



THE CITY OF SAN DIEGO

DATE ISSUED: March 17, 2010 REPORT NO.: RA-10-10

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of March 23, 2010

SUBJECT: Storefront Improvement Program for Redevelopment Project Areas

REQUESTED ACTIONS:

1. Approve the Guidelines for the Storefront Improvement Program for Redevelopment Project Areas and the Exhibits attached thereto.
2. Authorize the Agency's Executive Director, or designee, to amend the Program Guidelines in writing from time to time in order to accommodate new or changing laws or policies and procedures of the Agency applicable to the Program.
3. Authorize the expenditure of an amount not to exceed \$100,000 from the Fiscal Year 2010 budget of the City Heights Redevelopment Project to implement the Program.
4. Authorize the expenditure of an amount not to exceed \$250,000 from the Fiscal Year 2010 budget of the Crossroads Redevelopment Project to implement the Program.
5. Authorize the expenditure of an amount not to exceed \$50,000 from the Fiscal Year 2010 budget of the Grantville Redevelopment Project to implement the Program.
6. Authorize the expenditure of an amount not to exceed \$150,000 from the Fiscal Year 2010 budget of the North Bay Redevelopment Project to implement the Program.
7. Authorize the expenditure of an amount not to exceed \$200,000 from the Fiscal Year 2010 budget of the North Park Redevelopment Project to implement the Program.
8. Authorize the expenditure of up to \$150,000 from the Fiscal Year 2010 budget of the San Ysidro Redevelopment Project to implement the Program.
9. Authorize the Chief Financial Officer, or designee, of the City to take all necessary actions to appropriate, encumber, and expend funds up to the amounts authorized by the Agency to implement the Program and to carry forward any unexpended balance remaining in each budgetary account at the end of each fiscal year into the next year as a continuing appropriation, subject to amendment by the Agency.

STAFF RECOMMENDATION:

Staff recommends approving all the requested actions.



Redevelopment Agency

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City Planning & Community Investment



DISCUSSION:

Background

City of San Diego Redevelopment Agency (Agency) staff proposes the creation of a Storefront Improvement Program for Redevelopment Project Areas (Program). The purpose of the Program is to assist eligible property owners and business tenants with the aesthetic rehabilitation of their existing commercial façades. Storefront improvements create a positive visual impact that directly addresses blight, stimulates private investment, and increases business activity.

The Program would be implemented, subject to funding availability, within select Redevelopment Project Areas managed by the Redevelopment Division of the City Planning & Community Investment Department (CPCI), namely, Barrio Logan, City Heights, Crossroads, Grantville, North Bay, North Park, and San Ysidro. Centre City Development Corporation (CCDC) has a separate program already in existence for the Project Areas it manages. Southeastern Economic Development Corporation is exploring options to establish a similar program for the Project Areas it manages.

The City of San Diego (City) currently administers a Storefront Improvement Program (SIP) through its Office of Small Business in the Economic Development Division of CPCI. In addition, the City administers for the Agency an Adopt-A-Block program in the City Heights and North Bay Redevelopment Project Areas. The goals and processes of the Agency's Adopt-A-Block program and the City's SIP are similar to those of the Agency's proposed Program.

The Agency's Program, should it be approved, would supersede the existing Adopt-A-Block program. Both the Program and SIP would be administered by the City in a separate but closely coordinated fashion. The Guidelines for the proposed Program are included as Attachment 1 to this report.

Relative to the existing programs previously mentioned, the proposed Program would create additional means within the Agency's Redevelopment Project Areas to incentivize and facilitate private investment by property owners and/or business tenants with very limited means. These additional incentives would include financial assistance in amounts higher than previously offered and financial assistance made available before the project's completion. The proposed Program would also ensure compliance with special legal restrictions on the use of Redevelopment funds for commercial façade improvements.

In administering the Program, the City would collaborate closely with Agency staff to direct resources to the most appropriate portions of the Project Areas where maximum community and business benefits may be had. Both Agency and City staff would engage in Program marketing and outreach to encourage wide participation. Such efforts may include coordination and partnerships with local business associations, small business finance institutions/programs, non-profit community organizations, and the various Project Area Committees (PACs).

Program Benefits

The Program would provide both design and financial assistance to eligible participants with eligible properties.

Once accepted as a participant, the property owner or business tenant may choose to work with the Program's on-call architect for up to ten (10) hours at no charge to prepare a single-color conceptual design of the proposed storefront improvement project. The conceptual design must depict a project that complies with all applicable zoning and code regulations, design standards, and Redevelopment goals and objectives, and it must be within the participant's stated project budget. After the program administrator approves the conceptual design, the participant would use the design to solicit bids from contractors and obtain all necessary permits and approvals from the City.

