

**Centre City
Development
Corporation**

DATE ISSUED: September 19, 2007 REPORT NO. CCDC-07-33

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of September 25, 2007

ORIGINATING DEPT: Centre City Development Corporation

SUBJECT: Focus on Downtown A Façade Improvement Program – Proposed
Amendments – Centre City and Horton Plaza Redevelopment
Project Areas

COUNCIL DISTRICT: Two (2)

REFERENCE: None

STAFF CONTACT: Eri Kameyama, Associate Project Manager, (619) 533-7177
Lucy Contreras, Assistant Planner, (619) 533-7132

REQUESTED ACTION:

Approval of the revised Guidelines for the “Focus on Downtown, A Façade Improvement Program” and authorization of an expenditure in the amount of \$300,000 for funding.

STAFF RECOMMENDATION:

That the Redevelopment Agency of the City of San Diego (“Agency”) approve the proposed revised Guidelines for the “Focus on Downtown, A Façade Improvement Program” (“Program”) and authorize an expenditure in the amount of \$300,000 to fund the Program for the purpose of assisting downtown property and business owners with rehabilitating their commercial facades.

SUMMARY:

The Program offers financial rebates for eligible commercial storefront improvements to eligible property and business owners within the Centre City and Horton Plaza Redevelopment Project Areas in the downtown area. The Program has been successful in promoting façade enhancements and stimulating private investments. In an effort to further the program’s success, staff recommends increasing the standard maximum rebate amounts for single and multiple storefronts and providing additional incentive rebates for projects that involve historic properties and/or are located on the C Street Corridor. In addition, to ensure the preservation of façade improvements that are partially financed through this Program, the rebates will be provided as loans, forgivable over a five (5) year period. Finally, the Program will promote coordination with other small business financing sources to develop cross-promotion and a streamlined application process.

FISCAL CONSIDERATIONS:

Funds are available for the Program in the amount of \$300,000 in the CCDC Fiscal Year 2007-2008 Area-Wide Public Infrastructure Budget.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION:

On June 27, 2007, the Centre City Development Corporation Board voted unanimously in favor to recommend the proposed revisions and an expenditure of \$300,000 for the Program.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On June 20, 2007, the Centre City Advisory Committee (CCAC) voted 21-0 to recommend the proposed revisions and an expenditure of \$300,000 for the Program.

BACKGROUND:

The Program was created by CCDC in 1995 as part of an overall redevelopment program to improve the quality of life in downtown San Diego. The Program was designed to assist property and business owners with rehabilitating the commercial facades of their properties for the purpose of creating a positive visual impact, stimulating private investment, and complementing other community revitalization efforts. Participants are eligible to receive a rehabilitation rebate upon the completion of their project. In addition, participants are eligible for up to ten (10) hours of design assistance at no charge to help with planning their projects. The program operates in coordination with the City of San Diego's Storefront Improvement Program (SIP) which is administered by the City's Office of Small Business. The proposed Program guidelines are included with this staff report as Attachment A.

To date, fifty-five (55) projects have been completed through the Program (Attachment B). This translates to an average of five (5) projects per year since the Program's creation. There are currently four (4) additional projects being processed by CCDC and several owners have expressed interest in the Program. Participants have spent approximately \$1.7 million on work related to facade improvements for their subject properties. In addition, the Agency has disbursed rebates totaling approximately \$330,000. These numbers conservatively reflect a private investment of nearly \$5.00 for every dollar rebated by the Agency. As many property or business owners complete facade improvement projects in conjunction with other building improvements, the amount of private investment will likely be significantly higher.

DISCUSSION:

Since its inception, the Program has played an important role in downtown redevelopment by providing incentives to property owners, small business owners and tenants to improve their storefronts and create attractive commercial corridors and streets within the downtown area. As CCDC strives to create a pedestrian-friendly environment in downtown, the Program's mission of improving façades and enhancing the overall image and experience of the streets is becoming of greater importance.

Staff has assessed the current Program to evaluate if it is still capable of producing the effects as originally envisioned. Revisions are proposed to the Program in order to provide stronger incentives to property and business owners and to generate an increase in the positive visual impacts and private investment efforts within the downtown area.

