Figure 8-3.
Distribution of available businesses headquartered in San Francisco based on reported revenue



Note: $n = 217$.
 Numbers rounded to nearest one-tenth of one percent and thus may not sum exactly to 100 percent. A text description of [Figure 8-3](#) is provided in Appendix E.

c. Business capacity. As part of availability surveys, available businesses reported the largest prime contract, subcontract, or other piece of work for which they are able to realistically compete or perform (i.e., *capacity*).⁵ Importantly, BBC observed a correlation of 0.48 between annual revenue and capacity, indicating that businesses with greater revenues tend to report greater capacities ($t = 6.93, p < 0.01$). This information could be useful to the City in developing program measures tailored to the capacities of the businesses available for and interested in the contracts it awards, as well as right-sizing the contracts and purchase orders it solicits. As shown in Figure 8-1 above, available businesses headquartered in San Francisco can perform contracts that tend to be larger than the contracts available businesses headquartered elsewhere can perform. We examined those results further by assessing the distribution of available businesses based on their reported capacities.

i. All businesses. Figure 8-4 presents the distribution of the 173 businesses that provided information on their capacities as part of availability surveys. As shown in Figure 8-4, 50 percent of businesses reported a maximum capacity of between \$0 and \$2 million, and 80 percent of businesses reported a maximum capacity of between \$0 and \$10 million.

Figure 8-4.
Distribution of all available businesses based on reported capacity



Note: $n = 179$. A text description of Figure 8-4 is provided in Appendix E.

ii. Businesses headquartered in San Francisco. Figure 8-5 presents the distribution of the 118 businesses headquartered in San Francisco that reported their capacities as part of availability surveys. As shown in Figure 8-5, approximately 50 percent of available businesses headquartered in San Francisco reported a maximum capacity of between \$0 and \$3 million (compared to between \$0 and \$2 million for all available businesses), and approximately 80 percent of businesses reported a maximum capacity of between \$0 and \$10 million (the same as all available businesses). Although not shown in Figure 8-5, a substantially *smaller* percentage of businesses headquartered in San Francisco (16.1%) reported that they can only compete for or perform contracts worth up to \$500,000 —the smallest capacity category—than did businesses headquartered elsewhere (47.3%), and that difference was statistically significant ($\chi^2 = 17.36; p < 0.01$). This indicates that a higher percentage of businesses headquartered in San Francisco can perform larger pieces of work than businesses headquartered elsewhere.

⁵ All businesses must have provided their business capacity to be considered available for City work. However, most businesses provided capacity information as a range rather than a specific number. BBC only included businesses that provided a specific number as their upper capacity limit in these analyses.

Figure 8-5.
Distribution of available businesses headquartered in San Francisco based on reported capacity



Note: $n = 118$. A text description of [Figure 8-5](#) is provided in Appendix E.

2. Utilized businesses. BBC also assessed characteristics of the 1,340 businesses that participated in the 6,449 contracts and purchase orders the City awarded during the study period. We did not limit those analyses to businesses located in the RGMA in order to provide an assessment of the characteristics of *all* businesses that participated in City work, regardless of location.

a. Characteristics of utilized businesses. Figure 8-6 presents the following information for businesses that participated in City work considered together as well as separately for businesses headquartered in San Francisco and businesses headquartered elsewhere (regardless of whether they had locations in San Francisco):

- Percentage of utilized businesses that are local (i.e., had a location within the RGMA);
- Percentage of contracts awarded;
- Percentage of contract dollars awarded;
- Average volume of contract dollars awarded to each business;
- Median annual revenues; and
- Percent of businesses that meet LBE size standards.

Figure 8-6.
Characteristics of businesses to which the City awarded contracts during the study period

Characteristic	All	Headquartered in San Francisco	Headquartered elsewhere
Local (%)	51.6%	N/A	N/A
Contracts awarded (%)	N/A	50.9%	49.1%
Contract dollars awarded (%)	N/A	32.2%	67.8%
Dollars per business (avg.)	\$5.9M	\$6.1M	\$5.8M
Revenue (median)	\$2.9M	\$1.3M	\$6.6M
Meets LBE size standards (%)	40.8%	97.4%	15.3%

Notes: $n = 1,340$

Numbers rounded to nearest one-tenth of one percent and thus may not sum exactly to 100 percent.

As shown in Figure 8-6:

- During the study period, 51.6 percent of businesses that participated in City contracts and purchase orders were local.
- The City awarded a slightly larger percentage of its contracts and purchase orders to businesses headquartered in San Francisco (50.9%) than to businesses headquartered elsewhere (49.1%).
- The City awarded 32.2 percent of the dollars associated with its contracts and purchase orders to businesses headquartered in San Francisco and 67.8 percent to businesses headquartered elsewhere.
- On average, the City awarded \$6.1 million in contract dollars to each business headquartered in San Francisco that participated in its work during the study period, compared to \$5.8 million to each business headquartered elsewhere, and that difference was statistically significant ($t = 2.86$; $p < 0.01$).⁶
- On average, businesses headquartered in San Francisco that participated in City contracts and purchase orders exhibited smaller annual revenues (\$1.3 million) than businesses headquartered elsewhere that participated in City contracts (median = \$6.6 million), and that difference was statistically significant ($t = 16.78$; $p < 0.01$).⁷
- A greater percentage of businesses headquartered in San Francisco that participated in City work met LBE size standards (97.4%) than businesses headquartered elsewhere (15.3%) that participated in City work, and that difference was statistically significant ($\chi^2 = 797.76$; $p < 0.01$).

Considered together, businesses that participated in City contracts and purchase orders exhibited greater annual revenues (median = \$2.9 million) than businesses considered available for City work (median = \$1.4 million). However, businesses headquartered in San Francisco that participated in City work exhibited lower annual revenues (median = \$1.3 million) than businesses headquartered in San Francisco considered available for City work (median = \$2.0 million). Considered together, fewer businesses that participated in City contracts and purchase orders met LBE size standards (40.8%) than businesses considered available for City work (86.5%). However, a greater percentage of businesses headquartered in San Francisco that participated in City work met LBE size standards (97.4%) than businesses headquartered in San Francisco considered available for City work (90.8%).

b. Business concentration. During the study period, the City awarded 6,449 contracts and purchase orders in construction, professional services, and commodities and general services, totaling \$7.9 billion, to 1,340 different businesses. A common finding in contracting equity study research is that organizations tend to award a disproportionate percentage of their contracts and contract dollars to relatively few businesses. BBC conducted a concentration analysis of the contracts and contract dollars the City awarded during the study period to assess whether they were awarded to a relatively large number of businesses or whether they were heavily concentrated among a relatively small number of businesses.

⁶ For contract award amounts, BBC transformed each raw data point by its natural log before conducting two-tailed t -tests.

⁷ For revenue, BBC transformed each raw data point by its natural log before conducting two-tailed t -tests.

BBC began the concentration analysis by identifying all contracts and purchase orders the City awarded during the study period that were worth less than \$2 million. We limited our analyses to contracts and purchase orders worth less than \$2 million to reflect the median capacity of businesses considered available for City work. Given that 50 percent of businesses reported a maximum capacity of \$2 million or less and 80 percent of businesses reported a maximum capacity of \$10 million or less, by considering relatively large contracts and purchase orders in the analysis, we might have observed relatively high levels of business concentration (meaning fewer businesses participating in these contracts), when business concentration may in fact be much lower for more typically sized City contracts.⁸ After limiting the dataset to contracts worth less than \$2 million, we ordered all businesses in descending order based on how many contracts and contract dollars the City awarded to them. We then assessed how many different businesses accounted for 50 percent and 80 percent of the total contracts and contract dollars the City awarded.

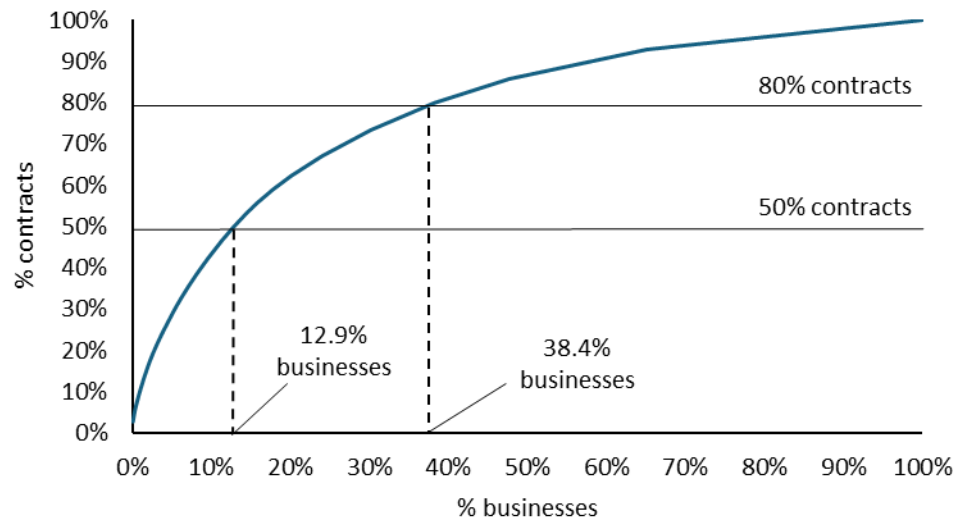
i. Contracts. Figure 8-7 presents a cumulative distribution of the 5,621 contracts worth less than \$2 million the City awarded to 1,149 different businesses during the study period. The elements of Figure 8-9 present the following information:

- The **horizontal axis** presents the percentage of the different businesses to which the City awarded contracts and purchase orders during the study period.
- The **vertical axis** presents the percentage of contracts the City awarded to different businesses.
- The **curve** presents the cumulative percentage of different businesses that accounted for the contracts the City awarded during the study period after BBC ordered businesses from the one that was awarded the largest number of contracts during the study period to the one that was awarded the least number of contracts.
- The **solid horizontal lines** indicate the number of contracts that represent 50 percent and 80 percent of the contracts the City awarded during the study period.
- The **vertical dashed lines** indicate the percentage of businesses that accounted for 50 percent and 80 percent of the contracts the City awarded during the study period.

As shown in Figure 8-7, during the study period, the City awarded approximately 50 percent of its contracts (2,811 contracts) worth less than \$2 million to just 12.9 percent of businesses (148 businesses) and approximately 80 percent of its contracts (4,499 contracts) to just 38.4 percent of businesses (441 businesses).

⁸ Compared to when we limited the analysis to contracts and purchase orders worth less than \$2 million, including all contracts in the analysis did in fact indicate greater levels of business concentration regardless of whether we based the analysis on contracts or contract dollars.

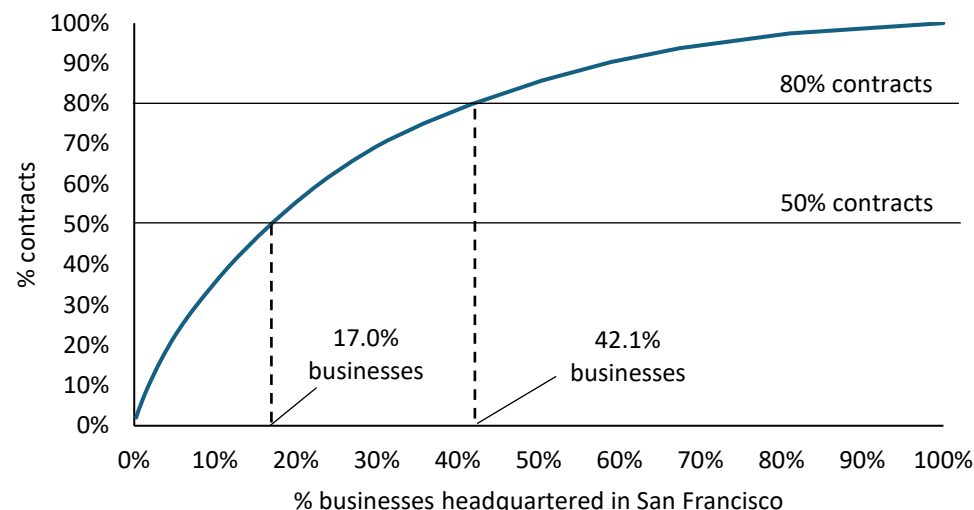
Figure 8-7.
Cumulative distribution of businesses based on the number of contracts worth less than \$2 million the City awarded to them



Note: $n = 1,149$ businesses and 5,621 contracts. A text description of [Figure 8-7](#) is provided in Appendix E.

BBC conducted the same analysis separately for the 2,956 contracts worth less than \$2 million the City awarded to 399 businesses headquartered in San Francisco during the study period. Figure 8-8 presents those results. As with all businesses considered together, the concentration analysis indicated that most of the contracts worth less than \$2 million that the City awarded to businesses headquartered in San Francisco were awarded to relatively few businesses. It awarded approximately 50 percent of them (1,487 contracts) to just 17.0 percent of businesses headquartered in San Francisco (68 businesses) and approximately 80 percent of them (2,369 contracts) to just 42.1 percent of businesses headquartered in San Francisco (168 businesses).

Figure 8-8.
Cumulative distribution of businesses headquartered in San Francisco based on the number of contracts worth less than \$2 million the City awarded to them

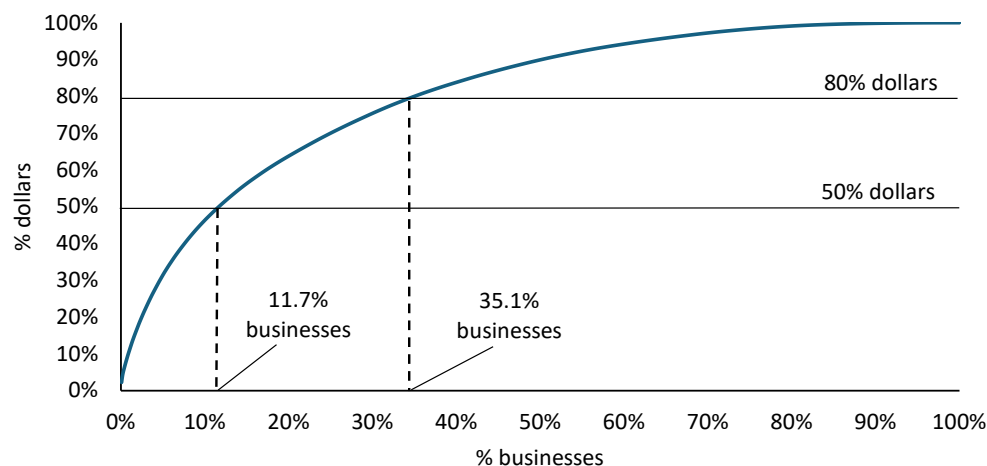


Note: $n = 399$ businesses and 2,956 contracts. A text description of [Figure 8-8](#) is provided in Appendix E.

ii. Contract dollars. Because contract sizes can vary so widely, BBC also assessed business concentration based on the contract *dollars* the City awarded during the study period. As with the contract-based concentration analysis, BBC limited the dollars-based analysis on contracts and purchase orders the City awarded during the study period that were worth less than \$2 million, which totaled \$1.7 billion.

Figure 8-9 presents a cumulative distribution of the percentage of contract dollars the City awarded to all businesses during the study period. As shown in Figure 8-9, during the study period, the City awarded 50 percent of its contract dollars (\$831.9 million) to just 11.7 percent of businesses (135 businesses) and approximately 80 percent of its contract dollars (\$1.3 billion) to just 35.1 percent of businesses (403 businesses).

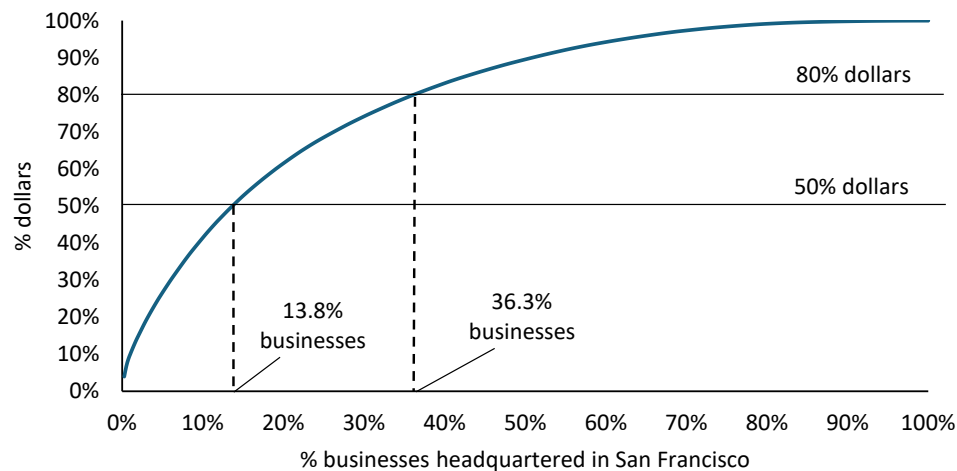
Figure 8-9.
Cumulative distribution of businesses based on the dollars associated with contracts worth less than \$2 million the City awarded to them



Note: $n = 1,149$ businesses and \$1.7 billion contract dollars. A text description of Figure 8-9 is provided in Appendix E.

BBC conducted the same analysis separately for businesses headquartered in San Francisco to which the City awarded dollars on contracts and purchase orders worth \$2 million or less during the study period, totaling \$931.7 million. Figure 8-10 presents those results. As with all businesses considered together, the concentration analysis indicated that most of the total contract dollars the City awarded to businesses headquartered in San Francisco during the study period were awarded to relatively few businesses. Of the contract dollars the City awarded to businesses headquartered in San Francisco, it awarded 50 percent (\$468.2 million) to just 13.8 percent of those businesses (55 businesses) and 80 percent (\$746.9 million) to just 36.3 percent of those businesses (145 businesses).

Figure 8-10.
Cumulative distribution of businesses headquartered in San Francisco based on the dollars associated with contracts worth less than \$2 million the City awarded to them



Note: $n = 339$ businesses and \$931.7 million contract dollars. A text description of [Figure 8-10](#) is provided in Appendix E.

The concentration analyses we conducted indicate that the City's projects, both in terms of the count of projects and the dollars associated with them, are concentrated among a small proportion of the total number of firms that did work with the City during the study period.

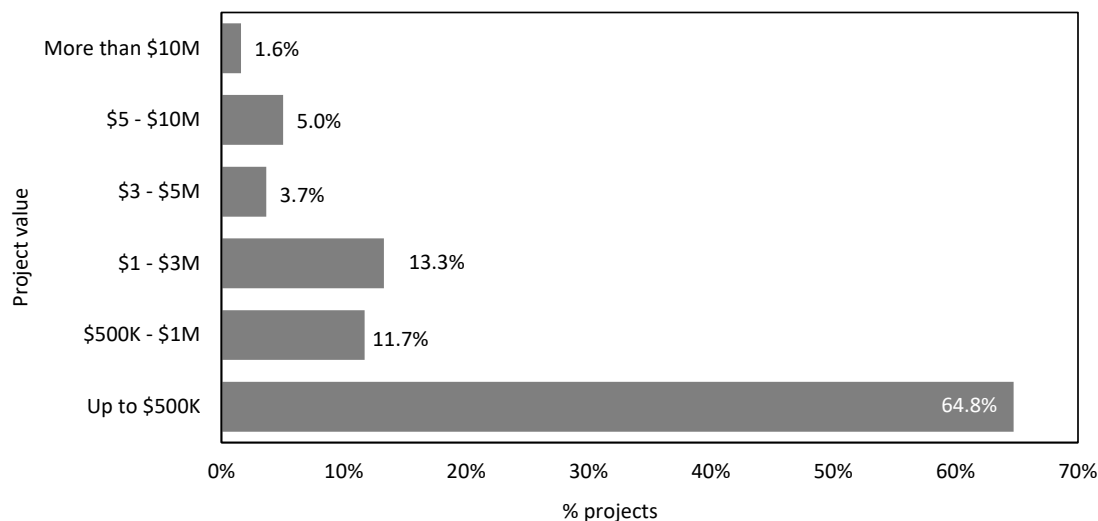
B. Contract Analysis

BBC analyzed the distribution of the various projects the City awarded over the study period by contract value. These analyses can help the City understand how its project dollars are distributed across contract values, and how that relates to the capacities of available businesses. This can highlight potential opportunities for the City to shape its work opportunities to be more aligned with the characteristics of available businesses (see Chapter 9 for more details).

1. Projects. BBC assessed the number of projects the City awarded during the study period across various groupings of total project values, inclusive of both prime contracts and associated subcontracts. We limited this analysis to projects worth \$10,000 or more because, during the study period, those were the projects to which the City was required to apply the LBE Program (5,464 projects and \$7.9 billion). As shown in Figure 8-11, nearly two-thirds of City projects (3,538 projects; 64.8%) were valued at \$500,000 or less, and just under 90 percent (4,902 projects; 89.7%) of projects were valued at \$3 million or less (the median bid capacity of businesses headquartered in San Francisco). These results indicate that most projects the City awards are well within the capacity of available businesses, particularly businesses headquartered in San Francisco, in the marketplace.

We also assessed how project dollars were distributed across projects. Although not pictured in Figure 8-11, more than one-third of all contract dollars (\$2.7 billion; 34.2%) were concentrated in projects valued at more than \$10 million (87 projects, or 1.6 percent of the projects analyzed).

Figure 8-11.
Distribution of projects by size



Notes: 5,464 projects.

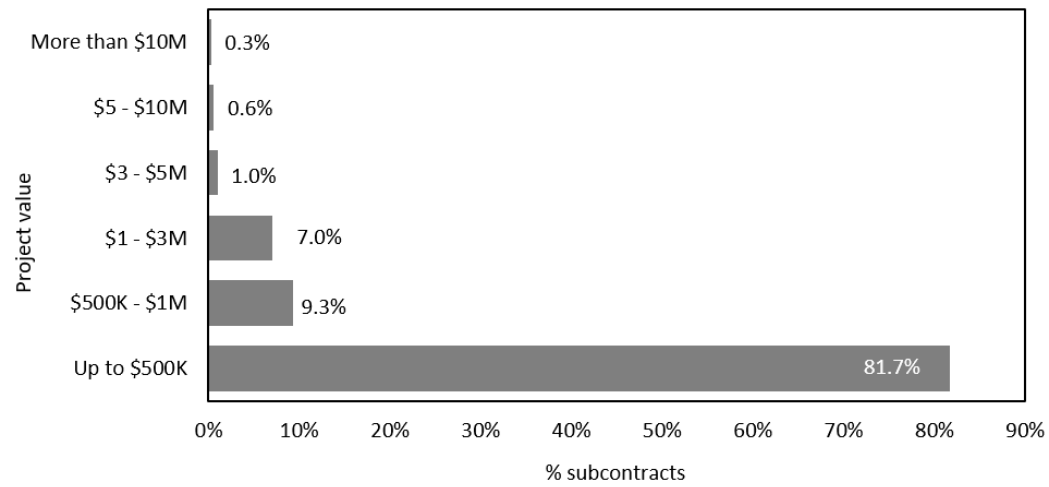
Numbers rounded to the nearest one-tenth of one percent and thus may not sum exactly to 100 percent. A text description of [Figure 8-11](#) is provided in Appendix E.

Taken together, these analyses show that although the majority of projects that the City awarded are valued at \$3 million or less (coincidentally, the typical bid capacity of businesses headquartered in San Francisco), a large share of the City's project dollars are concentrated among a very small number of projects that are outside of the capacity of most of the businesses available for its work. These results indicate that the City should continue its efforts to unbundle larger contracts, especially those worth more than \$3 million, as its contract dollars are concentrated in projects of that size.

