

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



May 21, 1997

Redevelopment Agency & City Council of
the City of Sacramento
Sacramento, California

Honorable Members in Session

SUBJECT NEW BUSINESS ATTRACTION INCENTIVE PROGRAM AND
MODIFICATIONS TO EXISTING COMMERCIAL LOAN AND FACADE
IMPROVEMENT PROGRAMS

RECOMMENDATION

Staff recommends adoption of the attached resolutions which authorize the Executive Director to implement a new program of financial incentives for business attraction and modify the existing commercial loan and grant program in Agency-designated target areas. The intent of these new incentives and existing program modifications is to stimulate revitalization of properties in blighted commercial districts. The specific recommendations of this report authorize:

- ▶ grants to offset specified City and County development fees and building permit costs.
- ▶ a finder's fee to commercial brokers who negotiate leases on eligible properties.
- ▶ lease subsidies and tenant improvement grants to business tenants who lease eligible properties.
- ▶ delegation of authority to the Sacramento Housing and Redevelopment Commission (SHRC) Loan Committee to approve program applications.
- ▶ commercial loans of up to \$250,000 with approval of the SHRC Loan Committee within the existing Commercial Loan and Facade Improvement Program guidelines.

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- ▶ modification of the Facade Improvement Program to rename it the Exterior Rebate Program and include improvements to the entire building exterior, grants up to 65 percent of the cost of exterior improvements (CDBG-funded projects only), a maximum grant or loan of \$65,000 per building, and the grant or loan for roof replacement limited to an amount equal to the grant for the rest of the building exterior.
- ▶ delegation of authority to the Executive Director to make technical changes to the guidelines of the Business Assistance Incentive Program, the Commercial Loan Program, and the Exterior Rebate Program as may be necessary and prudent from time to time.

CONTACT PERSONS: · Cassandra H. Jennings, Director, Economic Development
Department, 440-1357
Kim King, Program Manager, Economic Development
Department, 440-1318

SUMMARY

This report presents a package of new business attraction incentives and recommends modifications to the existing Commercial Loan and Facade Improvement Program. These new and modified programs are designed to stimulate commercial rehabilitation and infill development in CDBG-eligible and redevelopment project areas in Sacramento City and County. The new business attraction incentives will be piloted in the City commercial districts of North Sacramento and Stockton Boulevard. Based on the success of these pilot efforts and to the extent that funds are budgeted to support this program, this incentive program may be offered in other Agency-assisted neighborhoods in both the City and County. Modifications to the Commercial Loan and Facade Improvement Programs will be immediately applicable City- and County-wide.

COMMISSION ACTION

At its meeting of May 21, 1997, the Sacramento Housing and Redevelopment Commission recommended approval of the attached resolution(s). The votes were as follows:

AYES: Amundson, Castello, Cespedes, Dobbins, Hoag,
Newsome, Rotz, Simon, Harland

NOES: None

ABSENT: Diepenbrock, Holloway

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BACKGROUND

On March 20, 1996, the Agency approved direct allocations to neighborhood-based business associations to stimulate reinvestment in older commercial districts. The accompanying staff report discussed a variety of trends that have resulted in continued deterioration and disinvestment in neighborhood business districts, problems that have been faced by metropolitan communities throughout the nation, including:

- the concentration of poverty in central cities;
- declining older suburbs and vulnerable developing suburbs with few resources available to ameliorate downward trends;
- costly suburban sprawl with upper-middle-class residents and new jobs moving further and further away from urban centers; and
- struggling small businesses in older commercial districts coping with changing neighborhood demographics and the threat of "power center" retailing.

The premise of the 1996 report was that neighborhood-based business associations were among the most appropriate organizations to carry out strategies to stimulate reinvestment in inner city commercial districts. This report builds upon that premise and recommends new improved tools to assist business associations, in partnership with the Agency, to achieve their commercial revitalization and business attraction goals.

