



Policy Report

Evidence-Based Recommendations to Reduce Construction Costs and Improve Contractor Participation in San Francisco

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Policy Report: Evidence-Based Recommendations to Reduce Building Costs and Improve Contractor Participation in San Francisco

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EXECUTIVE SUMMARY

San Francisco is at a critical juncture, facing the dual challenge of rapidly delivering multi-billion-dollar public infrastructure improvements while restoring public trust and ensuring prudent use of funds. A robust, competitive, and efficient public works bidding and construction process is vital to this effort.

San Francisco faces some of the highest construction costs and slowest permitting timelines in the country, creating formidable barriers for builders and discouraging contractor participation. These obstacles threaten the city's economic recovery, housing production targets, and the equity of opportunity for both small and diverse contractors. Building costs have remained persistently elevated, driven by labor shortages, regulatory complexity, material inflation, and a permitting process widely regarded as opaque and burdensome. Permitting a single housing project can take over 1,000 days from initial submission to groundbreaking—nearly three times longer than the next slowest city in California. With public construction budgets stretched and a \$1 billion municipal deficit, San Francisco needs targeted, high-impact reforms that both lower costs and expand opportunities for builders without sacrificing essential safety or equity objectives.

This policy memo outlines the **most impactful and feasible reforms** to fortify San Francisco's public works procurement and construction landscape. Recommendations are drawn from local experience, peer city best practices, recent audits, and innovative approaches proven to increase competition, drive quality, and reduce costs. Each proposal is contextualized to San Francisco's current structure, addresses barriers to adoption, and supplies practical paths to implementation.

Analysis demonstrates that if the top six most impactful recommendations were implemented together, the effects would be complementary, not merely additive. Construction costs could be reduced from 12–22% in total project delivery costs (potential annual citywide savings of \$120–\$220+ million/year) and average active bids per project could increase by 25-50%, especially from small and mid-sized firms who are currently priced out or deterred by risk. Bid quality will increase due to lower bid premiums, more accurate pricing from better scope clarity and schedule, and higher participation from experienced firms who regularly avoid bidding in San Francisco due to delays or payment issues.

TOP POLICY RECOMMENDATIONS

Below is the list of top policy recommendations with anticipated savings.

1. Consistent 30-Day Payment and Project Close-out Schedule (2-5%)
2. Streamlined Contract Approval & Delegation of Authority (5-8%)
3. Early Contractor Involvement: Progressive Design-Build & CM/GC (5-15%)
4. Streamlined Inspections (2-3%)
5. Batched Project Locations (5-10%)
6. Traffic Control Limitations Reform (3-6%)
7. Allow Street Closures for Worker Safety (10-15% time savings/shift)
8. Rolling 12-24 Month Project Forecast (2-3% lower bid premiums)
9. Standardized Bid Templates & Digital Submission (10-20% lower bid prep costs)
10. Partial Retention Release (1-2%)

METHODOLOGY

The recommendations in this report are grounded in a comprehensive review of current City and County of San Francisco (CCSF) policy documents, state audit findings, economic and construction cost indices, recent local legislation, academic literature on construction project success criteria and cost-benefit analysis, contractor focus groups, surveys by the San Francisco Collaborative Partnering Steering Committee, and wide-ranging web sources from public-sector, industry, and government oversight.

Key data and policy touchstones included:

- San Francisco construction cost and market escalation data (2019–2025) and budget projections
- Building permit timelines and compliance audits from the CA Department of Housing and Community Development
- Focus group data from recent United Contractors meeting focused on identifying the top ways to reduce costs for CCSF projects [see Appendix A]
- Legislation and updates from Mayor Lurie’s PermitSF initiative, Building Code reforms, and approved housing stimulus packages
- Impact of development impact fee reforms and deferrals
- Case studies of successful regulatory and code streamlining in San Francisco and nationwide
- Testimony from local contractors on barriers to small, minority, and emerging business participation
- Recent federal, state, and county budget constraints and projected deficits
- Best-practice frameworks for stakeholder-responsive reform and change management in local government



The report incorporates both quantitative metrics (average percentage cost reductions, permitting time savings, number of new units unlocked, change in number of bids, and potential budget savings) and qualitative assessments (contractor confidence, stakeholder satisfaction, equity improvements, administrative burden, and political feasibility). Recommendations were analyzed using real-world policy change outcomes— and vetted by United Contractors, so each is matched with a strong track record of success either in San Francisco, similar high-cost jurisdictions, or as modeled by independent economic studies.

RECOMMENDATIONS: DEFINING POLICY CRITERIA - IMPACT AND VIABILITY

Criteria for 'Impact' of the top recommendations

- **Cost Reduction Potential:** The expected percentage decrease in direct and indirect building costs (materials, labor, fees, financing) per project, and at the citywide annual level.
- **Pipeline Unlocking:** Number of additional projects likely to become feasible or move forward due to the change.
- **Contractor Participation Gain:** Documented increase in the number of bids per project, participation by small and diverse builders, and reduction of entry barriers.
- **Economic and Community Multiplier Effects:** Broader job creation, tax revenue, and community benefits derived from increased construction activity.
- **Risk Mitigation:** Reduction in project abandonment, litigation exposure, and delays.

Criteria for 'Feasibility/Ease of Implementation'

- **Timeline to Implementation:** How quickly the reform can be adopted.
- **Administrative Simplicity:** Ease of integrating the reform into existing county processes and technology platforms.
- **Budget Feasibility:** Upfront and recurring costs relative to available county resources or net financial benefit.
- **Political/Stakeholder Alignment:** Anticipated level of buy-in or opposition from City/County departments, elected officials, builders, unions, the public, and advocacy groups.
- **Mutuality of Benefit:** Degree to which both the City/County and local builders/contractors directly benefit from the change.

TOP POLICY RECOMMENDATIONS

The following tables rank recommendations from most impactful (1-6) and most feasible (7-10), summarizing need, potential, benefits, timelines, barriers, and solutions.

Table 1: Most Impactful Recommendations (Ranked)

	Recommendation	Reason/Need	Impact Potential	Quantified Savings	Other Benefits	Time to Implement	Barriers to Implementation	Solution Strategies
1	Consistent 30-Day Payment Schedule and Timely Close-out (Caltrans Model)	Contractors face cash flow uncertainty; delays inflate bid prices and deter participation.	★★★★	2–5% lower bids; 15–25% more participation	Improves trust, reduces admin burden	3–6 months	Resistance from finance/audit departments	Pilot with Administrative withhold model; aligned financial system like Caltrans ; introduce PFE process
2	Streamlined Contract Approval & Delegation of Authority	SF's multi-layered approval process delays project starts by months.	★★★★	3–6 months faster starts; 5–8% escalation savings	Predictable timelines attract more bidders	6–12 months	Charter and code restrictions; political oversight concerns	Amend Admin Code Ch. 6; delegate authority with clear thresholds
3	Early Contractor Involvement: Progressive Design-Build & CM/GC	Traditional D-B-B limits innovation, increases change orders, and delays delivery.	★★★★	5–15% reduction in change orders and schedule delays	Early involvement improves constructability, cost control, and schedule certainty, Improves collaboration, supports local hiring, reduces adversarial claims, enables phasing	6–12 months for pilot; 18–24 months for full adoption	Staff lack familiarity; legal complexity; resistance from traditional firms	Pilot on large/time-sensitive projects; establish collaborative steering committee composed of PW depts. & contractors; provide DBIA-compliant templates; train staff; engage City Attorney and Commission early
4	Streamlined Inspections	Multiple inspection entities cause delays and rework.	★★★★	30–50% fewer delays; 2–3% cost savings	Improves coordination and accountability	3–6 months	Inter-agency turf issues; union concerns	Consolidate roles; allow certified third-party inspectors
5	Batch Project Locations	Scattered projects increase mobilization costs and reduce efficiency.	★★★★	5–10% cost savings	Better labor/equipment utilization	2–4 months	Inter-departmental coordination	Use GIS tools to group scopes; align bid calendars
6	Traffic Control Limitations Reform	Restrictive work windows and lane closure rules slow progress and inflate costs.	★★★★	10-20% reduction in project duration; 3-6% reduction in costs; 1-2% reduction in bid premiums	Improved crew productivity; fewer safety incidents; better public communications; environmental gains	3-6 months	Public resistance; interagency coordination; legacy standards; political sensitivity; limited resources	Data-driven justification; community engagement; interdepartmental task force; phased rollout; update standards

Table 2: Most Feasible Recommendations (Ranked)

	Recommendation	Reason/ Need for It	Feasibility	Quantified Savings	Other Benefits	Time to Implement	Barriers to Implementation	Solution Strategies
7	Allow Street Closures for Worker Safety	Limited closures force unsafe, inefficient setups.	High	10–15% time savings per shift	Fewer safety incidents; better morale	1–2 months	Public opposition; traffic concerns	Use data to justify closures; pilot in low-traffic zones
8	Rolling 12–24 Month Project Forecast	Contractors lack visibility into upcoming work.	High	2–3% lower bid premiums	Improves planning and competition	1–2 months	Data coordination across departments	Centralize pipeline data; publish quarterly updates
9	Standardized Bid Templates & Digital Submission	Inconsistent formats and paper format increases bid prep costs and errors.	High	10–20% lower bid prep costs	Faster evaluations; fewer protests	2–3 months	IT integration; staff training	Adopt citywide templates; use existing e-bidding platforms
10	Partial Release (or remove) Retention	Withheld funds strain contractor cash flow.	High	1–2% financing cost reduction	Improves trust and competitiveness	1–2 months	Policy inertia; audit concerns	Set clear milestones for release; align with state practices

DETAILED ANALYSIS OF EACH RECOMMENDATION

1. Consistent 30-Day Payment and Timely Close-out Schedule (Caltrans Model)

a. Current Environment in San Francisco

Contractors consistently name prompt payment—especially small and local firms—as a top barrier to bidding on San Francisco public works projects (San Francisco Construction Partnering Steering Committee (SFCPSC), Contractor Feedback Summary, 2022). A secondary and related barrier involves the similar challenge of reaching Final Close-out. The current City policy is to pay certified Local Business Enterprises (LBEs) within 30 days of receiving an undisputed invoice¹, but in practice, this timeline is inconsistently met and does not apply universally to all contractors or contract types. Large, decentralized departments manage their own invoice processing, resulting in delays compounded by multi-layered approvals, documentation requirements, and paper workflows².