Financial assistance would be provided in the form of a forgivable loan. The amount of the loan may be up to two thirds (2/3) of the total project cost, subject to certain caps. The caps are based on whether or not the property has a standard storefront (one or two units) or multiple storefronts (three or more units) to be improved. An additional incentive of \$10,000 for rehabilitating historically designated properties would also be available. Table 1 below summarizes the maximum possible financial assistance amount per participant:

Table 1. Summary of Financial Assistance Amount Possible.

Property Type	Standard Storefront (one or two units)	Multiple Storefronts (three or more units)
Non-Historic	2/3 of Project Cost up to \$20,000	2/3 of Project Cost up to \$40,000
Historic	2/3 of Project Cost up to \$30,000	2/3 of Project Cost up to \$50,000

Staff recommends the loan amount be up to two thirds (2/3) of the total project cost in response to input from stakeholders with very limited out-of-pocket financial means to make improvements. Staff believes that, by providing a minimum of one third (1/3) of the project cost, a participant demonstrates a sufficiently significant commitment to the project to warrant Agency financial assistance. At the same time, having the Agency cover up to two thirds (2/3) of the total project cost would incentivize property owners and business tenants to rehabilitate their storefronts, especially those with limited financial means.

Staff reviewed similar storefront improvement programs administered by other cities and redevelopment agencies throughout California and found the proposed caps to be comparable. The same caps are currently in effect for the Downtown San Diego storefront improvement program administered by CCDC.

The participant would have the option of receiving the loan at the completion of the project or a portion thereof during the construction of the project. In either case, the participant must present paid invoices of qualified expenses to receive funds from the Agency. Other requirements to receive funds during construction are detailed in the attached Program Guidelines.

In response to input from stakeholders, staff recommends offering participants with limited access to financial resources the option to request partial disbursement during construction. Staff

believes an optional “pay per progress” arrangement would benefit participants in especially disadvantaged Project Areas and simultaneously help those participants who do need to exercise the option to sufficiently demonstrate to the Agency their full commitment to implement the project.

In addition to the formal forms of assistance described above, Agency and/or City staff may provide further support in the following ways as part of the administration of the Program:

- Referrals to other small business loan programs for additional financial assistance, including the Enterprise Zone program;
- Referrals to building industry organizations and/or websites for contractor selection assistance;
- Prevailing wage monitoring and certification; and
- Permit and approval obtainment guidance.

Loan Terms

The participant’s loan from the Agency would not accrue interest. The loan amount would be forgiven in twenty percent (20%) increments per year so that, at the end of five (5) years, the loan is completely forgiven provided that: (a) the improvements are maintained in good condition; and (b) the property owner or business tenant owns or occupies, respectively, the improved property for five (5) years from project completion.

Loan Conditions

To receive a loan under the Program, participants must meet certain conditions, including sufficient insurance coverage, prevailing wage payments, and management of all aspects of the project. A memorandum of lien outlining the loan terms must be recorded against the property for the life of the loan. Participation in the Agency’s Program and the City’s SIP is mutually exclusive within five (5) years of receiving financial assistance from either program.

Participant Eligibility

To be eligible under the Program, the property owner or business tenant must have or be in a property, respectively, with one or more ground-floor storefronts in a Redevelopment Project Area with funds set aside for storefront improvement projects. A business tenant must have a minimum of five (5) years remaining on the property lease at the time of project completion. All participants must possess a valid City of San Diego Business Tax Certificate.

Property Eligibility

To be eligible under the Program, a property must be within a Redevelopment Project Area with funds set aside for storefront improvement projects. The property must be in need of improvements because of substandard conditions. There must be no outstanding or pending code violations unless those violations are to be corrected by implementation of the project.

A property that has been newly constructed, is occupied by a national franchise, is owned or occupied by the government, is used purely for residential purposes, is an office building over 80,000 square feet, and/or is used for religious purposes would be prohibited from receiving assistance under the Program.

Project Eligibility

To be eligible under the Program, storefront improvement projects must have the potential to further community revitalization. They must be consistent with the goals of the City, the Agency, the Redevelopment Plan and Implementation Plan for the Project Area, and any applicable community plans, zoning and code regulations, and design standards.

Improvements must contribute to the visual/aesthetic enhancement of the subject property as viewed from the public right-of-way. Any improvements invisible from the public right-of-way or not fundamentally fixed to or part of the façade, and any improvements deemed inconsistent with Redevelopment purposes and objectives would not be eligible.

FISCAL CONSIDERATIONS:

Staff anticipates implementation of the Program would result in a positive economic impact and the creation of local jobs as the improved façades attract additional business activity and as participants use the services of architects, small contractors, suppliers, permit specialists, etc. to construct projects.