Obstacles to commercial infill development

The problems associated with revitalizing older commercial districts are well-known to neighborhood business associations, private developers, property owners and Agency, City, and County staff. Impediments to new commercial development include:

- parcels of insufficient size to accommodate new commercial buildings and required off-street parking.
- parcels encumbered by easements, setback requirements, and zoning restrictions that severely inhibit new development.
- many parcels may have abandoned underground storage tanks requiring remediation that makes development infeasible.
- surrounding uses that may be perceived by developers or property owners as incompatible with new development.

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- higher development costs when compared to outlying suburban areas.

Barriers to rehabilitating, renovating, and reconstructing existing commercial structures include those above and, in addition:

- existing buildings are often out of compliance with current building codes.
- rehabilitation costs may not be justified by the after-rehabilitation value of the building.
- higher development fees, especially when a new tenant contemplates a "change in use" of an existing building.

A final obstacle to infill development is related to the financial feasibility of proposed projects. Financial feasibility is usually based on projected lease revenues and cash flow from new or renovated commercial space. This factor has been increasingly troublesome and problematic in our targeted districts, due to:

- lack of commercial tenant interest (due to income demographics of the neighborhood, perception of the neighborhood, crime rate, etc.).
- lack of commercial broker interest (due to the same factors above, lower lease rates generating smaller commissions, and uncertain market conditions).
- landlords who lack the capital necessary to make tenant improvements.

Current Agency Program

The Agency's Commercial Loan and Facade Grant Program has assisted the renovation of more than 380 commercial buildings in the City and the County of Sacramento since 1984. The loan program has been popular due to its low, fixed interest rate and the facade program has been attractive because it offers free architectural services and matching grants for commercial storefront improvements.

In recent years, staff has seen interest in the Commercial Loan and Facade Improvement Programs decline. In 1994, the Agency made 12 loans totaling \$1,109,800. In 1996, the Agency made two loans totaling \$204,500, a decline of more than 80 percent in a two-year period. Similarly, productivity in the Facade Improvement Program has fallen by 50 percent. In 1996 12 grants were approved totaling \$180,257, compared with 24 grants totaling \$306,140 in 1995. Two principal reasons for the reduced production are:

- 1) Program saturation in long-established redevelopment areas, such as Oak Park and Alkali

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Flat, reducing the types of prospective projects to vacant commercial buildings with complex development issues, much higher project costs, financing needs that do not meet standard loan underwriting criteria, and little commercial market interest encouraging their rehabilitation; and

- 2) A shift in program activity from tax-increment funded redevelopment areas to CDBG-funded target areas. The labor costs of CDBG-funded construction projects can increase up to 40 percent due to the imposition of Davis-Bacon Act wage rates. Program applicants have cited increased wage rates as a deterrent to participation in the program.

New Incentives

Taking all of the above issues into consideration, staff is recommending the adoption of three new development and business attraction incentives, and two modifications to the existing Commercial Loan and Grant Program that staff believes will:

- provide property owners an economic incentive for infill development and rehabilitation of existing commercial buildings.
- provide incentive to the commercial real estate brokerage community to attract new small businesses to target revitalization areas; and
- provide financial support to newly attracted businesses who become tenants of eligible projects.

The new incentives listed below have been designed to offset development costs and to promote tenant recruitment for eligible projects. The incentives can be applied singly or jointly in support of new commercial construction, rehabilitation or business attraction.

- 1) *Development Fee Assistance*, for specified City and County building permit charges and development fees for construction or rehabilitation within the targeted areas. The maximum Agency commitment would be \$15,000 per commercial tenancy and \$30,000 per property. Attachment I describes this incentive in detail.
- 2) *Broker Fee Incentive*, provides a "finder's fee" to agents who broker signed leases and move-in commercial tenants to eligible projects. The Agency fee would be equivalent to \$.50 per square foot per commercial space leased a minimum of two years, up to a maximum of \$2,500 per tenancy. Attachment II describes this incentive.
- 3) *Commercial Tenant Incentive*, provides leasing incentives to commercial tenants who occupy space in eligible projects. The maximum Agency commitment would be \$2,500

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per tenancy. Attachment III describes this incentive.