In comparison, Caltrans processes payments to contractors within 30 days of approval, supported by centralized software oversight and streamlined procedures³. The Caltrans approach incentivizes prompt payment and explicitly applies deadlines to both contractors and subcontractors, aligning with state law under Public Contract Code § 7107 and Civil Code §§ 8810–8818. For project close-out, again the Caltrans procedures more consistently result in a predictable and timely close-out, which is a time bound process which includes the Proposed Final Estimate and Final Estimate for payment.

b. Case for Reform and Best Practices

Delays in payment disproportionately impact small and local contractors and discourage broader participation, as underscored in city audits, SFPUC stakeholder feedback⁴, and peer city reforms in Los Angeles and New York⁵.

The Governor’s Office and Caltrans enforce prompt payment via both policy and the threat of interest penalties—up to 2% monthly—on overdue balances per California Civil Code § 8818. As a Charter City and County, San Francisco does not.

Key peer practices include:

- Published, enforceable payment schedules⁶;
- Electronic invoicing and payment tracking⁷;
- Immediate escalation for disputed invoices;
- Interest awarded automatically to contractors for late payments;
- Regular audit and reporting of prompt payment compliance⁸.

Adopting Caltrans’ 30-day payment standard and prompt close-out procedures citywide would reduce contractor risk and signal City commitment to efficient project delivery.

Barriers to Implementation

- Fragmented systems: Multiple departments use differing payment platforms and timelines⁹.
- Paper-based workflows: Manual documentation and multi-step approval processes slow the cycle¹⁰.
- Legacy culture: Department staff may view payment as secondary to other priorities.
- Dispute management: Lack of clear protocol for handling legitimate invoice disputes¹¹.

d. Strategies to Overcome Barriers

Central strategic actions:

- Mandate a 30-day payment policy for all public works contracts—not limited to LBE or certified vendors—via Board ordinance or Mayoral executive directive¹².
- Invest in a unified digital invoice submission and tracking system, modeled on Caltrans and successful City Controller pilots¹³.
- Provide clear dispute escalation protocols and obligation to pay the undisputed amount, per Public Contract Code § 7107 and Civil Code §§ 8810–8818.
- Proactively report payment timelines and exceptions to the Board and Public Works Commission¹⁴.
- Enable the use of Administrative Withhold on monthly pay applications for disputed/incorrect payment applications, so the monthly payment can occur timely, and the administrative details can be remedied the following month.
- Enable the use of a time-bound Proposed Final Estimate and Final Estimate process connected to the City dispute escalation protocols to ensure the final documentation and close-out can occur timely.

Practical steps:

- Phase in electronic invoicing and digital workflows department by department, starting with pilot projects.
- Provide technical assistance to small contractors on invoice submissions via the Contractors Assistance Center and Controller’s Office¹⁵.
- Establish an ombudsman or dedicated staff for timely resolution of payment disputes.
- Work with Controller’s Office to enable Administrative Withhold and train staff to prioritize timely processing of monthly payments.
- Work with Controller’s Office to

Short-term wins: Begin enforcement with newly awarded contracts, monitor compliance, and highlight successes to attract new bidders¹⁶.

2. Streamlined Contract Approval & Delegation of Authority

a. Current Environment in San Francisco

Despite improvements following the 2022 and 2025 amendments to San Francisco’s contract delegation policy, public works contract approvals remain multi-layered, involving staff, department directors, commissions, and the Board of Supervisors depending on contract value¹⁷. Thresholds were recently updated: as of January 2025, the “Threshold Amount” for construction contracts is \$1.17 million, and the “Minimum Competitive Amount” for professional services is \$230,000¹⁸.

Current policy still requires nearly every significant contract change, amendment, or bid award to pass through the Public Works Commission, creating bottlenecks and delays¹⁹. In contrast, peer agencies such as SFPUC and Los Angeles County Public Works have delegated approval authority for standard contracts and only escalate the largest or most complex items²⁰.

b. Case for Reform and Best Practices

Lengthy approval chains contribute to costly time delays and reduce bid participation, as contractors are wary of unpredictable award timelines and delayed start dates. Best practices from peer agencies and

governance audits recommend:

- Authorizing department heads or deputies to approve routine awards, amendments, and minor change orders²¹;
- Using consent agendas for non-controversial items²²;
- Establishing clear thresholds for commission or board-level review, indexed to inflation or market size²³.

Empowering experienced department leaders and pre-defining clear criteria for escalations would materially accelerate award timelines and improve project outcomes.

c. Barriers to Implementation

- Statutory and Charter constraints: Certain approvals are mandated by City law and cannot be delegated without legislative change, per San Francisco Charter § 9.118.
- Perceived loss of oversight: Commissioners and supervisors may resist loosening controls due to accountability concerns²⁴.
- Risk of error: Staff may be unaccustomed to exercising higher levels of delegated authority without additional training²⁵.

d. Strategies to Overcome Barriers

- Codify clear, risk-based delegation in City policy, referencing best-practice models and recent Commission amendments²⁶.
- Use a consent calendar for professional services and general contracts under set thresholds²⁷.
- Require transparency via monthly reporting of delegated actions and independent spot audits²⁸.
- Couple expanded delegation with mandatory training for department-level contract managers²⁹.
- For sensitive procurements, implement a “call-up” procedure allowing the Commission or Board to review³⁰.

Continuous improvement should be driven by metrics such as contract award time, bid spreads, and protest frequency³¹.

3. Early Contractor Involvement: Progressive Design-Build & CM/GC

a. Current Environment in San Francisco

San Francisco’s adoption of early contractor involvement remains limited but is expanding. While design-bid-build remains the default method, recent capital projects—such as the \$1.4B Harvey Milk Terminal 1 program including the enabling projects at SFO have successfully implemented both CMGC and Progressive Design-Build (PDB) approaches. These methods engage contractors and trade partners during design and preconstruction, enabling innovation, risk mitigation, and early constructability review.

Peer agencies—including Caltrans, San Francisco International Airport, SFPUC, Los Angeles, and New York City—report significant cost and schedule benefits from these models, especially for large or complex infrastructure projects³².

b. Case for Reform and Best Practices

Evidence from peer audits and industry research shows that early contractor involvement:

- Reduces change orders and adversarial claims;
- Enables fast-tracking and phased delivery;
- Supports local hiring and diversity goals³³.

Best practices include:

- Qualifications-based selection for CMGC or design-builder³⁴;
- Clear milestones and owner “off-ramps” before full price commitment;
- Open-book cost reviews and early risk-sharing workshops;
- Limiting hard bid selection to the final construction phase³⁵.

San Francisco’s 2025 Chapter 6 amendments now allow these methods, but adoption remains uneven across departments³⁶.

c. Barriers to Implementation

- Limited internal expertise: Many staff are trained only in traditional delivery methods³⁷.
- Legal complexity: PDB and CMGC require different procurement structures and risk allocations³⁸.
- Resistance from industry: Some firms prefer familiar design-bid-build processes³⁹.
- Sole-source concerns: Without robust competitive frameworks, there’s risk of perceived favoritism⁴⁰.

d. Strategies to Overcome Barriers

- Target initial implementation at large, complex, or time-sensitive projects to build internal capacity and proof of concept⁴¹.
- Provide focused training and peer learning with SFPUC, SFMTA, and external experts⁴².
- Use DBIA-compliant procurement templates emphasizing qualifications and early planning⁴³.
- Mandate open book contracting for cost transparency and stakeholder trust.
- Engage the Public Works Commission and City Attorney’s Office early to ensure legal compliance and public confidence⁴⁴.

Peer cities confirm that transparency, stakeholder engagement, and independent cost audits are critical to successful implementation⁴⁵.

4. Streamlined Inspections

a. Current Environment in San Francisco

Inspection remains a common bottleneck across San Francisco public works projects, delaying project closeout, certificate of occupancy, substantial completion, and ultimately contractor payment and retention release. The City’s inspection system is fragmented across multiple agencies: the Bureau of Street Use and Mapping (BSM) for street and sidewalk work, the Department of Building Inspection

(DBI) for vertical construction, and SFPUC or SFMTA for utility infrastructure—each operating with distinct schedules, protocols, and documentation requirements⁴⁶. Further, frequent turnover in staff and an aging construction management population is resulting in an increase in inspectors with 1-2 years of experience or less, resulting in more frequent RFIs, fewer field decisions, and slower construction delivery.

While pilot programs like the Sidewalk Inspection and Repair Program have improved efficiency in specific areas, these innovations have not been scaled across major capital projects⁴⁷.

b. Case for Reform and Best Practices

Peer cities (LA, Seattle, New York) and leading agencies rely on:

- Digital scheduling, tracking, and reporting;
- Cross-training inspectors to handle multiple permit types (e.g., excavation, encroachment, utilities);
- Batch or risk-based inspections for routine, low-risk work;
- Require in-person on site schedules rather than remote work, which leads to limited inspection availability on typical remote work days like Fridays;
- Shared dashboards for real-time inspection status and corrective action tracking⁴⁸.

San Francisco’s fragmented regime slows progress and creates confusion for contractors—especially small or new firms unfamiliar with local requirements⁴⁹. A unified, transparent, and digitized inspection protocol would improve both efficiency and quality.

c. Barriers to Implementation

- Agency silos: Lack of shared data and workflows among permitting and inspection units⁵⁰.
- Staffing bottlenecks: Vacancies and retirements have left inspection teams inexperienced and/or overstretched⁵¹.
- Paper-based legacy practices: Many inspections still require in-person, on-paper signoff⁵²

d. Strategies to Overcome Barriers

- Develop or expand a shared inspection scheduling and reporting system, accessible to both City staff and contractors.
- Launch cross-agency training to create a “universal” pool of inspectors for routine work.
- Digitize inspection forms and results, making pass/fail and correction lists available in real time.
- Pilot extended inspection hours or virtual inspections, as tested successfully during COVID-era adaptations⁵³.

Publishing backlog data and performance metrics can further drive accountability and culture change.

5. Batch Project Locations

a. Current Environment in San Francisco

San Francisco’s public works projects were historically advertised and executed as standalone contracts—even when multiple similar scopes exist within the same geographic area or fiscal year. Today, sidewalk repairs, sewer upgrades, ADA curb ramps, and street resurfacing are either bid as isolated jobs, or as a group

of projects described as “various locations.” The challenge is that the various locations contracts are often batched by maintenance priority, rather than aggregated across city departments and organized by geographic zone. The result is that the bidding contractors must mobilize small crews to many different locations across the city rather than perform similar, repeated scopes within a limited block radius. Anecdotally, it is common for two separate contractors to perform curb ramp improvements on separate various locations contracts on the same city block. This fragmented approach increases mobilization costs, limits economies of scale, and reduces contractor interest, particularly among small and mid-sized firms that must absorb high overhead for each individual bid.