The Program would be funded through annual financial allocations as approved by the Agency. Agency funds would be used to fund the following:

- Loans provided pursuant to the Program;
- Program marketing and outreach;
- Administrative costs incurred by the City's Office of Small Business to manage the Program on behalf of the Agency; and
- Administrative costs incurred by the City's Equal Opportunity Contracting Department to monitor contractor compliance with prevailing wage requirements in connection with storefront improvements funded by the Program.

The approved Fiscal Year 2010 budget includes specific allocations for the Program from the City Heights, Grantville, and North Park Redevelopment Project budgets. The proposed actions would expand the existing budget allocation for the Program, as illustrated in Table 2 on the following page. (Note that no funds from the Fiscal Year 2010 Barrio Logan Redevelopment Project would be allocated for the Program at this time due to prior funding allocations already made towards other projects and programs. However, as funding becomes available, staff can upon Agency approval direct a portion thereof to implement the Program in the Barrio Logan Redevelopment Project Area.)

Table 2. Fiscal Year 2010 Allocation for Program.

Project Area	Funds from Existing Fiscal Year 2010 Budget Allocation	Requested Additional Allocation <small>(transfer from Project Area's "Unallocated Projects" budget line)</small>	Total Proposed Allocation
City Heights	\$100,000	\$0	\$100,000
Crossroads	\$0	\$250,000	\$250,000
Grantville	\$32,176	\$17,824	\$50,000
North Bay	\$0	\$150,000	\$150,000
North Park	\$200,000	\$0	\$200,000
San Ysidro	\$0	\$150,000	\$150,000
Total	\$332,176	\$567,824	\$900,000

Subsequent to the approval of the Program Guidelines, the Agency would enter into an agreement with the City to administer the Program. In consideration for the City's services, the Agency would pay the City up to \$3,400 per loan to cover architectural services and staff time. In addition, the Agency would pay the City an annual flat fee of \$5,000 to help offset costs incurred to reach out to potential participants and market the Program. The Agency would also have the option to direct the City to prepare conceptual designs at a cost of up to \$20,000 per design to help communities visualize potential improvements at both the project and neighborhood/district levels.

Per state of California law, labor to construct storefront improvements that is funded in whole or in part by Redevelopment funds must be paid with prevailing wages. As of the writing of this report, the Agency is in the process of entering into an agreement with the City's Equal Opportunity Contracting Department to provide the Program with services to monitor contractor compliance with prevailing wage requirements on an as-needed basis. Staff estimates approximately \$1,000 per project in prevailing wage compliance monitoring costs.

The \$900,000 in FY 2010 funds would be sufficient to disburse approximately twenty-six (26) loans at \$30,000 each. Approximately 87% (or \$783,000) of the \$900,000 would go towards loans, 6.5% (or \$58,500) would go towards architectural services, and 6.5% (or \$58,500) would go towards administrative costs and marketing/outreach.

The Agency's approved Fiscal Year 2010 budget already allocates \$332,176 for the Program to cover the amounts indicated in Table 2 above for the City Heights, Grantville, and North Park Redevelopment Project Areas. Staff requests that the Agency allocate an additional \$567,824 in Fiscal Year 2010 funds for the Program, concurrently with its approval of the Guidelines, to cover the amounts indicated in Table 2 above for the Crossroads, Grantville, North Bay, and San Ysidro Redevelopment Project Areas. Funds for the requested additional allocation would be transferred to the Program from the "Unallocated Projects" line item in each Project Area's budget, resulting in no net change to the Fiscal Year 2010 budget.

Funding of the Program in Fiscal Year 2010 would not hamper the Agency's ability to pay into its Community Development Block Grant (CDBG) debt to the City and to pay into the state of California's Educational Revenue Augmentation Fund (ERAF) upon legal obligation. These

proposed expenditures have been taken into account when determining the Project Areas' ability to fund their estimated portions of the pending CDBG and ERAF payments.

EQUAL OPPORTUNITY CONTRACTING:

The Guidelines are not subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Sections 22.2701 through 22.2708) since the Redevelopment Agency is a Government Agency, but they are subject to the Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

The Guidelines state that the Agency and City seek to promote employment and business opportunities for local residents and firms in all Agency and City contracts. Participants shall, to the extent legally possible, solicit bids and proposals for contracts, materials, and supplies for their respective projects from local businesses. Participants shall hire qualified local residents and firms whenever feasible. Participants shall also not discriminate on the basis of protected classes in their dealings with contractors/subconsultants, consultants, vendors, and suppliers.

PREVIOUS AGENCY AND/OR COUNCIL ACTIONS:

On September 25, 2007, the Agency via Resolution No. R-04202 approved the revised guidelines and authorized the expenditure of up to \$300,000 for *Focus on Downtown: A Façade Improvement Program*, a storefront improvement program for the Project Areas administered by CCDC on behalf of the Agency. The guidelines for the CCDC program are very similar to the Guidelines of the proposed Program.