This report recommends that the SHRC Loan Committee be delegated the authority to approve all incentive applications recommended by staff.

Modifications to Commercial Loan and Facade Improvement Program

The two program modifications listed below are recommended to address the higher costs of construction on more complex projects and for prevailing wage requirements.

- 1) *Authorize Loan Committee to approve loans up to \$250,000, an increase of 150 percent over the \$100,000 loan limit that was approved in 1989. This change would accommodate increased building costs since the loan limit was adopted, and in anticipation of more costly projects in the future, due to both inflation and severity of the necessary rehabilitation. No changes in the loan underwriting guidelines are recommended at this time.*
- 2) *Expand the applicability of facade improvement grants or facade loans from the storefront to the entire exterior of the building, raise the grant limit for CDBG-funded projects from 50 percent to 65 percent of the project, set a maximum grant or loan amount of \$65,000 per building, and limit the grant or loan for roof replacement to an amount equal to the grant or loan for the rest of the building exterior. These changes will simplify the calculation of grants and loans, compensate for higher costs associated with CDBG funding in particular, and limit total grant and loan expenditures.*

Attachment IV describes in detail these modifications to the commercial loan and grant program. The Loan Committee will continue to approve all loans and grants recommended by staff.

Program eligibility under CDBG rules

The proposed programs are consistent with federal CDBG regulations which authorize the provision of assistance to private for-profit businesses, whose activities eliminate slums and blight, create economic opportunities, and/or attract or retain businesses in low-income neighborhoods.

The following requirements have been included in the programs to ensure public benefit as a result of these incentives:

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- Incentives are only available for development, rehabilitation, or leasing of commercial space to neighborhood-serving retail or service-oriented businesses, or job-generating manufacturing or assembly operations.
- The incentives are limited to target areas where public resources have already been committed, due to the presence of blight or the absence of private investment.
- A cap has been placed on the amount of assistance available to an applicant under each of the programs. Per leasable space, the most a property owner or tenant could receive is \$15,000 in direct assistance (development fee rebate) and \$5,000 of indirect assistance (to a broker and tenant). Per building, the property owner could receive these incentives plus a maximum commercial exterior rebate of \$65,000. Overall, these are modest amounts of assistance, intended only to "level the playing field" between inner city and suburban development costs.

FINANCIAL CONSIDERATIONS

Funding of \$100,000 for these new incentives was approved with the 1997 City CDBG One-Year Action Plan and Agency Budget.

POLICY CONSIDERATIONS

The actions proposed in this report are consistent with previously approved policies, to support commercial district revitalization and retention/attraction of small businesses in Sacramento City and County.

ENVIRONMENTAL REVIEW

The proposed action is exempt from CEQA per Guidelines Section 15301, and is categorically excluded from NEPA per 24CFR Part 58.35 (a)(3)(ii).

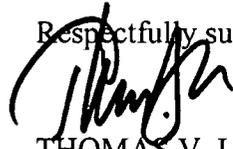
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MINORITY/WOMEN'S BUSINESS ENTERPRISE (M/WBE)

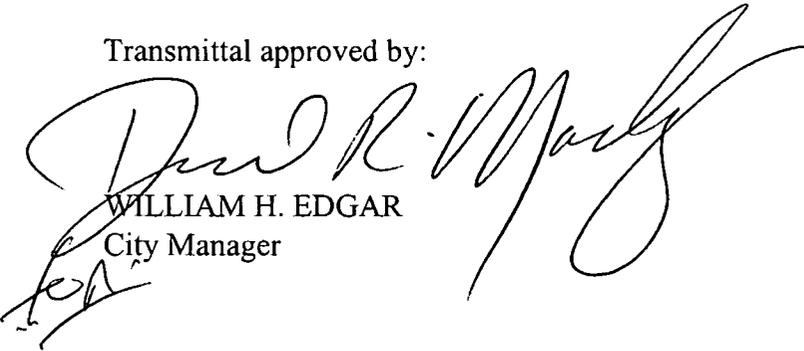
The actions described in this report have no direct M/WBE impact, therefore the Agency's M/WBE policy does not apply.

