

President, Board of Supervisors
District 3



City and County of San Francisco

DAVID CHIU
邱信福
市參事會主席

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Contact: Judson True
judson.true@sfgov.org
415.554.7451

Board of Supervisors President David Chiu Proposes City Incentives for New Type of Socially Responsible Corporations

*Legislation Would Provide Bid Preferences to B Corporations
Contracting With the City*

San Francisco, CA – Board of Supervisors President David Chiu today introduced legislation that would allow the City to provide contract bid preferences to Benefit Corporations - or “B Corps” - a new form of a corporate entity recently authorized by the state of California.

“Benefit corporations create value for shareholders and society at the same time. These are exactly the types of companies that we need to be encouraging and rewarding in San Francisco,” said Supervisor David Chiu. “San Francisco is known as an international leader in sustainability, economic innovation, and social entrepreneurialism. This first-of-its-kind proposal to provide City contracting preferences to B Corporations reaffirms our City’s leadership.”

The City currently provides contract bid preferences to local businesses, a program administered by the Human Rights Commission. The proposed legislation would be modeled after this existing program.

When Governor Jerry Brown signed Assembly Bill 361 last October, California became the sixth state to charter this new kind of corporation, joining New Jersey, Virginia, Hawaii, Vermont and Maryland. A Benefit Corporation is defined as 1) having a corporate purpose to create a material positive impact on society and the environment; 2) redefining fiduciary duty to require consideration of non-financial interests when making corporate decisions; and 3) reporting on its overall social and environmental performance using recognized third party standards. Benefit Corp status took effect in California on January 3, 2012, with more than a dozen companies heading to Sacramento to file their status that day.

Currently, there are over 500 Certified B Corporations in 60 different industries nationwide. These companies are measuring their impact on society and the environment with third party standards, and include stakeholder considerations in their business decisions. San Francisco has the most Certified B Corporations of any city, and the Bay Area is the home of approximately one quarter of all Certified B Corporations. San Francisco would be the first U.S. city to provide contracting incentives to these companies, thereby fostering the formation and growth of Benefit Corporations here.

In recent years, pioneering social entrepreneurs have created innovative businesses that take into account double or triple bottom lines. In recent months, there has been a robust national debate fueled by public frustrations with outsize corporate profits at a time of growing economic inequalities, as embodied by the Occupy Wall Street protests. Promoting Benefit Corporations is one way that these frustrations can be transformed into a positive force to create jobs in San Francisco and foster a new way of doing business.

“Certified B Corps meet rigorous criteria to show they have a positive impact on society and the environment. They’ve earned the right to be recognized as a good company,” said Dermot Hikisch, Head of Community Development at B Lab. “With the emergence of Benefit Corporation policy in California, it’s exciting to see these companies come into existence, and they’re going to provide real value to their local communities.”

"As a founding B Corp, BetterWorld Telecom has been involved with this movement since it was just an idea in 2004. We would like to thank Supervisor Chiu for his leadership in delivering ground-level results that support businesses that place people and the planet alongside profits," said Matt Bauer, President of BetterWorld Telecom. "It is in part due to the City and County of San Francisco's support of B Corps that BetterWorld Telecom will be moving its headquarters to San Francisco in 2012."

“It’s so obvious that San Francisco would be the first major city to be in alignment with the B Corporation model,” said Jeff Marcous of Dharma Merchant Services, a Certified B Corp and Benefit Corporation. “This isn’t just about finding local, sustainable service providers, but it’s also about working with partners who see beyond a single bottom line motivation.”

"Businesses that are on top of their environmental, health and economic impacts on their customers, employees and the community are not only more valuable overall, they are less risky," said Sara Olsen, the Founder and CEO of SVT Group, another Certified B Corporation. "SVT Group is a strong supporter of efforts to make these qualities transparent, so the market has better information with which to make decisions."

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1 [Administrative Code – Benefit Corporation Discount]

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3 **Ordinance amending the San Francisco Administrative Code by adding Chapter 14C,**
4 **Sections 14C.1 through 14C.3, to provide for a downward adjustment in price or**
5 **upward adjustment in rating of a proposal or bid from a California Benefit Corporation**
6 **for a competitively-solicited City contract.**

7 NOTE: Additions are *single-underline italics Times New Roman*;
8 deletions are *strike-through italics Times New Roman*.
9 Board amendment additions are double-underlined;
10 Board amendment deletions are ~~strike-through normal~~.

10

11 Be it ordained by the People of the City and County of San Francisco:

12 Section 1. The San Francisco Administrative Code is hereby amended by adding
13 Chapter 14C, Sections 14C.1 through 14C.3, to read as follows:

14

15 **SEC. 14C.1. SHORT TITLE.**

16 *This Chapter shall be entitled "the California Benefit Corporation Discount Ordinance".*

17

18 **SEC. 14C.2. DEFINITIONS.**

19 *(a) "B Corporation" is defined as a California Benefit Corporation that is incorporated in*
20 *California under California Corporations Code §§14600-14631, as amended, or any successor*
21 *legislation, and is in good standing with the State of California.*

22 *(b) "B Corporation Discount" means the downward adjustment in price or upward adjustment*
23 *in rating of a proposal or bid, whichever applies, that is made under Section 14C.3(c).*

24 *(c) "Contract" means any agreement that falls within the scope of Administrative Code*

25 *Chapter 6 and Chapter 21.*

1 (d) "Contractor" means any person or entity who contracts directly with the City.