While departments such as Public Works and SFPUC maintain internal lists of recurring infrastructure needs, the system for bundling geographically proximate or scope-similar projects into batch procurements is not fully programmed citywide. Contractors report unpredictable bidding schedules, redundant mobilizations, and inefficient deployment of labor and equipment as key deterrents to participation⁵⁴.

b. Case for Reform and Best Practices

Batching project locations, grouping similar scopes within defined geographic zones—can significantly improve cost efficiency, contractor participation, and project delivery timelines. Peer agencies such as the Los Angeles Bureau of Street Services, Seattle Department of Transportation, and Portland Bureau of Transportation routinely bundle sidewalk, paving, and utility work into multi-location contracts, reducing per-unit costs and increasing bid competitiveness⁵⁵.

Benefits of batching include:

- Lower mobilization and staging costs, especially for small contractors;
- Improved bid pricing due to predictable scope and reduced risk;
- Higher participation from LBE, DBE, and emerging firms that can plan resources more effectively;
- Faster delivery through coordinated permitting, inspection, and traffic control.

Batching also supports workforce continuity and union hiring goals by enabling longer-duration contracts with consistent labor demand⁵⁶.

c. Barriers to Implementation

Despite its advantages, batching faces several implementation challenges:

- Procurement silos: Departments may plan and advertise projects independently, without coordination across scopes or geographies⁵⁷.
- Budget fragmentation: Funding sources may be tied to specific locations or fiscal years, complicating bundling⁵⁸.
- Legacy systems: Existing bid templates and project management tools are designed for single location contracts⁵⁹.
- Risk aversion: Staff may fear that bundling increases complexity or reduces flexibility in responding to urgent needs⁶⁰.

Additionally, some contractors may be unfamiliar with batch bidding formats or concerned about performance risk across multiple sites⁶¹.

d. Strategies to Overcome Barriers

To implement batch project location reform effectively, the City should consider the following strategies:

1. Develop a cross-departmental batching policy, with clear criteria for geographic proximity, scope similarity, and contract value thresholds⁶².
2. Pilot batch procurements in recurring scopes such as sidewalk repair, ADA ramps, and paving—starting in neighborhoods with multiple deferred maintenance items⁶³.
3. Coordinate funding streams through joint capital planning and flexible budget allocations to enable bundled delivery⁶⁴.
4. Update bid templates and digital submission portals to accommodate multi-location scopes, including mapping tools and phased scheduling options⁶⁵.
5. Engage contractors early through outreach and pre-bid conferences to explain batch formats and address concerns⁶⁶.
6. Track and report outcomes, including bid participation, unit pricing, and delivery timelines, to evaluate success and refine the model⁶⁷.

Batching is a high-impact, moderate-feasibility reform that aligns with broader goals of equity, efficiency, and contractor inclusion. With thoughtful piloting and interdepartmental coordination, San Francisco can reduce costs, improve delivery, and expand access to public works opportunities.

6. Traffic Control Limitations Reform

a. Current Environment in San Francisco

San Francisco's public works contractors face some of the most restrictive traffic control limitations in California. Permits often limit lane closures to narrow windows (e.g., 9:30 AM–3:30 PM), require daily setup/removal of traffic control devices, and restrict work zones to minimal footprints—even on low-volume streets⁶⁸. These constraints, while intended to minimize congestion and preserve emergency access, significantly reduce productivity, and increase costs. Further, the catenary electrical line system required for San Francisco Muni busses require specialty contractors with limited schedules to adjust lines for repairs and outages.

Contractors report that these limitations fragment work schedules, increase labor costs due to repeated mobilization, and reduce productivity by up to 20%. In dense corridors, lack of staging space leads to delays, change orders, and inflated bids. These constraints also raise worker safety risks, as crews operate in tight zones adjacent to live traffic⁶⁹.

b. Case for Reform and Best Practices

Cities such as Los Angeles, Seattle, and Portland have adopted more flexible traffic control frameworks that balance mobility with construction efficiency. Best practices include:

- Extended closure windows during off-peak hours or weekends;
- Pre-approved traffic control templates for common work types;
- Tiered permitting based on street classification and traffic volume;
- Data-driven impact assessments to justify longer closures⁷⁰.

Reforming San Francisco’s traffic control limitations could yield substantial benefits:

- 10–20% reduction in project duration, especially for linear infrastructure;
- 3–6% reduction in labor and traffic control costs;
- Improved safety outcomes;
- Higher bid participation due to reduced risk and increased efficiency.

c. Barriers to Implementation

Despite the clear benefits, several barriers may slow reform:

- Public resistance to extended closures in commercial and residential areas;
- Inter-agency coordination challenges, particularly among Public Works, SFMTA, Police, and Fire;
- Legacy standards and rigid permit systems;
- Political sensitivity around mobility and business access⁷¹.

d. Strategies to Overcome Barriers

To implement traffic control reform effectively, the City should consider the following strategies:

- Launch pilot projects in low-traffic or industrial zones to test extended closures.
- Use data from past projects to demonstrate time and cost savings.
- Conduct community engagement to explain benefits and gather input.
- Establish an interdepartmental task force to align standards and streamline approvals.
- Update traffic control manuals to include flexible templates and tiered permitting⁷².

Reforming traffic control limitations is a high-impact, mid-feasibility measure that can significantly improve project delivery, reduce costs, and enhance safety. With thoughtful piloting and inter-agency coordination, San Francisco can modernize its approach and become a more contractor-friendly city for public infrastructure delivery.

7. Allow Street Closures for Worker Safety

a. Current Environment in San Francisco

San Francisco’s “Blue Book” and permit regimes prioritize keeping streets and sidewalks open during construction. In practice, this results in complex and costly traffic control setups, staged construction, and temporary decking. Full street or lane closures require case-by-case approval and are rarely granted, especially downtown, along Muni routes, or during peak hours⁷³.

Internal reports document worker safety incidents and near-misses linked to constrained work zones. Peer cities like LA County and Portland have expanded closure flexibility to protect workers and accelerate delivery⁷⁴.

b. Case for Reform and Best Practices

Benefits include:

- Improved worker safety, with fewer incidents near live traffic;
- Increased productivity, as larger work areas reduce mobilizations;
- Shorter construction durations, minimizing public disruption⁷⁵.

Peer cities balance closure flexibility with public notification, detour planning, and community engagement to maintain trust and access.

c. Barriers to Implementation

- Transit and traffic priorities: Muni and SFMTA are protective of operational continuity;
- Community resistance to perceived access or revenue loss;
- Permit complexity, with multiple agencies involved in approvals⁷⁶.

d. Strategies to Overcome Barriers

- Establish clear criteria and a standard permit pathway for closures justified by safety and schedule needs;
- Permit full or partial closures during “safe work windows” (e.g., nights, weekends, off-peak hours);
- Require contractor-developed detour and mitigation plans, with City-led public communication;
- Pilot in select corridors with transparent reporting on safety outcomes and project performance⁷⁷.

8. Rolling 12–24 Month Project Forecast

a. Current Environment in San Francisco

While city departments maintain internal capital project lists, the public, potential bidders, and even some City staff lack access to a centralized, up-to-date rolling forecast of upcoming opportunities. The San Francisco Public Utilities Commission (SFPUC) publishes periodic updates, but content is variable and often lacks definitive advertisement dates or scope clarity⁷⁸.

Peer agencies such as LA County Public Works and the City of Oakland publish rolling forecasts updated quarterly, offering transparency and giving contractors time to plan bids, staffing, and financing⁷⁹.

b. Case for Reform and Best Practices

Rolling forecasts increase competition and quality of bids by:

- Allowing contractors, especially small and M/WBE firms, to plan resources, joint ventures, and cash flow;
- Reducing “last-minute” bid submissions, which are more error-prone and costly;
- Supporting workforce pipeline and union hiring goals⁸⁰.

Rolling forecasts are widely recommended by public procurement institutes, e.g., the National Institute of Governmental Purchasing, and cited in recent city audits, such as the San Francisco Budget & Legislative Analyst 2023 Contracting Oversight, as a best practice for improving transparency and contractor engagement.

c. Barriers to Implementation

- Data silos and variable accuracy: Departments may hesitate to share “in development” projects with uncertain dates⁸¹.
- Staff workload: Maintaining accurate forecasts requires regular updates and contractor communication.
- Legal caution: Staff may fear liability if forecasted opportunities are delayed or canceled⁸².

d. Strategies to Overcome Barriers

- Mandate quarterly or monthly publication of a consolidated, citywide rolling forecast for projects over \$500,000⁸³.
- Build a simple dashboard or public spreadsheet modeled on SFPUC’s system and require department participation.
- Include disclaimers marking dates and scopes as “preliminary and subject to change.”
- Disseminate through existing outreach channels like the Contractors Assistance Center and plan room networks⁸⁴.

9. Standardized Bid Templates & Digital Submission

a. Current Environment in San Francisco

San Francisco has invested in digital tools such as SFBid and SFPUC’s online bidding system, but standardized bid forms and full digital workflows remain inconsistent across departments and project types⁸⁵. Requirements like LBE certification, insurance, and wage affidavits are often buried in lengthy contracts or scattered across multiple files, creating confusion and errors⁸⁶.

Peer agencies—including the Port of San Francisco, SFMTA, and SFPUC—now require unified digital templates and submission portals for all solicitations, improving speed, accuracy, and transparency⁸⁷.

b. Case for Reform and Best Practices

Standardized, digital-first bidding:

- Reduces errors and incomplete bids that waste staff time and disqualify qualified firms;
- Enables easy revision, addenda, and clarification distribution;
- Promotes inclusion of small/local and less experienced firms;
- Improves audit and reporting, supporting anti-corruption efforts⁸⁸.

Digital submissions also reduce paper, save time, and lower administrative costs citywide⁸⁹

c. Barriers to Implementation

- Technology gaps: Not all departments use the same platform⁹⁰.
- Vendor training needs: Some contractors are unfamiliar with e-bidding.
- Legal risk aversion: Concerns over data breaches or protests due to technical errors⁹¹.

d. Strategies to Overcome Barriers

- Expand and mandate use of SFBid or a comparable platform for citywide public works projects.
- Provide online workshops and 24/7 help desk support for bidders, especially small/local and DBE

firms⁹².