2. Subcontracts. Subcontracts are often an accessible way for businesses to participate in City work, as indicated by the fact that the vast majority of businesses available for City work indicated that they are interested in pursuing subcontract work (for details, see Figure 8-1). Thus, BBC also assessed the distribution of the subcontracts associated with construction and general services projects the City awarded during the study period valued at \$500,000 or more and professional services and commodities projects the City awarded during the study period valued at \$100,000 or more (3,279 subcontracts totaling \$1.4 billion). We limited our analysis to subcontracts associated with projects of these sizes or more because those are the minimum contract value thresholds the City used during the study period to set subcontract participation requirements. As shown in Figure 8-12, 81.7 percent of subcontracts associated with the projects the City awarded during the study period were valued at \$500,000 or less (2,680 contracts). Nearly all subcontracts (98.1%) were valued at \$3 million or less (2,986 contracts).

We also assessed the distribution of subcontracts of different sizes as a percentage of total subcontract dollars. Although not shown in Figure 8-12, 67.1 percent of subcontract dollars were concentrated in subcontracts that were valued at \$3 million or less (\$942.7 million). These results indicate that the vast majority of subcontracts associated with City projects are well within the capacities of most of the businesses available for City work, particularly those headquartered in San Francisco.

Figure 8-12
Distribution of subcontracts by size



Note: 3,279 subcontracts.

Numbers rounded to nearest one-tenth of one percent and thus may not sum exactly to 100 percent. A text description of [Figure 8-12](#) is provided in Appendix E.

CHAPTER 9.

Recommendations

The contracting equity study provides substantial information that the City and County of San Francisco (the City) should examine as it considers potential refinements to its implementation of the *Chapter 14B Local Business Program* [also referred to as the *Local Business Enterprise (LBE) Program*] and other efforts to further encourage the participation of small local businesses in the organization's contracts and purchase orders. Based on our analysis of study results and the City's policies and programs, BBC Research & Consulting (BBC) presents various recommendations for the City's consideration in four sections:

- A. LBE Program; and
- B. Procurement policies and program measures;
- C. Contract administration; and
- D. Supportive services

A. LBE Program

A business must be certified with the City as one of the three tiers of LBEs – Micro-LBE, Small-LBE, or SBA-LBE – for each work category in which it seeks to participate in the LBE Program.^{1, 2} BBC presents various recommendations for the City to refine the LBE Program to better encourage the participation of small local businesses in its work, especially those headquartered in San Francisco.³

1. Set new overall LBE and Micro-LBE goals. San Francisco Administrative Code Chapter 14B requires the City to establish an annual overall aspirational LBE participation goal based on the availability of LBEs for City work and their past participation in that work.⁴ The aspirational goal represents the percentage of *all* contract dollars the City aims to award to LBEs in its contracts and purchase orders, regardless of the role that the LBE serves on the project. The minimum LBE goal that the City can set is 40 percent, 20 percent of which must be attained through the participation of Micro-LBEs. Based on data from the availability and participation analyses, BBC recommends that the City set an updated overall aspirational LBE goal of **41.6 percent** and an updated overall aspirational Micro-LBE goal of **32.4 percent** to more accurately reflect the composition of those businesses in the marketplace and their participation in City work. We describe our goal-setting methodology below, which includes establishing base figures, identifying any factors that might require any adjustment to those base figures, and making adjustments to the base figures.

a. Establish base figures. To help the City set its overall LBE and Micro-LBE goals, BBC estimated the availability of *potential LBEs* and *potential Micro-LBEs*—that is, businesses located in San Francisco that

¹ For more information on LBE certification, see [Chapter 7](#).

² The size limits of the program's SBA-LBE certification tier are not related to size limits set by the United States Small Business Administration for Small Business Enterprise certification. SBA is not specifically defined in Chapter 14B.

³ BBC defines a local business as a business with a location in San Francisco, regardless of the location of its headquarters.

⁴ San Francisco Administrative Code Section 14B.12.A

meet the annual revenue requirements to be certified as LBEs or Micro-LBEs, respectively, regardless of whether they are actually certified—for City work as baselines, or *base figures*, for the City's overall LBE and Micro-LBE goals. As shown in column (b) of Figure 9-1, the availability of all potential LBEs considered together for City work is 62.5 percent, and the availability of potential Micro-LBEs is 52.0 percent. The City could consider these values as its base figures for its overall LBE and Micro-LBE goals, respectively.

b. Consider adjustments to the base figures. The City should consider whether it should make any adjustments to its base figures, as certain barriers, contracting realities, and other factors, such as the types and sizes of contracts it intends to award in its next fiscal year, could impact the availability of LBEs and Micro-LBEs to compete for City work. In addition, Chapter 14B requires the City to consider the past participation of certified LBEs and Micro-LBEs to adjust its base figure. As shown in column (c) of Figure 9-1, the participation of all certified LBEs in City contracts to which the LBE Program was applied or could have been applied during the study period was 31.1 percent and the participation of certified Micro-LBEs was 22.6 percent. BBC recommends that the City consider making a downward adjustment to the base figures based on this participation to ensure that the overall LBE and Micro-LBE goals more closely align with the City's contracting realities.

c. Determine new goals. The City could consider calculating its overall LBE and Micro-LBE goals by taking a weighted average of the base figures and the past participation of those businesses in City work. If the City were to weight the base figure and past participation equally, the overall aspirational goal for the participation of LBEs in City work would be 46.8 percent. To meet that goal, the City would need to make concentrated efforts to identify businesses interested in doing work with the City that could become certified as LBEs, and then provide support and assistance to those businesses to encourage them to pursue certification and participation in City contracts and purchase orders.

Alternatively, BBC recommends that the City consider weighting the past participation of certified LBEs and Micro-LBEs more heavily than the base figures, because past participation may be more indicative of future participation of certified LBEs and Micro-LBEs in City work. In our utilization analyses, BBC found that the participation of potential LBEs in work to which the LBE Program was applied or could have been applied was 34.4 percent, only 3.3 percent higher than the participation of certified LBEs in the City's LBE Program-eligible work (31.1%). Given that certified LBEs are a subset of potential LBEs, these results indicate that few businesses already doing work with the City that are eligible to be certified have not yet done so. Therefore, the City could consider applying a weight of two to one in favor of the past participation of certified LBEs and Micro-LBEs in City work in calculating its overall goals. As shown in column (d) of Figure 9-1, applying those weights would result in an overall LBE goal of 41.6 percent and an overall Micro-LBE goal of 32.4 percent (which would be a subset of the overall LBE goal). Although not required by Chapter 14B, the City could consider the remaining portion of the overall LBE goal (9.2%) as the overall goal for the participation of certified Small- and SBA-LBEs.

Figure 9-1.
Overall LBE and Micro-LBE goals

a) Business group	b) Base figure	c) Participation	d) Overall goal
All LBEs	62.5%	31.1%	41.6%
- Micro-LBEs	52.0%	22.6%	32.4%
- Small- and SBA-LBEs	10.5%	8.5%	9.2%
Weight	33.3%	66.7%	N/A

Note: Numbers are rounded to the nearest one-tenth of a percent.

If the City were to maintain its current goal for LBE participation at 40 percent, the goal would underestimate LBE capacity to work with the City. Over the study period, BBC analyzed nearly \$7.9 billion of contract dollars awarded by the City. If an additional 1.6 percent of those dollars went to LBEs, that would result in an additional \$126 million over five years (or approximately \$25 million each year) awarded to LBEs in San Francisco.

2. Refine LBE certification. BBC recommends that the City consider refining its approach to designating businesses within LBE certification tiers and corresponding revenue standards to streamline the certification process for internal staff and to better meet the needs of small local businesses interested in performing work for the organization.

a. Ensure that each business is designated in only one LBE tier. The City certifies businesses as Micro-LBEs, Small-LBEs, and SBA-LBEs using annual revenue standards that are based on a business' primary line(s) of work, and those standards vary across work types. Businesses may be designated as LBEs in multiple tiers if they specialize in different types of work that are subject to different revenue standards for certification. For example, the annual revenue standard for Micro-LBE certification in public works construction is \$14.1 million or less, which is the same as the annual revenue standard for Small-LBE certification in specialty contracting. If a business performs both public works construction and specialty construction work, then it could be certified as a Micro-LBE in public works construction *and* as a Small-LBE in specialty construction.⁵ That business could then participate in different parts of the LBE Program based on its eligibility for both Micro-LBE and Small-LBE designations. Allowing businesses to be certified in multiple tier designations introduces unnecessary complexity for City staff who implement the LBE Program, for certified businesses seeking to identify contracting opportunities and to understand what elements of the LBE Program they qualify for, and for prime contractors that must comply with program requirements. Additionally, this structure may incentivize businesses to misrepresent their primary lines of work so they can receive a smaller LBE tier designation, even if the work types they actually perform are consistent with those of larger LBE tiers.

To address those issues, the City should consider designating businesses as a single LBE tier based on the lines of work that account for the majority of their revenues. To do so, the City would require businesses to demonstrate their primary lines of work through appropriate documentation verifying that those work types account for the majority of their annual revenues. Currently, the City requests three recent invoices as proof of experience. Instead, the City could consider requesting three recently submitted bids/proposals or the three largest contracts won in the last five years to identify which

⁵ For more information about the annual revenue requirements for LBE certification, see Chapter 7.

industries make up the majority of a business' work. Other organizations require businesses applying for certification to provide appropriate documentation to confirm their primary lines of work. For example, the State of Washington's Office of Minority and Women Business Enterprises (OMWBE) requests copies of contracts, bids, or invoices and uses that information to verify and assign North American Industry Classification System (NAICS) codes to vendors applying for certification.

Additionally, for relevant industries, the City could require businesses to submit copies of the licenses they have to perform work as proof of their primary lines of work. Other organizations do so, such as the City of Denver, which requires businesses to submit professional and business licenses as part of its certification process to affirm both businesses' primary lines of work and their capacities to do work.

The City could use these forms of documentation to accurately certify businesses as either Micro-LBEs, Small-LBEs, or SBA-LBEs based on their identified lines of work and the City's corresponding revenue requirements. If a business' primary line of work changes based on the work that accounts for the majority of its revenues, then the City could update that business' LBE tier designation accordingly upon request by the business or during review of the business' primary industry during recertification.

b. Establish a single revenue standard for each industry and LBE tier. As discussed above, the annual revenue standards that the City has established for LBE certification differ by work type and tier. BBC recommends that the City consider establishing one revenue standard for different work types and different LBE tiers in the construction industry and lowering that revenue standard to align LBE certification to smaller "small" businesses. The current revenue standards the City has established for LBEs that perform public works construction work are exceptionally broad. For example, BBC found that 96.2 percent of public works construction businesses available for City work could potentially be certified as Micro-LBEs according to the City's revenue standards (i.e., annual revenues of \$14.1 million or less). Using information from BBC's availability analyses, we found that the median revenue for construction businesses considered available for City work is \$2 million, and 80 percent of construction businesses considered available for City work report revenues of \$8.1 million or less. Therefore, BBC recommends that the City establish lower annual revenue standards for certifying construction businesses as Micro-LBEs, Small-LBEs, or SBA-LBEs and standardize those thresholds across work types. Taking into consideration the number of businesses currently certified and participating in the LBE Program and the potential impact on those businesses if the City were to revise its revenue thresholds, BBC recommends that the City apply the current revenue thresholds for specialty construction to all construction businesses seeking LBE certification. To understand the impact of this change, BBC analyzed the certified LBEs for which we had precise revenue information. We found that of the 132 certified construction LBEs for which we had revenue information, all but one business would retain their certifications as LBEs. We present recommended revenue standards for construction businesses in row (d) of Figure 9-2.

In addition to updated revenue standards for construction-related businesses seeking LBE certification, BBC recommends that the City consider simplifying its certification process by establishing a single set of revenue requirements across different work types and LBE tiers for the commodities and general services and professional services industries, which have the same revenue standards across different work types and different LBE tiers. Specifically, the City differentiates between architecture and engineering and professional services and between general services and goods, materials, and equipment suppliers; however, the revenue standards do not differ between those work types or LBE

tiers. By simplifying the revenue thresholds for certification in these industries, the City may reduce administrative burden for certification officers, as each business would be classified by its primary industry rather than requiring each business to be classified into detailed subindustries. Figure 9-2 details BBC's recommended thresholds for each primary industry.

Figure 9-2.
Recommended revenue standards for LBE certification by tier and industry

Industry	Micro-LBE	Small-LBE	SBA-LBE
(a) Commodities and general services	\$7,030,000	\$14,050,000	\$23,420,000
(b) Professional services	\$2,930,000	\$5,860,000	\$9,950,000
(c) Trucking	\$2,930,000	\$5,860,000	\$11,710,000
(d) Construction	\$7,030,000	\$14,050,000	\$23,420,000

B. Procurement Policies and Program Measures

BBC makes the following recommendations regarding the procurement policies and program measures the City implements.

1. Make program information consistent and clearer. As part of the contracting equity study, BBC identified various challenges that vendors face in learning about the City's LBE Program and its policies, including contradicting information and unclear directives. For example:

A representative of a construction company stated, "One thing is difficult is the red tape and a lot of requirements. Sometimes it's not clear, also sometimes the employees aren't trained well and can't communicate what they are looking for. The volume of administrative work can be overwhelming."

The administrative code that established the LBE Program is complex and can be difficult to interpret for most readers. For example, BBC noted that Chapter 14B.8(C) that states, "bids that do not meet the LBE subcontracting participation requirements set under 14B.8(A) will be rejected as non-responsive unless the Director finds that the Bidder diligently undertook all the good faith efforts required by this Chapter 14B" can lead to some readers believing that a business may submit documentation of GFEs in lieu of meeting the subcontractor requirement, which is untrue unless "the failure to meet the good faith efforts requirements and/or the subcontracting participation requirements resulted from an excusable error." Given that the City has a goal to present all publicly available information in a fashion that is easy to read and interpret, it should consider reviewing its program language and communication for clarity and conciseness.

Additionally, although the City regularly updates revenue standards for LBE certification in line with updates to the Consumer Price Index, these updates are not reflected in LBE Program documents. Such discrepancies in program information can lead to confusion for small local businesses and make it more difficult for them to bid on and win City work.

BBC recommends that the City conduct a careful review of all its LBE Program manuals, forms, webpages, and required documentation to ensure that policies are communicated clearly and

consistently across all resources. Additionally, the City should consider providing forms and materials in multiple languages to make them more accessible to a greater number of City residents and business owners.

2. Strengthen good faith efforts (GFEs) requirements. As part of its operation of the LBE Program, the City applies condition-of-award LBE subcontract requirements to certain contracts to encourage the participation of LBEs on City contracts. For contracts awarded with the use of LBE subcontract requirements, the City considers a bid to be non-responsive if the bidder does not make documented GFEs to subcontract with LBEs on the project, as stipulated in Chapter 14B. As discussed above, bidders are required to fulfill GFE requirements regardless of whether they have met the LBE subcontracting requirement through LBE participation.⁶ This requirement is meant to encourage the development of new relationships between a larger number of prime contractors and LBEs.

The City should ensure that appropriate steps are taken to ensure that prime contractors are engaging in outreach activities and GFE activities genuinely and meaningfully. As part of BBC's qualitative research, stakeholders described instances of prime contractors not fulfilling GFE requirements with serious intent to work with or form relationships with LBEs with which they have not worked before. For example:

The White woman owner of a Micro-LBE-certified commodities and general services company stated, "I got screwed in the good faith outreach at the airport. They basically showed like, 'Oh, we reached out to [my company]' as a good faith effort thing, but I got caught in their little trap because they knew from day one they weren't using me. The good faith effort outreach is not fair to us Micro-LBEs. It's a waste of our time. ... It's not even real. It's just some wording to say that they did it, and it doesn't mean that they have, and it means that they don't even have any interest in using locals."

The representative of a business development nonprofit organization stated, "When I first started working at [this company] years ago, people didn't even want to go to these meet-and-greets. They said it was a dog-and-pony show. And when we looked further into it, the primes really just had to make a good faith effort. So to a large extent, there was a dog-and-pony show. If you could do a couple of these networking events out in the community, that was your good faith effort to say, 'Hey, I reached out to the community.' Now it does seem to be more teeth involved, but the program has to evolve."

To ensure prime contractors are adequately meeting GFE requirements, the City should consider regularly and randomly auditing prime contractors' GFE submissions to verify their validity. In addition, the City should consider providing more guidance to prime contractors on the types of assistance or outreach efforts prime contractors can offer or conduct as part of meeting GFE requirements and encouraging them to provide as much detail as possible around those efforts as part of their GFE documentation.

The City could also consider expanding the approaches it accepts for meeting its GFE requirements. Currently, if prime contractors submit documentation of the efforts they took to subcontract with LBEs with which they have not worked before, or if they list one Micro-LBE on their bid with which they have

⁶ Bidders do not have to fulfill GFE requirements if they exceed the LBE subcontract requirement by 35 percent.

not worked before or with which they have not worked on the last five contracts they received from the City, the City considers the GFE requirements to be met. Anecdotal information from the Contract Monitoring Division (CMD) indicates that accepting new partnerships with Micro-LBEs as a way to meet GFE requirements has diversified the project teams bidding on work with the City. The City could consider expanding its accepted approaches to meeting GFE requirements to include bids where a prime contractor lists any certified LBE on their bid with which they have not worked before or on the last five contracts they received from the City. In addition, to further incentivize the use of LBEs with which primes have not worked before, the City could consider offering a bid or evaluation preference for listing more than one certified LBE on their bid with which they have not previously worked before or on the last five contracts they received from the City.

3. Expand the use of set-asides. Currently, the City sets aside at least 50 percent of all construction contracts and 25 percent of all professional services and commodities and general services contracts under the formal competitive bid threshold for exclusive bidding by Micro-LBEs. The formal competitive bidding threshold for professional services and commodities is \$230,000, and for construction and general services, the threshold is \$1.17 million. BBC's analyses showed that the median capacity of businesses headquartered in San Francisco is up to \$3 million (see [Chapter 8](#) for more details on how BBC assessed business capacity). BBC conducted a similar analysis for Micro-LBE certified firms and found that the median capacity of certified Micro-LBEs is up to \$2 million. However, median capacity for Micro-LBEs differs by industry: construction Micro-LBEs have a median capacity of up to \$3 million, compared to up to \$1.5 million and \$1.6 million for commodities and general services Micro-LBEs and professional services Micro-LBEs, respectively. Given that the median capacity of certified Micro-LBEs is higher than the current set-aside thresholds set by the City, the City could consider increasing the set-aside thresholds to more closely align with the median capacities of its Micro-LBEs.

4. Track additional key performance indicators (KPIs). CMD submits reports to the Board of Supervisors and the Mayor every three months detailing the overall participation of LBEs in City contracting and any waivers granted by the office excluding contracts from being subject to the regulations of Chapter 14B. The division also produces annual reports that include data on various aspects of its contract awards to LBEs, including information on the dollar amounts of those awards, the number of contracts the City awarded to LBEs, and where participating LBEs were located. BBC recommends that, in addition to these data, the City should consider tracking additional KPIs that help reflect the full impact of its contracting inclusion efforts overall and also as a direct result of the LBE Program, including:

- The number of unique small local businesses that participate in City work and the volume of work awarded to each business;
- The number of bids the organization receives from LBEs;
- The volume of work the City awards to businesses that have not previously worked with the City;
- Qualitative metrics, including success stories of individual businesses that the City's contracting equity programs have helped; and
- An assessment of the economic activity and impact the LBE Program generates in the marketplace.

This additional information can give the City clearer insight into the efficacy of the LBE Program in encouraging the participation of small local businesses in that work. Particularly, understanding the

number of unique businesses that do work with the City and the volume of work awarded to businesses that have not done work with the City before can help the City track the concentration of its contracts and dollars. Tracking the number of bids the City receives from LBEs can direct outreach efforts to recruit businesses to become certified in industries underrepresented by LBEs. Qualitative metrics and an assessment of economic activity can provide insight into the value of the LBE Program to the community and help prioritize the resources dedicated to implementing the LBE Program.

C. Contract Administration

Certain aspects of the processes the City uses to award and administer contracts may act as barriers to small local businesses pursuing or performing work on City projects. BBC makes the following recommendations for the City's consideration to improve its contract administration processes.

1. Enforce subcontracting commitments. As part of their bids to perform City work, prime contractors must provide information about their project teams, including information about each subcontractor to which they commit work. Yet, study participants described how subcontractors, including LBEs, do not always receive all the work committed to them. For example:

The representative of a person of color-owned small business support group stated, "There are penalties if you don't utilize someone that you actually list on [a bid or proposal]. But I think what happens most of the time is people slip through the cracks. ... If an LBE doesn't make a commotion, it gets thrown to the wayside. With that said, a lot of LBE subcontractors are in a precarious situation, because if they complain, they just destroy the relationship."

The representative of a trade association stated, "I don't think anyone ever puts out a report that shows the difference between what was reported at bid time versus what actually happened. ... 'Cause a lot of the times, contractors are just listing people, but at the end of the day, they never use them or they get in the door because they meet the goal or the requirement."

BBC recommends that the City implement a process to ensure that all subcontractors listed on bids and proposals receive the work committed to them. Currently, the awarding City Department is responsible for inputting project team information in the City's PeopleSoft system prior to contract initiation; however, that process is not always complete by the time a vendor receives their first payment. The City should require all compliance system set-up to be completed by the time work starts on a project. The City should consider empowering CMD to require departments to implement the subcontractor tracking process, creating incentives for full implementation and potential consequences for noncompliant departments. For example, the City could consider including information on the departments with the highest compliance and LBE participation in its annual reports, highlighting the "Best Departments of the Year" in terms of compliance. One study participant recommended enhancing CMD's ability to enforce the LBE Program:

The representative of a trade association stated, "The City has to give CMD more power. ... CMD does what CMD can do. They need more power; they need more support from the City. They need to be able to check a City agency."

For subcontractors that may be listed on bids but do not receive the work, the City currently has internal processes to follow up with both the prime contractor and the awarding department to understand why that portion of work may not have been completed for the project or why the listed subcontractor was not utilized for that work. Depending on the results of that investigation, the City has the option to either issue a warning to the project team or reimburse the subcontractor 5 percent of the value of the work withheld from the subcontractor, regardless of whether that work was completed as part of the project. The City should maximize the use of these penalties to ensure compliance.

Alternatively, the City could consider requiring information on past City projects a bidder has worked on and using the bidder's past LBE attainment as a factor when evaluating bids and proposals. The City could create a form that requests information on the last five contracts that a bidder has been awarded by the City (or all contracts awarded by the City, should the bidder have four or fewer contracts with the City), the percentage of each contract that was committed to certified LBEs, and the percentage of each contract that was paid to those same vendors. The City should then verify that information using information from its PeopleSoft systems and score the vendor on the past participation of certified vendors on their projects.

Alongside these options, the City could consider creating clear pathways for subcontractors to communicate directly with a City representative not directly associated with the project or an impartial ombudsperson who can support them when they experience contract-related conflicts with prime contractors.

2. Enhance and enforce prompt payment policies. The City's PeopleSoft System, which tracks payments to prime contractors, currently alerts prime contractors when they have been paid by the City and alerts any subcontractors or suppliers on the project when the prime contractor has been paid. However, many study participants described barriers related to payment notifications and to slow payments from the City for services performed. Notably, some owners of businesses that work as subcontractors said they often do not know when prime contractors are paid by the City, and thus, they do not know when they should expect payment themselves. As mentioned previously, it is the awarding department's responsibility to input project team information into the City's compliance software, and should that be inaccurate or incomplete, subcontractors would not be notified of payments to prime contractors. For example:

A representative of a construction company stated, "Our biggest concern is the slow payment from the City on our projects. It's anywhere from a 60- to 100-day waiting period right now, all across the board, all City departments. That's the biggest hurdle, I suppose."

The White woman owner of a Micro-LBE certified commodities and general services company stated, "The SFPC [San Francisco Public Utilities Commission] sends out the notifications, but Housing does not. And that's what they should. They should send a notification like, this [general contractor] got paid."