2 (e) "Contract Awarding Authority" means any City officer, department head, commission, or
3 board authorized to enter into Contracts on behalf of the City.

4
5 **SEC. 14C.3. B CORPORATION DISCOUNTS.**

6 (a) **Discount.** Notwithstanding any other provision of the Administrative Code, Contract
7 Awarding Authorities shall apply a B Corporation Discount as provided in this Chapter to bids or
8 proposals submitted by a B Corporation for purpose of determining the apparent highest ranked
9 proposal or the apparent low bid.

10 (b) **Contracts Subject to Discount.** The B Corporation Discount shall apply to all Contracts the
11 estimated cost of which exceeds the Threshold Amount in Chapter 6 or the Minimum Competitive
12 Amount in Chapter 21.

13 (c) **Amount of Discount.** Contract Awarding Authorities shall apply a B Corporation
14 Discount as follows:

15 (1) For bids and proposals from B Corporations that are ineligible for Administrative
16 Code Chapter 14B LBEs or SBA-LBE Discounts, Contract Awarding Authorities shall apply a Discount
17 in the amount of eight percent (8%), such that bids or proposals shall be increased or reduced, as
18 appropriate, by an amount equal to eight percent (8%) at each stage of the proposal selection process
19 for purposes of determining the apparent highest ranked proposal or the apparent low bid; and

20 (2) For bids and proposals from B Corporations that will receive Administrative Code
21 Chapter 14B LBE or SBA-LBE Discounts, Contract Awarding Authorities shall apply a Discount in the
22 amount of two percent (2%) in addition to the Administrative Code Chapter 14B Discount, such that
23 bids or proposals shall be increased or reduced, as appropriate, by no more than a total of twelve
24 percent (12%) at each stage of the proposal selection process for purposes of determining the apparent
25 highest ranked proposal or the apparent low bid; and

1 (3) The B Corporation Discount shall not apply to bids or proposals submitted by
2 Joint Ventures unless all Joint Venture Members would individually qualify for the B Corporation
3 Discount.

4 (d) Verification of Status. Contract Awarding Authorities shall provide for the B Corporation
5 Discount and shall verify current B Corporation status with the California Secretary of State. In
6 addition, B Corporations shall, when applying for a B Corporation Discount, submit copies of their
7 share certificates required under Division 1, Chapter 4 (beginning with Section 400) of the California
8 Corporations Code .

9 (e) Exceptions. This Chapter shall not apply where the Contracting Awarding Authority finds
10 that the requirements of this Chapter will violate or are inconsistent with the terms or conditions of a
11 grant, subvention or agreement with a public agency or other grant awarding entity or the instructions
12 of an authorized representative of any such agency with respect to any such grant, subvention or
13 agreement, provided that the Contracting Awarding Authority has made a good faith attempt to change
14 the terms or conditions of any such grant, subvention or agreement to authorize application of this
15 Chapter.

16 (f) Severability. If any section, clause, phrase, or portion of this Chapter is for any reason held
17 invalid or unconstitutional by any court or Federal or State agency of competent jurisdiction, such
18 portion shall be deemed a separate, distinct and independent provision and such holding shall not
19 affect the validity of the remaining portions thereof. To this end, the provisions of this ordinance shall
20 be deemed severable.

21
22 Section 2. Effective Date. This ordinance shall become effective 30 days from the
23 date of passage.
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1 Section 3. This section is uncodified. In enacting this Ordinance, the Board intends to
2 amend only those words, phrases, paragraphs, subsections, sections, articles, numbers,
3 punctuation, charts, diagrams, or any other constituent part of the Administrative Code that
4 are explicitly shown in this legislation as additions, deletions, Board amendment additions,
5 and Board amendment deletions in accordance with the "Note" that appears under the official
6 title of the legislation.

7
8 APPROVED AS TO FORM:
9 DENNIS J. HERRERA, City Attorney

10 By: _____
11 Alicia Cabrera
12 Deputy City Attorney

FILE NO.

LEGISLATIVE DIGEST

[Administrative Code – Benefit Corporation Discount]

Ordinance amending the San Francisco Administrative Code by adding Chapter 14C, Sections 14C.1 through 14C.3, to provide for a downward adjustment in price or upward adjustment in rating of a proposal or bid from a California Benefit Corporation for a competitively-solicited City contract.

Existing Law

Currently, the City does not apply an adjustment in price for bids or proposals submitted by a California Benefit Corporation for a competitively-solicited City contract.

Amendments to Current Law

Under the proposal, Contract Awarding Authorities would apply a downward adjustment in price or upward adjustment in rating of a proposal or bid from a California Benefit Corporation for purposes of determining the apparent highest ranked proposal or the apparent low bid. The proposed discount would apply to City contracts that exceeds the Threshold Amount in Chapter 6 or the Minimum Competitive Amount in Chapter 21.