- Design bid forms to mirror industry-standard templates with clear guidance.
- Offer in-person technical assistance or submission appointments for those unable to bid electronically.
- Track metrics on bid submissions, error rates, and processing times to monitor implementation⁹³.

10. Partial Retention Release

a. Current Environment in San Francisco

City contracts typically withhold up to 5% of progress payments as retention to ensure completion and remedy defects, in line with California Public Contract Code § 7107. However, retention is often held until final closeout—even when most work is complete—causing cash flow strain and discouraging small, local, or disadvantaged business participation⁹⁴.

State law permits retention release for accepted portions of work, provided disputed amounts are proportional to unresolved items. A project close-out system that implements a Proposed Final Estimate and Final Estimate similar to Caltrans, would enable city departments to have a more predictable close-out duration. Agencies like SFPUC and LA Metro have piloted milestone-based retention release with positive impacts on contractor interest and pricing⁹⁵.

b. Case for Reform and Best Practices

Partial retention release:

- Provides critical cash flow for smaller contractors and subcontractors;
- Reduces risk premiums and inflated bid prices;
- Encourages faster closeout and proactive punch list resolution⁹⁶.

Progressive retention is widely used in private sector contracts and increasingly adopted in public works, supported by recent legislative updates⁹⁷

c. Barriers to Implementation

- Misinterpretation of state law: Some staff believe full retention is always required⁹⁸.
- Risk aversion: Concerns about leverage over late-performing contractors.
- Administrative burden: Tracking multi-phase retention releases requires additional oversight.

d. Strategies to Overcome Barriers

- Adopt a formal partial retention release policy with milestone triggers defined in bid documents.
- Provide guidance from the City Attorney and Controller confirming compliance with PCC § 7107.
- Require departments to document retained amounts and release dates, with incentives for early completion.
- Pilot on low-risk projects, evaluate outcomes, and expand gradually⁹⁹.

Clear documentation, transparency, and contractor communication are essential for successful implementation.

FINAL SUMMARY

San Francisco’s future prosperity, and its ability to deliver on infrastructure promises and ensure vibrant economic recovery, depend on making construction both more affordable and more inclusive. This slate of ten recommendations delivers a roadmap of high-impact and feasible reforms—blending bold change with immediate, practical wins—to lower building costs while encouraging new voices in the construction marketplace.

San Francisco stands to realize significant gains in cost, schedule, bid quality, and public trust by embracing these **ten evidence-based reforms** to its public works bidding and construction practices. Challenges—rooted in legacy systems, culture, legal complexity, and stakeholder inertia—can be overcome with strong city leadership, policy clarity, cross-departmental coordination, and investments in digital transformation. By delivering on these reforms, San Francisco will set a new national standard for inclusive, efficient, and trustworthy public infrastructure delivery.

The following **next steps** are recommended for San Francisco City and County leadership:

- Direct departments and the Public Works Commission to create implementation groups for each recommendation, including contractor/stakeholder input.
- Set clear, measurable performance indicators for bid competitiveness, payment timeliness, project delivery timelines, and vendor diversity.
- Publicly report progress quarterly, both internally and to the Board’s Oversight and Audit Committees.
- Encourage rapid pilots and phased expansion to “learn as we go.”

It is within San Francisco’s reach to lead the nation in construction affordability and contractor opportunity—without sacrificing equity, transparency, or quality. The time to act is now.

During the June 9, 2025 UCON San Francisco Public Works Policy and Procedures Change Focus Group, at the Mayor of San Francisco's encouragement, representatives from union contractors identified challenges facing California contractors and opportunities to create cost savings for both contractors and San Francisco County.

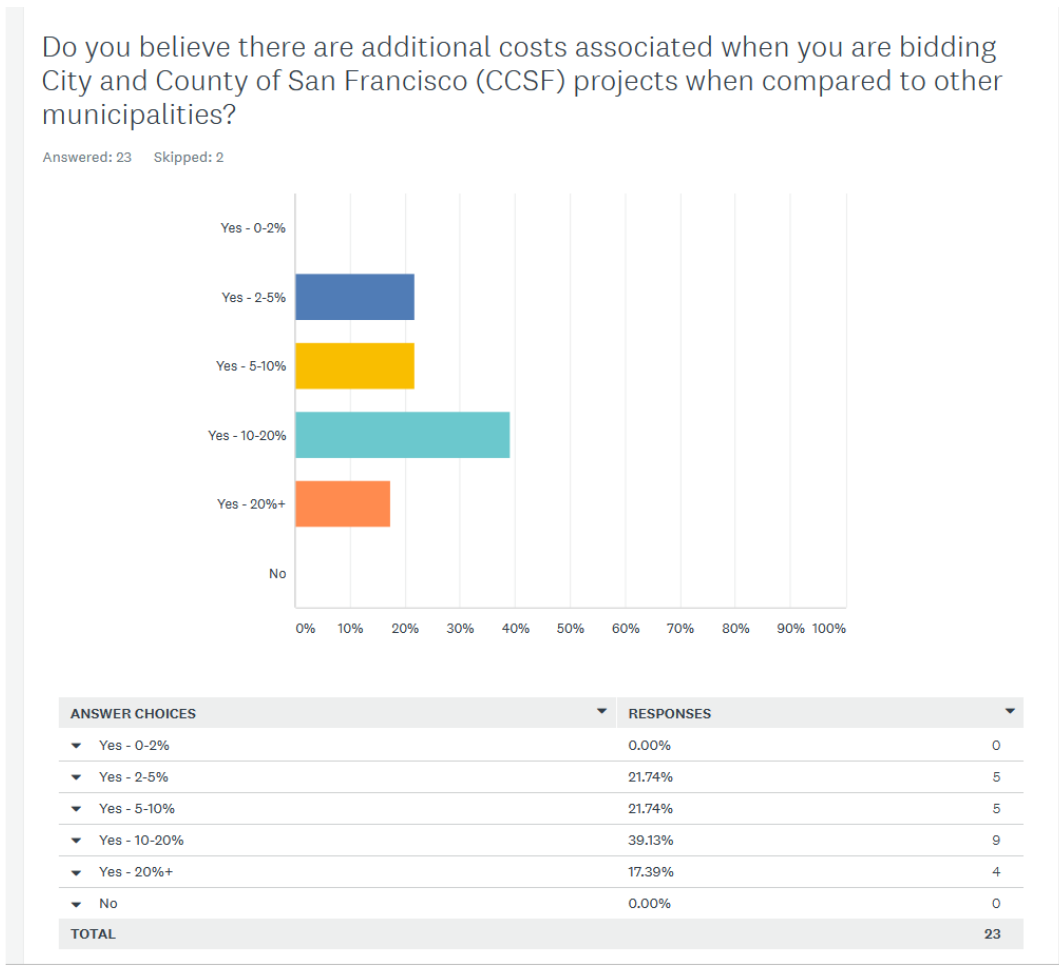
ISSUE	SOLUTION	SAVINGS
<u>Added Complexity</u> TERRIFIC PLANS REQUISITIONS	SERVICES ACCEPTABLE TURNS LESS CLERKWORK	FORMS (CORRESPOND)
PERMITTING THEY PAY US TO PAY THEM	ALLOWANCE	ADMIN/REG/COOR MANUAL + FLUES
INSPECTIONS TO MANY DIFFERENT PRATITIES	CITY/TIES IN 3 RD PARTY SPECIALIZE INSPECTORS LESS BUREAUCRATIC // green 11/11	
ISSUE		SAVINGS
<u>"VARIOUS LOCATIONS"</u> INCONVENIENT, NO OVERALL TROUBLE		INCONVENIENT, NO OVERALL TROUBLE [MIS OVERALL PROGRAM COSTS] ALL OVER CITY ex: 6 yr agency, is 2 adjacent blocks
<u>WASTE</u> PAYMENTS ^{TURN OVER} LATE + MANY - PAYOUT LEAD TO SURE COSTS ^{SAVINGS} - 20% OF PROJECT - 20% OF PROJECT		RECEIVE PAYOUT COSTS (BURN SURE) AND "ADJUSTABLE" PAYMENTS Savings 30 DAY PAY (CASH OVERDUE)
LOCAL HIRE - LABOR PROBLEM	52% 24% COST OF 10% JOB OF 5	LARGER SAVINGS NODL WC CLAIMS reduce 8%
<u>* INSURANCE PREMIUM</u> FROM VARIOUS TRANSFERRING LIABILITY GET SURE OUT OF SURE		LESS ALMOST EVERYWHERE ELSE JUST MAKE SURE 5% FOR NO VALUE
CLOSEOUT DELAYS CMO, CMO, PLS, PMW (12-18 mo) 12-18 mo		ADDM COSTS SOLUTION: GET RID OF OR REDUCE RETENTION
SIMPLIFIED BID FORM THAT HAS TO GO TO FORM-BID, NOT THE BID EVEN MORE FOR THE QUALIFIED CONTRACTORS		REDUCE BID COSTS RED MORE COMPETITION CITY PROTECTION
SCHEDULING P20 REQUIREMENT? Allen Fall Closure (Traffic Flow)		

ISSUE	Saving
A. Change order Process Payment & review	more friendly Process To much Admin Cost for city
B. PLA on small Jobs	~20% Savings
C. Progress Payments	minimize calltrans Process
D. Traffic Control Limitations	allowing more time & space will speed up jobs \$1200/day plus delays
E. Field Inspectors expenses	City hiring hiring Process
F. Warranty period	
G. City Amend ^{Amend} work week not 40hr M-F	

Appendix B: SFCPSC Contractor's Survey

Source: The City and County of San Francisco Collaborative Partnering Steering Committee (SFCPSC) Contractor's Focus Group (2022) (25 Responders + Focus Group)

Question 1. Do you believe there are additional costs associated when you are bidding CCSF project when compared to other municipalities?



Focus Group Comments:

2 – 5% premium - most frequent

5 – 10% premium - 2nd most frequent

Question 3: Please rate these items in terms of impact on your bid or proposal prices for CCSF projects.