Respectfully submitted by,



THOMAS V. LEE
Executive Director

Transmittal approved by:



WILLIAM H. EDGAR
City Manager

RESOLUTION NO. 97-018



ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

ADOPTION OF BUSINESS ASSISTANCE INCENTIVE PROGRAM AND MODIFICATIONS TO COMMERCIAL LOAN PROGRAM AND FACADE IMPROVEMENT PROGRAM

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO:

Section 1. The Sacramento Housing and Redevelopment Agency's ("Agency") Commercial Loan Program loan limit is hereby raised from \$100,000 per loan to \$250,000 per loan.

Section 2. The Agency is authorized to approve commercial loans of up to \$250,000 under the existing Commercial Loan Program guidelines.

Section 3. The Agency is authorized to modify the Facade Improvement Program to rename it the Exterior Rebate Program and to include improvements to the entire building exterior, provide grants and loans of up to 65 percent of the cost of exterior improvements, set a maximum grant or loan of \$65,000 per building, and limit the grant or loan for roof replacement to an amount equal to the grant for the remainder of the building exterior.

Section 4. The Agency is delegated the authority to make technical changes to the guidelines of the Commercial Loan Program and the Exterior Rebate Program as may be necessary and prudent from time to time.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

APPROVED
BY THE CITY COUNCIL
JUN 3 1997
OFFICE OF THE
CITY CLERK

RESOLUTION NO. 97-301

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

ADOPTION OF BUSINESS ASSISTANCE INCENTIVE PROGRAM AND MODIFICATIONS TO COMMERCIAL LOAN PROGRAM AND FACADE IMPROVEMENT PROGRAM

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
SACRAMENTO:

Section 1. The Sacramento Housing and Redevelopment Agency ("Agency") is authorized to establish the Business Assistance Incentive Program ("Program") to provide incentive grants to commercial property owners and business tenants pursuant to the guidelines set forth in Attachments I, II and III to the staff report and as follows:

- a. Development Fee Assistance Grant: To offset specified City and County development fees and building permit charges;
- b. Broker Fee Incentive Grant: To provide a finder's fee to commercial brokers who negotiate leases on eligible properties; and
- c. Commercial Tenant Incentive Grant: To offer lease subsidies and tenant improvement grants to business tenants who lease eligible properties.

Section 2. The Agency is hereby delegated the authority to approve applications for the Program within the Program guidelines.

Section 3. The Agency's Commercial Loan Program loan limit is hereby raised from \$100,000 per loan to \$250,000 per loan.

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RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 4. The Agency is authorized to approve commercial loans of up to \$250,000 under the existing Commercial Loan Program guidelines.

Section 5. The Agency is authorized to modify the Facade Improvement Program to rename it the Exterior Rebate Program and to include improvements to the entire building exterior, provide grants and loans of up to 65 percent of the cost of exterior improvements, set a maximum grant or loan of \$65,000 per building, and limit the grant or loan for roof replacement to an amount equal to the grant for the remainder of the building exterior.

Section 6. The Agency is delegated the authority to make technical changes to the guidelines of the Business Assistance Incentive Program, the Commercial Loan Program and the Exterior Rebate Program as may be necessary and prudent from time to time.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Development Fee Assistance Program

In order to offset the high cost of infill commercial and industrial development projects, the Sacramento Housing and Redevelopment Agency has created the Development Fee Assistance Program. For the purposes of this program "project developers" are developers, property owners, or commercial tenants who undertake CDBG-eligible commercial/industrial construction or rehabilitation projects on parcels zoned C-1 or higher.

Program benefits

- the Agency will provide assistance to project developers in determining the scope and total cost of permit and development fees.
- the Agency will compensate project developers for specified City and County permit costs and development fees.