The following five (5) areas of the Program have been identified as requiring revisions:

1. Maximum Rebate Amount

The current program provides up to a \$5,000 rebate per storefront, with an additional \$2,500 rebate if the building is a designated historic property. Owners of multiple storefronts are eligible to receive up to a \$10,000 rebate, plus an additional \$2,500 rebate for historic properties. Participants will receive a rebate of \$1 for each \$3 spent on the project up to the maximum amount. These maximum rebate amounts worked quite well during the first few years of the Program where the average total project cost was \$13,000 (1995-1999). Since that time, however, improvement costs have tripled. In 2006, the average total project cost of the projects processed through the Program was \$39,000. As shown in Attachment C, the percentage of rebate to the recent total project cost has been decreasing. Rebates were providing one third (i.e. 32%) of the total costs on average during the period from 1995 to 1999. In 2006, rebates only provided 17% of the total costs. In addition, there have been an increasing number of projects costing over \$60,000. Of the nine (9) projects processed through the Program in 2007 (including pending projects), four of the said projects have budgets over \$60,000.

In today's market, \$5,000 rebates do not provide significant incentives to property or business owners/tenants. Larger rebates are required to motivate more owners/tenants to consider making improvements to their properties.

Staff has reviewed storefront improvement programs from other jurisdictions in California. As shown in the table below, some of the major cities in California have maximum rebates of \$20,000 to \$30,000 per storefront with less stringent matching requirements.

Storefront Improvement Programs by Other Jurisdictions in California

Jurisdictions	Maximum Loan/Grant amounts	Matching Requirements
City of San Jose, RDA	\$30,000 per storefront	\$5,000
City of Long Beach	\$2,000 per storefront. In Redevelopment Areas, Agency pays for the entire costs on key facades identified in target corridors	No requirement
City of Oakland, RDA - Downtown	\$20,000, \$30,000 additional for historic restoration	1:1
City of Los Angeles, RDA - Downtown	Grants up to \$25,000, Loans up to \$125,000	No requirement for grants. Loans 1:1 or 1:2 matching.

Recommendation #1

Based on the assessment of current project costs and examples from other jurisdictions, staff recommends increasing the maximum rebate amount from \$5,000 to \$20,000 per storefront and from \$10,000 to \$40,000 per property with multiple storefronts, with a

maximum \$10,000 additional rebate incentive for historic preservation projects and a new maximum \$20,000 rebate incentive for properties located within the C Street Focus Area (discussed in greater detail below). The matching requirement will remain at \$1 rebate amount for each \$3 spent by an eligible participant on an eligible project, up to the maximum rebate amounts. With this change, the Program will provide greater incentives to property or business owners/tenants to conduct major storefront improvements. The change will also stimulate larger private investments by requiring the \$3 match to \$1 public subsidy.

2. C Street Focus Area

To generate greater positive visual impacts in downtown, it is recommended that the Agency consider targeting the Program's resources to focus areas. Currently, the resources are dispersed within the entire downtown redevelopment area boundary for the Centre City and Horton Plaza Redevelopment Project Areas.

The C Street Corridor connects important neighborhoods and land uses downtown. It provides circulation parallel to Broadway in the Core/Columbia and East Village neighborhoods, and hosts the downtown trolley. The San Diego Downtown Community Plan identifies a series of conditions that require improvements including, without limitation, vehicular access, streetscape and landscaping. It also places a high priority on improving C Street in order to make it a comfortable and pleasant route for vehicles, pedestrians and transit riders. To implement the vision, the C Street Advisory Committee is working to complete the C Street Master Plan, which will define specific improvements for the corridor including trolley, transit, and infrastructure investments, streetscape enhancements, improved vehicular and pedestrian circulation, redevelopment opportunities and public art.

Improvements to the facades of existing retail on C Street would be a critical component in the revitalization of the C Street Corridor. To maximize the effects of the revitalization efforts initiated by the Agency, staff proposes to increase incentives to improve the storefronts located along C Street.

Recommendation #2:

Staff recommends that the C Street Corridor be designated as a focus area, and an additional incentive of up to \$20,000 be provided to projects located in the C Street Focus Area. Staff further recommends that targeted outreach be conducted to C Street businesses, in partnership with the C Street Advisory Committee. Such outreach efforts would include identifying certain structures requiring improvements and working with the owners/tenants to improve such targeted structures and recruit new retailers. Any improvements to be completed in the C Street Focus Area will be required to comply with the C Street Master Plan upon its finalization.