	VERY LOW IMPACT (1)	LOW IMPACT (2)	MEDIUM IMPACT (3)	HIGH IMPACT (4)	VERY HIGH IMPACT (5)	TOTAL	WEIGHTED AVERAGE
▼ Timeliness of payment	0.00% 0	0.00% 0	30.43% 7	34.78% 8	34.78% 8	23	4.04
▼ Project issue resolution	0.00% 0	8.70% 2	8.70% 2	52.17% 12	30.43% 7	23	4.04
▼ Fairness in project administration	4.55% 1	0.00% 0	22.73% 5	45.45% 10	27.27% 6	22	3.91
▼ Acquiring permits	0.00% 0	9.09% 2	31.82% 7	31.82% 7	27.27% 6	22	3.77
▼ Local business requirements	9.09% 2	13.64% 3	13.64% 3	27.27% 6	36.36% 8	22	3.68
▼ Project close-out	0.00% 0	18.18% 4	31.82% 7	27.27% 6	22.73% 5	22	3.55
▼ Quality of drawings	0.00% 0	10.00% 2	45.00% 9	30.00% 6	15.00% 3	20	3.50
▼ Laydown staging area and site access	9.52% 2	14.29% 3	14.29% 3	52.38% 11	9.52% 2	21	3.38

Focus Group Comments:

- Quality of Drawings – most impactful
- Fairness in Project Administration – 2nd most
- Local Business Requirements – 3rd most
- Also – added Change Order Processing – as not included, but highest impact.

Appendix C: Construction Cost and Bid Environment Trends in San Francisco County

An analysis of the market conditions effecting costs and bids for public works contractors in the City and County of San Francisco is provided below.

1.1 Recent Construction Cost Indices

San Francisco continues to experience some of the highest construction costs in the United States, driven by a combination of labor shortages, material inflation, regulatory complexity, and fragmented project delivery.

- The California Construction Cost Index (CCCI), published by the Department of General Services and based on Engineering News-Record's (ENR) Building Cost Index (BCI) for San Francisco and Los Angeles, reached 10,238 in September 2025, up from 7,090 in January 2021 — a 44% cumulative increase over five years.
- The Annual Infrastructure Construction Cost Inflation Estimate (AICCIE), used by San Francisco's Capital Planning Committee for budgeting, projects a 3.5% escalation for calendar year 2025, reflecting continued upward pressure despite post-pandemic stabilization.
- ENR's San Francisco indices reported only 0–0.6% growth in 2024, but this followed historic spikes of 14.1% (CCI) and 23.2% (BCI) in 2022, underscoring the volatility and unpredictability of recent years.

Key cost drivers include:

- Material inflation in concrete, steel, and lumber.
- Labor shortages, particularly in union-heavy trades.
- Regulatory overhead, including multi-agency inspections and traffic control constraints.
- Bid market dynamics, where contractors price in risk premiums due to payment delays, retention policies, and fragmented project scopes.

1.2 Bid Environment and Participation

San Francisco's public works bid environment remains constrained, with limited competition and elevated pricing:

- In 2024, the Department of Public Works received an average of 3.4 bids per major project, with a median of three bids across 24 tracked projects.
- Winning bids were 8% above engineering estimates, indicating that contractors are factoring in substantial risk premiums before participating.

This trend reflects a market where:

- Mid-sized and smaller contractors are deterred by cash flow uncertainty, complex permitting, and unpredictable inspection schedules.
- Bid premiums are inflated by factors such as delayed payments, restrictive traffic control policies, and fragmented project scopes.

Sources:

- Engineering News-Record (ENR), San Francisco BCI and CCI Reports, 2021–2025.
- San Francisco Capital Planning Committee, AICCIE 2025 Forecast.
- San Francisco Department of Public Works, Bid Participation Summary, 2024.
- Caltrans Partnering Program ROI Analysis, 2023.

- Design-Build Institute of America (DBIA), Cost and Schedule Performance Benchmarks, 2022.

2.1 Permit Fee Structure and Cost Burden

San Francisco’s permitting environment is among the most complex and costly in California, posing significant barriers to contractor participation and bid competitiveness.

Building Permit Fees

- New Construction Permit Fees are based on project valuation. As of 2025, the city-set valuation threshold for alterations, structural repairs, or additions is \$203,611. Permit fees are calculated as a percentage of this valuation, plus flat inspection, and processing charges per the 2025 San Francisco Department of Building Inspection Fee Schedule.
- Trade and Specialty Permits (mechanical, electrical, plumbing, boiler, etc.) carry additional fees, each with separate schedules and review timelines.
- State-Mandated Regulatory Fees include charges for code enforcement, energy conservation, and public notifications — such as the \$4 per \$100,000 valuation surcharge under California Building Standards Code (Title 24).

Departmental Processing Fees

San Francisco Public Works imposes further charges for:

- Street space use: \$833 application fee + \$7–\$18 per sq. ft. monthly assessment.
- Excavation permits: \$136–\$227 administrative fee + \$98–\$144 daily inspection fee.
- Sidewalk encroachment: Minimum \$1,989 per application.
- Occupancy permits: \$112 per day per block face¹⁰⁰.

Planning and Environmental Review

- Planning Application Fees can range from tens of thousands to hundreds of thousands of dollars, depending on project complexity per the August 2025 San Francisco Planning Department, Fee Schedule.
- Environmental Impact Reports (EIRs) and CEQA mitigation fees are substantial for large or sensitive sites, often triggering multi-year reviews.
- Extended Review Timelines: Mid-rise and high-rise projects frequently undergo multiple rounds of review, delaying ground break by 12 to 36 months.

These costs and delays disproportionately affect small and mid-sized contractors, who must absorb high preconstruction overhead and carry risk across uncertain timelines. They also contribute to inflated bid premiums and reduced participation — trends documented in the San Francisco Budget & Legislative Analyst’s 2023 audit of public works contracting delays.

2.2 Timeline and Process Barriers

Contractors consistently cite San Francisco’s slow and unpredictable permitting regime as a deterrent to bidding. The layering of requirements — zoning, design, structural, seismic, accessibility (ADA), and environmental — creates a high-risk environment with limited visibility into project timelines.

Key process barriers include:

- Multi-agency coordination delays, especially among the Department of Building Inspection, Public Works, Planning, and Health Departments (for contaminated site oversight).
- Appeals and community opposition, which can extend review periods by months or years.
- Lack of standardized traffic control plans, forcing contractors to design from scratch and navigate inconsistent approvals.
- Unpredictable inspection schedules often requiring coordination across multiple entities with limited availability.

Sources:

- San Francisco Department of Building Inspection, 2025 Permit Fee Schedule.
- San Francisco Public Works, Permit Fee Schedule, 2025.
- San Francisco Planning Department, Fee Schedule (Effective August 2025).
- California Building Standards Code, Title 24.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.
- DBIA and FHWA Infrastructure Delivery Benchmarks, 2022–2024.

3.1 Citywide and Project-Specific Impact Fees

San Francisco’s development impact fee structure is among the most layered and costly in the state, creating significant uncertainty for contractors and developers. These fees are intended to offset the infrastructure burden of new development, but their unpredictable application and escalation directly affect project pro formas, cash flow, and bid competitiveness.

- Citywide Impact Fees include the Transportation Sustainability Fee, childcare fees for office/hotel/residential projects, affordable housing fees, infrastructure charges, and open-space levies. These can total \$30–\$100 per gross square foot, depending on neighborhood, development type, and approval date¹⁰¹.
- Annual Escalation: Following a 2023 legislative update, most impact fees now increase at a flat 2% per year, with affordable housing fees subject to additional escalation at the discretion of the Mayor’s Office of Housing and Community Development¹⁰².

These fees are often applied late in the entitlement process, creating last-minute cost shocks that deter contractor participation and inflate bid premiums. They also compound other preconstruction burdens such as permitting delays, inspection complexity, and retention policies.

3.2 Fee Reductions and Exemptions

San Francisco has introduced temporary incentives to mitigate the impact of these fees, but their limited scope and expiration timelines create uneven market signals:

- The Temporary Fee Reduction Program (2023–2026) offers a 33% reduction in impact fees for eligible pipeline projects with timely site and building permits. While this has spurred bidding activity in the short term, contractors express concern about a potential slowdown once the program expires¹⁰³.
- In March 2025, the Board of Supervisors waived impact fees and affordable housing requirements — sometimes exceeding \$100,000 per new unit — for eligible commercial-to-residential conversions. This policy aims to stimulate adaptive reuse in the downtown core, but its narrow eligibility criteria limit broader contractor engagement (San Francisco Board of Supervisors, Ordinance No. 45-25).

These exemptions highlight the importance of predictable and transparent fee structures, which can be supported by reforms such as rolling forecasts, early contractor involvement, and streamlined contract approvals — all of which help contractors assess risk and price bids more competitively.

3.3 Neighborhood-Specific Levies and Utility Charges

In addition to citywide fees, contractors must navigate a patchwork of neighborhood-specific levies, including:

- Market and Octavia, Balboa Park, and SOMA Community Stabilization Funds, which impose localized infrastructure and community benefit charges.
- Water and wastewater capacity charges, utility impact fees, and school district fees, which vary by site and are often assessed late in the entitlement process.

These localized fees can add tens of thousands of dollars to project costs and are rarely standardized across departments. Contractors report that the unpredictability of these charges — combined with delayed payment schedules and fragmented inspection regimes — creates a high-risk environment that discourages bidding, especially from small and mid-sized firms.

Sources:

- San Francisco Planning Department, Impact Fee Schedule (2025).
- Mayor’s Office of Housing and Community Development (MOHCD), Fee Adjustment Memo (2023).
- San Francisco Planning Department, Temporary Fee Reduction Program Overview (2023).
- San Francisco Board of Supervisors, Ordinance No. 45-25 (March 2025).
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.

4.1 Wage Requirements and Statutory Framework

San Francisco enforces some of the most stringent prevailing wage and labor compliance standards in California, directly impacting all public works, city-supported, and many large private projects. These requirements are rooted in:

- San Francisco Administrative Code Chapter 6.22 and California Labor Code Section 1773, which mandate that all city-funded or contracted work pay the highest general prevailing wage rates, including overtime and fringe benefits, for each trade classification (SF Admin Code §6.22; CA Labor Code §1773).
- The city's wage determinations often exceed both state Department of Industrial Relations (DIR) and federal Davis-Bacon Act minimums. San Francisco adopts "the highest general prevailing wage rates in private employment for similar work," resulting in field craft wages that frequently exceed \$36–\$50/hour, with an estimated 18% premium over national averages¹⁰⁴.