The White woman owner of a Micro-LBE-certified commodities and general services company stated, "Somewhere there has to be accountability. When this person gets paid, there should be a notification. ... They should send a notification like, this [general contractor] got paid. ... Where is the breakdown of us getting paid in 30 days after the contract is done? That could cripple or put a Micro-LBE out of business."

BBC recommends that the City enhance its prompt payment efforts and ensure consistent implementation across all departments to provide vendors with more transparency around payments. Such enhancements could include:

- Paying portions of invoices that are not under dispute while resolving any disputes for other portions of the invoice;
- Reaching out directly to prime contractors that do not report payments within designated time frames;
- Providing invoice submission training to vendors; and
- Improving awareness of and access to the Contractor Accelerated Payment Program, which is available to construction companies, and expanding program eligibility to other work types, such as commodities.⁷

These changes can help ensure that prime contractors and subcontractors are paid promptly for their work, which can help alleviate financial strain on small local businesses and enhance the City's reputation as a desirable customer. The City could consider replicating efforts from other organizations across the country to improve its payment processes. For example:

- Alabama state agencies allow contractors to invoice for costs related to bonding, insurance, and other upfront costs in their first invoices up to 3 percent of their total contract values.
- The City of Newport News, Virginia has an informal prompt payment policy through which it pays businesses certified as Small, Woman-owned, and Minority-owned (SWaM) Businesses within 15 business days of invoicing. This process ensures that SWaM businesses are paid well within the 45-day payment window required by the Virginia Prompt Payment Act.

3. Make the process for awarding as-needed or multiple award contracts more transparent and equitable. The City is authorized to award contracts to a roster of vendors on an as-needed basis for professional services related to Public Works or Improvement projects and as multiple award contracts for commodities and general services work. In addition, the City operates a special as-needed contract award program called Technology Marketplace for businesses that seek to perform information technology (IT) work for the City. BBC makes the following recommendations to improve its administration of these types of contracts.

a. As-needed and multiple award contracts. When the City awards as-needed or multiple award contracts, City statutes do not require that the organization rotate awards across the vendors on each multiple award contract or on as-needed contracts, nor do they require the organization to use the services procured for as-needed professional services contracts. Therefore, many business owners who participated in the qualitative research process indicated that they found it difficult to know if contracts are being awarded for these as-needed projects or for multiple award contracts and to anticipate work and income that could result from those projects in the future. For example:

The Black woman owner of a Micro-LBE-professional services company stated, "I really take offense at the fact that the City has all these as-needed contracts, because you don't

⁷ For more details about the Contractor Accelerated Payment Program, see [Chapter 7](#).

ever know when there's going to be work. And so you can't really put a value on it. So if you're projecting out about your financial resources and your budgets for the year as a company, you can't include those towards anything because you never know. ... "

BBC recommends that the City notify all vendors awarded an as-needed or multiple-award contract whenever it awards a task order or work order under that contract, including the identity of the selected vendor, to ensure all vendors part of that contract are aware of award decisions. Additionally, the City should implement a rotation schedule to ensure that different businesses on the bench are awarded work, use measures to ensure that the amounts of work awarded to businesses on a particular bench are comparable, and establish a maximum number of projects each business on a bench can be awarded per contract. The City could consider models of rotating as-needed contracts from other government organizations, including:

- The San Diego Association of Governments (SANDAG), which serves as the metropolitan planning organization for the San Diego region of California, operates a task order contract program in which the organization selects a pool of qualified and certified Disadvantaged Business Enterprise- and Small Business Enterprise-certified subcontractors through a proposal process. Prime contractors bidding on SANDAG projects are then encouraged to choose from that pool of subcontractors as they need them for project work rather than choosing their own subcontractors. The City could consider a similar process by which different City Divisions can develop separate pools of qualified vendors for prime contractors to select from for certain contracts or purchase orders.
- The City of Portland caps the total number of task orders a business can win in its multiple-award task order contract program to encourage the participation of a wider range of businesses in its contracts and procurements.

b. Technology Marketplace contracts. As part of the Technology Marketplace program, the City pre-negotiates IT contract terms with suppliers and places them on either a Micro-LBE bench for certified Micro-LBEs or a standard bench for all other pre-approved vendors. Staff across City departments are authorized to procure small IT purchases valued at \$25,000 or less on an as-needed basis directly from vendors on the Technology Marketplace benches.

Over the study period, the City awarded Technology Marketplace projects to 40 unique vendors. BBC conducted an analysis comparing the total award amount for these as-needed Technology Marketplace contracts to the amount paid to each vendor. This analysis was limited only to vendors that received a payment during the study period, as some as-needed contracts had not yet had a task order or contract service order awarded off of the master contract. These vendors, on average, only received approximately 16 percent of the total not-to-exceed amount of work.

As with other as-needed contracts, BBC recommends that the City establish a process so that staff procuring IT work across its departments can effectively rotate awards to businesses on the Technology Marketplace benches. The City would have to identify procurements appropriate for a rotation schedule, as there are limitations to the City's ability to rotate awards given certain technical requirements that can only be met by a limited number of businesses on the Technology Marketplace bench. The City could also add mechanisms to ensure that departments procure more services directly from the Micro-LBEs on the bench, such as further encouraging unbundling project opportunities. Finally, the City should make efforts to better inform vendors about the Technology Marketplace program, its policies, and the

potential benefits to build greater buy-in to the program and avoid any misconceptions about how not-to-exceed contract amounts and actual task orders or work orders are related.

D. Supportive Services

The City operates a Mentor-Protégé Program (MPP) to connect successful, established mentor businesses with Micro-LBEs to increase their capacities and abilities to perform work on City projects. As part of the program, the City offers incentives for up to two years to mentors that participate in the program, including:

- Mentors that attend all required events within the first three months of the MPP and spend at least six hours with their protégés can be exempted from submitting GFE documentation when bidding on City contracts; and
- As part of a pilot program, mentors can obtain a 1 percent bid discount (up to \$300,000) on public works construction projects.⁸

As part of BBC's qualitative research, participants indicated that it can be difficult for owners of small local businesses to find committed mentors to support their development. Some study participants suggested that the incentives currently offered to mentors to participate in the MPP may not be sufficient to encourage their meaningful participation. For example:

The representative of a trade association stated, "Not everybody's going to do [mentorship,] because they don't have to. There has to be some kind of policy, some kind of benefit ... that will help them make more money or something [for them to participate]."

BBC recommends that the City consider taking the following steps to enhance its MPP:

- Making the 1 percent bid discount for construction mentors a permanent part of the MPP;
- Adding an evaluation preference to mentors in professional services;
- Dedicating staff and resources exclusively to program oversight and mentor-protégé relationship management;
- Allowing mentors to obtain bid discounts or evaluation preferences a maximum number of times as opposed to setting a strict two-year time limit on incentives (e.g., a mentor can receive a bid discount or evaluation credit a maximum of three times for each mentor-protégé relationship in which it engages); and
- Establishing KPIs to track outcomes of the MPP and to ensure that mentors make genuine efforts to support the growth of protégés and that protégés benefit from their relationships with mentors (e.g., the number of projects on which mentor-protégé teams bid and are awarded, progress towards development goals, and the amount of dollars awarded to protégés during and after participation in the program).

⁸ This pilot program will sunset on June 30, 2027.

APPENDIX A.

Definition of Terms

Appendix A defines terms useful to understanding the 2026 City and County of San Francisco (the City) Contracting Equity Study report.

Availability

The availability for a particular group of businesses is defined as the percentage of dollars one might expect the group to receive on contracts or purchase orders that a particular organization awards given the business group's relative presence, interest, and self-reported ability to perform work awarded by that organization.

Availability Analysis

An availability analysis assesses the percentage of dollars one might expect a specific group of businesses to receive on contracts or purchase orders that a particular organization awards. The availability analysis in this study is based on the match between various characteristics of potentially available businesses and prime contracts and subcontracts the City awarded during the study period.

Bid and Evaluation Preference

A bid or evaluation preference is a contracting program measure by which an organization gives extra points during evaluation or decreases the final bid price when comparing bids submitted by vendors as a response to a request for proposals, bids, or quotes. Organizations often award these preferences based on the certification status of a bidder or the bidder's use of certified businesses as subcontractors/subconsultants in a particular bid or proposal. The City's Local Business Enterprise Program uses the terms *bid discount* and *rating bonus* to refer to bid and evaluation preferences.

Bid Discount

See *bid and evaluation preference*.

Business

A business is a for-profit enterprise, including sole proprietorships, corporations, professional corporations, limited liability companies, limited partnerships, limited liability partnerships, and other business structures. The definition includes the headquarters of the organization as well as all its other locations, as applicable.

Businesses Headquartered in San Francisco

The study team defined a business headquartered in San Francisco as a business that has its primary office located in San Francisco, regardless of size.

Business Success

Business success refers to business' ability to obtain and perform work. Business success is one of the categories of factors BBC Research & Consulting examined as part of our analyses of marketplace conditions.

Business Ownership

Business ownership refers to the factors and inputs that impact an individual's ability to start or purchase a business. Business ownership is one of the categories of factors BBC Research & Consulting examined as part of our analyses of marketplace conditions.

Chapter 14B Local Business Program

The Chapter 14B Local Business Program was established by the City in 2006. It replaced the City's Minority Business Enterprise and Woman Business Enterprise Program (Chapter 14D Program), which the City was enjoined from implementing after the passage of Proposition 209. The Chapter 14B Local Business Program is designed to encourage the participation of certified local business enterprises in City work. The program's legal status is established by San Francisco Administrative Code Chapter 14B, and its rules and regulations are outlined in San Francisco Administrative Code Chapter 14B Rules and Regulations, Local Business Enterprise Utilization and Non-discrimination in Contracting Ordinance. The program is also referred to as the *Local Business Enterprise Program*.

City and County of San Francisco (the City)

The City is the government agency responsible for the management of San Francisco's public affairs and services, including but not limited to providing police and fire protection, road construction and maintenance, and a variety of social and economic services. As part of its procurement of goods and services related to construction, professional services, and commodities and general services, the City implements the Chapter 14B Local Business Program to encourage the participation of certified local business enterprises in its work.

Commercially Useful Function

A business provides a *commercially useful function* if it provides the materials, equipment, supplies, and/or services needed for a project as stated in the bid and contract documents. To qualify, a business must be solely responsible for a distinct element of the contract work and must actually perform, manage, and supervise the work involved according to industry standards.

Commodities and General Services

A commodities and general services business engages in providing goods, supplies, or services that typically do not require a specific educational background, license, or high degree of expertise and training to perform. Examples of commodities and general services industries include cleaning and janitorial services and supplies; office equipment and supplies; printing, copying, and mailing services; safety equipment; security systems; security guard services; uniforms and apparel; automobiles; and vehicle repair services.

Construction

Construction refers to the construction, alteration, or repair (including dredging, excavating, and painting) of buildings, structures, or other real property. “Buildings, structures, or other real property” includes bridges, dams, plants, highways, parkways, streets, subways, tunnels, sewers, mains, power lines, cemeteries, pumping stations, railways, airport facilities, terminals, docks, piers, wharves, ways, lighthouses, buoys, jetties, breakwaters, levees, canals, channels, and other structures.

Consultant

A consultant is a business that performs professional services work.

Contract

A contract is a legally binding relationship between the seller of goods or services and a buyer. The study team sometimes uses the term *contract* interchangeably with *purchase order* or *project*.

Contract Element

A contract element is either a prime contract or a subcontract.

Contract Monitoring Division (CMD)

The City’s CMD is a division within the City Administrator’s Office and is responsible for certifying businesses as Local Business Enterprises (LBEs) and monitoring the number of LBEs that are available to work on City contracts, as well as the number of LBEs that participate in City contracts every year.

Contractor

The study team uses the term contractor to refer to a business that performs construction work.

Control

Control means exercising management and executive authority over a business.

Custom Census Availability Analysis

A custom census availability analysis is one in which researchers attempt surveys with relevant businesses working in the local marketplace to collect information about their characteristics. Researchers then take survey information about those businesses and match them to the characteristics of the contracts and purchase orders an agency actually awards to assess the percentage of dollars one might expect the agency to award to a specific group of businesses (i.e., the group’s *availability*). A custom census approach is accepted in the industry as the preferred method for conducting availability analyses, because it takes various different characteristics of businesses and agency projects into account.

Financial Capital

Financial capital includes loans or lines of credit from institutions, in addition to payments from customers. Financial capital is acquired through many sources, including employment wages, personal

wealth, homeownership, and financing. Financial capital is one of the categories of factors BBC Research & Consulting examined as part of our analyses of marketplace conditions.

Firm

See *business*.

Good Faith Efforts (GFEs)

GFEs are actions taken by a prime contractor or consultant during the process of building a project team for a bid or proposal that, by their intensity and appropriateness, could reasonably be expected to attain participation by certified businesses. Documentation of GFEs is submitted as part of a bid or proposal in addition to meeting or exceeding the contract goal for a particular project. These efforts include, but are not limited to, active outreach, providing assistance to businesses to obtain materials or bonding, or breaking down elements of work to make them more manageable for small businesses.

Human Capital

Human capital is the collection of personal knowledge, behavior, experience, and characteristics that make up an individual's ability to perform and succeed in particular markets. Human capital is one of the categories of factors BBC Research & Consulting examined as part of our analyses of marketplace conditions.

Industry

An industry is a broad classification for businesses providing related goods or services (e.g., *construction* or *professional services*).

Joint Venture

A joint venture is a business arrangement of two or more businesses that combine property, capital, efforts, skill, and/or knowledge and share in the ownership, control, management responsibilities, and risks of the partnership. Joint ventures are often formed for a specific contract or purchase order, but they can also be a long-term partnership.

Local Businesses

Local businesses refer to businesses with a location in San Francisco.

Local Business Enterprise (LBE)

An LBE is a business that is headquartered in San Francisco, certified by the Contract Monitoring Division, and meets the following criteria:

- It is an independent company;
- It is continuously in operation;
- It is a for-profit enterprise; and
- It performs a commercially useful function (see *Commercially Useful Function*).

A non-profit organization may also be certified as an LBE if it meets the following criteria:

- Its primary business location is in San Francisco;
- An individual qualified to perform the type of work for which the organization is certified must fully manage and control all of the organization's work in the industry in which it is certified; and
- If the organization is certified as a supplier, it must maintain a warehouse in San Francisco.

In addition to the criteria listed above, businesses and non-profits must also meet size requirements to become certified as an LBE. There are three tiers of LBE certification: Micro-LBE certification, Small-LBE certification, and Small Business Administration (SBA)-LBE certification.¹ Each tier has different revenue limits, and businesses must make less on average over five years than these limits in order to be certified at that tier (see **Chapter 7** for more details). Once a business is certified as an LBE, it can choose to be classified under one of the following categories:

- Minority-owned Business Enterprises (MBEs), which are owned and controlled by people who identify as Black, Arab, Asian, Iranian, Latino, or Native American;
- Woman-owned Business Enterprises (WBEs), which are owned and controlled by people who identify as women; or
- Other Business Enterprises (OBEs), which include all other LBEs, including certified non-profits, that are not owned by people who identify as people of color or women.

Local Business Enterprise (LBE) Participation Requirements

LBE participation requirements are an effort whereby the City sets a percentage requirement for the participation of certified LBEs in individual contracts or purchase orders it awards. As a condition of responsiveness, prime contractors have to meet the percentage participation requirement as part of their bids, quotes, or proposals by making subcontracting commitments with eligible, certified LBEs.

Local Business Enterprise (LBE) Program

See Chapter 14B Local Business Program.

Marketplace Conditions

Marketplace conditions refer to various factors that potentially affect outcomes for certain workers and businesses operating in that marketplace (e.g., San Francisco residents and the businesses they own). The study team assessed conditions in the San Francisco marketplace related to four primary areas: human capital, financial capital, business ownership, and business success.

Participation

See utilization.

¹ The size limits of the program's SBA-LBE certification tier are not related to size limits set by the SBA for Small Business Enterprise certification.

Prime Consultant

A prime consultant is a professional services business that performs professional services prime contracts directly for end users, such as the City.

Prime Contract

A prime contract is a contract between a prime contractor or prime consultant and an end user, such as the City.

Prime Contractor

A prime contractor is a construction business that performs prime contracts directly for an end user, such as the City.

Professional Services

Professional services refers to the professional, scientific, or technical services that require a high degree of expertise and training. Frequently—but not always—individuals who perform professional services are required to have a license or specific educational background. Examples of professional services include legal advice and representation; accounting, bookkeeping, and payroll services; computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services.

Project

A project refers to a construction, professional services, or commodities and general services endeavor that an organization bids out. A project could include one or more prime contracts and corresponding subcontracts. The study team sometimes uses the term project interchangeably with *contract* or *purchase order*.

Proposition 209

Proposition 209, which California voters passed in 1996 and became effective in 1997, amended Section 31, Article 1 of the California Constitution to prohibit discrimination and the use of race- and gender-based preferences in public contracting, public employment, and public education. Thus, Proposition 209 prohibits government agencies in California—including the City—from using race- or gender-based measures when awarding state-funded contracts.

Purchase orders

See *contract* or *project*.

Qualitative Information

Qualitative information includes personal accounts of experiences—including any incidents of discrimination—and perceptions related to the marketplace that individual interviewees, public meeting participants, focus group participants, and other stakeholders shared with the study team.

Race- and Gender-neutral Measures

Race- and gender-neutral measures are measures designed to remove potential barriers for businesses attempting to perform work for an agency, regardless of the race or gender of the owners.² Race- and gender-neutral measures might include assistance in overcoming bonding and financing obstacles, simplifying bidding procedures, providing technical assistance to businesses, and establishing programs to assist start-ups. An agency's use of race- and gender-neutral measures must meet the requirements of the rational basis test to be considered constitutional.

Rating Bonus

See bid and evaluation preference.

Rational Basis

Government agencies that implement contracting programs that rely only on race- and gender-neutral measures must show a rational basis for their programs. Showing a rational basis requires agencies to demonstrate their contracting programs are rationally related to a legitimate government interest. It is the lowest threshold for evaluating the legality of government contracting programs.

Relevant Geographic Market Area (RGMA)

The RGMA is the geographic area most relevant to an organization's procurement based on both the location of businesses to which the organization awards most of its contracting dollars as well as the area in which the organization's contracting and inclusion program applies. BBC Research & Consulting (BBC) defined the RGMA for the contracting equity study's availability and participation analyses as San Francisco county. BBC defined the RGMA for the study's analyses of marketplace conditions as the nine-county region of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties in California in order to allow for comparisons between residents and businesses in San Francisco county and the rest of the Bay Area.

Study Period

The study period is the time period on which the study team focused for the utilization and availability analyses. The City had to have awarded a contract or purchase order during the study period for it to be included in the study team's analyses. The study period for the contracting equity study was July 1, 2020 to December 31, 2024.

Subcontract

A subcontract is a contract between a prime contractor or prime consultant and another business selling goods or services to the prime contractor or prime consultant as part of a larger project.

² In contrast, race- and gender-based measures are measures specifically designed to increase the participation of person of color- and woman-owned businesses, respectively, in an organization's contracts and purchase orders. The City is prohibited from using race- and gender-based measures as part of its procurement due to the State of California's Proposition 209.

Subcontractor

A subcontractor is a business that performs services for prime contractors as part of larger contracts or projects.

Subindustry

A subindustry is a specific classification for businesses providing related goods or services within a particular industry (e.g., *highway and street construction* is a subindustry of *construction*).

Utilization

Utilization refers to the percentage of total dollars associated with a particular set of contracts or purchase orders that the City awarded to a specific group of businesses during the study period. The study team uses the term *utilization* synonymously with *participation*.

Vendor

Vendors are businesses that sell goods either to prime contractors or prime consultants or to end users, such as the City.

APPENDIX B.

Availability Methodology

BBC Research & Consulting (BBC) used a custom census approach to estimate the availability of businesses located in San Francisco for the construction, professional services, and commodities and general services prime contracts and subcontracts that the City and County of San Francisco (the City) awards. Appendix B expands on the information presented in Chapter 5 to further describe:

- A. Availability data;
- B. Representative businesses;
- C. Availability survey instrument; and
- D. Survey execution.

A. Availability Data

BBC partnered with Davis Research to conduct telephone and online surveys with hundreds of businesses throughout the *relevant geographic market area (RGMA)*, which for the availability analysis we identified as San Francisco and referred to as the "San Francisco Bay Area" in the survey instrument.¹ Davis Research surveyed businesses with locations in the RGMA that perform work in fields closely related to the types of contracts and purchase orders the City awarded from July 1, 2020 through December 31, 2024 (i.e., the *study period*). We began the survey process by determining the work specializations, or *subindustries*, relevant to each prime contract and subcontract the City awarded during the study period and identifying 8-digit Dun & Bradstreet (D&B) work specialization codes that best corresponded to those subindustries. We then compiled information about local businesses D&B listed as having their primary lines of business within those work specializations. Davis Research attempted surveys with each business multiple times on different days of the business week and at different times of the business day to maximize response rates. In total, the study team attempted to contact 5,713 local businesses that perform work relevant to City contracting and procurement. We were able to successfully contact 982 of those businesses, 522 of which completed surveys.

B. Representative Businesses

The objective of the availability analysis was not to collect information about every business operating in the RGMA but instead was to collect information from a large, unbiased subset of local businesses that appropriately represented the entire relevant business population. That approach allowed BBC to estimate the availability of local businesses, including small local businesses and small businesses headquartered in San Francisco, for City work in an accurate, statistically valid manner. In addition, we did not design the survey effort to contact every local business possibly performing construction, professional services, or commodities and general services work. Instead, we reviewed the relevant prime contract and subcontract dollars the City awarded during the study period, determined the types

¹ The RGMA for the availability analysis is different than the RGMA for marketplace analyses. For the marketplace analyses, BBC identified Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties in California as the RGMA.

of work most relevant to those projects, and limited our survey efforts to those businesses that perform work consistent with those work types. Figure B-1 lists 8-digit work specialization codes within construction, professional services, and commodities and general services most related to the contract and procurement dollars the City awarded during the study period, which BBC included as part of the availability analysis. We grouped those specializations into distinct subindustries, which are shown as headings in Figure B-1.