Project eligibility

- the project must be located in a target area where Agency funds have been budgeted for these incentives.
- the project must involve development of commercial space for neighborhood-serving retail, service-oriented businesses, or job-generating manufacturing or assembly operations.
- the project must involve a new business moving into the eligible area or an existing business undertaking at least a 30 percent expansion (by floor area). Speculative development is not eligible for these incentives.
- no incentives are provided for projects that involve moving a business from one target area to another within the City or County of Sacramento, unless it can be demonstrated that there is no opportunity for the business to remain in its original location.

Fees eligible/ineligible for compensation

In general, fees charged by the City and County's building inspection or public divisions are eligible for compensation. These fees include building permit, plan check, water and sewer tap fees, among others.

Charges and fees associated with obtaining planning entitlements (rezone, lot merger or split, variances, etc.), design review, and environmental review approvals are not eligible for compensation under this program. Most "impact" fees, with the exception of those directly related to construction of the project, are also not eligible for compensation under this program. A more complete list of eligible and ineligible fees is attached (Exhibit A).

Project Developer threshold requirement and maximum compensation

The project developer must pay the first \$3,000 or the first 20 percent (which ever is less) of City and County permit costs and development fees. All City and County fees, including entitlement costs, may be counted toward this threshold requirement.

The program offers a maximum of compensation of \$15,000 per commercial tenancy, with a cap of \$30,000 per property ownership. Commitments will be made only to extent of Agency funds budgeted for this program, on a "first-come, first-served" basis.

Additional requirements

At the project developer's discretion, this incentive may be taken either as a rebate grant at the completion of the project or as a forgivable loan at the beginning of the project. Under the rebate method, the project developer is expected to pay all fees out-of-pocket and will then be rebated the eligible fees and permits costs at completion of the project (Certificate of Occupancy). Under the loan method, the Agency will pay eligible development fees and permit costs as they are due and payable. In order to ensure project completion, the project developer will be required to sign a promissory note secured by a Deed of Trust (property owner applicants) or UCC-1 filing (tenant applicants). The note, in an amount equal to the fees compensated by the Agency, will be written for a multi-year term of not less than two and not more than five years. The note will bear no interest and require no payments. The note will contain a provision that 1/(term, in months) of the balance is forgiven each month the improvements financed by this program are maintained.

Funds advanced under this program shall be subordinate to other project financing obtained by the project developer. If necessary, the Agency will execute appropriate documents to subordinate its Deed of Trust or UCC-1 to that of other lenders.

Should the entity receiving this compensation fail to complete the project or maintain the improvements once completed, the note shall become immediately due and payable. If the improvements are completed and maintained, the Agency will reconvey the note and its security interest at the end of the loan term.

Application approval process

Project developers will complete a two-page program application, describing the property, the project, the development team, the financing structure and the incoming business. As an exhibit to the application, the project developer must attach a copy of the lease or intent to lease from the incoming business tenant. Agency staff will review the application and recommend approval or denial to the Agency loan committee.

For projects approved by loan committee, Agency staff will issue a letter of commitment to pay

eligible fees. Actual disbursement of funds will be conditioned upon verification of the following:

1. Owner/developer threshold contribution to project fees.
2. Project receiving necessary planning entitlement, design review, and environmental approvals.
3. Project working drawings completed and plan checked.
4. Construction contract signed.

Loan funds may be disbursed directly to the project developer or disbursed directly to the City or County department to which fees are due at the time of issuance of the building permit. Rebate funds will be disbursed following the City's or County's issuance of a Certificate of Occupancy.