These wage standards reflect San Francisco's commitment to fair labor practices but also contribute to elevated project costs and reduced contractor participation — especially among small and mid-sized firms.

4.2 Compliance and Enforcement Burden

Contractors working on San Francisco public works projects must meet extensive compliance obligations, including:

- Submitting certified payroll through the city's electronic tracking system (LCPtracker).
- Employing state-registered apprentices and contributing to approved training programs.
- Maintaining OLSE sign-in records, submitting fringe benefit documentation, posting compliance notices, and undergoing random worksite inspections.
- Facing penalties for non-compliance, including back wage forfeiture, \$50+/day per worker fines, and up to five years of citywide disqualification¹⁰⁵.
- Contractors and subcontractors on San Francisco Public Utilities Commission (SFPUC) projects are also subject to annual DIR registration and enforcement audits.

These requirements are critical for labor equity but create significant administrative and legal burdens, particularly for firms without dedicated compliance staff.

4.3 Additional Local Labor Ordinances

Beyond prevailing wage laws, contractors must comply with several additional city labor ordinances:

- Minimum Compensation Ordinance (MCO, Chapter 12P): Requires city contractors to pay a minimum hourly wage (e.g., \$20.22/hour as of July 2023, adjusted annually).
- Health Care Accountability Ordinance (HCAO, Chapter 12Q) and Health Care Security Ordinance (HCSO): Mandate employer-paid health benefits or alternative payments to city health funds, with requirements varying by workforce size and contract type.
- Local Hiring and Business Participation: The 14B Local Business Enterprise (LBE) program and First Source Hiring Program require good faith efforts to hire locally and subcontract to certified LBEs (SF Contract Monitoring Division, 2025 Guidelines).

These ordinances promote equity and community investment but add layers of complexity to bid preparation and project execution.

4.4 Barriers to Contractor Entry

The cumulative effect of San Francisco’s wage and labor compliance environment presents real barriers to contractor participation:

- Small and mid-sized firms, especially non-union or out-of-region contractors, often decline to bid due to the specialist HR/legal costs associated with compliance.
- High wage floors and union labor premiums make it difficult for firms without scale efficiencies to submit competitive bids.
- Administrative complexity — from payroll tracking to multi-agency coordination — increases bid preparation costs and deters new market entrants.

Sources:

- San Francisco Administrative Code §6.22; California Labor Code §1773.
- Office of Labor Standards Enforcement (OLSE), Annual Wage Determination Report, 2025.
- San Francisco OLSE Compliance Manual, 2025.
- San Francisco Contract Monitoring Division, LBE and First Source Hiring Guidelines, 2025.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.
- California Department of Industrial Relations (DIR), Public Works Contractor Registration Portal.

5.1 State Licensing and Local Registration

All contractors and subcontractors performing construction work in California must be licensed by the Contractors State License Board (CSLB), as required under California Business and Professions Code § 7000 et seq. In addition:

- San Francisco mandates that all prime bidders and listed subcontractors on city-funded public works projects be both CSLB-licensed and registered annually with the California Department of Industrial Relations (DIR) under the Public Works Contractor Registration Program (Labor Code § 1725.5; SF Admin Code § 6.21).

These requirements ensure baseline qualifications and labor compliance but also contribute to administrative overhead, particularly for small and out-of-region firms unfamiliar with San Francisco’s layered regulatory environment.

5.2 Contractor Bonding Requirements

Bonding is a critical but often underappreciated barrier to contractor participation in San Francisco’s public works market. As of January 1, 2023, the CSLB increased the required contractor license bond to \$25,000, up from \$15,000¹⁰⁶. Additional bonding requirements include:

- Bond of Qualifying Individual: If a license is qualified by a Responsible Managing Employee (RME) or certain Responsible Managing Officers (RMOs), an additional \$25,000 bond is required (Business and Professions Code § 7071.9).

- Bid Bonds: Typically, 5–10% of the bid amount, required to ensure serious intent to contract.
- Performance and Payment Bonds: Required on most city contracts worth over \$25,000, typically 100% of the contract value. These guarantee project completion and payment to subcontractors and suppliers.
- Surety Costs: Premiums for performance bonds range from 1–3% of contract value for well-capitalized firms but can be significantly higher for contractors with limited credit or financial history.

These bonding requirements are essential for risk management but can disproportionately affect small, emerging, and first-time bidders, who may lack the financial history or collateral to secure affordable bonding. This limits competition.

5.3 Barriers to Entry and Industry Impact

The combination of licensing, bonding, and compliance requirements creates a high threshold for market entry:

- Small and mid-sized contractors often struggle to meet bonding thresholds due to limited working capital or lack of bonding history.
- First-time bidders face heightened scrutiny from surety underwriters, especially in San Francisco’s high-cost, high-risk environment.
- The 2023 bond increase has been cited by industry groups as a deterrent to new entrants, particularly in the wake of pandemic-era financial strain ¹⁰⁷.

Failure to maintain bonding compliance can result in license suspension by the CSLB, disqualification from city bidding, and reputational damage — further discouraging participation.

Sources:

- California Business and Professions Code §§ 7000–7191.
- California Labor Code § 1725.5; § 1771.1.
- Contractors State License Board (CSLB), “Bond Increase Effective January 1, 2023” Bulletin.
- San Francisco Administrative Code § 6.21.
- California Building Industry Association (CBIA), “Small Contractor Access and Bonding Constraints,” 2023.
- San Francisco Office of Contract Administration, Public Works Contracting Guidelines, 2025.

6.1 Required Insurance Types for Public Works Projects

San Francisco’s public works contractors must carry a range of insurance policies to meet city and state requirements. While these protections are essential for risk management, they also contribute to high overhead costs and administrative complexity, particularly for small and mid-sized firms.

Core Insurance Requirements

- Workers’ Compensation Insurance is mandatory for any contractor or subcontractor with employees, as required under California Labor Code § 3700.
- General Liability Insurance (CGL) is not required for CSLB licensure but is universally mandated by San Francisco public agencies and most private owners, typically at \$1 million per occurrence / \$2 million aggregate¹⁰⁸.
- Builder’s Risk Insurance is standard for vertical construction projects, protecting the structure and materials during construction. This is especially critical in San Francisco’s high-risk zones for earthquakes, flooding, and wildfires¹⁰⁹.
- Umbrella/Excess Liability, Pollution Liability, and Owner-Controlled or Contractor-Controlled Insurance Programs (OCIP/CCIP) are often required for large-scale or complex infrastructure projects, with coverage limits exceeding \$5–10 million, depending on scope and location¹¹⁰.

6.2 Cost Drivers and Barriers to Entry

Insurance costs in San Francisco are among the highest in the state, driven by:

- Seismic exposure, urban density, and legal liability risks.
- Project complexity, including underground utilities, contaminated soils, and traffic control constraints.
- Contractor-specific factors, such as experience, claims history, and credit rating.

For small and mid-sized contractors, insurance premiums and deductibles can represent an outsized share of project costs. For example:

- General liability and builder’s risk premiums may total 3–5% of contract value for firms with limited bonding or claims history.
- Specialized endorsements—such as additional insured status, waiver of subrogation, and primary/non-contributory clauses—can add thousands in annual premiums and require legal review.

These burdens often lead to bid avoidance or withdrawal, particularly on high-risk or multi-agency projects. Contractors report that insurance documentation is frequently required before bidding, not just before contract award—creating a barrier to entry for firms exploring new markets or project types.

Sources:

- California Labor Code § 3700.
- San Francisco Office of Contract Administration, Insurance Requirements for Public Works Contracts, 2025.
- California Department of Insurance, Catastrophic Risk Zones Map, 2024.

- San Francisco Public Utilities Commission (SFPUC), Contracting Guidelines, 2025.
- California Building Industry Association (CBIA), “Insurance and Risk Management for Small Contractors,” 2023.

7.1 Escalating Material Costs and Regional Price Pressures

Material costs in San Francisco remain among the highest in the nation, driven by global volatility, regional delivery constraints, and regulatory factors. These pressures directly affect contractor pricing, risk management, and bid participation.

Key Material Trends

- Concrete: As of March 2025, ready-mix concrete in San Francisco ranged from \$177–\$213 per cubic yard, with delivery fees of \$160–\$350 per truck, depending on site access, PSI mix, and pumping requirements¹¹¹.
- Steel: Prices surged 42.5% in 2022 due to global supply disruptions and tariffs, with continued volatility through 2024. Structural steel remains elevated due to demand and limited domestic production (ENR Building Cost Index, 2024–2025).
- Lumber and Sheet Goods: Prices fluctuated sharply between 2021 and 2023, with partial stabilization in 2024. However, engineered wood products and fire-rated assemblies remain costly due to code requirements.
- Gypsum and Plastics: These categories saw 50–70% year-over-year increases during peak years, with only modest moderation in 2024¹¹².
- Tariffs: As of 2025, 25% U.S. import tariffs on Canadian and Mexican cement have directly increased concrete and cement costs in the Bay Area, where local production is limited¹¹³.

These cost escalations are compounded by San Francisco’s unique site constraints—tight urban access, limited staging areas, and complex permitting—which increase delivery and handling costs. Contractors often price in contingency premiums of 5–10% to account for material risk, especially on long-duration or fixed-price contracts.

7.2 Supply Chain Risks and Bid Uncertainty

Persistent supply chain disruptions continue to affect project delivery timelines and bid reliability:

- Port delays, particularly at Oakland and Los Angeles, have slowed inbound shipments of steel, cement, and specialty products.
- Global cement shortages and regional production bottlenecks have led to allocation limits and delivery delays.
- Local warehousing gaps and limited laydown space in San Francisco’s dense urban core complicate material staging and sequencing.
- Contractors frequently insert contingency pricing or avoid bidding altogether on projects with uncertain material availability, especially when traffic control restrictions or inspection delay further compress schedules.

These risks make fixed-price bidding unattractive, particularly for small and mid-sized firms that lack the financial capacity to absorb cost overruns.

Sources:

- California Department of General Services (DGS), California Construction Cost Index, 2025.
- Engineering News-Record (ENR), San Francisco Building Cost Index Reports, 2022–2025.
- U.S. Bureau of Labor Statistics, Producer Price Index for Construction Inputs, 2024.
- U.S. Trade Representative, Tariff Schedule Update, 2025.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.