Figure B-1.
Subindustries included in the availability analysis

a. Construction subindustries

Subindustry	Industry Code	Industry Description
Carpentry and floor work	17510000	Carpentry work
Carpentry and floor work	17510201	Garage door, installation or erection
Concrete work	17710301	Blacktop (asphalt) work
Concrete work	17719901	Concrete pumping
Concrete work	17719902	Concrete repair
Concrete work	17710000	Concrete work
Concrete work	17719904	Foundation and footing contractor
Developers and operative builders	65520000	Subdividers and developers, not elsewhere classified
Electrical work	17310000	Electrical work
Electrical work	17319903	General electrical contractor
Excavation, drilling, wrecking, and demolition	17990900	Building site preparation
Excavation, drilling, wrecking, and demolition	17959902	Demolition, buildings and other structures
Excavation, drilling, wrecking, and demolition	17949901	Excavation and grading, building construction
Excavation, drilling, wrecking, and demolition	17940000	Excavation work
Highway, street, and bridge construction	16110202	Concrete construction: roads, highways, sidewalks
Highway, street, and bridge construction	16110202	Concrete construction: roads, highways, sidewalks, etc.
Highway, street, and bridge construction	16119901	General contractor, highway and street construction
Highway, street, and bridge construction	16110203	Grading
Highway, street, and bridge construction	16110000	Highway and street construction
Highway, street, and bridge construction	16110204	Highway and street paving contractor
Highway, street, and bridge construction	16110205	Resurfacing contractor

Highway, street, and bridge construction	16110200	Surfacing and paving
Highway, street, and bridge construction	16229903	Tunnel construction
Masonry, stonework, tile setting, and plastering	17420200	Acoustical and insulation work
Masonry, stonework, tile setting, and plastering	17420101	Drywall
Masonry, stonework, tile setting, and plastering	17410000	Masonry and other stonework
Masonry, stonework, tile setting, and plastering	17420000	Plastering, drywall, and insulation
Nonresidential building construction	15420100	Commercial and office building contractors
Nonresidential building construction	15420101	Commercial and office building, new construction
Nonresidential building construction	15420103	Commercial and office buildings, renovation and repair
Nonresidential building construction	15410000	Industrial buildings and warehouses
Nonresidential building construction	15419905	Industrial buildings, new construction, not elsewhere classified
Nonresidential building construction	15420000	Nonresidential construction, not elsewhere classified
Nonresidential building construction	15419909	Renovation, remodeling and repairs: industrial buildings
Nonresidential building construction	15420400	Specialized public building contractors
Painting, striping, and marking	17210200	Commercial painting
Plumbing and HVAC	17110301	Fire sprinkler system installation
Plumbing and HVAC	17110400	Heating and air conditioning contractors
Plumbing and HVAC	17110401	Mechanical contractor
Plumbing and HVAC	17110200	Plumbing contractors
Plumbing and HVAC	17110000	Plumbing, heating, air-conditioning
Plumbing and HVAC	17110404	Ventilation and duct work contractor
Plumbing and HVAC	17110405	Warm air heating and air conditioning contractor
Residential construction	15220000	Residential construction, not elsewhere classified
Residential construction	15210100	Single-family home remodeling, additions, and repairs
Residential construction	15210000	Single-family housing construction
Roofing, siding, and sheet metal work	17610103	Roofing contractor
Structural steel erection	17910000	Structural steel erection
Water and sewer treatment plant construction	16290500	Industrial plant construction

Water and sewer treatment plant construction	16290505	Waste water and sewage treatment plant construction
Water, sewer, and utility lines	16239903	Pipe laying construction
Water, sewer, and utility lines	16239904	Pipeline construction, not specified by kind
Water, sewer, and utility lines	76990403	Sewer cleaning and rodding
Water, sewer, and utility lines	16230302	Sewer line construction
Water, sewer, and utility lines	16239906	Underground utilities contractor
Water, sewer, and utility lines	16230303	Water main construction
Water, sewer, and utility lines	17810000	Water well drilling
Water, sewer, and utility lines	16230000	Water, sewer, and utility lines
Other heavy construction	16290000	Heavy construction, not elsewhere classified
Other heavy construction	16290110	Marine construction
Other heavy construction	16299906	Trenching contractor
Other special trade contractors	17969901	Elevator installation and conversion
Other special trade contractors	76992501	Elevators: inspection, service, and repair
Other special trade contractors	17930000	Glass and glazing work
Other special trade contractors	17210100	Residential painting

b. Commodities and general services subindustries

Subindustry	Industry Code	Industry Description
Automobiles	50120102	Automobiles
Automobiles	50120000	Automobiles and other motor vehicles
Automobiles	55119901	Automobiles, new and used
Automobiles	55219902	Automobiles, used cars only
Automobiles	55990000	Automotive dealers, not elsewhere classified
Automobiles	55110000	New and used car dealers
Catering and restaurants	58129903	Caterers
Cleaning and janitorial services	73490100	Building and office cleaning services
Cleaning and janitorial services	73490104	Janitorial service, contract basis
Cleaning and janitorial services	72110000	Power laundries, family and commercial
Communications equipment	50650200	Communication equipment
Communications equipment	36690000	Communications equipment, not elsewhere classified
Communications equipment	36630000	Radio and T.V. communications equipment

Communications equipment	50650404	Radio parts and accessories, not elsewhere classified
Communications equipment	57319907	Radios, two-way, citizens band, weather, short-wave, etc.
Communications equipment	38120000	Search and navigation equipment
Communications equipment	59990600	Telephone and communication equipment
Communications equipment	50990500	Video and audio equipment
Communications equipment	50650409	Video equipment, electronic
Concrete, asphalt, sand, and gravel products	50329901	Aggregate
Concrete, asphalt, sand, and gravel products	50329905	Gravel
Concrete, asphalt, sand, and gravel products	32730000	Ready-mixed concrete
Dining services	79991505	Concession operator
Dining services	58129906	Contract food services
Document services	73899911	Document and office record destruction
Document services	42269902	Document and office records storage
Document services	73899966	Document storage service
Document services	72990600	Personal document and information services
Electrical equipment and supplies	50630000	Electrical apparatus and equipment
Electrical equipment and supplies	36990000	Electrical equipment and supplies, not elsewhere classified
Electrical equipment and supplies	50630206	Electrical supplies, not elsewhere classified
Electrical equipment and supplies	50630401	Light bulbs and related supplies
Electrical equipment and supplies	50630400	Lighting fixtures
Electrical equipment and supplies	36210110	Power generators
Electrical equipment and supplies	50630103	Power transmission equipment, electric
Electrical equipment and supplies	38230000	Process control instruments
Elevator goods	50840803	Elevators
Elevator goods	35340000	Elevators and moving stairways
Equipment maintenance and repair	76990601	Boat repair
Equipment maintenance and repair	44939901	Boat yards, storage and incidental repair
Equipment maintenance and repair	76992203	Construction equipment repair
Equipment maintenance and repair	76990504	Industrial machinery and equipment repair
Facilities support services	87440000	Facilities support services
Food products, wholesale and retail	20990000	Food preparations, not elsewhere classified
Food products, wholesale and retail	54310000	Fruit and vegetable markets

Food products, wholesale and retail	51480102	Fruits, fresh
Furniture	57120202	Custom made furniture, except cabinets
Furniture	57120200	Customized furniture and cabinets
Furniture	50210000	Furniture
Furniture	25990000	Furniture and fixtures, not elsewhere classified
Furniture	50210100	Office and public building furniture
Furniture	57129904	Office furniture
Furniture	25220000	Office furniture, except wood
Furniture	50210106	Office furniture, not elsewhere classified
Furniture	25120000	Upholstered household furniture
Furniture	25210000	Wood office furniture
Heavy construction equipment rental	73530000	Heavy construction equipment rental
Industrial equipment and machinery	50850501	Bearings
Industrial equipment and machinery	50460000	Commercial equipment, not elsewhere classified
Industrial equipment and machinery	50639903	Generators
Industrial equipment and machinery	50840000	Industrial machinery and equipment
Industrial equipment and machinery	50850000	Industrial supplies
Industrial equipment and machinery	50840805	Pumps and pumping equipment, not elsewhere classified
Industrial equipment and machinery	50460306	Restaurant equipment and supplies, not elsewhere classified
Industrial equipment and machinery	50840518	Welding machinery and equipment
Landscaping services	07829903	Landscape contractors
Office equipment and supplies	59991401	Business machines and equipment
Office equipment and supplies	50440000	Office equipment
Office equipment and supplies	59439902	Office forms and supplies
Office equipment and supplies	51129907	Office supplies, not elsewhere classified
Office equipment and supplies	51999918	Packaging materials
Office equipment and supplies	50440207	Photocopy machines
Office equipment and supplies	26210600	Stationary, envelope and tablet papers
Pest control and extermination	73420000	Disinfecting and pest control services
Pest control and extermination	73420202	Exterminating and fumigating
Pest control and extermination	73420203	Pest control in structures
Pest control and extermination	73420200	Pest control services

Pest control and extermination	73420204	Termite control
Petroleum and petroleum products	51720202	Diesel fuel
Petroleum and petroleum products	28690400	Fuels
Petroleum and petroleum products	51710000	Petroleum bulk stations and terminals
Printing, copying, and mailing	27520000	Commercial printing, lithographic
Printing, copying, and mailing	27590000	Commercial printing, not elsewhere classified
Printing, copying, and mailing	73891601	Courier or messenger service
Printing, copying, and mailing	73319904	Mailing service
Rebar and reinforcing steel	50510205	Concrete reinforcing bars
Rebar and reinforcing steel	32720700	Concrete structural support and building material
Rebar and reinforcing steel	34410000	Fabricated structural Metal
Safety equipment	36690102	Fire alarm apparatus, electric
Safety equipment	50630503	Fire alarm systems
Safety equipment	50990301	Fire extinguishers
Safety equipment	35690200	Firefighting and related equipment
Safety equipment	50479901	Industrial safety devices: first aid kits and masks
Safety equipment	50849912	Safety equipment
Safety equipment	50990300	Safety equipment and supplies
Safety equipment	59990103	Safety supplies and equipment
Safety equipment	36990502	Security control equipment and systems
Safety equipment	36990500	Security devices
Security guard services	73810105	Security guard service
Security systems services	73899920	Fire protection service other than forestry or public
Security systems services	73829903	Protective devices, security
Security systems services	73820000	Security systems services
Staffing services	73610000	Employment agencies
Staffing services	73610102	Labor contractors (employment agency)
Staffing services	73639905	Medical help service
Staffing services	73610204	Nurses' registry
Staffing services	73610100	Placement agencies
Staffing services	73630103	Temporary help service
Towing services	75490301	Towing service, automotive

Towing services	75490300	Towing services
Transit operations	41110101	Bus line operations
Transit operations	41110100	Bus transportation
Transit operations	41310000	Intercity and rural bus transportation
Transit operations	41410000	Local bus charter service
Trucking, hauling, and storage	42139903	Contract haulers
Trucking, hauling, and storage	42129905	Dump truck haulage
Trucking, hauling, and storage	42120000	Local trucking, without storage
Trucking, hauling, and storage	42130000	Trucking, except local
Uniforms and apparel	23260000	Men's and boy's work clothing
Uniforms and apparel	23219902	Uniform shirts: made from purchased materials
Uniforms and apparel	72130204	Uniform supply
Uniforms and apparel	56990102	Uniforms
Uniforms and apparel	51360603	Uniforms, men's and boys'
Uniforms and apparel	56990103	Work clothing
Vehicle parts and supplies	50149901	Automobile tires and tubes
Vehicle parts and supplies	50130103	Automotive batteries
Vehicle parts and supplies	50130100	Automotive supplies and parts
Vehicle parts and supplies	55319901	Automotive tires
Vehicle parts and supplies	37140000	Motor vehicle parts and accessories
Vehicle parts and supplies	50140000	Tires and tubes
Vehicle parts and supplies	50130119	Truck parts and accessories
Vehicle parts and supplies	55999905	Utility trailers
Waste and recycling services	42129906	Garbage collection and transport, no disposal
Waste and recycling services	49530201	Garbage: collecting, destroying, and processing
Waste and recycling services	50930200	Metal scrap and waste materials
Waste and recycling services	49530300	Nonhazardous waste disposal sites
Waste and recycling services	49539905	Recycling, waste materials
Waste and recycling services	49530200	Refuse collection and disposal services
Waste and recycling services	49530000	Refuse systems
Waste and recycling services	49530203	Rubbish collection and disposal
Waste and recycling services	50930000	Scrap and waste materials
Waste and recycling services	49590300	Toxic or hazardous waste cleanup

Waste and recycling services	76990400	Waste cleaning services
Other construction materials	34460000	Architectural Metalwork
Other transit services	41110301	Airport limousine, scheduled service
Other transit services	41110300	Airport transportation
Other transit services	41110302	Airport transportation services, regular route
Other transit services	73639901	Chauffeur service
Other transit services	41110000	Local and suburban transit
Other transit services	47290000	Passenger transportation arrangement

c. Professional services subindustries

Subindustry	Industry Code	Industry Description
Advertising, marketing, and public relations	87439903	Public relations and publicity
Advertising, marketing, and public relations	87430000	Public relations services
Architectural and design services	87120000	Architectural services
Business and management consulting	87410100	Business management
Business and management consulting	87429902	Business management consultant
Construction management	87419902	Construction management
Construction management	87420402	Construction project management consultant
Construction management	87429907	Site location consultant
Engineering	87120101	Architectural engineering
Engineering	87110402	Civil engineering
Engineering	87110400	Construction and civil engineering
Engineering	87119905	Electrical or electronic engineering
Engineering	87110404	Structural engineering
Environmental services	87489904	Energy conservation consultant
Environmental services	87119906	Energy conservation engineering
Environmental services	87489905	Environmental consultant
Financial services and consulting	73220000	Adjustment and collection services
Financial services and consulting	87210100	Auditing services
Financial services and consulting	87420401	Banking and finance consultant
Financial services and consulting	87429908	Financial consultant
Financial services and consulting	87410102	Financial management for business
Human resources and job training services	87420201	Compensation and benefits planning consultant
Human resources and job training services	87420100	Industrial and labor consulting services

Human resources and job training services	82439903	Software training, computer
Human resources and job training services	87480100	Testing services
Human resources and job training services	87420206	Training and development consultant
IT and data services	73730000	Computer integrated systems design
IT and data services	73790200	Computer related consulting services
IT and data services	73710301	Computer software development
IT and data services	73730101	Computer systems analysis and design
IT and data services	73730400	Computer-aided system services
IT and data services	87429905	Management information systems consultant
IT and data services	73790203	Online services technology consultants
IT and data services	87480400	Systems analysis and engineering consulting services
IT and data services	73730200	Systems integration services
Landscape architecture	07810201	Landscape architects
Surveying and mapmaking	87139902	Aerial digital imaging
Surveying and mapmaking	87130000	Surveying services
Testing and inspection	73899960	Estimating service, construction
Testing and inspection	73890200	Inspection and testing services
Testing and inspection	87340000	Testing laboratories
Transportation planning services	87480201	City planning
Transportation planning services	87480204	Traffic consultant
Transportation planning services	87420410	Transportation consultant
Transportation planning services	87480200	Urban planning and consulting services
Other professional services	87480202	Economic consultant
Other professional services	87420404	Hospital and health services consultant
Other professional services	73899953	Translation services

C. Availability Survey Instrument

BBC created an availability survey instrument to collect extensive information from relevant businesses located in the RGMA. As an example, the instrument the study team used with construction businesses is presented at the end of Appendix B. We modified the construction survey instrument slightly for use with businesses working in professional services and commodities and general services to reflect terms more commonly used in those industries and to collect information specifically relevant to them.² (For

² BBC also developed email versions of the survey instruments for businesses that preferred to complete the survey online.

example, BBC substituted the words "prime contractor" and "subcontractor" with "prime consultant" and "subconsultant" when surveying professional services businesses.)

The availability survey included 16 sections, and Davis Research attempted to cover all sections with each business the firm successfully contacted.

1. Identification of purpose. The surveys began by identifying the City as the survey sponsor and describing the purpose of the study (e.g., "the City and County of San Francisco is conducting a study with businesses in the region to better understand their interest in and qualifications for contracting work with government organizations in the San Francisco Bay Area").

2. Verification of correct business name. The surveyor verified he or she had reached the correct business. If the business was not correct, surveyors asked if the respondent knew how to contact the correct business. Davis Research then followed up with the correct business based on the new contact information if the business representative provided it (see areas "X" and "Y" of the survey).

3. Verification of for-profit business status. The surveyor asked whether the entity was a for-profit business as opposed to a government or non-profit organization (Question A1). Surveyors continued the survey only with those entities that responded "yes" to that question.

4. Verification of active business status. The surveyor asked whether the entity was in business and operational (Question A2). Surveyors continued the survey only with those entities that responded "yes" to that question.

5. Interest in future work. The surveyor asked businesses about their interest in future contract work with government agencies (Question A3). Surveyors continued the survey only with those entities that responded "yes" to that question.

6. Verification of business age. The surveyor asked in what year the business was established (Question A4).

7. Confirmation of primary lines of work. Next, businesses confirmed their primary lines of work according to D&B (Question A5a). If D&B's work specialization codes were incorrect, businesses described their primary lines of work (Question A5b). Surveyors then asked businesses about other types of work they perform (Question A5c). BBC coded information on primary lines of work and additional types of work (if any) into appropriate 8-digit D&B work specialization codes.

8. Locations and affiliations. The surveyor asked participants if their businesses had other locations (Questions A6 through A7b) and if their businesses were subsidiaries or affiliates of other businesses (Questions A8 and A9).

9. Willingness and ability to work. The surveyor asked businesses that do construction-related and professional services-related work whether they are willing and able to work in various roles (Questions B1 through B3) (not included in the commodities and general services survey instrument).

10. Geographic area. The surveyor asked businesses whether they could serve customers in San Francisco (Question C1) and if they could serve customers in Tuolumne County and near Yosemite National Park (Question C2).³

11. Capacity. The surveyor asked businesses about the value of the largest prime contract, subcontract, or other piece of work they were able to perform (Question D1). The surveyor also asked the businesses about the smallest piece of work they were willing to perform (Question D2).

12. Ownership. The surveyor asked whether businesses were at least 51 percent owned and controlled by people of color (POCs) or women (Questions E1 and E2). If businesses indicated they were POC-owned, they were also asked about the race of the business' owner(s) (Question E3).⁴ BBC confirmed that information through several other data sources, including:

- Business listings from the United States Small Business Administration;
- The California Public Utilities Commission Supplier Clearinghouse;
- The California Unified Certification Program;
- D&B business listings and other business information sources;
- Information from other available certification directories and business lists; and
- Business websites and other secondary research.

13. Business revenue. The surveyor asked questions about businesses' sizes in terms of their revenues and number of employees across all their locations (Questions F1 through F4).

14. Potential barriers in the marketplace. The surveyor asked an open-ended question about businesses' experiences working with the City and other local government agencies (Question G1). In addition, the survey included a question asking whether respondents would be willing to participate in follow-up interviews about conditions in the local marketplace, which BBC used to recruit participants for in-depth interviews (Question G2).

15. Contact information. The survey concluded with questions about the participant's name, position, and contact information (Questions H1 through H3).

³ Although the RGMA for identifying businesses potentially available for City work was limited to San Francisco, BBC asked businesses about their ability to do work in Tuolumne County because many projects awarded by the City's Public Utilities Commission were located in Tuolumne County. BBC did not use information about businesses' locations in Tuolumne County in any of our analyses.

⁴ Although BBC collected information about the ownership of the businesses surveyed, BBC did not use that information in any of our analyses.

D. Survey Execution

Davis Research conducted all availability surveys between September 2023 and September 2025.⁵ The firm attempted to survey the owner, manager, or other officer of each business that could provide accurate responses to survey questions.

1. Businesses the study team successfully contacted. Figure B-2 presents the disposition of the 5,713 businesses the study team attempted to contact for availability surveys and how that number resulted in the 982 businesses the study team was able to successfully contact.

Figure B-2.
Disposition of attempts to contact businesses for availability surveys

Business response status	Number of businesses
Beginning list	5,713
- Less non-working phone numbers	733
- Less wrong number/business	279
Unique business listings with working phone numbers	4,701
- Less no answer	3,121
- Less could not reach responsible staff member	574
- Less language barrier	24
Total businesses successfully contacted	982

a. Non-working or wrong phone numbers. Some of the business listings BBC purchased from D&B were:

- Non-working phone numbers (733 listings); or
- Wrong numbers for the desired businesses (279 listings).

Some non-working phone numbers and wrong numbers resulted from businesses going out of business or changing their names and phone numbers between the time D&B listed them and the time the study team attempted to contact them.

b. Working phone numbers. As shown in Figure B-2, there were 4,701 businesses with working phone numbers Davis Research attempted to contact. They were unsuccessful in contacting many of those businesses for various reasons:

- The firm could not reach anyone after multiple attempts for 3,121 businesses.
- The firm could not reach a responsible staff member after multiple attempts for 574 businesses.
- The firm could not conduct the availability survey due to language barriers for 24 businesses.

⁵ BBC included availability survey results relevant to the City's contracting from other business availability research studies we conducted between September 2023 and September 2025. These studies include the 2024 California Department of Transportation Disparity Study and the 2026 San Francisco Bay Area Rapid Transit District Disparity Study.

Thus, Davis Research was able to successfully contact 982 businesses.

2. Businesses included in the availability database. Figure B-3 presents the disposition of the 982 businesses Davis Research successfully contacted and how that number resulted in the 406 businesses BBC considered potentially available for City work.

Figure B-3.
Disposition of successfully contacted businesses

Business response status	Number of businesses
Businesses successfully contacted	982
- Less businesses not interested in discussing availability for work	328
- Less companies no longer in business	126
- Less not a for-profit business	6
Businesses that completed surveys	522
- Less line of work outside of study scope	9
- Less no location in San Francisco	12
- Less not interested in government work	74
- Less multiple locations of same business	21
Total number of businesses potentially available for City work	406

a. Businesses not eligible or interested in discussing availability for City work. Of the 982 businesses the study team successfully contacted:

- BBC excluded 328 businesses from the analysis because they reported that they were not interested in discussing their availability for City work.
- We excluded 126 businesses from the analysis that indicated they were no longer in business.
- We excluded six businesses from the analysis that indicated they were not-for-profit businesses.

b. Businesses available for City work. A total of 522 businesses completed availability surveys, but BBC deemed only a portion of those businesses as potentially available for the prime contracts and subcontracts the City awarded during the study period. We excluded many of the businesses that completed surveys from the availability database for various reasons:

- BBC excluded nine businesses that reported primary lines of work outside the study scope.⁶
- BBC attempted to only survey businesses with a location in San Francisco. BBC excluded 12 businesses that reported during the survey that they did not have a location in San Francisco.
- We excluded 74 businesses that reported they were not interested in contracting opportunities with the City or other government organizations.

⁶ Examples include legal services, medical providers, utilities, and education services.

- Twenty-one survey participants represented different locations of the same businesses. Prior to analyzing results, BBC combined responses from multiple locations of the same business into a single data record according to the following rules:
 - If different locations of the same business indicated different lines of work, BBC conducted additional secondary research to reconcile that information into one primary line of work.
 - BBC combined the different roles of work (i.e., prime contractor or subcontractor) different participants representing the same business reported into a single response. For example, if one participant reported that the business works as a prime contractor and another participant reported that the business works as a subcontractor, then BBC considered the business as available for both prime contracts and subcontracts.
 - BBC considered the largest project any participants representing the same business reported being able to perform as the business' capacity (i.e., the largest project for which the business could be considered available).

After those exclusions and reconciliations, BBC compiled a database of 406 businesses we considered potentially available for City work.

AVAILABILITY SURVEY INSTRUMENT.

Construction

Hello. My name is [INTERVIEWER NAME] from Davis Research, calling on behalf of [the City and County of San Francisco]. This is not a sales call. The City and County is conducting a brief survey with businesses in the region to better understand their interest in and qualifications for contracting work with government organizations in the San Francisco Bay Area. The survey should only take about 15 minutes to complete. Your participation in the survey is for research purposes only. We value your privacy, so any identifying information you share will not be publicly reported.

Whom can I speak with to gather information about your business and its potential interest in working with government organizations in the Bay Area?

[AFTER REACHING AN APPROPRIATELY SENIOR STAFF MEMBER, THE INTERVIEWER SHOULD RE-INTRODUCE THE PURPOSE OF THE SURVEY AND BEGIN WITH QUESTIONS.]

[IF ASKED, THE INFORMATION DEVELOPED IN THE SURVEYS WILL RESULT IN DATA ON BUSINESSES INTERESTED IN AND QUALIFIED FOR WORKING WITH GOVERNMENT AND OTHER PUBLIC AGENCIES, ENTITIES, AND OFFICES IN THE REGION AND WILL INFORM VARIOUS ANALYSES RELATED TO THE CITY AND COUNTY'S CONTRACTING PROCESSES.]

X1. Can you confirm this is [BUSINESS NAME]?

- 1=Correct business [SKIP TO Y2]
- 2=Incorrect business, not related [TERMINATE]
- 3=Incorrect business, new name
- 99=Refused [TERMINATE]

Y1. What is the name of this business?

- 1=VERBATIM

Y2. Can you give me the address for [BUSINESS NAME/NEW BUSINESS NAME]?

[NOTE TO INTERVIEWER - RECORD IN THE FOLLOWING FORMAT]:

- . STREET ADDRESS
- . CITY
- . STATE
- . ZIP
- 1=VERBATIM]

A1. Let me confirm [BUSINESS NAME/NEW BUSINESS NAME] is a for-profit business, as opposed to a non-profit organization, a foundation, or government office. Is that correct?

