

DATE ISSUED: May 18, 2001

REPORT NO. 01-102

ATTENTION: Public Services & Neighborhood Safety Committee,
Agenda of May 23, 2001

SUBJECT: Storefront Improvement Program Changes and New Council Policy

REFERENCE: Resolution R-286636

City Manager's Report 95-239 (October 5, 1995)
Small Business Advisory report dated April 21, 2000
Small Business Advisory report dated May 22, 2000

SUMMARY

Issue - Should the Storefront Improvement Program be modified regarding program administration and eligible areas and a Council Policy be approved?

Manager Recommendation - Approve the recommended changes to take effect on July 1, 2001.

Other Recommendation - The Mayor's Small Business Advisory Board recommend adoption of the policy.

Fiscal Impact - None

BACKGROUND

The SIP originated in 1986, and was funded initially by Industrial Development Bond (IDB) proceeds and Community Development Block (CDBG) monies. In 1995, the City Council adopted the Small Business Enhancement Program (SBEP), funded by the business tax certificate fees levied on small businesses. SBEP provides a more stable funding source for both hard and soft costs of storefront improvements.

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The Storefront Improvement Program (SIP) provides a grant to business or property owners as an incentive for them to improve their storefronts consistent with design standards for their commercial areas. Since the program's inception, this public-private partnership has leveraged more than \$2 million in private investment to rejuvenate San Diego's older neighborhoods.

It's been the policy of the Storefront Improvement Program to work in partnership with the private sector to:

Generate additional revenues to businesses and the City by stimulating private investment in the city's commercial areas to make the business and surrounding communities more attractive.

In doing so, the City has instituted some basic design parameters, which include: respect for the original features of the building including the use of color and suitable materials; limiting additional signage by incorporating it into the building's design; and use of suitable landscaping that will aid in the preservation of community scale and character.

DISCUSSION

The following modifications to the Storefront Improvement Program have been developed to enhance program efficiency and effectiveness:

Improving Administrative Functions

Fees - Applicant will be required to pay a non refundable fee to incentivize completion of the project. These fees will be made payable to the City Treasurer.

Orientation packets - Staff will send out orientation packets to applicants to better educate them on the SIP process and on their responsibility in ensuring that the project is completed.

All SIP brochures will be updated to reflect the information presented in the orientation packet.

Project management - Each project will be required to demonstrate how it will be managed. A specific person will be identified as the project manager for each project. The project manager would typically be the assigned architect or the business owner's general contractor, but may also be a BID executive director (if the project is in a BID) or the business owner if the owner can demonstrate that they have sufficient experience and time to manage the improvements to completion. The extent (and therefore cost) of project management typically depends on the individual project. Project management costs are borne by the applicant and may be considered as an eligible matching expense for the SIP rebate.

Funding

Currently, projects are provided funding on a first-come-first-served basis in the identified eligible areas. The SIP is funded from business tax certificate fees paid by small businesses (twelve or fewer employees) throughout the City. While the SIP is considered a City-wide program, the BID's have aggressively marketed the program provided to their member businesses and received the majority of SIP grant funding. BID's are typically located in the older commercial corridors which are appropriate locations for targeted assistance from the SIP.

We have utilized partnerships with SEDC and CCDC to leverage our funding by having them provide rebates for the projects in their areas. In addition, staff will initiate a partnership with the Vacant Properties Coordinator, to help resolve unique problems in targeted neighborhoods.

Eligible Areas

Eligible areas are currently based on a City Council Resolution that names specific commercial areas, referencing designated BIDs, redevelopment project areas, and areas with a community development corporation (CDC).

The City will begin accepting applications citywide from all small businesses (City of San Diego definition is 12 or fewer employees) that possess a valid Business Tax Certificate and property owners who lease space to small businesses that possess a valid Business Tax Certificate.

Program exclusions include: national franchises; large office buildings in excess of 80,000 square feet; government owned and occupied buildings; churches and other religious institutions.

ALTERNATIVE

Do not approve the program changes and attached Council Policy.

