

Formula Retail Subsidiary Working Group

Agenda March 25, 2015 | 3:00 PM | City Hall Room 278 | Office of Supervisor Mar & Planning Department

Facilitator: Lynn Sedway, Sedway Consulting

March 25 Meeting Outline

At this meeting, the group will seek consensus on potential solutions to be presented to the Planning Commission, the Small Business Commission, and the Board of Supervisors. The consensus meeting may result in the recommendation of a preferred approach, or if consensus is not reached, there could be a) two-three suggested solutions; b) a reporting of the full range of ideas discussed by the group without recommendation; or c) a majority and minority recommendation. Depending on the results of the meeting, Supervisor Mar and the Planning Department may take additional actions. Supervisor Mar may draft a preferred alternative into legislation for consideration by the Commissions. Similarly, the Planning Department may prepare analysis for the Planning Commission.

Some existing ideas that have been discussed are summarized below:

1. Define subsidiaries by ownership 50% or more owned by formula retailer = subsidiary.
2. Define subsidiary by fiscal control, business model, and likelihood to become formula retail. (see Formula Retail, Subsidiaries, Control & Influence attachment)
3. Regulate subsidiaries who do not agree to restrict new locations as formula retail. (see attached flow chart). If owner agrees to restrict future locations, do not regulate as formula retail.
4. Regulate subsidiaries if the business has three or more locations, is owned by formula retailer, and itself has formula retail characteristics, as defined by the Planning Code.
5. Do not regulate subsidiaries; instead reduce formula retail threshold to five.
6. Do not regulate subsidiaries.

Additional ideas may be emailed to Nick in Supervisor Mar's office. (nickolas.pagoulatos@sfgov.org) Nick will distribute additional suggestions to the group in advance of the March 25th meeting.

After the group makes a selection, the City Attorney may provide a short presentation (5 min) on additional work/research that could help support the group's recommendation.

Summary of March 11 Meeting

Idea Testing Meeting. This meeting began to discuss solutions. While the members maintained diverse viewpoints as to whether subsidiaries present a significant problem, the group self-selected into small groups with shared values.

Small Group Work: Two groups were formed: one that thought subsidiary legislation is needed and one that was undecided. No group was certain that legislation was not needed. All groups were asked to answer three questions: 1) What are subsidiaries? 2) How are subsidiaries harmful or not to neighborhoods? 2) How large or small is the problem? In addition, the group that was undecided set out discuss any issue related to subsidiaries. The group that believed further legislation is needed set out to articulate regulatory ideas.

BREAK: Community Business Priority Processing Program. A short break allowed for a presentation on the Planning Commission's recent action to assist small and mid-sized community businesses.

Reconvene for Presentations.

Group 1: This group stated that they understood the neighborhood wants control over character and agreed that the existing formula retail legislation is important. This group questioned how large of a threat subsidiaries are to character—and had a difficult time naming more than a handful of subsidiaries that could threaten neighborhood character. One member owned a number of restaurants and stated he would be okay with regulating his largest as a chain, if it reached the threshold. At the same time, he felt that his other restaurants are truly unique and very different. His expertise as a co-partner allows him to help others realize their restaurant dreams, but he doesn't see much benefit from economies of scale with his "one-offs". This group questioned the legality of any legislation that varied controls by the owner of the business.

Group 2: This group articulated several approaches to regulating subsidiaries. One member described how a new business sprung from a larger formula retailer is likely to be structured for quick expansion to multiple branches if the first is successful. During this group's discussion, the dialog centered on ideas for defining and regulating subsidiaries. (Summarized above and again below.)

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