On July 25, 2006, the Agency via Resolution No. R-04067 approved the guidelines and authorized the expenditure of up to \$1,000,000 for the Grantville Enhanced Storefront Improvement Program, contingent upon the validation of the adoption of the Grantville Redevelopment Project by a court of law and the accumulation of adequate tax increment funds from the Grantville Redevelopment Project Area. No projects have been initiated under said dormant program, which has never been actively marketed since its approval. The Grantville Enhanced Storefront Improvement Program would be superseded by the Agency's Program being proposed in this report upon the establishment of the latter.

The Agency currently has agreements with the City approved in 2004 through the Agency's Executive Director to administer an Adopt-A-Block program in the City Heights (along University Avenue) and the North Bay (along Morena Boulevard) Redevelopment Project Areas. This program is administered per the guidelines of the City's SIP, and Agency funds are used as match to the City's funds to provide City Heights and North Bay participants a higher amount of financial assistance. As of the writing of this report, three (3) projects have been completed under the City Heights program and nine (9) projects under the North Bay program. The Adopt-A-Block program in City Heights and North Bay would be superseded by the Agency's Program being proposed in this report upon the establishment of the latter.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Staff solicited and received community input on the proposed Guidelines and, if applicable, on the proposed Fiscal Year 2010 funding amounts. Table 3 on the following page summarizes the recommendations of the PACs and community organization consulted:

Table 3. Community Organizations Consulted on Proposed SIP Guidelines.

Date	PAC / Organization	Vote	Recommendation
10/12/09	City Heights Redevelopment PAC	8-1-0	Approve Guidelines
10/21/09	Barrio Logan Redevelopment PAC	Unanimous	Approve Guidelines; \$60,000 allocation
10/27/09	San Ysidro Redevelopment PAC	Unanimous	Approve Guidelines; \$150,000 allocation
11/10/09	North Park Redevelopment PAC	8-3-0	Approve Guidelines
11/16/09	Navajo Community Planners, Inc.	Unanimous	Disapprove Guidelines
12/02/09	North Bay Redevelopment PAC	Unanimous	Approve Guidelines; \$150,000 allocation
12/10/09	Crossroads Redevelopment PAC	Unanimous	Approve Guidelines; \$250,000 allocation

All of the community organizations consulted recommended approval of the proposed Guidelines with the exception of the Navajo Community Planners, Inc. That community organization, which Agency staff consults to provide recommendations to the Agency Board regarding Grantville Redevelopment Project activities in lieu of a PAC, voted unanimously to recommend disapproval of the Program primarily for the following reasons: (1) the Agency should not assist property owners who have the obligation to improve their properties on their own; and (2) the Agency should reserve its Redevelopment funds to finance major development and capital projects instead of piecemeal or parcel-by-parcel improvements. Staff addressed the first reason by stating that one of the fundamental purposes of Redevelopment is to encourage and facilitate improvements to existing properties to address blight. In addition, to address the second reason, staff stated that the Program is but one tool that the Agency may use to leverage limited Redevelopment funds to address blight, especially in areas where large-scale improvements may not be feasible or desirable. Funding of this Program does not preclude the financing/implementation of major development projects.

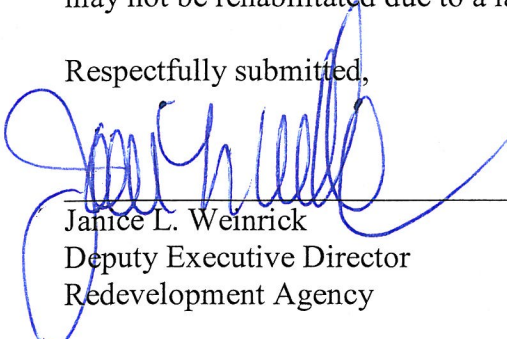
KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The Program would benefit eligible property owners and/or business tenants within the participating Project Areas. The improved storefronts would help create a positive visual impact, stimulate additional private investments and commercial activity, and create local jobs.

ALTERNATIVE:

The alternative to staff's recommendations is to disapprove the Program Guidelines and the funding allocations. In such a case, the City's SIP would continue to offer financial assistance for commercial façade rehabilitation but at levels lower than the ones in the proposed Agency Program. In the absence of the Agency's financial assistance, potentially ideal/eligible properties may not be rehabilitated due to a lack of financial resources.

Respectfully submitted,



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Deputy Executive Director
Redevelopment Agency



William Anderson
Assistant Executive Director
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Attachment:

1. Guidelines for the Storefront Improvement Program for Redevelopment Project Areas