Respectfully submitted,

Hank Cunningham
Community & Economic
Development Director

Approved: Bruce Herring
Deputy City Manager

CUNNINGHAM/AMH

Attachment: 1. Storefront Improvement Program Council Policy

ATTACHMENT

COUNCIL POLICY

STOREFRONT IMPROVEMENT PROGRAM

BACKGROUND

The SIP originated in 1986, it was funded initially by Industrial Development Bond (IDB) proceeds and Community Development Block (CDBG) monies. In 1995, the City Council adopted the Small Business Enhancement Program (SBEP), funded by the business tax certificate fees levied on small businesses. SBEP provides a more stable funding source for both hard and soft costs of storefront improvements.

The Storefront Improvement Program (SIP) provides a grant to business or property owners as an incentive for them to improve their storefronts consistent with design standards for their commercial areas. It has been a successful program in the Office of Small Business (OSB).

PURPOSE

To establish policy guidelines and procedures regarding the application process, selection process, design process, reimbursement process, and fees associated with the administration of the Storefront Improvement Program.

STOREFRONT IMPROVEMENT PROGRAM MISSION

The mission is to generate additional revenues to business and the City by stimulating private investment in the city's commercial areas to make the business and surrounding communities more attractive.

PROJECT QUALIFYING CRITERIA

The City will accept applications citywide from all small businesses (City of San Diego definition is 12 or fewer employees) that possess a valid Business Tax Certificate and property owners who lease space to small businesses that possess a valid Business Tax Certificate.

PROJECT IMPLEMENTATION

Procedures shall include:

Marketing and Outreach: The Office of Small Business in partnership with other agencies, such as Centre City Development Corporation, the South Eastern Economic Development Corporation, Business Improvement Districts, Micro

Districts, will actively engage in marketing and outreach efforts in order to generate participation from the business sector.

Application process: The Office of Small Business will receive applications year round. The program manager will determine if the project falls in the standard or historic preservation category.

To qualify for the historic rebate incentive, the subject property must have been designated by the Historic Resources Board as a designated historic structure or classified as a contributing structure to a designated historic district, and that any improvements be consistent with the historical character of the property.

All others will be considered standard projects.

Selection process: The Office of Small Business will select projects that will provide the greatest public benefit to a community as determined by the program manager. Factors considered by Program Manager will include:

- Complements City's public improvement strategies
- Coincides with City revitalization activities
- Community need/demand for change
- Creative value of the project
- Current condition of the building/facade
- Neighborhood Code compliance issues
- Conformity to community design guidelines

Selected applicants will be sent orientation packets, certificate of ownership form, and notification of fees. Program Manager will review applicant's goals and budget to determine if applicant is willing and able to complete the project within program guidelines.

Program exclusions include: national franchises; large office buildings in excess of 80,000 square feet; government owned and occupied buildings; churches and other religious institutions.

Fees: Applicant will be required to pay a non refundable fee to ensure the applicants commitment to the completion of the project. These fees will be made payable to the City Treasurer.

Design Process: Once an application is selected, applicant will be notified, Project Manager will review design criteria with applicant and discuss eligible exterior improvements (paint, awnings, signage, landscaping, parking, windows).

Allowable Rebate: The Rebate formula will be determined by the Small Business Advisory Board.

The historic rebate incentive will increase the appropriate maximum rebate

amount. The historic rebate incentive will be available once per property with preference given to the property owner.

Contract Process: Once applicant has submitted required paperwork to the program manager a contract will be issued for signature. Business tenants must obtain written approval from the property owner stating that the owner does not object to the business tenant completing the proposed improvements to the property. Authorization from the property owner for a business tenant to utilize the historic rebate incentive will be requested concurrently with the owner's approval of the proposed improvements. Work on eligible improvements may begin once the applicant signs and submits the agreement.

Reimbursement Process: Once project is complete,

1. applicant must submit:

- a. "Paid in full" receipt(s) and cancelled check copy(s) related to approved bid(s)
- b. Federal tax ID number or Social Security number
- c. Two 8" x 10" color photos of the finished building

2. Copy of any required permits that were pulled must be given to program manager with the reimbursement package.

3. If all the obligations under the Agreement have been met, the City shall issue the rebate within thirty days of receipt.

Program Management: Overall program management shall be the responsibility of the Office of Small Business.

HISTORY

Resolution R-286636

City Manager's Report 95-239

Small Business Advisory report dated April 21, 2000

Small Business Advisory report dated May 22, 2000