Development Fee Assistance ProgramEligible Fees

Building Permit Fee
 Plan Check/Review Fees
 Seismic Fee (SMI)
 Zone Check Fee
 City Business License (CBL)
 Flood Review Fee
 Hazardous Material Fee
 Address Fee
 Permit Processing Fee
 Partial Permit Fee
 Engineering Fee
 Technology Surcharge
 Fine Fee
 Construction Excise Tax
 Driveway Permit Fee
 Water Development Fee
 Sewer Development Fee
 Water Tap Fee
 Sewer Tap Fee
 Regional Sanitation Fee
 SMUD Fees

Ineligible Fees

General Plan Amendment (Rezone)
 Community Plan Amendment
 Community Plan Amendment and Rezone
 Variance
 Development Plan Review (Project)
 Use Permit
 Conditional Use Permit
 Special Development Permit
 Environmental Review (CEQA, NEPA)
 Parcel Map
 Subdivision Tentative Map
 Boundary Line Adjustment
 Special Review of Parking/Easements
 School Impact Fee
 Housing Trust Fund
 Quimby Park Fee
 Transportation Development Fee

Fees not listed will be subject to staff determination as to eligibility. In general, City & County fees associated with issuing a building permit are eligible. Entitlement processing, impact fees and fees imposed by entities other than the City or County agencies or departments are not eligible.

Commercial Tenant Incentive Program

The purpose of the commercial tenant incentive program is to attract commercial businesses to fill vacancies located in CDBG-eligible areas in the City of Sacramento. Business tenants who purchase property or sign leases to occupy these vacancies are eligible for financial incentives as defined below. The program is only available in target areas where funds have been budgeted for this purpose.

Program Benefits

The Program will provide dollar-for-dollar matching grants to incoming businesses that receive landlord incentives such as free rent or other cash incentives (including landlord-paid tenant improvements) as an inducement to lease space. For instance, if the landlord gives a business two months free rent, worth \$500 per month, as a inducement to lease for at least two years, the Agency will grant \$1000 to the business. Agency grants will be awarded after the landlord incentives have been exhausted.

The maximum grant under this program is \$2,500 per tenancy. A business that purchases and occupies an eligible building is eligible for the maximum grant.

Program Requirements

1. Businesses eligible for these programs must:
 - a. be neighborhood-serving retail, service-oriented, or job-generating manufacturing or assembly operations.
 - b. be a new business in the target CDBG-eligible area
 - c. obtain all necessary planning approvals and licenses;
 - d. undertake at least a 30 percent expansion (by floor area) if it is an existing business.
 - e. commit to a significant term of occupancy. This means the business either acquire its property or lease it for not less than two years to be eligible for this incentive.
2. No incentives are provided to business that move from one CDBG-assisted area to another within the City of Sacramento, unless it can be demonstrated that there is no opportunity for the business to remain in its original location.
3. Restriction on repeat incentive payments: Once an incentive has been paid at a given business address, the address must sit vacant at least six months for a subsequent business to receive this incentive.

Application Procedures

Business tenants must obtain a copy of the program application and submit it with the following attachments:

1. The purchase or lease agreement (to the extent that portions of this agreement are confidential, then submit those portions sufficient to identify the parties, the site, term and signatures).
2. If leasing, the business applicants must attach a letter and affidavit from the landlord stating the exact amount and timing of the landlord incentives.
3. A completed W-9 form (Request for Taxpayer Identification Number and Certification) from the proposed payee (the form is provided). Please note that the Agency will issue a 1099 income form to the business for the tax year that the grant is made.

Grant Disbursement

Approved grants will be disbursed after the landlord incentives have been exhausted or after the business owner closes escrow on a purchased building.

Broker Incentive Program

The Broker incentive program has been conceived as an inducement to commercial real estate brokers and agents to list, advertise and show properties in target areas. Brokers are typically paid a commission calculated as a percentage of the total value of the real estate transaction, whether a lease or a sale. Due to typically lower property values, lower rents and shorter lease terms, brokers perceive that target area transactions are not conducive to profit maximization and are therefore inclined to lead prospective tenants to other areas. In order to offset these lower commissions and provide an additional incentive, the Agency proposes to offer a "consultancy fee" to brokers who successfully lease or sell property to a new business locating in a target area.