1=Yes, a for-profit business

2=No, other [TERMINATE]

A2. Is your company in business and operational?

1=Yes

2=No [TERMINATE]

A3. Is your business interested in performing work on projects for government or other public agencies, entities, or offices in the region?

1=Yes

2=No [TERMINATE]

98=Don't know

99=Refused

[NOTE TO INTERVIEWER: IF ASKED, EXAMPLES INCLUDE STATES, CITIES, COUNTIES, PUBLIC SCHOOLS AND UNIVERSITIES, TRANSPORTATION ORGANIZATIONS, AND OTHERS]

A4. In what year was your business established?

1=VERBATIM

A5a. Let me also confirm what kind of business this is. The information we have from Dun & Bradstreet indicates your main line of work is [SIC DESCRIPTION]. Is that correct?

[NOTE TO INTERVIEWER – IF ASKED, DUN & BRADSTREET OR D&B, IS A COMPANY THAT COMPILES INFORMATION ON BUSINESSES THROUGHOUT THE COUNTRY]

1=Yes [SKIP TO A5c]

2=No

98=Don't know

99=Refused

A5b. What is your [BUSINESS NAME/NEW BUSINESS NAME] 's main line of work?

[NOTE TO INTERVIEWER – IF RESPONDENT INDICATES BUSINESS' MAIN LINE OF WORK IS "GENERAL CONSTRUCTION" OR "GENERAL CONTRACTOR," PROBE TO FIND OUT MORE DETAIL ABOUT TYPES OF WORK THEY PERFORM.]

1=VERBATIM

A5c. What other types of work, if any, does your business perform?

1=VERBATIM

97=(NONE)

A6. Is this the sole location of your business, or do you have offices in other locations?

1=Sole location [SKIP to A8]

2=Have other locations

98=Don't know

99=Refused

A7a. Is this location the principal location for your business, or is your business primarily conducted at another location?

[NOTE TO INTERVIEWER – "PRINCIPAL LOCATION" MEANS THE OFFICE AT WHICH SENIOR MANAGEMENT AND LEADERSHIP ARE LOCATED AND WHERE MANAGEMENT AND FINANCIAL RECORDS ARE MAINTAINED.]

1=Principal location is here [SKIP to A8]

2=Principal location at another location

98=(DON'T KNOW) [SKIP to A8]

99=(REFUSED) [SKIP to A8]

A7b. What is the city, state, and zip code of your business' principal location?

[NOTE TO INTERVIEWER - RECORD IN THE FOLLOWING FORMAT]:

. CITY

. STATE

. ZIP

1=VERBATIM

A8. Is your business a subsidiary or affiliate of another business?

1=Independent [SKIP TO B1]

2=Subsidiary or affiliate of another business

98=Don't know [SKIP TO B1]

99=Refused [SKIP TO B1]

A9. What is the name of the parent company?

1=VERBATIM

98=Don't know

99=Refused

A prime or general contractor is a business that contracts directly with the project owner. In contrast, a subcontractor is a business that contracts with a prime or general contractor as part of a larger project. A supplier is a business that provides goods and materials to a business or an organization as part of a larger project. Based on these definitions:

B1. Is your business able to work as a prime contractor or general contractor?

1=Yes

2=No

98=Don't know

99=Refused

B2. Is your business able to work as a subcontractor?

1=Yes

2=No

98=Don't know

99=Refused

B3. Is your business able to work as a supplier?

1=Yes

2=No

98=Don't know

99=Refused

Now, I'd like to know where your businesses can perform work.

C1. Is your business able to perform work in San Francisco County and the surrounding area?

1=Yes

2=No

98=Don't know

99=Refused

C2. Is your business able to perform work in Tuolumne County and near Yosemite National Park?

1=Yes

2=No

98=Don't know

99=Refused

Now I'd like to ask you about the size of work your business is able or willing to compete for or perform.

D1. In terms of dollar value, what is the largest prime contract, subcontract, or other piece of work your company is able to compete for or perform?

1=VERBATIM

[NOTE TO INTERVIEWER - READ CATEGORIES IF NECESSARY]

1=\$100,000 or less

2=More than \$100,000 to \$250,000

3=More than \$250,000 to \$500,000

4=More than \$500,000 to \$1 million

5=More than \$1 million to \$2 million

6=More than \$2 million to \$5 million

7=More than \$5 million to \$10 million

8=More than \$10 million to \$20 million

9=More than \$20 million to \$50 million

10=More than \$50 million to \$100 million

11= More than \$100 million to \$200 million

12=Greater than \$200 million

97=(NONE)

98=(DON'T KNOW)

99=(REFUSED)

D2. In terms of dollar value, what is the smallest prime contract, subcontract, or other piece of work your company is willing to compete for or perform?

1=VERBATIM

[NOTE TO INTERVIEWER - READ CATEGORIES IF NECESSARY]

1=\$100,000 or less

9=More than \$20 million to \$50 million

2=More than \$100,000 to \$250,000

10=More than \$50 million to \$100 million

3=More than \$250,000 to \$500,000

11= More than \$100 million to \$200 million

4=More than \$500,000 to \$1 million

12=Greater than \$200 million

5=More than \$1 million to \$2 million

97=(NONE)

6=More than \$2 million to \$5 million

98=(DON'T KNOW)

7=More than \$5 million to \$10 million

99=(REFUSED)

8=More than \$10 million to \$20 million

My next questions are about the ownership of your business.

E1. A business is defined as a woman-owned business if more than half—that is, 51 percent or more—of the ownership and control of daily management and operations is by individuals who identify as women. By this definition, is [BUSINESS NAME/NEW BUSINESS NAME] a woman-owned business?

1=Yes

2=No

98=Don't know

99=Refused

E2. A business is defined as a person of color-, or POC-owned business if more than half—that is, 51 percent or more—of the ownership and control of daily management and operations is by individuals who identify as Asian, Black, Hispanic, Native American, Middle Eastern or North African, or another non-White race or ethnicity. By this definition, is [BUSINESS NAME/NEW BUSINESS NAME] a POC-owned business?

1=Yes

2=No [SKIP TO F1]

98=Don't know

99=Refused

E3. Which of the following best represents the race/ethnicity of the business' owner(s)?

1=Black

2=Asian Pacific (examples include persons whose origins are from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Samoa, Guam, the U.S. Trust Territories of the Pacific Islands (Republic of Palau), the Commonwealth of the Northern Marianas Islands, Macao, Fiji, Tonga, Kiribati, Tuvalu, Nauru, Federated States of Micronesia, or Hong Kong)

3=Hispanic or Latin (examples include persons of Mexican, Puerto Rican, Cuban, Dominican, Central or South American, or other Spanish or Portuguese origin, regardless of race)

4=Native (examples include American Indians, Alaska Natives, or Native Hawaiians)

5=Subcontinent Asian (examples include persons whose origins are from India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal, or Sri Lanka)

6=Middle Eastern or North African (examples include persons whose origins are from Afghanistan, Algeria, Armenia, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestinian Authority, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, Turkey, United Arab Emirates, or Yemen)

7=Other, specify _____

98=Don't know

99=Refused

Now I want to ask you a few questions about your business' size.

F1. Dun & Bradstreet indicates that your business has about [number] employees across all its locations. Is that an accurate estimate of the number of employees who work at your business, including both full-time and part-time employees?

1=Yes [SKIP TO F3]

2=No

98=Don't know [SKIP TO F3]

99=Refused [SKIP TO F3]

F2. About how many employees work at your business, including both full-time and part-time employees, across all locations?

1=VERBATIM

[NOTE TO INTERVIEWER – READ CATEGORIES IF NECESSARY]

1=Sole proprietorship/no employees	10=251-500 employees
2=1-4 employees	11=501-750 employees
3=5-9 employees	12=751-1,000 employees
4=10-25 employees	13=1,001-1,250 employees
5=26-50 employees	14=1,251-1,500 employees
6=51-100 employees	15=1,501 or more employees
7=101-150 employees	98=(DON'T KNOW)
8=151-200 employees	99=(REFUSED)
9=201-250 employees	

F3. Dun & Bradstreet lists the average annual gross revenue of your business, including all your locations, as [DOLLAR AMOUNT]. Is that an accurate estimate of your business' average annual gross revenue?

1=Yes [SKIP TO G1]

2=No

98=Don't know [SKIP TO G1]

99=Refused [SKIP TO G1]

F4. Roughly, what was the average annual gross revenue of your business, including all of your locations?

1=VERBATIM

[READ LIST IF NECESSARY]

1=\$1 Million or less

9= More than \$20 Million to \$24 Million

2=More than \$1 Million to \$2.5 Million

10=More than \$24 Million to \$30 Million

3=More than \$2.5 Million to \$5 Million

11= More than \$30 Million to \$40 Million

4=More than \$5 Million to \$6 Million

11=More than \$40 Million to \$43 Million

5=More than \$6 Million to \$8.5 Million

12=More than \$43 Million

6=More than \$8.5 Million to \$12 Million

98= (DON'T KNOW)

7= More than \$12 Million to \$18 Million

99= (REFUSED)

8= More than \$18 Million to \$20 Million

G1. We're interested in whether your business has experienced barriers or difficulties related to working with, or attempting to work with, any government organizations in the San Francisco. Do you have any thoughts to share?

1=VERBATIM [PROBE FOR COMPLETE THOUGHTS]

97=No comments

G2. Would you be willing to participate in a follow-up interview about any of those topics?

1=Yes

2=No

Just a few final questions.

H1. What is your name?

1=VERBATIM

H2. What is your position at [BUSINESS NAME/NEW BUSINESS NAME]?

- 1=Receptionist
- 2=Owner
- 3=Manager
- 4=CFO
- 5=CEO
- 6=Assistant to Owner/CEO
- 7=Sales manager
- 8=Office manager
- 9=President
- 10=Other, specify _____
- 99=Refused

H3. At what email address can you be reached?

- 1= VERBATIM

Thank you very much for your participation. If you have any questions or concerns, please contact Anh Ton, in the Contract Monitoring Division at cmd.info@sfgov.org or via telephone at 415-554-0630.

If you have any questions for the Contracting Equity Study project team or wish to submit written questions, comments, or insights about the marketplace, please email SfContractingEquity@bbcresearch.com.

APPENDIX C.

Additional Analyses of Marketplace Conditions

BBC Research & Consulting (BBC) conducted quantitative analyses of marketplace conditions in San Francisco and the surrounding Bay Area to assess whether people of color (POCs), women, and POC- and woman-owned businesses face any barriers in San Francisco's construction, professional services, and commodities and general services industries.^{1, 2} The analyses presented in Appendix C supplement the analyses presented in [Chapter 2](#), in which BBC compared marketplace conditions in San Francisco and the surrounding Bay Area and across the construction, professional services, and commodities and general services industries. San Francisco's *Chapter 14B Local Business Program* [also referred to as the *Local Business Enterprise (LBE) Program*] is *race- and gender-neutral* in nature (i.e., it does not consider the race or gender of businesses' owners as part of their eligibility to participate in the program). However, analyses of marketplace conditions for individuals who identify with various race and gender groups can provide the City and County of San Francisco (the City) with additional insights into conditions that San Francisco residents face as they attempt to start and grow businesses.

BBC examined marketplace conditions in four primary areas:

- **Human capital**, to assess whether POCs and women face barriers related to education, employment, and gaining experience;
- **Financial capital**, to assess whether POCs and women face barriers related to wages, homeownership, personal wealth, and financing;
- **Business ownership**, to assess whether POCs and women own businesses at rates comparable to White people and men, respectively; and
- **Business success** to assess whether POC- and woman-owned businesses have outcomes similar to those of other businesses.

Appendix C presents a series of figures and tables that show results from those analyses. We highlight statistically significant results and results that demonstrate marketplace barriers.

¹ The geographic area that comprises the Bay Area for the purposes of these analyses is Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties in California.

² BBC defines POCs as individuals who identify with one of the following race groups: Asian Pacific, Black, Hispanic, Middle Eastern and North African (MENA), Native American, Subcontinent Asian, or other non-White race group (other race POC).

Figure C-1.

Percentage of all workers who have obtained various levels of education, San Francisco and the surrounding Bay Area, by industry, 2019-2023

Group	Less than High School	High School	Associate's Degree	Bachelor's Degree
Race/ethnicity	N/A	N/A	N/A	N/A
- Asian Pacific	6.3%**	93.7%**	85.2%**	63.3%**
- Black	4.7%**	95.3%**	67.1%**	41.7%**
- Hispanic	24.1%**	75.9%**	62.6%**	25.3%**
- MENA	2.2%	97.8%	89.1%**	74.5%**
- Native American	3.6%**	96.4%**	67.9%**	43.5%**
- Subcontinent Asian	2.4%**	97.6%**	96.5%**	89.7%**
- Other race POC	3.4%**	96.6%**	82.0%	62.4%**
- White	1.7%	98.3%	82.0%	65.7%
Gender	N/A	N/A	N/A	N/A
- Women	6.7%**	93.3%**	81.4%**	58.5%**
- Men	9.3%	90.7%	79.6%	54.5%
Residence	N/A	N/A	N/A	N/A
- San Francisco	6.3%**	93.7%**	87.2%**	69.5%**
- Surrounding Bay Area	8.4%	91.6%	79.4%	54.4%

Note: ** Denotes that the difference in proportions between the POC group and White, between women and men, or between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95% confidence level.

Source: BBC from 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

Figure C-1 indicates that, in San Francisco and the surrounding Bay Area:

- Asian Pacific (93.7%), Black (95.3%), Hispanic (75.9%), Native American (96.4%), Subcontinent Asian (97.6%), and other race POC workers (96.6%) are less likely to have graduated high school than White workers (98.3%).
- Black (67.1%), Hispanic (62.6%), and Native American workers (67.9%) are less likely to have an associate's degree or higher compared to White workers (82.0%). In contrast, Asian Pacific (85.2%), Middle Eastern and North African (MENA) (89.1%), and Subcontinent Asian workers (96.5%) are more likely than White workers to have an associate's degree or higher.
- Asian Pacific (63.3%), Black (41.7%), Hispanic (25.3%), Native American (43.5%), and other race POC workers (62.4%) are less likely than White workers (65.7%) to have a bachelor's degree or higher. In contrast, both MENA (74.5%) and Subcontinent Asian workers (89.7%) are more likely to have a bachelor's degree or higher than White Americans.

- Women are more likely than men to have graduated high school (women: 93.3%, men: 90.7%), have an associate's degree or higher (women: 81.4%, men: 79.6%), and have a bachelor's degree or higher (women: 58.5%, men: 54.5%).
- San Francisco residents are more likely than residents of the surrounding Bay Area to have graduated high school (San Francisco residents: 93.7%; residents of the surrounding Bay Area: 91.6%), have an associate's degree or higher (San Francisco residents: 87.2%; residents of the surrounding Bay Area: 79.4%), and have a bachelor's degree or higher (San Francisco residents: 69.5%; residents of the surrounding Bay Area: 54.4%).

Figure C-2.
Unemployment rates, San
Francisco and the
surrounding Bay Area,
2019-2023

Note:

** Denotes that the difference in proportions between the POC group and White, between women and men, or between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95% confidence level.

A text description of [Figure C-2](#) is provided in Appendix E.

Source:

BBC from 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

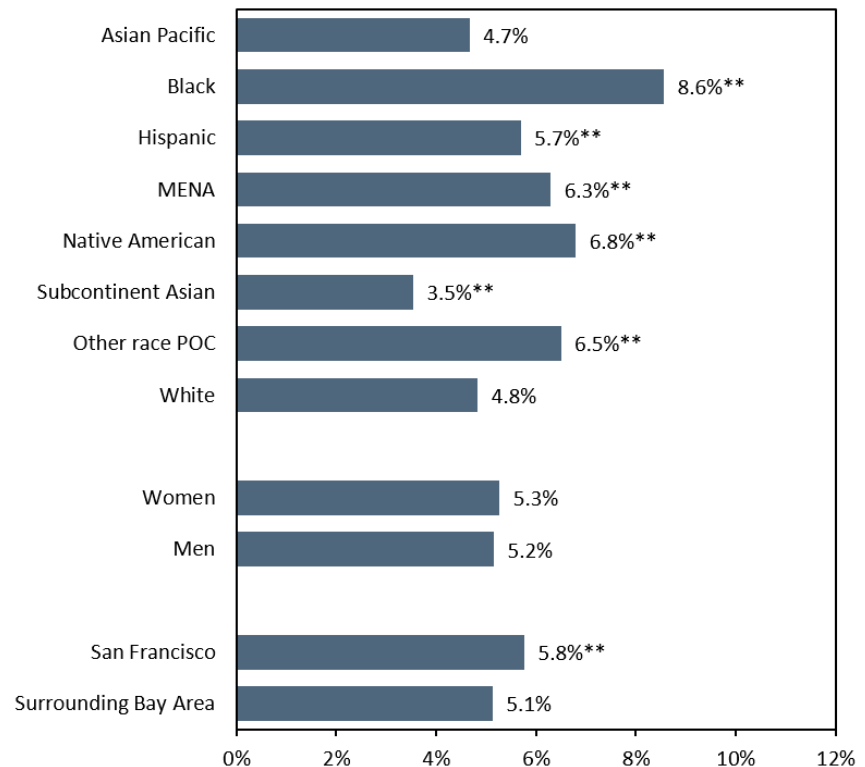


Figure C-2 indicates that, in San Francisco and the surrounding Bay Area, when compared to White workers (4.8%), Black (8.6%), Hispanic (5.7%), MENA (6.3%), Native American (6.8%), and other race POC workers (6.5%) are more likely to be unemployed. In contrast, Subcontinent Asian workers (3.5%) are less likely than White workers to be unemployed. San Francisco residents are more likely to be unemployed (5.8%) than residents of the surrounding Bay Area (5.1%).

Figure C-3.
Demographic characteristics of workers in study-related contracting industries
and all industries, San Francisco and the surrounding Bay Area, 2019-2023

Group	All industries (n=199,423)	Construction (n=10,135)	Professional services (n=23,265)	Commodities and general services (n=13,094)
Race/ethnicity	N/A	N/A	N/A	N/A
- Asian Pacific	24.5%	9.8%**	26.2%**	18.3%**
- Black	6.4%	3.4%**	3.3%**	9.0%**
- Hispanic	23.8%	47.9%**	8.1%**	38.7%**
- MENA	1.8%	1.0%**	2.3%**	1.2%**
- Native American	0.9%	0.9%	0.6%**	0.8%
- Subcontinent Asian	6.9%	1.1%**	19.7%**	4.1%**
- Other race POC	1.2%	1.2%	1.1%	1.1%
- White	34.5%	34.6%	38.7%**	26.9%**
Gender	N/A	N/A	N/A	N/A
- Women	46.0%	11.2%**	35.2%**	34.3%**
- Men	54.0%	88.8%**	64.8%**	65.7%**
Residence	N/A	N/A	N/A	N/A
- San Francisco	12.3%	6.8%**	17.7%**	9.4%**
- Surrounding Bay Area	87.7%	93.2%**	82.3%**	90.6%**

Note: ** Denotes that the difference in proportions between workers in each study-related industry and workers in all other industries is statistically significant at the 95% confidence level.

Source: BBC from 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

Figure C-3 indicates that, in San Francisco and the surrounding Bay Area:

- Compared to their representations in all industries, Asian Pacific (9.8%), Black (3.4%), MENA (1.0%), and Subcontinent Asian workers (1.1%) are underrepresented in the construction industry. In contrast, Hispanic workers (47.9%) are overrepresented in the construction industry. Women (11.2%) are underrepresented in the construction industry. Workers who live in San Francisco (6.8%) are underrepresented in the construction industry.
- Compared to their representations in all industries, Black American (3.3%), Hispanic American (8.1%), and Native American workers (0.6%) are underrepresented in the professional services industry. In contrast, Asian Pacific (26.2%), MENA (2.3%), Subcontinent Asian (19.7%), and White workers (38.7%) are overrepresented in the professional services industry. Women (35.2%) are underrepresented in the professional services industry. Workers who live in San Francisco (17.7%) are overrepresented in the professional services industry.

- Compared to their representations in all industries, Asian Pacific (18.3%), MENA (1.2%), Subcontinent Asian (4.1%), and White workers (26.9%) are underrepresented in the commodities and general services industry. In contrast, Black (9.0%) and Hispanic workers (38.7%) are overrepresented in the commodities and general services industry. Women (34.3%) are underrepresented in the commodities and general services industry. Workers who live in San Francisco (9.4%) are underrepresented in the commodities and general services industry.

Figure C-4.
Percentage of non-owner workers who work as a manager in each study-related industry, San Francisco and the surrounding Bay Area, 2019-2023

Group	Construction	Professional services	Commodities and general services
Race/ethnicity	N/A	N/A	N/A
- Asian Pacific	12.3%**	8.9%**	4.6%**
- Black	11.2%**	8.5%**	1.4%**
- Hispanic	4.7%**	11.5%**	1.4%**
- MENA	24.1%	13.1%	7.0%
- Native American	14.5%	7.9%**	3.1%**
- Subcontinent Asian	28.0%	10.2%**	3.8%**
- Other race POC	7.7%**	8.4%**	3.0%**
- White	19.3%	15.4%	7.7%
Gender	N/A	N/A	N/A
- Women	16.5%**	11.6%	3.0%**
- Men	10.3%	11.9%	4.3%
Residence	N/A	N/A	N/A
- San Francisco	17.3%**	13.5%**	3.6%
- Surrounding Bay Area	10.6%	11.5%	3.9%
All individuals	11.0%	11.8%	3.8%

Note: ** Denotes that the difference in proportions between the POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 95% confidence level.

Source: BBC from 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

Figure C-4 indicates that, in San Francisco and the surrounding Bay Area:

- Smaller percentages of Asian Pacific (12.3%), Black (11.2%), Hispanic (4.7%), and other race POC workers in the construction industry (7.7%) work as managers compared to White workers in the construction industry (19.3%).
- Smaller percentages of Asian Pacific (8.9%), Black (8.5%), Hispanic (11.5%), Native American (7.9%), Subcontinent Asian (10.2%), and other race POC workers in the professional services

industry (8.4%) work as managers compared to White workers in the professional services industry (15.4%).

- Smaller percentages of Asian Pacific (4.6%), Black (1.4%), Hispanic (1.4%), Native American (3.1%), Subcontinent Asian (3.8%), and other race POC workers in the commodities and general services industry (3.0%) work as managers compared to White workers in the commodities and general services industry (7.7%).
- A greater percentage of women workers in the construction industry (16.5%) work as managers compared to men in the construction industry (10.3%). In contrast, a smaller percentage of women workers in the commodities and general services industry (3.0%) work as managers compared to men in the commodities and general services industry (4.3%).
- A greater percentage of San Francisco residents who work in the construction industry (17.3%) work as managers compared to residents of the surrounding Bay Area who work in the construction industry (10.6%). Additionally, a greater percentage of San Francisco residents who work in the professional services industry (13.5%) work as managers compared to residents of the surrounding Bay Area who work in the professional services industry (11.5%).

Figure C-5.
Mean annual wages,
San Francisco and the
surrounding Bay Area,
2019-2023

Note:

The sample universe is all non-institutionalized, employed individuals aged 25-64 who are not in school, the military, or self-employed.

** Denotes that the difference in proportions between the POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 95% confidence level.

A text description of [Figure C-5](#) is provided in Appendix E.

Source:

BBC from 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center:
<http://usa.ipums.org/usa/>.