8.1 Labor Shortage and Wage Escalation

As of early 2025, the U.S. construction industry faced a shortfall of approximately 439,000 workers, with the Bay Area among the most severely impacted regions due to high demand, elevated cost of living, and competition from megaprojects¹¹⁴.

In San Francisco:

- Average hourly earnings for field craft professionals exceed \$36.54/hour, with skilled trades such as electricians, plumbers, and ironworkers commanding premiums of 20–30% above national averages¹¹⁵.
- This wage escalation is driven by intense competition for a limited skilled workforce, which not only inflates project costs but also contributes to contractor bidding conservatism and schedule delays.

8.2 Workforce Demographics and Training Pipeline

The construction labor force is undergoing demographic shifts:

- The median age of construction workers in California is now under 42, the lowest since 2011, but many new entrants lack field experience, intensifying skill gaps¹¹⁶.
- Apprenticeship and vocational training programs are expanding but struggle to keep pace with retirements and demand spikes—especially as large infrastructure programs (e.g., high-speed rail, regional transit upgrades) attract top-tier talent away from general market projects¹¹⁷.

Local policies further constrain the labor pool:

- San Francisco’s Local Hiring Ordinance (Chapter 14B) and Local Business Enterprise (LBE) requirements mandate good faith efforts to hire locally and subcontract to certified LBEs. While these policies promote equity, they can tighten the eligible labor pool, especially for specialized trades¹¹⁸.

8.3 Immigration and Geographic Labor Mismatch

Labor shortages are compounded by immigration and location-based constraints:

- Stringent immigration enforcement and limited pathways for skilled trade visas continue to restrict access to experienced foreign-born workers, particularly in structural and specialty trades¹¹⁹.

- Many unemployed or underemployed construction workers are not located near active project zones or lack the required certifications, creating a persistent mismatch between labor supply and demand.
- Relocation and deployment of labor crews into San Francisco is costly and logistically complex, especially when traffic control limitations and inspection delays reduce productivity.

Sources:

- Associated Builders and Contractors (ABC), Workforce Shortage Report, 2025.
- San Francisco Office of Labor Standards Enforcement (OLSE), Wage Determination Report, 2025.
- U.S. Bureau of Labor Statistics, Occupational Outlook Handbook, 2025.
- California Workforce Development Board, Construction Sector Analysis, 2024.
- San Francisco Contract Monitoring Division, LBE and Local Hiring Guidelines, 2025.
- National Association of Home Builders (NAHB), Immigration and Workforce Report, 2024.

9.1 High Land Costs and Limited Availability

San Francisco remains one of the most expensive and constrained land markets in the United States, with land scarcity and pricing dynamics that directly affect public works delivery and contractor participation.

Market Conditions

- Small parcels (0–2 acres) are rarely listed on the open market in San Francisco. Most are held as entitlements or traded through direct negotiation, making pricing opaque and access limited¹²⁰.
- In neighboring counties, small parcel prices are more transparent:
- Alameda County: ~\$850,000/acre
- Santa Clara and San Mateo Counties: Up to \$1.75 million/acre, depending on zoning and proximity to transit¹²¹.
- Larger tracts may offer lower per-acre pricing but are rarely available and often encumbered by complex title, environmental restrictions, or legacy zoning overlays.
- Vacant infill land, when it trades at all, commands steep premiums due to competition from institutional investors, developers, and technology firms. This drives up acquisition costs for public agencies and contractors alike, especially for projects requiring staging or laydown space.

These dynamics contribute to inflated bid premiums and discourage participation from small and mid-sized contractors who cannot absorb speculative land costs or navigate complex entitlement processes.

9.2 Acquisition and Entitlement Barriers

Land acquisition in San Francisco is further complicated by regulatory and procedural hurdles that increase project risk and delay delivery:

- **Zoning and Height Restrictions:** Highly localized zoning rules, historic preservation overlays, and density caps make site selection and entitlement slow and unpredictable¹²².
- **Due Diligence and Title Complexity:** Contractors and developers must conduct multiple rounds of environmental and geotechnical investigation, often incurring high title insurance and legal costs. These steps are especially burdensome for firms without dedicated land acquisition teams.
- **Permitting and Entitlement Risk:** Projects frequently face discretionary reviews, community opposition, and appeals, which can extend timelines by 12–36 months and introduce significant financial uncertainty¹²³.

These risks disproportionately affect smaller contractors with limited working capital, making them less likely to bid on projects involving speculative land acquisition or developer-led delivery models.

Sources:

- San Francisco Planning Department, Land Use Trends Report, 2025.
- California Association of Realtors, Regional Land Value Index, 2025.
- San Francisco Planning Code §§ 101–177.
- San Francisco Historic Preservation Commission, Overlay Guidelines, 2025.
- San Francisco Planning Department, CEQA Review Statistics, 2024.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.

10.1 Mandatory Seismic and Geotechnical Requirements

San Francisco’s location along the San Andreas Fault and its high liquefaction risk zones make seismic compliance a defining factor in construction cost and complexity. These requirements—while essential for public safety—introduce significant financial and technical burdens that disproportionately affect small and mid-sized contractors.

Key Compliance Requirements

- **Mandatory Soft Story Retrofit Program:** Owners of multi-unit, pre-1978 wood-frame buildings must complete seismic retrofits to strengthen ground-floor framing. Retrofit costs range from \$60,000 to \$130,000 per building, with significantly higher costs for taller or more complex structures¹²⁴.
- **Tiered Compliance and Notification:** Buildings are assigned to compliance tiers (I–IV) based on occupancy type, location (including mapped liquefaction zones), and structural risk. Non-compliance can result in red tagging, placards, and enforcement actions¹²⁵.
- **Geotechnical Reports:** All new construction and substantial remodels require detailed geotechnical analysis. Soil and bedrock conditions directly affect foundation design, shoring, and cost—especially in neighborhoods with high liquefaction risk such as the Marina, Bayview, and South of Market¹²⁶.
- **Environmental Remediation:** Projects located on or near contaminated sites (as defined under the Maher Ordinance) must undergo environmental review, engineering oversight, and remediation. These requirements add substantial cost and delay, particularly for infill and brownfield sites¹²⁷.

These mandates are critical for life safety and resilience but introduce high upfront costs and extended preconstruction timeline factors that discourage contractor participation and inflate bid premiums.

10.2 Barriers to Contractor Participation

Seismic and environmental compliance introduces several barriers that disproportionately affect small and mid-sized contractors:

- **Financial Capacity:** Smaller firms often lack the working capital to absorb upfront costs for geotechnical studies, environmental engineering, and seismic design.
- **Technical Expertise:** Many contractors do not have in-house structural or geotechnical engineering capabilities, requiring costly third-party consultants.
- **Bid Surety and Risk:** The uncertainty around soil conditions, remediation scope, and seismic design increases bid risk, making fixed-price contracts unattractive.
- **Schedule Volatility:** Delays in permitting, environmental clearance, and inspection coordination can extend project timelines by 6–12 months, reducing labor efficiency and increasing overhead.

Sources:

- San Francisco Department of Building Inspection, Soft Story Retrofit Program Overview, 2025.
- San Francisco Planning Department, Geotechnical Guidelines for New Construction, 2025.
- San Francisco Department of Public Health, Maher Ordinance Compliance Manual, 2025.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.
- California Geological Survey, Liquefaction Hazard Mapping for San Francisco County, 2024.

11.1 Urban Congestion and Staging Challenges

San Francisco's dense urban environment presents unique logistical challenges that significantly increase construction costs and reduce contractor efficiency.

Key Cost Drivers

- **Urban Congestion:** Mobilizing and demobilizing equipment in San Francisco is costly due to restricted street access, limited parking, and frequent work-hour limitations. High-rise density and narrow corridors further complicate crane placement, material delivery, and crew movement¹²⁸.
- **Permit and Staging Fees:** Contractors must pay for street space use, curb cuts, sidewalk encroachments, contractor parking, storage containers, and temporary occupancy. These fees can escalate rapidly if project timelines slip. For example:
 - Street space use: \$7–\$18 per sq. ft. monthly assessment
 - Sidewalk encroachment: Minimum \$1,989 per permit
 - Occupancy permits: \$112/day per block face (San Francisco Public Works Fee Schedule, 2025–2026).
- **Delivery Restrictions:** Many neighborhoods enforce timed loading zones and require scheduled deliveries to avoid congestion fines or community complaints. These restrictions reduce flexibility and increase labor-hour costs, especially for large or multi-phase projects.

These factors often lead contractors to include contingency premiums of 3–6% in their bids to account for logistical risk and potential delays.

11.2 Topography and Neighborhood Constraints

San Francisco's physical and regulatory landscape adds further complexity to site logistics:

- **Topography:** Steep grades and hilly terrain increase costs for crane mobilization, foundation excavation, and site setup. Projects in neighborhoods like Twin Peaks, Pacific Heights, and Bernal Heights require specialized equipment and additional labor to navigate elevation changes¹²⁹.
- **Neighborhood Constraints:** Historic preservation overlays, narrow residential streets, and community design standards limit equipment maneuverability and staging options. Contractors often face restrictions on noise, dust, and access, which increase labor-hour costs and reduce productivity¹³⁰.

These constraints disproportionately affect small and mid-sized contractors who lack the resources to absorb staging inefficiencies or invest in specialized equipment.

Sources:

- San Francisco Public Works, Construction Access Guidelines, 2025.
- San Francisco Public Works Fee Schedule, 2025–2026.
- San Francisco Planning Department, Topographic Impact Assessment, 2025.
- San Francisco Historic Preservation Commission, District Guidelines, 2025.
- San Francisco Budget & Legislative Analyst, "Contracting Delays and Oversight," 2023.

12.1 Retention Law and Payment Timing Requirements

California law governs how public and private project owners withhold and release retention from contractor progress payments. While intended to ensure performance and protect public funds, these policies often create significant cash flow strain—particularly in San Francisco’s high-cost, high-risk construction environment.

Public Projects

Under California Public Contract Code § 7201, public agencies may withhold no more than 5% of the contract amount as retention, except in rare cases deemed “substantially complex.” Additional provisions include:

- Retention must be released within 60 days of project completion.
- Prime contractors must pay withheld sums to subcontractors within 7 days of receipt.
- In the event of a dispute, agencies may withhold up to 150% of the disputed amount, but this must be justified and narrowly applied.

Private Projects

While private contracts are more flexible, Civil Code § 8814 requires that retention be released within 45 days of project completion, with penalties of 2% interest per month and potential legal fees for noncompliance.