Funding for the broker incentive program is provided through the Community Development Block Grant (CDBG) program. Under CDBG regulations compensation to brokers is an ancillary special economic development activity that must be linked to another CDBG objective, such as the elimination of blight or the creation of jobs for low- or moderate-income people. Therefore broker incentives can only be offered where the Agency is also providing direct assistance to an incoming business, in the form of a loan, grant, or other commercial tenant incentives.

This program will only be offered in CDBG-eligible target areas where funds have been budgeted for this purpose.

Program Benefits

The Program will pay brokers and agents who negotiate sale or lease transactions on vacant commercial space a consultancy fee of \$.50 per square foot, up to a maximum of \$2,500 per tenancy.

Program Requirements

1. Broker consultancy fees are only paid when the property owner or business tenant is also receiving Agency assistance.
2. The incoming or expanding business must be neighborhood-serving retail, service-oriented, or job-generating manufacturing or assembly operations
3. Broker consultancy fees are only payable on properties within the geographic boundaries of the eligible area, and that have been vacant at least six months.

4. The incoming business tenant must obtain all required City or County permits and licenses.
5. Brokers and agents eligible for this program must be licensed in California and be independent from the property owner. In-house leasing agents, owner/developers and their employees are not eligible.
6. The incoming business may not be a relocation from another redevelopment or CDBG-assisted area, unless it can be demonstrated that there is no opportunity for the business to remain in its original location.
7. If an existing business is expanding, the additional space must be a 30 percent expansion to qualify for the broker for the incentive.
8. The business assisted by the broker or agent must commit to a significant term of occupancy. This means the business either acquire its property or lease it for not less than two years.
9. The consultation fee will be paid only to the applicant broker. However, the applicant broker is free to split the fee with another broker or the tenant.
10. The broker's or agent's application for program participation must be filed with the Agency prior to or concurrent with the closing or effective date of the lease.
11. The consultancy fee will be paid following move-in of the business tenant or new owner.

Application Procedures

The broker or agent must obtain a copy of the program application and submit it with the following attachments:

1. The purchase or lease agreement (to the extent that portions of this agreement are confidential, then submit those portions sufficient to identify the parties, the site, term and signatures).
2. A completed W-9 form (Request for Taxpayer Identification Number and Certification) from the proposed payee (the form is provided). Please note that the Agency will issue a 1099 income form to the broker for the tax year that the consultancy fee is paid.

Commercial Loan and Grant Program Modifications

Exterior Rebate Program

The Exterior Rebate Program (formerly the Facade Grant Program) provides commercial property owners with rebates for exterior improvement costs. With this staff report, the following program modifications are implemented:

- 1) The rebate is applicable to costs associated with improvements to the entire building exterior, including the roof. The previous program was applicable only to costs associated with improvements to building front.
- 2) In CDBG-assisted areas, the rebate is increased to 65 percent of total construction costs. The rebate remains at 50 percent of exterior construction costs in tax-increment funded areas.
- 3) The maximum rebate per property is now limited \$65,000. The program previously had no maximum rebate. For example, under the previous program a building with ten storefronts and roof repairs would have been eligible for up to \$75,000 (10 x \$7,500). The modified program will limit the rebate to \$65,000, regardless of the number of storefronts.
- 4) The maximum cost eligible for a roof replacement rebate is now limited to an amount equal to the expenditure on other portions of the building. [For example, if a program participant does \$12,000 of roof work and spends \$5,000 on other portions of the building, the total costs that are eligible for the rebate would be \$10,000 (\$5000 on the building plus equal allowable costs of \$5000 on the roof). Thus the total rebate would be 65 percent of \$10,000 = \$6,500].

Eligible improvements to buildings include, but are not limited to:

- awnings
- replacement of doors/windows and shutters
- exterior lighting
- painting
- roof replacement (not repair)
- security systems
- facade renovation (siding, trim)
- signs

Commercial Loans

Eligible improvements under the loan program include all of the items listed above under the Exterior Rebate Program, plus building additions and correction of code violations. The loan limit is now \$250,000. Previously, the loan limit was \$100,000.