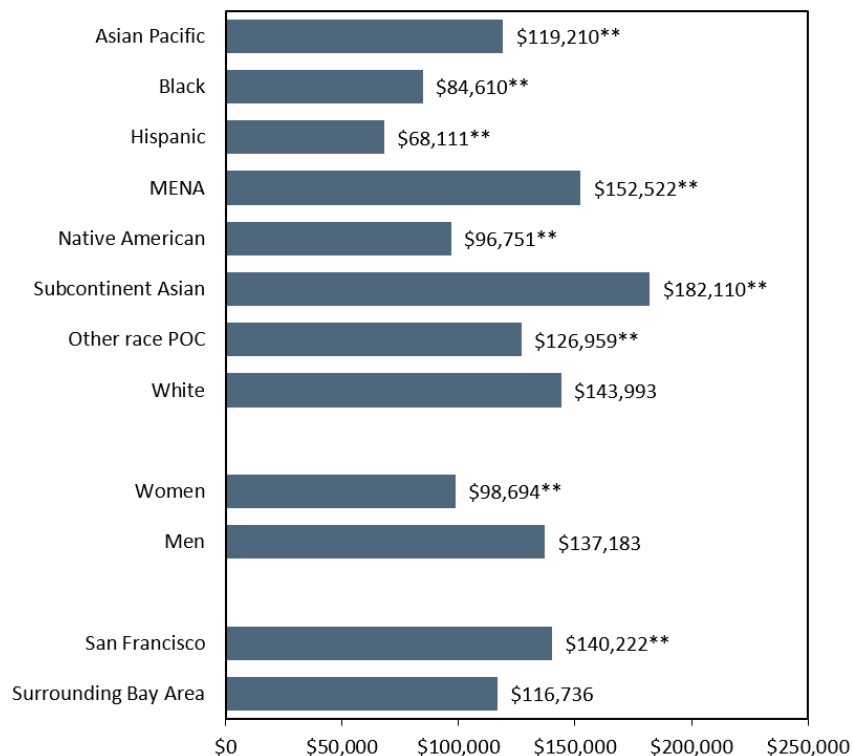


Figure C-5 indicates that, in San Francisco and the surrounding Bay Area, Asian Pacific (\$119,210), Black (\$84,610), Hispanic (\$68,111), Native American (\$96,751), and other race POC workers (\$126,959) have higher annual wages on average than White workers (\$143,993). In contrast, in San Francisco and the surrounding Bay Area, MENA (\$152,522) and Subcontinent Asian workers (\$182,110) have higher annual wages on average than White workers. Additionally, in San Francisco and the surrounding Bay Area, women (\$98,694) have lower annual wages on average than men (\$137,183). Workers who live in San Francisco (\$140,222) have higher annual wages on average than workers who live in the surrounding Bay Area (\$116,736).

Figure C-6.
Homeownership rates,
San Francisco and the
surrounding Bay Area,
2019-2023

Note:

The sample universe includes all households

** Denotes that the difference in mean between the POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 95% confidence level.

A text description of [Figure C-6](#) is provided in Appendix E.

Source:

BBC from 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

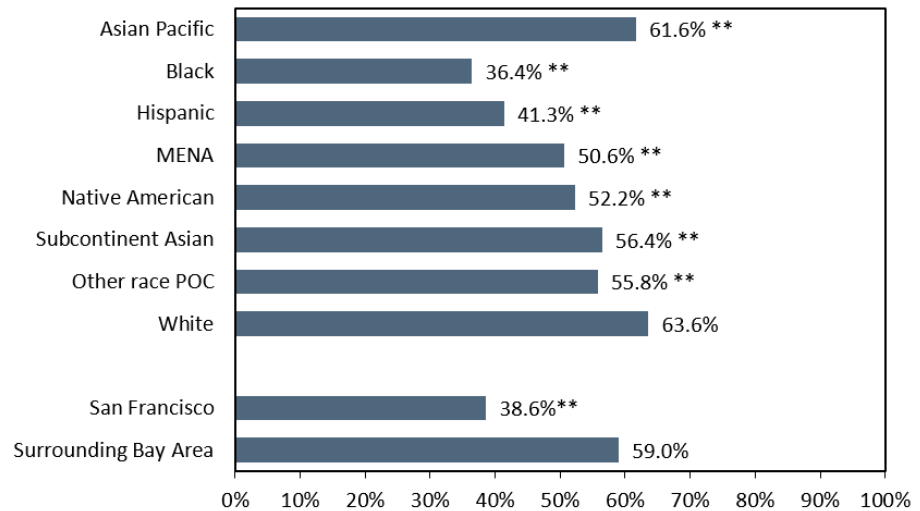
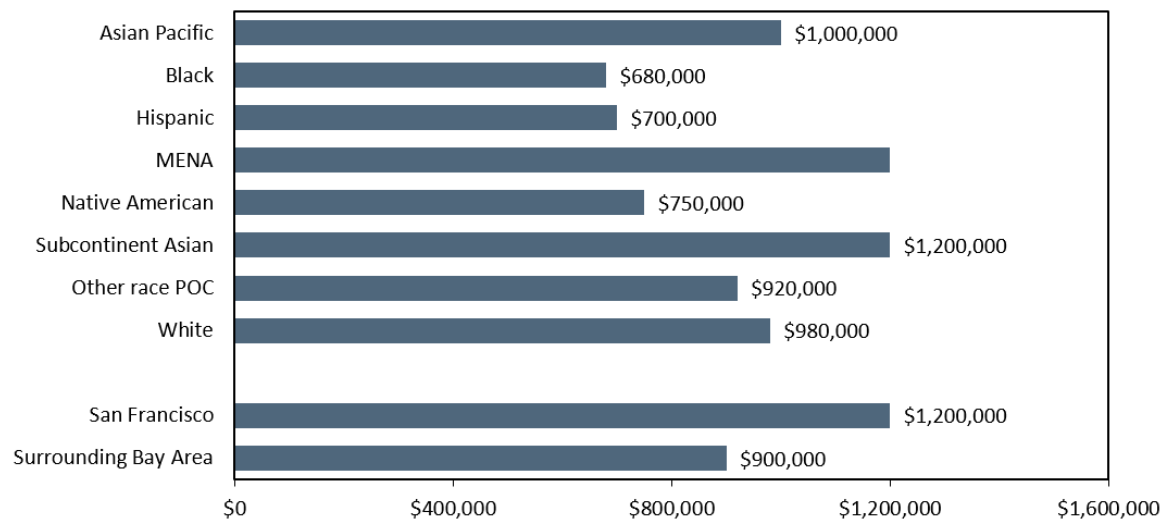


Figure C-6 indicates that, in San Francisco and the surrounding Bay Area, Asian Pacific (61.6%), Black (36.4%), Hispanic (41.3%), MENA (50.6%), Native American (52.2%), Subcontinent Asian (56.4%), and other race POC households (55.8%) own their homes at lower rates compared to White households (63.6%). San Francisco households (38.6%) own their homes at lower rates than households in the surrounding Bay Area (59.0%).

Figure C-7.
Median home values, San Francisco and the surrounding Bay Area, 2019-2023



Note: The sample universe is all owner-occupied housing units.

A text description of [Figure C-7](#) is provided in Appendix E.

Source: BBC from 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

Figure C-7 indicates that in San Francisco and the surrounding Bay Area, Black (\$680,000), Hispanic (\$700,000), Native American (\$750,000), and other race POC homeowners (\$920,000) own homes that, on average, are worth less than those of White homeowners (\$980,000). In contrast, Asian Pacific (\$1.0

million), MENA (\$1.2 million), and Subcontinent Asian homeowners (\$1.2 million) own homes that, on average, are worth more than those of White homeowners. San Francisco homeowners (\$1.2 million) own homes that, on average, are worth more than those of homeowners in the surrounding Bay Area (\$900,000).

Figure C-8.
Self-employment rates in study-related contracting industries,
San Francisco and the surrounding Bay Area, 2019-2023

Group	Construction	Professional services	Commodities and general services
Race/ethnicity	N/A	N/A	N/A
- Asian Pacific	23.9%	6.5%**	10.8%**
- Black	17.2%*	11.3%**	8.7%**
- Hispanic	16.1%**	10.0%**	18.1%*
- MENA	32.7%	11.4%**	11.5%**
- Native American	16.6%	15.3%	19.7%
- Subcontinent Asian	13.8%**	3.7%**	11.0%**
- Other race POC	31.8%	15.9%	23.4%
- White	23.3%	16.2%	20.1%
Gender	N/A	N/A	N/A
- Women	12.5%**	10.7%	16.6%
- Men	20.7%	10.2%	15.9%
Residence	N/A	N/A	N/A
- San Francisco	25.5%**	10.4%	15.0%
- Bay Area	19.3%	10.4%	16.3%
All individuals	19.7%	10.4%	16.2%

Note: *, ** Denotes that the difference in proportions between the POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 90% and 95% confidence levels, respectively.

Source: BBC from 2019-2023 ACS 5% Public Use Microdata samples. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

Figure C-8 indicates that, in San Francisco and the surrounding Bay Area:

- Black (17.2%), Hispanic (16.1%), and Subcontinent Asian workers in the construction industry (13.8%) own businesses at lower rates than White workers in the construction industry (23.3%). Women workers in the construction industry (12.5%) own businesses at lower rates than workers in the construction industry who are men (20.7%). Workers who are San Francisco residents in the construction industry (25.5%) own businesses at higher rates than workers in the construction industry who are residents of the surrounding Bay Area (19.3%).

- Asian Pacific (6.5%), Black (11.3%), Hispanic (10.0%), MENA (11.4%), and Subcontinent Asian workers in the professional services industry (3.7%) own professional services businesses at lower rates than White workers (16.2%).
- Asian Pacific (10.8%), Black (8.7%), Hispanic (18.1%), MENA (11.5%), and Subcontinent Asian workers in the commodities and general services industry (11.0%) own businesses at lower rates than White workers in the commodities and general services industry (20.1%).

Figure C-9.
Mean annual business
owner earnings, San
Francisco and the
surrounding Bay Area,
2019-2023

Note:

The sample universe is business owners aged 16 and over who reported positive earnings. All amounts in 2023 dollars.

*, ** Denotes that the difference in proportions between the POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 90% and 95% confidence levels, respectively.

A text description of [Figure C-9](#) is provided in Appendix E.

Source:

BBC from 2019-2023 ACS 5% Public Use Microdata sample. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

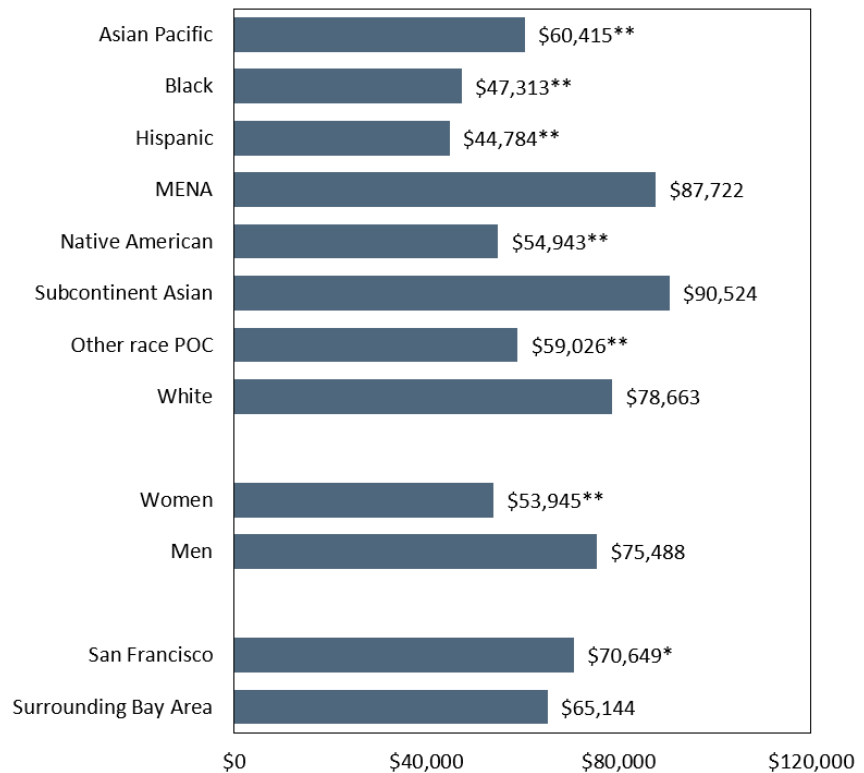


Figure C-9 indicates that, in San Francisco and the surrounding Bay Area, Asian Pacific (\$60,415), Black (\$47,313), Hispanic (\$44,784), Native American (\$54,943), and other race POC business owners (\$59,026) earn less on average than White business owners (\$78,663). Additionally, in San Francisco and the surrounding Bay Area, women business owners (\$53,945) earn less on average than business owners who are men (\$75,488). Business owners who live in San Francisco (\$70,649) earn more on average than business owners who live in the surrounding Bay Area (\$65,144).

APPENDIX D.

Analysis Results Tables

As part of the contracting equity study analyses, BBC Research & Consulting (BBC) calculated the actual participation, or *utilization*, of small local businesses in prime contracts and subcontracts the City and County of San Francisco (the City) awarded between July 1, 2020 and December 31, 2024 (the *study period*) and the percentage of contract dollars those businesses might be expected to receive based on their *availability* for that work. Appendix D presents detailed results from the utilization and availability analyses for relevant business groups and various sets of contracts the City awarded during the study period.

A. Format and Information

Each table in Appendix D presents utilization and availability analysis results for a different set of contracts. For example, **Figure D-1** presents results for all contracts and purchase orders BBC examined as part of the study considered together, segmented by the following business groups:

- **Tier 1 (micro) businesses** are professional services businesses and trucking businesses with revenues less than \$2.93 million, commodities and general services businesses and specialty construction businesses with revenues less than \$7.03 million, and public works construction businesses with revenues less than \$14.05 million;
- **Tier 2 (small) businesses** are professional services businesses and trucking businesses with revenues greater than \$2.93 million but less than \$5.93 million, commodities and general services businesses and specialty construction businesses with revenues greater than \$7.03 million but less than \$14.05 million, and public works construction businesses with revenues greater than \$14.05 million but less than \$28.10 million; and
- **Tier 3 (SBA) businesses** are professional services businesses with revenues greater than or equal to \$5.93 million but less than \$9.95 million, trucking businesses with revenues greater than or equal to \$5.86 million but less than \$11.71 million, commodities and general services businesses and specialty construction businesses with revenues greater than or equal to \$14.05 million but less than \$23.42 million, and public works construction businesses with revenues greater than or equal to \$28.10 million but less than \$46.84 million.

We present results separately for businesses with a location in San Francisco, businesses of each tier that are headquartered in San Francisco, and businesses of each tier that are certified with the City as Local Business Enterprises (LBEs) separately for each of the three tiers described above. Businesses headquartered in San Francisco are a subset of businesses with a location in San Francisco and, therefore, results for businesses headquartered in San Francisco are included within results for businesses with a location in San Francisco.

A review of Figure D-1 introduces the calculations and format of all analysis results tables in Appendix D. As shown in Figure D-1, the tables present information about the relevant business groups in the following rows:

- “All businesses” in row (1) pertains to information about all businesses regardless of the size or location of the business.
- Row (2) presents results for all small local businesses considered together, regardless of whether they were certified as LBEs.
- Rows (3) through (5) present results for businesses of each tier of small local businesses, regardless of whether they were certified as LBEs.
- Row (8) presents results for all small businesses headquartered in San Francisco, which are businesses that could be certified as LBEs based on revenue and location requirements, regardless of if they were certified as such (*potential LBEs*).
- Rows (9) through (11) present results for businesses of each tier of small businesses headquartered in San Francisco, regardless of whether they were certified as LBEs.
- Row (12) presents results for certified LBEs.
- Rows (13) through (15) present results for each tier of certified LBEs (Micro-LBEs, Small-LBEs, and SBA-LBEs).¹

Each results table includes the same columns of information:

- Column (a) lists the business group for which results are presented.
- Columns (b) through (e) present results from our utilization analysis; and
- Column (f) presents results from our availability analysis.

BBC describes the format in which we present results of the utilization and availability analyses in further detail below.

1. Utilization analysis results. BBC assessed the utilization or *participation* of different business groups in the contracts the City awarded during the study period. For additional information about BBC’s utilization analysis, see **Chapter 6**. In the tables in Appendix D:

- Column (b) presents the total number of prime contracts and subcontracts (i.e., *contract elements*) BBC analyzed as part of the contract set. As shown in row (1) of column (b) of Figure D-1, BBC analyzed 6,449 contract elements that the City awarded during the study period. The values presented in column (b) represent the number of contract elements in which businesses of each group participated. For example, as shown in row (3) of column (b) of Figure D-1, local Tier 1 (micro) businesses participated in 2,966 contract elements the City awarded during the study period.
- Column (c) presents the total number of unique businesses that participated in each contract set. As shown in row (1) of column (c) of Figure D-1, BBC analyzed the characteristics of the 1,340 unique businesses to which the City awarded contracts. The values presented in column (c) present the number of unique businesses for each group analyzed. For example, as shown in row (3) of column

¹ The size limits of the Chapter 14B Local Business Program’s (also referred to as the LBE Program’s) SBA-LBE certification tier are not related to size limits set by the United States Small Business Administration for Small Business Enterprise certification, nor does Chapter 14B define SBA to mean Small Business Administration.

(c) of Figure D-1, 453 local Tier 1 (micro) businesses participated in the contract elements the City awarded during the study period.

- Column (d) presents the dollars (in thousands) associated with the set of contract elements. As shown in row (1) of column (d) of Figure D-1, BBC examined approximately \$7.9 billion that was associated with the 6,449 contract elements the City awarded during the study period. The value presented in column (d) for each individual business group represents the dollars businesses of that particular group received on the set of contract elements. For example, as shown in row (3) of column (d) of Figure D-1, local Tier 1 (micro) businesses received approximately \$2.0 billion of the contract and purchase order dollars the City awarded during the study period.
- Column (e) presents the participation of each business group as a percentage of total dollars associated with the set of contract elements. BBC calculated each percentage in column (e) by dividing the dollars that went to a particular business group in column (e) by the total dollars associated with the set of contract elements shown in row (1) of column (e), and then expressing the result as a percentage. For example, for local Tier 1 (micro) businesses, the study team divided \$2.0 billion by \$7.9 billion and multiplied by 100 for a result of 25.1 percent, as shown in row (3) of column (e).

BBC does not calculate participation results for all businesses. As such, in each results table, column (e) of row (1) contains the note “not applicable” (N/A), indicating results do not apply to that business group.

2. Availability results. BBC assessed the availability of different business groups for the contracts the City awards. For additional information about BBC’s availability analysis, see [Chapter 5](#).

In the tables in Appendix D, Column (f) presents the availability of each relevant group for all contract elements BBC analyzed as part of the contract set. Availability estimates, which are represented as percentages of the total contracting dollars associated with the set of contract elements, serve as benchmarks against which to compare the participation of specific groups for specific sets of contracts. For example, as shown in row (3) of column (f), the availability of local Tier 1 (micro) businesses for City work is 60.1 percent. That is, local Tier 1 (micro) businesses might be expected to receive 60.1 percent of relevant City contract and purchase order dollars based on their availability for that work.

BBC does not calculate availability results for all businesses nor for businesses certified as LBEs. As such, in each results table, rows (10) through (13) of column (e) contain the note N/A, indicating results do not apply to that business group.

B. Index and Tables

The table of contents presents an index of the sets of projects for which BBC analyzed results. In addition, the heading of each table in Appendix D provides a description of the subset of projects BBC analyzed for that particular set of projects.

Table of contents

Table number	Description	Program	Industry	Role	Contract size	LBE goal status
<u>D-1</u>	Overall	All	All	Prime contracts and subcontracts	All	All
<u>D-2</u>	Construction	All	Construction	Prime contracts and subcontracts	All	All
<u>D-3</u>	Professional services	All	Professional services	Prime contracts and subcontracts	All	All
<u>D-4</u>	Commodities and general services	All	Commodities and general services	Prime contracts and subcontracts	All	All
<u>D-5</u>	Prime contracts	All	All	Prime contracts	All	All
<u>D-6</u>	Subcontracts	All	All	Subcontracts	All	All
<u>D-7</u>	Large prime contracts	All	All	Prime contracts	Construction contracts worth more than \$2 million, professional services contracts worth more than \$3 million, and commodities and general services contracts worth more than \$1 million (<i>large</i>)	All
<u>D-8</u>	Small prime contracts	All	All	Prime contracts	Construction contracts worth \$2 million or less, professional services contracts worth \$3 million or less, and commodities and general services contracts \$1 million or less (<i>small</i>)	All
<u>D-9</u>	14B eligible	14B	All	Prime contracts and subcontracts	All	All
<u>D-10</u>	14B ineligible	Non-14B	All	Prime contracts and subcontracts	All	All
<u>D-11</u>	14B LBE requirements	14B	All	Prime contracts and subcontracts	All	Requirements
<u>D-12</u>	No 14B LBE requirements	14B	All	Prime contracts and subcontracts	All	No requirements

Table D-1: Overall
Program: 14B and Non-14B
Contract area: All industries
Contract role: Prime contracts and subcontracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	6,449	1,340	\$7,880,052	N/A	N/A
(2)	All local small businesses	3,706	547	\$2,872,298	36.5%	72.1%
(3)	- Local Tier 1 (micro)	2,966	453	\$1,978,818	25.1%	60.1%
(4)	- Local Tier 2 (small)	486	65	\$710,789	9.0%	8.7%
(5)	- Local Tier 3 (SBA)	254	29	\$182,690	2.3%	3.3%
(6)	All small businesses HQ in SF	3,206	406	\$2,439,894	31.0%	61.4%
(7)	- Tier 1 (micro) HQ in SF	2,679	348	\$1,789,078	22.7%	50.9%
(8)	- Tier 2 (small) HQ in SF	393	44	\$560,566	7.1%	7.7%
(9)	- Tier 3 (SBA) HQ in SF	134	14	\$90,250	1.1%	2.8%
(10)	All certified LBEs	3,135	397	\$2,208,222	28.0%	N/A
(11)	- Certified Tier 1 (micro)	2,608	337	\$1,604,775	20.4%	N/A
(12)	- Certified Tier 2 (small)	429	50	\$563,579	7.2%	N/A
(13)	- Certified Tier 3 (SBA)	98	10	\$39,868	0.5%	N/A

Note: *HQ in SF* refers to businesses headquartered in San Francisco.

The City certifies LBEs as Micro-, Small-, and SBA-LBEs based on the combination of their average annual revenue and work types. Therefore, a business could be both a Micro-LBE and a Small-LBE depending on the work types under which it is certified. For analytical simplicity, for analyses of businesses in rows (2) through (9), BBC classified businesses as Micro/Small/SBA businesses based on their primary work type and average annual revenue. For analyses of certified LBEs reported in rows (10) through (13), BBC classified businesses into just one tier, the smallest tier for which they qualify based on their average annual revenue and primary work type.

A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-2: Construction
Program: 14B and Non-14B
Contract area: Construction
Contract role: Prime contracts and subcontracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	1,735	349	\$3,257,309	N/A	N/A
(2)	All local small businesses	1,116	167	\$1,405,331	43.1%	79.4%
(3)	- Local Tier 1 (micro)	850	134	\$843,358	25.9%	66.7%
(4)	- Local Tier 2 (small)	167	23	\$487,716	15.0%	9.7%
(5)	- Local Tier 3 (SBA)	99	10	\$74,257	2.3%	3.0%
(6)	All small businesses HQ in SF	949	122	\$1,242,398	38.1%	70.1%
(7)	- Tier 1 (micro) HQ in SF	730	100	\$802,930	24.7%	59.3%
(8)	- Tier 2 (small) HQ in SF	127	14	\$383,265	11.8%	7.8%
(9)	- Tier 3 (SBA) HQ in SF	92	8	\$56,203	1.7%	3.0%
(10)	All certified LBEs	891	116	\$1,006,463	30.9%	N/A
(11)	- Certified Tier 1 (micro)	678	93	\$609,838	18.7%	N/A
(12)	- Certified Tier 2 (small)	149	17	\$375,941	11.5%	N/A
(13)	- Certified Tier 3 (SBA)	64	6	\$20,685	0.6%	N/A

Note: *HQ in SF* refers to businesses headquartered in San Francisco.