3. Forgivable Loans

Currently, the Agency provides rebates in the form of grants and does not require repayments. In addition, the Agency has not required recordation of covenants on the properties and, therefore, the Agency has not been able to maintain preservation of the improved façades once the improvements were completed. Thus, there is a risk that the improved façades may be modified and/or removed after disbursements of rebates by the Agency. To protect the Agency's increased amount of investment on each property, as recommended in this report, staff proposes to structure the rebates as loans, forgivable in 20% increments on an annual basis for a period of five (5) years. This structure will allow the Agency to ensure that the improved façades be maintained at least for five (5) years following disbursement of a rebate.

Recommendation #3:

Staff recommends that the rebates be structured as forgivable loans. The loans are not required to be repaid to the Agency provided that the property owner continues to own, or the business owner continues to occupy, the rehabilitated property without removing or significantly altering the improved façades for a period of five (5) years from the date of receipt of the rebate. The amount of the loan will be forgiven in twenty percent (20%) increments on an annual basis such that at the end of five (5) years the loan will be deemed forgiven and the loan will have a zero balance. If the property owner sells the property or the business owner fails to occupy the property, prior to the end of the fifth year, the remaining prorata share of the loan will be due and payable to CCDC within thirty (30) calendar days unless the succeeding property owner or business owner does not make any changes to the property resulting in the removal or significant alteration to the façade improvements for a period of five (5) years from the date of receipt of the rebate.

4. Marketing/Outreach

There is currently no active outreach conducted with owners/tenants to solicit façade improvement assistance.

Recommendation #4:

Staff recommends that the following measures be implemented to widely market the Program to property owners and small business owners/tenants to motivate them to improve their properties.

- (1) Create a Program brochure;
- (2) Update information on the CCDC website;
- (3) Create a mailing to property owners and business owners/tenants; and
- (4) Work with the Downtown Partnership, C Street Advisory Committee and Business Improvement Districts to promote the Program.

5. Partnership with Providers of Small Business Financing

There are existing small business financing programs that provide low-interest rate loans to small businesses for a variety of uses including façade improvements, equipment purchases, and tenant improvements. For example, the CDC Small Business Finance's Neighborhood Development Loan provides up to \$200,000 with below-market interest rates for businesses located in designated areas. The City of San Diego has products such as the Metro Revolving Loan Program, which provides below market rate loans up to \$150,000.

Recommendation #5:

Staff recommends that CCDC work with the existing small business financing providers, particularly CDC Small Business Financing, to cross-promote different products and develop a streamlined application process. This will allow property owners and store owners/tenants to conduct major rehabilitation and upgrades of their storefronts. In addition, smaller businesses with limited cash reserves will be encouraged to make improvements.

Staff recommends that the five revisions discussed above be made to the existing Façade Improvement Program to further the success of the Program.

Project Budget and Financing – The Program started with the original appropriation of \$125,000 in 1995. Additional appropriations were made in 2001 and 2005 in the amount of \$200,000 and \$350,000 respectively. The FY 2007-08 Budget includes \$300,000 for the Program. Of the \$300,000, a total of \$5,000 will be budgeted for marketing and \$50,000 will be budgeted for architectural/design assistance. Pursuant to the revised Program, the Agency will provide up to ten (10) hours of architectural/design assistance free of charge to each participating property or business owner. These services will be provided by the architects/designers under contract with CCDC. Any services in excess of ten (10) hours will be charged to the participant at the contract rates charged to CCDC. Previously, the design/architectural assistance fees for the downtown façade improvement projects have been paid by the City's Storefront Improvement Program budget.

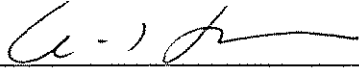
Environmental Impact – This activity is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15301 (a).

CONCLUSION:

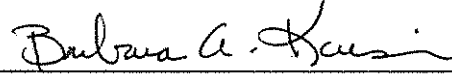
The Program has been successful in enhancing the facades of downtown businesses and stimulating private investments. To improve the program's success, staff requests that the Agency approve the revisions to the Program as set forth in the revised Guidelines. In addition, staff requests that the Agency authorize CCDC to expend for Program purposes an amount not to exceed \$300,000 of tax increment funds.

Respectfully Submitted,

Concurred by:



Eri Kameyama
Associate Project Manager



for Nancy C. Graham
President



Lucy Contreras
Assistant Planner

Attachments:

- A – Revised Program Guidelines
- B – Program Summary
- C – Summary of Project Cost and Rebate Amount