Despite these legal protections, contractors working on San Francisco public works projects often experience delays in payment processing, inconsistent application of retention release timelines, and administrative hurdles that extend cash flow gaps well beyond statutory limits.

12.2 Cash Flow Strain on Contractors

For many small and mid-sized contractors, even a 5% retainage across multiple projects can tie up hundreds of thousands to millions of dollars in working capital. This is especially problematic in San Francisco, where:

- Upfront costs for design, permitting, mobilization, insurance, bonds, and labor are among the highest in the country.
- Payment and performance bond requirements often demand that bidders demonstrate substantial net worth and liquidity—barriers that many qualified but undercapitalized firms cannot meet.
- Delayed or inconsistent payment cycles further exacerbate financial strain, forcing contractors to rely on high-interest credit or forgo bidding altogether.

12.3 Barriers for Small and Emerging Businesses

San Francisco’s Local Business Enterprise (LBE) and Contractor Assistance and Participation Program (CAPP) aim to support small and emerging firms, but many still struggle to meet the financial requirements of public works contracting. Key challenges include:

- Difficulty assembling bid, insurance, and bond packages due to limited access to affordable working capital.
- Cash flow lag caused by the city’s multi-layered approval and billing process, which can delay reimbursement for weeks or months.
- Inability to absorb retention withholding or delayed payments, especially on multi-phase or long-duration projects.

These barriers limit the effectiveness of equity-focused programs and reduce the diversity and competitiveness of the city’s contractor pool.

Sources:

- California Public Contract Code § 7201.
- California Civil Code § 8814.
- San Francisco Controller’s Office, Public Works Contracting Guidelines, 2025.
- San Francisco Office of Contract Administration, LBE and CAPP Program Overview, 2025.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.

13.1 Declining Bid Participation and Elevated Risk Premiums

Recent data from the San Francisco Department of Public Works (DPW) shows a measurable decline in bid participation and a rise in pricing premiums—indicators of a contracting environment that is increasingly viewed as high-risk and cost-intensive.

- In 2024, DPW projects received an average of 3.4 bids per project, a slight decline from previous years. This drop correlates with increasing project complexity, regulatory burden, and administrative overhead¹³¹.
- Winning bids averaged 8% above city engineer estimates, reflecting contractors’ pricing of risk related to payment delays, inspection bottlenecks, traffic control constraints, and unpredictable permitting timelines¹³².
- According to surveys by the Associated General Contractors of California (AGC) and the California Building Industry Association (CBIA), more than 50% of general contractors postponed or declined scheduled public projects in 2023–2024 due to cost uncertainty, regulatory complexity, and labor shortages¹³³.

13.2 Market Segmentation and Participation Barriers

San Francisco's public works market is increasingly segmented, with large regional and national firms dominating megaprojects while small and mid-sized local contractors are relegated to niche or subtrade roles.

- Large firms are better equipped to absorb the financial and administrative burdens of complex city contracts, including bonding, insurance, retention, and compliance with prevailing wage and local hiring ordinances.
- Small and mid-sized contractors, especially those without union affiliations or deep working capital, often avoid bidding on prime contracts due to:
- High upfront costs for design, permitting, and mobilization.
- Limited access to affordable financing and bonding.
- Unpredictable payment cycles and retention withholding.
- Regulatory complexity and multi-agency coordination delays.

Programs such as the Local Business Enterprise (LBE) and Contractor Assistance and Participation Program (CAPP) help offset some of these barriers, but participation remains uneven and concentrated in subtrade scopes.

Sources:

- San Francisco Department of Public Works, Bid Summary Report, 2024.
- San Francisco Controller's Office, Bid Analysis Memo, 2024.
- Associated General Contractors of California (AGC), Contractor Sentiment Survey, 2024.
- California Building Industry Association (CBIA), Market Conditions Report, 2024.
- San Francisco Office of Contract Administration, LBE and CAPP Program Overview, 2025.
- San Francisco Budget & Legislative Analyst, "Contracting Delays and Oversight," 2023.

14.1 Compliance Risk and Financial Barriers to Participation

Recent enforcement actions and public records illustrate how regulatory and financial pressures contribute to contractor withdrawal and bid avoidance in San Francisco's public works market.

Compliance Enforcement and Bid Pool Exclusion

- Contractors cited for permit violations, unpermitted work, or safety infractions face not only fines but also temporary exclusion from city bidding opportunities. High-profile cases such as Rodrigo Santos (a former structural engineer convicted of permit fraud) and Tad Van Nguyen (cited for repeated unlicensed work) demonstrate the reputational and operational risks contractors face when navigating San Francisco's complex permitting and inspection environment, per the 2023-24 San Francisco Department of Building Inspection Enforcement Actions.
- These cases have a chilling effect on participation, particularly among smaller firms that lack in-house compliance teams or legal counsel to navigate multi-agency oversight.

Financial Distress and Mid-Project Withdrawal

- Public debarment and suspension records show that undercapitalized or financially distressed firms are more likely to withdraw mid-project or be disqualified from future bidding. For example:
- One transit contractor was suspended from city work following unresolved claims and bonding issues.
- A second firm was removed from the city’s vendor list due to insurance lapses and contract non-performance¹³⁴.

14.2 Project-Specific Impacts and Bid Avoidance

Certain project types and corridors have seen disproportionately low contractor interest due to regulatory complexity, logistical constraints, and cash flow risk.

Soft Story Retrofit Program

- Despite being a mandated life-safety initiative, San Francisco’s Mandatory Soft Story Retrofit Program has struggled to attract qualified bidders. As of 2024, hundreds of buildings remain out of compliance, in part due to:
- High insurance and bonding requirements.
- Complex permitting and inspection coordination.
- Low economies of scale for small, scattered retrofit projects¹³⁵.
- Many small contractors have opted out entirely, citing unfavorable risk-to-reward ratios and cash flow uncertainty.

Construction Mitigation and Corridor Avoidance

- Surveys conducted through the City’s Construction Mitigation Program found that contractors frequently avoid bidding on projects in high-impact corridors—such as Mission, Polk, and Geary—due to:
- Business disruption complaints and community opposition.
- Logistical constraints related to traffic control, staging, and delivery restrictions.
- Cash flow risk, particularly when change orders and payments are delayed for months¹³⁶.

Sources:

- San Francisco Department of Building Inspection, Enforcement Actions and Soft Story Compliance Dashboard, 2023–2024.
- San Francisco Controller’s Office, Debarment and Suspension Registry, 2024.
- San Francisco Office of Economic and Workforce Development, Construction Mitigation Survey Report, 2024.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.

15.1 Enhancing Equity Through the 14B LBE Program

San Francisco’s 14B Local Business Enterprise (LBE) Program is a cornerstone of the city’s strategy to promote small and micro-business participation in public contracting. Administered by the Contract Monitoring Division (CMD), the program provides bid incentives, set-asides, mentorship, and financial assistance to help local firms compete in a high-cost, high-barrier market.

Key Program Components

- LBE Certification: Grants access to designated set-asides, evaluation preferences, and participation goals for both prime and subcontractor roles. Certification is required to qualify for many city incentives¹³⁷.
- Contractor Development Program: Offers training, technical assistance, and mentor-protégé matching to help small firms build capacity and navigate city procurement processes.
- Contractor Accelerated Payment Program (CAPP): Provides working capital advances to certified small contractors, helping offset cash flow strain caused by retention withholding and delayed city payments¹³⁸.
- SF Lends: A partnership with local lenders that offers loan and line-of-credit products tailored to LBE needs, improving access to affordable financing for bonding, insurance, and mobilization.

While these programs are essential, their impact is often limited by broader systemic barriers—such as delayed payments, complex inspections, and unpredictable project timelines.

15.2 Construction Mitigation Grants and Outreach Support

Recognizing the disruption caused by public works projects—both to businesses and contractors—San Francisco has piloted several mitigation and outreach initiatives:

- Construction Mitigation Grant Program (administered by the Office of Economic and Workforce Development [OEWD]) offers grants of up to \$10,000 per business in cases of prolonged (6–12 months) or overlapping construction impacts. While primarily targeted at storefront businesses, some funding has supported contractors facing extraordinary access or market disruption¹³⁹.
- Contractor Outreach and Support: The city hosts regular “Contracting 101” workshops, Supplier Portal training, and pre-bid conferences to help new and small contractors understand city requirements and qualify for work. These sessions are especially valuable for firms navigating prevailing wage rules, bonding thresholds, and digital bid submission¹⁴⁰.

Sources:

- San Francisco Contract Monitoring Division, LBE Program Overview, 2025.
- San Francisco Office of Contract Administration, CAPP Guidelines and Outreach Calendar, 2025.
- San Francisco Office of Economic and Workforce Development, Construction Impact Mitigation Report, 2024.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.

16.1 Payment Processing Delays and Compliance Bottlenecks

San Francisco’s current monthly pay application procedures—administered by the Office of the City Controller—require contractors to submit detailed compliance documentation through LCPtracker, including certified payroll, subcontractor data, and Human Rights Commission (HRC) requirements. While these procedures are designed to ensure transparency and labor compliance, they frequently result in payment delays that undermine contractor cash flow and increase bid premiums.

Common Processing Challenges

According to the 2022 San Francisco Contractor’s Survey and Focus Groups conducted by the San Francisco Construction Policy and Standards Committee (SFCPSC):

- It is common for monthly pay applications to be rejected or returned for revision due to accounting errors or incomplete HRC documentation from subcontractors.
- When a pay application is refused, the 30-day payment cycle resets, often resulting in actual payment timelines of 45–60 days for routine applications and 90–120 days or more for initial payments.
- Contractors bidding on City and County of San Francisco (CCSF) projects routinely add a pricing factor to account for delayed cash flow, increasing bid premiums and reducing competitiveness¹⁴¹.

These delays disproportionately affect small and mid-sized contractors, who may lack the administrative capacity to navigate multi-agency compliance systems or absorb extended payment cycles.

Sources:

- San Francisco Office of the City Controller, Public Works Payment Procedures Manual, 2025.
- San Francisco Construction Policy and Standards Committee (SFCPSC), Contractor Survey and Focus Group Summary, 2022.
- San Francisco Office of Contract Administration, LCPtracker Compliance Guidelines, 2025.
- San Francisco Budget & Legislative Analyst, “Contracting Delays and Oversight,” 2023.

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33. Design-Build Institute of America [DBIA], Best Practices Manual, 2024
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