The City certifies LBEs as Micro-, Small-, and SBA-LBEs based on the combination of their average annual revenue and work types. Therefore, a business could be both a Micro-LBE and a Small-LBE depending on the work types under which it is certified. For analytical simplicity, for analyses of businesses in rows (2) through (9), BBC classified businesses as Micro/Small/SBA businesses based on their primary work type and average annual revenue. For analyses of certified LBEs reported in rows (10) through (13), BBC classified businesses into just one tier, the smallest tier for which they qualify based on their average annual revenue and primary work type.

A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-3: Professional services
Program: 14B and Non-14B
Contract area: Professional services
Contract role: Prime contracts and subcontracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	2,938	612	\$2,934,113	N/A	N/A
(2)	All local small businesses	1,828	251	\$1,047,482	35.7%	66.1%
(3)	- Local Tier 1 (micro)	1,476	209	\$808,343	27.5%	55.1%
(4)	- Local Tier 2 (small)	231	28	\$152,304	5.2%	7.4%
(5)	- Local Tier 3 (SBA)	121	14	\$86,836	3.0%	3.5%
(6)	All small businesses HQ in SF	1,623	195	\$876,795	29.9%	56.4%
(7)	- Tier 1 (micro) HQ in SF	1,400	171	\$728,665	24.8%	45.7%
(8)	- Tier 2 (small) HQ in SF	183	19	\$114,215	3.9%	7.1%
(9)	- Tier 3 (SBA) HQ in SF	40	5	\$33,915	1.2%	3.5%
(10)	All certified LBEs	1,622	195	\$882,837	30.1%	N/A
(11)	- Certified Tier 1 (micro)	1,417	172	\$745,021	25.4%	N/A
(12)	- Certified Tier 2 (small)	173	20	\$118,764	4.0%	N/A
(13)	- Certified Tier 3 (SBA)	32	3	\$19,051	0.6%	N/A

Note: *HQ in SF* refers to businesses headquartered in San Francisco.

The City certifies LBEs as Micro-, Small-, and SBA-LBEs based on the combination of their average annual revenue and work types. Therefore, a business could be both a Micro-LBE and a Small-LBE depending on the work types under which it is certified. For analytical simplicity, for analyses of businesses in rows (2) through (9), BBC classified businesses as Micro/Small/SBA businesses based on their primary work type and average annual revenue. For analyses of certified LBEs reported in rows (10) through (13), BBC classified businesses into just one tier, the smallest tier for which they qualify based on their average annual revenue and primary work type.

A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-4: Commodities and general services
Program: 14B and Non-14B
Contract area: Commodities and general services
Contract role: Prime contracts and subcontracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	1,776	379	\$1,688,631	N/A	N/A
(2)	All local small businesses	762	129	\$419,485	24.8%	68.8%
(3)	- Local Tier 1 (micro)	640	110	\$327,118	19.4%	56.0%
(4)	- Local Tier 2 (small)	88	14	\$70,769	4.2%	9.2%
(5)	- Local Tier 3 (SBA)	34	5	\$21,598	1.3%	3.6%
(6)	All small businesses HQ in SF	634	89	\$320,701	19.0%	53.3%
(7)	- Tier 1 (micro) HQ in SF	549	77	\$257,483	15.2%	43.9%
(8)	- Tier 2 (small) HQ in SF	83	11	\$63,086	3.7%	8.2%
(9)	- Tier 3 (SBA) HQ in SF	2	1	\$132	0.0%	1.2%
(10)	All certified LBEs	622	86	\$318,922	18.9%	N/A
(11)	- Certified Tier 1 (micro)	513	72	\$249,916	14.8%	N/A
(12)	- Certified Tier 2 (small)	107	13	\$68,874	4.1%	N/A
(13)	- Certified Tier 3 (SBA)	2	1	\$132	0.0%	N/A

Note: *HQ in SF* refers to businesses headquartered in San Francisco.

The City certifies LBEs as Micro-, Small-, and SBA-LBEs based on the combination of their average annual revenue and work types. Therefore, a business could be both a Micro-LBE and a Small-LBE depending on the work types under which it is certified. For analytical simplicity, for analyses of businesses in rows (2) through (9), BBC classified businesses as Micro/Small/SBA businesses based on their primary work type and average annual revenue. For analyses of certified LBEs reported in rows (10) through (13), BBC classified businesses into just one tier, the smallest tier for which they qualify based on their average annual revenue and primary work type.

A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-5: Prime contracts
Program: 14B and Non-14B
Contract area: All industries
Contract role: Prime contracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	3,143	917	\$6,474,451	N/A	N/A
(2)	All local small businesses	1,323	318	\$2,037,466	31.5%	70.1%
(3)	- Local Tier 1 (micro)	1,027	255	\$1,353,907	20.9%	58.9%
(4)	- Local Tier 2 (small)	224	45	\$587,094	9.1%	8.0%
(5)	- Local Tier 3 (SBA)	72	18	\$96,464	1.5%	3.2%
(6)	All small businesses HQ in SF	1,070	229	\$1,684,082	26.0%	60.1%
(7)	- Tier 1 (micro) HQ in SF	855	190	\$1,196,540	18.5%	50.3%
(8)	- Tier 2 (small) HQ in SF	179	31	\$450,411	7.0%	7.3%
(9)	- Tier 3 (SBA) HQ in SF	36	8	\$37,131	0.6%	2.5%
(10)	All certified LBEs	1,039	224	\$1,498,163	23.1%	N/A
(11)	- Certified Tier 1 (micro)	831	184	\$1,015,683	15.7%	N/A
(12)	- Certified Tier 2 (small)	181	35	\$461,502	7.1%	N/A
(13)	- Certified Tier 3 (SBA)	27	5	\$20,978	0.3%	N/A

Note: *HQ in SF* refers to businesses headquartered in San Francisco.

The City certifies LBEs as Micro-, Small-, and SBA-LBEs based on the combination of their average annual revenue and work types. Therefore, a business could be both a Micro-LBE and a Small-LBE depending on the work types under which it is certified. For analytical simplicity, for analyses of businesses in rows (2) through (9), BBC classified businesses as Micro/Small/SBA businesses based on their primary work type and average annual revenue. For analyses of certified LBEs reported in rows (10) through (13), BBC classified businesses into just one tier, the smallest tier for which they qualify based on their average annual revenue and primary work type.

A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-6: Subcontracts
Program: 14B and Non-14B
Contract area: All industries
Contract role: Subcontracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	3,306	700	\$1,405,600	N/A	N/A
(2)	All local small businesses	2,383	401	\$834,832	59.4%	81.5%
(3)	- Local Tier 1 (micro)	1,939	331	\$624,911	44.5%	65.5%
(4)	- Local Tier 2 (small)	262	47	\$123,695	8.8%	11.9%
(5)	- Local Tier 3 (SBA)	182	23	\$86,226	6.1%	4.1%
(6)	All small businesses HQ in SF	2,136	330	\$755,812	53.8%	67.3%
(7)	- Tier 1 (micro) HQ in SF	1,824	283	\$592,538	42.2%	53.9%
(8)	- Tier 2 (small) HQ in SF	214	34	\$110,155	7.8%	9.3%
(9)	- Tier 3 (SBA) HQ in SF	98	13	\$53,119	3.8%	4.0%
(10)	All certified LBEs	2,096	321	\$710,059	50.5%	N/A
(11)	- Certified Tier 1 (micro)	1,777	273	\$589,092	41.9%	N/A
(12)	- Certified Tier 2 (small)	248	40	\$102,077	7.3%	N/A
(13)	- Certified Tier 3 (SBA)	71	8	\$18,890	1.3%	N/A

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A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-7: Large prime contracts
Program: 14B and Non-14B, Large contracts
Contract area: All industries
Contract role: Prime contracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	737	412	\$5,595,053	N/A	N/A
(2)	All local small businesses	331	137	\$1,638,603	29.3%	68.8%
(3)	- Local Tier 1 (micro)	227	100	\$1,034,940	18.5%	57.6%
(4)	- Local Tier 2 (small)	88	27	\$526,500	9.4%	8.1%
(5)	- Local Tier 3 (SBA)	16	10	\$77,164	1.4%	3.1%
(6)	All small businesses HQ in SF	284	108	\$1,337,953	23.9%	60.0%
(7)	- Tier 1 (micro) HQ in SF	204	84	\$908,644	16.2%	50.1%
(8)	- Tier 2 (small) HQ in SF	72	20	\$407,383	7.3%	7.4%
(9)	- Tier 3 (SBA) HQ in SF	8	4	\$21,926	0.4%	2.5%
(10)	All certified LBEs	263	106	\$1,157,416	20.7%	N/A
(11)	- Certified Tier 1 (micro)	175	81	\$734,892	13.1%	N/A
(12)	- Certified Tier 2 (small)	84	23	\$412,794	7.4%	N/A
(13)	- Certified Tier 3 (SBA)	4	2	\$9,731	0.2%	N/A

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A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-8: Small prime contracts
Program: 14B and Non-14B, Small contracts
Contract area: All industries
Contract role: Prime contracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	2,406	699	\$879,398	N/A	N/A
(2)	All local small businesses	992	267	\$398,863	45.4%	78.2%
(3)	- Local Tier 1 (micro)	800	222	\$318,968	36.3%	67.1%
(4)	- Local Tier 2 (small)	136	32	\$60,595	6.9%	7.8%
(5)	- Local Tier 3 (SBA)	56	13	\$19,300	2.2%	3.2%
(6)	All small businesses HQ in SF	786	194	\$346,128	39.4%	61.3%
(7)	- Tier 1 (micro) HQ in SF	651	166	\$287,896	32.7%	51.7%
(8)	- Tier 2 (small) HQ in SF	107	21	\$43,028	4.9%	6.6%
(9)	- Tier 3 (SBA) HQ in SF	28	7	\$15,205	1.7%	3.0%
(10)	All certified LBEs	776	190	\$340,746	38.7%	N/A
(11)	- Certified Tier 1 (micro)	656	162	\$280,791	31.9%	N/A
(12)	- Certified Tier 2 (small)	97	24	\$48,708	5.5%	N/A
(13)	- Certified Tier 3 (SBA)	23	4	\$11,248	1.3%	N/A

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A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-9: 14B eligible
Program: 14B
Contract area: All industries
Contract role: Prime contracts and subcontracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	5,201	1,167	\$7,034,427	N/A	N/A
(2)	All local small businesses	3,261	511	\$2,828,172	40.2%	73.0%
(3)	- Local Tier 1 (micro)	2,633	423	\$1,951,881	27.7%	60.9%
(4)	- Local Tier 2 (small)	407	62	\$695,410	9.9%	8.8%
(5)	- Local Tier 3 (SBA)	221	26	\$180,881	2.6%	3.4%
(6)	All small businesses HQ in SF	2,900	398	\$2,418,401	34.4%	62.5%
(7)	- Tier 1 (micro) HQ in SF	2,445	341	\$1,771,059	25.2%	52.0%
(8)	- Tier 2 (small) HQ in SF	332	43	\$557,870	7.9%	7.6%
(9)	- Tier 3 (SBA) HQ in SF	123	14	\$89,471	1.3%	2.9%
(10)	All certified LBEs	2,833	389	\$2,186,917	31.1%	N/A
(11)	- Certified Tier 1 (micro)	2,364	330	\$1,589,355	22.6%	N/A
(12)	- Certified Tier 2 (small)	379	49	\$558,241	7.9%	N/A
(13)	- Certified Tier 3 (SBA)	90	10	\$39,321	0.6%	N/A

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A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-10: 14B ineligible
Program: Non-14B
Contract area: All industries
Contract role: Prime contracts and subcontracts
LBE participation requirements: Requirements and no requirements

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	1,248	344	\$845,624	N/A	N/A
(2)	All local small businesses	445	100	\$44,126	5.2%	65.1%
(3)	- Local Tier 1 (micro)	333	82	\$26,937	3.2%	53.8%
(4)	- Local Tier 2 (small)	79	11	\$15,379	1.8%	8.5%
(5)	- Local Tier 3 (SBA)	33	7	\$1,809	0.2%	2.9%
(6)	All small businesses HQ in SF	306	56	\$21,493	2.5%	52.5%
(7)	- Tier 1 (micro) HQ in SF	234	47	\$18,018	2.1%	42.6%
(8)	- Tier 2 (small) HQ in SF	61	7	\$2,696	0.3%	8.1%
(9)	- Tier 3 (SBA) HQ in SF	11	2	\$779	0.1%	1.8%
(10)	All certified LBEs	302	54	\$21,305	2.5%	N/A
(11)	- Certified Tier 1 (micro)	244	45	\$15,420	1.8%	N/A
(12)	- Certified Tier 2 (small)	50	8	\$5,338	0.6%	N/A
(13)	- Certified Tier 3 (SBA)	8	1	\$547	0.1%	N/A

Note: *HQ in SF* refers to businesses headquartered in San Francisco.

The City certifies LBEs as Micro-, Small-, and SBA-LBEs based on the combination of their average annual revenue and work types. Therefore, a business could be both a Micro-LBE and a Small-LBE depending on the work types under which it is certified. For analytical simplicity, for analyses of businesses in rows (2) through (9), BBC classified businesses as Micro/Small/SBA businesses based on their primary work type and average annual revenue. For analyses of certified LBEs reported in rows (10) through (13), BBC classified businesses into just one tier, the smallest tier for which they qualify based on their average annual revenue and primary work type.

A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-11: LBE participation requirements
Program: 14B
Contract area: All industries
Contract role: Prime contracts and subcontracts
LBE participation requirements: Requirements applied

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	3,309	748	\$3,765,624	N/A	N/A
(2)	All local small businesses	2,364	420	\$1,868,517	49.6%	74.1%
(3)	- Local Tier 1 (micro)	1,899	345	\$1,231,868	32.7%	61.4%
(4)	- Local Tier 2 (small)	297	51	\$495,473	13.2%	9.3%
(5)	- Local Tier 3 (SBA)	168	24	\$141,176	3.7%	3.4%
(6)	All small businesses HQ in SF	2,133	344	\$1,641,619	43.6%	64.5%
(7)	- Tier 1 (micro) HQ in SF	1,792	293	\$1,170,385	31.1%	53.1%
(8)	- Tier 2 (small) HQ in SF	246	38	\$413,021	11.0%	8.1%
(9)	- Tier 3 (SBA) HQ in SF	95	13	\$58,213	1.5%	3.3%
(10)	All certified LBEs	2,086	335	\$1,489,615	39.6%	N/A
(11)	- Certified Tier 1 (micro)	1,728	283	\$1,052,660	28.0%	N/A
(12)	- Certified Tier 2 (small)	288	43	\$407,889	10.8%	N/A
(13)	- Certified Tier 3 (SBA)	70	9	\$29,066	0.8%	N/A

Note: *HQ in SF* refers to businesses headquartered in San Francisco.

The City certifies LBEs as Micro-, Small-, and SBA-LBEs based on the combination of their average annual revenue and work types. Therefore, a business could be both a Micro-LBE and a Small-LBE depending on the work types under which it is certified. For analytical simplicity, for analyses of businesses in rows (2) through (9), BBC classified businesses as Micro/Small/SBA businesses based on their primary work type and average annual revenue. For analyses of certified LBEs reported in rows (10) through (13), BBC classified businesses into just one tier, the smallest tier for which they qualify based on their average annual revenue and primary work type.

A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

Table D-12: No LBE participation requirements
Program: 14B
Contract area: All industries
Contract role: Prime contracts and subcontracts
LBE participation requirements: No requirements applied

Row/column label	(a) Business group	(b) Contract elements	(c) Unique businesses	(d) Dollars (thousands)	(e) Participation	(f) Availability
(1)	All businesses	1,892	793	\$3,268,803	N/A	N/A
(2)	All local small businesses	897	312	\$959,655	29.4%	71.7%
(3)	- Local Tier 1 (micro)	734	256	\$720,014	22.0%	60.2%
(4)	- Local Tier 2 (small)	110	42	\$199,937	6.1%	8.2%
(5)	- Local Tier 3 (SBA)	53	14	\$39,705	1.2%	3.4%
(6)	All small businesses HQ in SF	767	252	\$776,782	23.8%	60.2%
(7)	- Tier 1 (micro) HQ in SF	653	214	\$600,675	18.4%	50.7%
(8)	- Tier 2 (small) HQ in SF	86	29	\$144,849	4.4%	7.0%
(9)	- Tier 3 (SBA) HQ in SF	28	9	\$31,258	1.0%	2.5%
(10)	All certified LBEs	747	246	\$697,302	21.3%	N/A
(11)	- Certified Tier 1 (micro)	636	206	\$536,695	16.4%	N/A
(12)	- Certified Tier 2 (small)	91	35	\$150,352	4.6%	N/A
(13)	- Certified Tier 3 (SBA)	20	5	\$10,255	0.3%	N/A

Note: *HQ in SF* refers to businesses headquartered in San Francisco.

The City certifies LBEs as Micro-, Small-, and SBA-LBEs based on the combination of their average annual revenue and work types. Therefore, a business could be both a Micro-LBE and a Small-LBE depending on the work types under which it is certified. For analytical simplicity, for analyses of businesses in rows (2) through (9), BBC classified businesses as Micro/Small/SBA businesses based on their primary work type and average annual revenue. For analyses of certified LBEs reported in rows (10) through (13), BBC classified businesses into just one tier, the smallest tier for which they qualify based on their average annual revenue and primary work type.

A business must have a location in the relevant geographic market area to be classified into the business groups in rows (2) through (13).

APPENDIX E.

Section 508 Compliant Figure Descriptions

In 1973, the United States Rehabilitation Act established a requirement that programs and organizations that receive federal funds be accessible to ensure that employees and members of the public with disabilities have equal access to them. In 1986, the United States Congress passed an Amendment to the Rehabilitation Act, Section 508, which strengthened accessibility requirements for digital information published by government agencies, and, in 2000, federal regulation strengthened Section 508 by mandating that Information and Communication Technology be accessible so that individuals with disabilities have comparable access to digital information as individuals without disabilities.^{1, 2} To ensure that all employees and constituents of the City and County of San Francisco (the City) have access to the analyses and information provided in this report and in compliance with Section 508 policies, BBC Research & Consulting (BBC) provides accessible descriptions of figures presented in the body of the report in Appendix E for which we could not provide alternative text. Links in the notes of each figure with a description in Appendix E connect readers to the text description corresponding with that figure that describes the visualization, and links at the end of the description of these visualizations connect the reader back to the figure in the main body of the report.

Chapter ES – Executive Summary

BBC presents descriptions of the figures in Chapter ES.

Figure ES-1. Figure ES-1 is a horizontal grouped bar graph titled, “Small local business size tiers by industry.” It presents the revenue limits for each small local business tier that the City certifies across five industries. The three tiers are Tier 1 (micro), Tier 2 (small), and Tier 3 (SBA). The x-axis presents annual revenue dollar amounts (in thousands) from \$0 to \$50,000 in \$10,000 increments. The revenue thresholds (in thousands) are:

- Professional services:
 - Tier 1 (micro): \$2,900;
 - Tier 2 (small): \$5,900; and
 - Tier 3 (SBA): \$10,000.
- Trucking businesses:
 - Tier 1 (micro): \$2,900;
 - Tier 2 (small): \$5,900; and
 - Tier 3 (SBA): \$11,700.
- Commodities and general services:
 - Tier 1 (micro): 7,000;

¹ U.S. Access Board, “Rehabilitation Act of 1973,” [www.access-board.gov](https://www.access-board.gov/about/), accessed June 9, 2026, <https://www.access-board.gov/about/>.

² U.S. Access Board, “IT Accessibility Laws and Policies,” www.section508.gov (U.S. Access Board, March 2025), <https://www.section508.gov/manage/laws-and-policies/>

- Tier 2 (small): \$14,000; and
- Tier 3 (SBA): \$23,400.
- Specialty construction:
 - Tier 1 (micro): 7,000;
 - Tier 2 (small): \$14,000; and
 - Tier 3 (SBA): \$23,400.
- Public works construction:
 - Tier 1 (micro): \$14,100;
 - Tier 2 (small): \$28,100; and
 - Tier 3 (SBA): \$46,800.

[\[Return to text.\]](#)

Figure ES-14. Figure ES-14 is titled, “Distribution of available businesses headquartered in San Francisco based on their annual revenues.” It is a stacked horizontal bar graph that shows the percentage of available businesses headquartered in San Francisco that fall within a revenue range. The x-axis represents the percent of businesses that fall within a revenue range from 0 percent to 100 percent at 10 percent increments. The bar is divided into six revenue ranges. Two vertical lines intersect the bar at 50 percent and 80 percent of businesses along the x-axis. The figure demonstrates that 50 percent of available businesses headquartered in San Francisco have revenues of \$2.0 million or less and 80 percent of available businesses headquartered in San Francisco have revenues of \$7.0 million or less. The values in Figure ES-14 are:

- \$1 million or less: 34.1 percent;
- More than \$1 million up to \$2 million: 15.2 percent;
- More than \$2 million up to \$3 million: 11.9 percent;
- More than \$3 million up to \$4 million: 4.0 percent;
- More than \$4 million up to \$5 million: 6.0 percent; and
- More than \$5 million: 28.8 percent.

[\[Return to text.\]](#)

Figure ES-15. Figure ES-15 is titled, “Maximum bid capacities of available businesses headquartered in San Francisco.” It is an infographic with buildings that represent businesses. In the top of the graphic, five of the ten buildings are colored in orange and labeled “50% of businesses” with an arrow pointing to the words “Maximum capacity \$0 up to \$3 million” to demonstrate that 50 percent of available businesses headquartered in San Francisco have a maximum bid capacity between \$0 and \$3 million. In the bottom of the graphic, eight of the ten buildings are colored in orange and labeled “80% of businesses” with an arrow pointing to the words “Maximum capacity \$0 up to \$10 million” to demonstrate that 80 percent of available businesses headquartered in San Francisco have a maximum bid capacity between \$0 and \$10 million. [\[Return to text.\]](#)

Figure ES-16. Figure ES-19=6 is titled, “Concentration of contract awards to participating businesses headquartered in San Francisco.” It is an infographic with documents that represent contracts. There is a note below the figure that explains that the analysis was limited to contracts worth less than \$2 million. In the top of the graphic, five of the ten documents are colored in orange and labeled “50% of contracts” with an arrow pointing to the words “17.0% of businesses” to demonstrate that the City awarded 50 percent of contracts worth less than \$2 million to 17.0 percent of the businesses that participated in that work. In the bottom of the graphic, eight of the ten documents are colored in orange and labeled “80% of contracts” with an arrow pointing to the words “42.1% of businesses” to demonstrate that that the City awarded 80 percent of contracts worth less than \$2 million to 42.1 percent of the businesses that participated in that work. [\[Return to text.\]](#)

Chapter 1 - Introduction

BBC does not present figures or visualizations in Chapter 1.

Chapter 2 – Marketplace Analysis

BBC provides descriptions for non Section 508-compliant figures presented in Chapter 2.

Figure 2-2a. Figure 2-2 is titled “Unemployment rates, San Francisco and the surrounding Bay Area, 2019-2023.” Part a is titled “Location.” It is a horizontal bar graph that presents the unemployment rates for workers who live in San Francisco and workers who live in the surrounding Bay Area. The x-axis ranges from 0 percent to 10 percent in 2 percent increments. Two asterisks denote that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure 2-2a are:

- San Francisco: 5.8 percent**; and
- Surrounding Bay Area: 5.1 percent.

[\[Return to text.\]](#)

Figure 2-2b. Figure 2-2 is titled, “Unemployment rates, San Francisco and the surrounding Bay Area, 2019-2023.” Part b is titled “Location and industry.” It is a horizontal bar graph that presents unemployment rates in the study’s three industries for workers who live in San Francisco and workers who live in the surrounding Bay Area. The x-axis ranges from 0 percent to 10 percent in 1 percent increments. One asterisk denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 90 percent confidence level. Two asterisks denote that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure 2-2b for the construction industry are:

- San Francisco: 7.5 percent*; and
- Surrounding Bay Area: 5.4 percent.

The values in Figure 2-2b for the professional services industry are:

- San Francisco: 3.5 percent; and
- Surrounding Bay Area: 3.2 percent.

The values in Figure 2-2b for the commodities and general services industry are:

- San Francisco: 8.7 percent**; and
- Surrounding Bay Area: 5.4 percent.

[\[Return to text.\]](#)

Figure 2-4. Figure 2-4 is a horizontal bar graph titled, “Percentage of non-owner workers who worked as a manager in each study-related industry, San Francisco and the surrounding Bay Area, 2019-2023.” It presents the percentage of people in the study’s three industries who live in San Francisco and the surrounding Bay Area who work in management positions. The x-axis ranges from 0 percent to 20 percent in 5 percent increments. Two asterisks denote that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure 2-4 for the construction industry are:

- San Francisco: 17.3 percent**; and
- Surrounding Bay Area: 10.6 percent.

The values in Figure 2-4 for the professional services industry are:

- San Francisco: 13.5 percent**; and
- Surrounding Bay Area: 11.5 percent.

The values in Figure 2-4 for the commodities and general services industry are:

- San Francisco: 3.6 percent; and
- Surrounding Bay Area: 3.9 percent.

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Figure 2-5a. Figure 2-5 is titled “Mean annual wages, San Francisco and the surrounding Bay Area, 2019-2023.” Part a is titled “Location.” It is a horizontal bar graph that presents mean annual wages for workers who live in San Francisco and in the surrounding Bay Area. The x-axis ranges from \$0 to \$160,000 in \$40,000 increments. Two asterisks denote that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure 2-5a are:

- San Francisco: \$140,222**; and
- Surrounding Bay Area: \$116,736.

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Figure 2-5b. Figure 2-5 is titled, “Mean annual wages, San Francisco and the surrounding Bay Area, 2019-2023.” Part b is titled “Location and industry.” It is a horizontal bar graph that presents mean annual wages for workers in the study’s three industries who live in San Francisco and in the surrounding Bay Area. The x-axis ranges from \$0 to \$200,000 in \$40,000 increments.

The values in Figure 2-5b for the construction industry are:

- San Francisco: \$93,191; and
- Surrounding Bay Area: \$84,206.

The values in Figure 2-5b for the professional services industry are:

- San Francisco: \$190,231; and
- Surrounding Bay Area: \$190,084.

The values in Figure 2-5b for the commodities and general services industry are:

- San Francisco: \$84,953*; and
- Surrounding Bay Area: \$78,046.

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Figure 2-6a. Figure 2-6 is titled “Homeownership rates, San Francisco and the surrounding Bay Area, 2019-2023.” Part a is titled “Location.” It is a horizontal bar graph that presents the percentage of workers who own homes among San Francisco residents and residents of the surrounding Bay Area. The x-axis ranges from 0 percent to 70 percent in 10 percent increments. Two asterisks denote that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure 2-6a are:

- San Francisco: 38.6 percent**; and
- Surrounding Bay Area: 59.0 percent.

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Figure 2-6b. Figure 2-6 is titled “Homeownership rates, San Francisco and the surrounding Bay Area, 2019-2023.” Part b is titled “Location and industry.” It is a horizontal bar graph that presents the percentage of workers in the study’s three industries who own homes among San Francisco residents and residents of the surrounding Bay Area. The x-axis ranges from 0 percent to 70 percent in 10 percent

increments. Two asterisks denote that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure 2-6b for the construction industry are:

- San Francisco: 38.9 percent**; and
- Surrounding Bay Area: 49.6 percent.

The values in Figure 2-6b for the professional services industry are:

- San Francisco: 32.6 percent**; and
- Surrounding Bay Area: 61.2 percent.

The values in Figure 2-6b for the commodities and general services industry are:

- San Francisco: 34.0 percent**; and
- Surrounding Bay Area: 49.8 percent.

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Figure 2-7a. Figure 2-7 is titled “Median home values, San Francisco and the surrounding Bay Area, 2019-2023.” Part a is titled “Location.” It is a horizontal bar graph that presents median home values for homeowners in San Francisco and in the surrounding Bay Area. The x-axis ranges from \$0 to \$1,600,000 in \$400,000 increments.

The values in Figure 2-7a are:

- San Francisco: \$1,200,000; and
- Surrounding Bay Area: \$900,000.

[\[Return to text.\]](#)

Figure 2-7b. Figure 2-7 is titled “Median home values, San Francisco and the surrounding Bay Area, 2019-2023.” Part b is titled “Location and industry.” It is a horizontal bar graph that presents median home values for homeowners in the study’s three industries who live in San Francisco and in the surrounding Bay. The x-axis ranges from \$0 to \$1,600,000 in \$400,000 increments.

The values in Figure 2-7b for the construction industry are:

- San Francisco: \$1,000,000; and
- Surrounding Bay Area: \$780,000.

The values in Figure 2-7b for the professional services industry are:

- San Francisco: \$1,400,000; and
- Surrounding Bay Area: \$1,200,000.

The values in Figure 2-7b for the commodities and general services industry are:

- San Francisco: \$1,100,000; and
- Surrounding Bay Area: \$800,000.

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Figure 2-9. Figure 2-9 is a horizontal bar graph titled “Mean annual business receipts, San Francisco and the surrounding Bay Area.” It presents mean annual business receipts for businesses located in San Francisco compared to businesses located in the surrounding Bay Area. The x-axis ranges from \$0 to \$16,000,000 in \$4,000,000 increments.

The values in Figure 2-9 are:

- San Francisco: \$14,815,563; and
- Surrounding Bay Area: \$11,695,800.

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Figure 2-10a. Figure 2-10 is titled “Mean annual business owner earnings, San Francisco and the surrounding Bay Area, 2019-2023.” Part a is titled “Location.” It is a horizontal bar graph that presents mean annual business owner earnings for business owners living in San Francisco and business owners living in the surrounding Bay Area. The x-axis ranges from \$0 to \$80,000 in \$20,000 increments. One asterisk denotes that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 90 percent confidence level.

The values in Figure 2-10a are:

- San Francisco: \$70,649*; and
- Surrounding Bay Area: \$65,144.

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Figure 2-10b. Figure 2-10 is titled “Mean annual business owner earnings, San Francisco and the surrounding Bay Area, 2019-2023.” Part b is titled “Location and industry.” It is a horizontal bar graph that presents mean annual business owner earnings for business owners in the study’s three industries living in San Francisco and business owners living in the surrounding Bay Area. The x-axis ranges from \$0 to \$100,000 in \$20,000 increments. Two asterisks denote that the difference in proportions between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure 2-10b for the construction industry are:

- San Francisco: \$47,518**; and
- Surrounding Bay Area: \$62,577.

The values in Figure 2-10b for the professional services industry are:

- San Francisco: \$80,815; and
- Surrounding Bay Area: \$94,482.

The values in Figure 2-10b for the commodities and general services industry are:

- San Francisco: \$42,105; and
- Surrounding Bay Area: \$45,875.

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Chapter 3 – Qualitative Evidence of Marketplace Barriers

BBC does not present figures or visualizations in Chapter 3.

Chapter 4 – Data Collection and Analysis

All figures that BBC presents in the body of the text in Chapter 4 are Section 508-compliant.

Chapter 5 – Availability Analysis

BBC provides descriptions for the non Section 508-compliant figure presented in Chapter 5.

Figure 5-1. Figure 5-1 is a horizontal grouped bar graph titled, “Small local business size tiers by industry.” It presents the revenue limits for each small local business tier that the City certifies across five industries. The three tiers are Tier 1 (micro), Tier 2 (small), and Tier 3 (SBA). The x-axis presents annual revenue dollar amounts (in thousands) from \$0 to \$50,000 in \$10,000 increments. The revenue thresholds (in thousands) are:

- Professional services:
 - Tier 1 (micro): \$2,900;
 - Tier 2 (small): \$5,900; and
 - Tier 3 (SBA): \$10,000.
- Trucking businesses:
 - Tier 1 (micro): \$2,900;
 - Tier 2 (small): \$5,900; and
 - Tier 3 (SBA): \$11,700.
- Commodities and general services:
 - Tier 1 (micro): 7,000;
 - Tier 2 (small): \$14,000; and
 - Tier 3 (SBA): \$23,400.
- Specialty construction:

- Tier 1 (micro): 7,000;
 - Tier 2 (small): \$14,000; and
 - Tier 3 (SBA): \$23,400.
- Public works construction:
 - Tier 1 (micro): \$14,100;
 - Tier 2 (small): \$28,100; and
 - Tier 3 (SBA): \$46,800.

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Chapter 6 – Utilization Analysis

BBC provides descriptions for the non Section 508-compliant figure presented in Chapter 6.

Figure 6-1. Figure 6-1 is a horizontal grouped bar graph titled, “Small local business size tiers by industry.” It presents the revenue limits for each small local business tier that the City certifies across five industries. The three tiers are Tier 1 (micro), Tier 2 (small), and Tier 3 (SBA). The x-axis presents annual revenue dollar amounts (in thousands) from \$0 to \$50,000 in \$10,000 increments. The revenue thresholds (in thousands) are:

- Professional services:
 - Tier 1 (micro): \$2,900;
 - Tier 2 (small): \$5,900; and
 - Tier 3 (SBA): \$10,000.
- Trucking businesses:
 - Tier 1 (micro): \$2,900;
 - Tier 2 (small): \$5,900; and
 - Tier 3 (SBA): \$11,700.
- Commodities and general services:
 - Tier 1 (micro): 7,000;
 - Tier 2 (small): \$14,000; and
 - Tier 3 (SBA): \$23,400.
- Specialty construction:
 - Tier 1 (micro): 7,000;
 - Tier 2 (small): \$14,000; and
 - Tier 3 (SBA): \$23,400.
- Public works construction:
 - Tier 1 (micro): \$14,100;
 - Tier 2 (small): \$28,100; and

- Tier 3 (SBA): \$46,800.

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Chapter 7 – Program and Policy Review

All figures that BBC presents in the body of the text in Chapter 7 are Section 508-compliant.

Chapter 8 – Analysis of the Business Community

BBC provides descriptions for the non Section 508-compliant figure presented in Chapter 8.

Figure 8-2. Figure 8-2 is titled, “Distribution of all available businesses based on reported revenue.” It is a stacked horizontal bar graph that shows the percentage of available businesses that fall within a revenue range. The x-axis represents the percent of businesses that fall within a revenue range from 0 percent to 100 percent at 10 percent increments. The bar is divided into six revenue ranges. Two vertical lines intersect the bar at 50 percent and 80 percent of businesses along the x-axis. The figure demonstrates that 50 percent of available businesses have revenues of \$1.4 million or less and 80 percent of available businesses have revenues of \$8.0 million or less. The values in Figure 8-2 are:

- \$1 million or less: 45.8 percent;
- More than \$1 million up to \$2 million: 10.8 percent;
- More than \$2 million up to \$3 million: 10.1 percent;
- More than \$3 million up to \$4 million: 3.0 percent;
- More than \$4 million up to \$5 million: 3.9 percent; and
- More than \$5 million: 26.4 percent.

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Figure 8-3. Figure 8-3 is titled, “Distribution of all available businesses headquartered in San Francisco based on reported revenue.” It is a stacked horizontal bar graph that shows the percentage of available businesses that fall within a revenue range. The x-axis represents the percent of businesses that fall within a revenue range from 0 percent to 100 percent at 10 percent increments. The bar is divided into six revenue ranges. Two vertical lines intersect the bar at 50 percent and 80 percent of businesses along the x-axis. The figure demonstrates that 50 percent of available businesses headquartered in San Francisco have revenues of \$2.0 million or less and 80 percent of available businesses headquartered in San Francisco have revenues of \$7.0 million or less. The values in Figure 8-3 are:

- \$1 million or less: 34.1 percent;
- More than \$1 million up to \$2 million: 15.2 percent;
- More than \$2 million up to \$3 million: 11.9 percent;
- More than \$3 million up to \$4 million: 4.0 percent;
- More than \$4 million up to \$5 million: 6.0 percent; and
- More than \$5 million: 28.8 percent.

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Figure 8-4. Figure 8-4 is titled, “Distribution of all available businesses based on reported capacity.” It is an infographic with buildings that represent businesses. In the top of the graphic, five of the ten buildings are colored in green and labeled “50% of businesses” with an arrow pointing to the words “Maximum capacity \$0 up to \$2 million” to demonstrate that 50 percent of available businesses have a maximum bid capacity between \$0 and \$2 million. In the bottom of the graphic, eight of the ten buildings are colored in green and labeled “80% of businesses” with an arrow pointing to the words “Maximum capacity \$0 up to \$10 million” to demonstrate that 80 percent of available businesses have a maximum bid capacity between \$0 and \$10 million. [\[Return to text.\]](#)

Figure 8-5. Figure 8-5 is titled, “Distribution of all available businesses headquartered in San Francisco based on reported capacity.” It is an infographic with buildings that represent businesses. In the top of the graphic, five of the ten buildings are colored in green and labeled “50% of businesses” with an arrow pointing to the words “Maximum capacity \$0 up to \$3 million” to demonstrate that 50 percent of available businesses headquartered in San Francisco have a maximum bid capacity between \$0 and \$3 million. In the bottom of the graphic, eight of the ten buildings are colored in green and labeled “80% of businesses” with an arrow pointing to the words “Maximum capacity \$0 up to \$10 million” to demonstrate that 80 percent of available businesses headquartered in San Francisco have a maximum bid capacity between \$0 and \$10 million. [\[Return to text.\]](#)

Figure 8-7. Figure 8-7 is titled “Cumulative distribution of businesses based on the number of contracts worth less than \$2 million the City awarded to them.” It presents the concentration of businesses using a line graph. The y-axis represents the percentage of contracts from 0 percent to 100 percent in increments of 10 percent. The x-axis represents the percentage of businesses from 0 percent to 100 percent in increments of 10 percent. A curved blue line presents the cumulative percentage of different businesses that accounted for the contracts the City awarded during the study period after BBC ordered businesses from businesses to which the City awarded the largest number of contracts to businesses to which the City awarded the least number of contracts. Two horizontal lines intersect the curve at 50 percent and 80 percent of the y-axis, and dashed vertical lines from these points of intersection indicate the percentage of businesses to which the City awarded that percentage of contracts. The figure demonstrates that 12.9 percent of businesses were awarded 50 percent of contracts, and 38.4 percent of businesses were awarded 80 percent of contracts. [\[Return to text.\]](#)

Figure 8-8. Figure 8-8 is titled “Cumulative distribution of businesses headquartered in San Francisco based on the number of contracts worth less than \$2 million the City awarded to them.” It presents business concentration using a line graph. The y-axis represents the percentage of contracts from 0 percent to 100 percent in increments of 10 percent. The x-axis represents the percentage of businesses headquartered in San Francisco from 0 percent to 100 percent in increments of 10 percent. A curved blue line presents the cumulative percentage of different businesses headquartered in San Francisco that accounted for the contracts the City awarded during the study period, after BBC ordered businesses from businesses to which the City awarded the largest number of contracts to businesses to which the City awarded the least number of contracts. Two horizontal lines intersect the curve at 50 percent and 80 percent of the y-axis, and dashed vertical lines from these points of intersection indicate the percentage of businesses to which the City awarded that percentage of contracts. The figure

demonstrates that 17.0 percent of businesses were awarded 50 percent of contracts, and 42.1 percent of businesses were awarded 80 percent of contracts. [\[Return to text.\]](#)

Figure 8-9. Figure 8-9 is titled “Cumulative distribution of businesses based on the dollars associated with contracts worth less than \$2 million the City awarded to them.” It presents business concentration using a line graph. The y-axis represents the percentage of dollars from 0 percent to 100 percent in increments of 10 percent. The x-axis represents the percentage of businesses from 0 percent to 100 percent in increments of 10 percent. A curved blue line presents the cumulative percentage of different businesses that accounted for the dollars the City awarded for projects worth less than \$2 million during the study period after BBC ordered businesses from businesses to which the City awarded the greatest number of dollars to businesses to which the City awarded the smallest number of dollars. Two horizontal lines intersect the curve at 50 percent and 80 percent of the y-axis, and dashed vertical lines from these points of intersection indicate the percentage of businesses to which the City awarded that percentage of dollars. The figure demonstrates that 11.7 percent of businesses were awarded 50 percent of dollars, and 35.1 percent of businesses were awarded 80 percent of dollars. [\[Return to text.\]](#)

Figure 8-10. Figure 8-10 is titled “Cumulative distribution of businesses headquartered in San Francisco based on the dollars associated with contracts worth less than \$2 million the City awarded to them.” It presents business concentration using a line graph. The y-axis represents the percentage of dollars from 0 percent to 100 percent in increments of 10 percent. The x-axis represents the percentage of businesses headquartered in San Francisco from 0 percent to 100 percent in increments of 10 percent. A curved blue line presents the cumulative percentage of different businesses headquartered in San Francisco that accounted for the dollars the City awarded for projects worth less than \$2 million during the study period, after BBC ordered businesses from businesses to which the City awarded the greatest number of dollars to businesses to which the City awarded the smallest number of dollars. Two horizontal lines intersect the curve at 50 percent and 80 percent of the y-axis, and dashed vertical lines from these points of intersection indicate the percentage of businesses headquartered in San Francisco to which the City awarded that percentage of dollars. The figure demonstrates that 13.8 percent of businesses headquartered in San Francisco were awarded 50 percent of dollars, and 36.3 percent of businesses headquartered in San Francisco were awarded 80 percent of dollars. [\[Return to text.\]](#)

Figure 8-11. Figure 8-11 is titled, “Distribution of projects by size.” It is a horizontal bar graph that shows the percentage of projects the City awarded during the study period that fall within six size categories:

- \$0 up to \$500,000: 64.8 percent;
- More than \$500,000 up to \$1 million: 11.7 percent;
- More than \$1 million up to \$3 million: 13.3 percent;
- More than \$3 million up to \$5 million: 3.7 percent;
- More than \$5 million up to \$10 million: 5.0 percent; and
- More than \$10 million: 1.6 percent.

[\[Return to text.\]](#)

Figure 8-12. Figure 8-12 is titled, “Distribution of subcontracts by size.” It is a horizontal bar graph that shows the percentage of subcontracts associated with project the City awarded during the study period that fall within six size categories:

- \$0 up to \$500,000: 81.7 percent;
- More than \$500,000 up to \$1 million: 9.3 percent;
- More than \$1 million up to \$3 million: 7.0 percent;
- More than \$3 million up to \$5 million: 1.0 percent;
- More than \$5 million up to \$10 million: 0.6 percent; and
- More than \$10 million: 0.3 percent.

[\[Return to text.\]](#)

Chapter 9 – Recommendations

All figures that BBC presents in the body of the text in Chapter 9 are Section 508-compliant.

Appendix A – Definition of Terms

BBC does not present figures or visualizations in Appendix A.

Appendix B – Availability Methodology

All figures that BBC presents in the body of the text in Appendix B are Section 508-compliant.

Appendix C – Additional Analyses of Marketplace Conditions

BBC provides descriptions for non-Section 508-compliant figures presented in Appendix C.

Figure C-2. Figure C-2 is a horizontal bar graph titled, “Unemployment rates, San Francisco and the surrounding Bay Area, 2019-2023.” It presents unemployment rates across different groups categorized by race/ethnicity, gender, and residence location. The x-axis ranges from 0 percent to 20 percent in 10 percent increments. Two asterisks denote that the difference in proportions between the person of color (POC) group and White, between women and men, or between San Francisco residents and residents of the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure C-2 are:

- Asian Pacific: 4.7 percent;
- Black: 8.6 percent**;
- Hispanic: 5.7 percent**;
- Middle Eastern and North African (MENA): 6.3 percent**;
- Native American: 6.8 percent**;
- Subcontinent Asian: 3.5 percent**;

- Other race POC: 6.5 percent**;
- White: 4.8 percent;
- Women: 5.3 percent;
- Men: 5.2 percent;
- San Francisco: 5.8 percent**; and
- Surrounding Bay Area: 5.1 percent.

[\[Return to text.\]](#)

Figure C-5. Figure C-5 is a horizontal bar graph titled, “Mean annual wages, San Francisco and the surrounding Bay Area, 2019-2023.” It presents mean annual wages by demographic group, categorized by race/ethnicity, gender, and residence location. The x-axis ranges from \$0 to \$200,000 in \$50,000 increments. Two asterisks denote that the difference in proportions between the POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure C-5 are:

- Asian Pacific: \$119,210*;
- Black: \$84,610**;
- Hispanic: \$68,111**;
- MENA: \$152,522**;
- Native American: \$96,751**;
- Subcontinent Asian: \$182,110**;
- Other race POC: \$126,959**;
- White: \$143,993;
- Women: \$98,694**;
- Men: \$137,183;
- San Francisco: \$140,222**; and
- Surrounding Bay Area: \$116,736.

[\[Return to text.\]](#)

Figure C-6. Figure C-6 is a horizontal bar graph titled, “Homeownership rates, San Francisco and the surrounding Bay Area, 2019-2023.” It presents the percentage of workers who own homes across groups categorized by race/ethnicity and residence location. The x-axis ranges from 0 percent to 100 percent in 10 percent increments. Two asterisks denote that the difference in mean between the POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure C-6 are:

- Asian Pacific: 61.6 percent**;
- Black: 36.4 percent**;
- Hispanic: 41.3 percent**;
- MENA: 50.6 percent**;
- Native American: 52.2 percent**;
- Subcontinent Asian: 56.4 percent**;
- Other race POC: 55.8 percent**;
- White: 63.6 percent;
- San Francisco: 38.6 percent**; and
- Surrounding Bay Area: 59.0 percent.

[\[Return to text.\]](#)

Figure C-7. Figure C-7 is a horizontal bar graph titled, “Median home values, San Francisco and the surrounding Bay Area, 2019-2023.” It presents median home values for homeowners across groups categorized by race/ethnicity and residence location. The x-axis ranges from \$0 to \$1,600,000 in \$400,000 increments.

The values in Figure C-7 are:

- Asian Pacific: \$1,000,000;
- Black: \$680,000;
- Hispanic: \$700,000;
- MENA: \$1,200,000;
- Native American: \$750,000;
- Subcontinent Asian: \$1,200,000;
- Other race POC: \$920,000;
- White: \$980,000;
- San Francisco: \$1,200,000; and
- Surrounding Bay Area: \$900,000.

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Figure C-9. Figure C-9 is a horizontal bar graph titled, “Mean annual business owner earnings, San Francisco and the surrounding Bay Area, 2019-2023.” It presents mean annual business owner earnings across groups categorized by race/ethnicity and residence location. The x-axis ranges from \$0 to \$100,000 in \$20,000 increments. One asterisk denotes that the difference in proportions between the

POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 90 percent confidence level. Two asterisks denote that the difference in proportions between the POC group and White, between women and men, or between San Francisco residents and residents in the surrounding Bay Area is statistically significant at the 95 percent confidence level.

The values in Figure C-9 are:

- Asian Pacific: \$60,415**;
- Black: \$47,313**;
- Hispanic: \$44,784**;
- MENA: \$87,722;
- Native American: \$54,943**;
- Subcontinent Asian: \$90,524;
- Other race POC: \$59,026**;
- White: \$78,663;
- Women: \$53,945**;
- Men: \$75,488;
- San Francisco: \$70,649*; and
- Surrounding Bay Area: \$65,144.

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Appendix D – Analysis Results Tables

All figures that BBC presents in the body of the text in Appendix D are Section 508-compliant.