



Staff Report

DISCUSSION AND DIRECTION ON AMENDING THE FAÇADE IMPROVEMENT PROGRAM

Honorable Chair and Board Members:

Summary

This report summarizes proposed amendments to the City's Façade Improvement Program ("FIP"). Staff recommends that the Board review the draft rules and proposed funding changes, and give direction to staff for final adoption at a subsequent hearing.

Background

The FIP was established in 1991 to provide financial assistance to downtown commercial tenants and property owners for façade improvements. The program was intended to benefit local businesses as well as the community at large by enhancing the visual quality and economic vitality of the City's downtown. The FIP was also aimed at furthering the Agency's goals of revitalization by complementing programs such as Transforming El Camino Real and the City's comprehensive Economic Development Strategy by directly engaging local businesses in efforts to improve the local economy.

Staff believes the current FIP to be underutilized in meeting program objectives. No more than a few grants have been authorized amidst a complex application process. Last year, the Agency hired a consultant to conduct a survey of downtown businesses. The survey showed that businesses were not taking advantage of the program for two main reasons – (1) the grant amounts are too low and, (2) there is too much paperwork involved in the application process. Staff believes these two issues should be addressed in order to encourage greater program participation.

The Agency budgets \$150,000 per year to FIP grant awards, and most of the funding goes unclaimed. Staff believes more downtown businesses would take advantage of the program if the process was simpler and the incentives greater.

Discussion

The most recent action taken by the Agency on the FIP was at the July 10, 2007 meeting, where the Agency approved a resolution authorizing a consultant to design an amended marketing plan, implementation plan, and application assistance plan. The new plan was never adopted and the FIP remains inefficient and underutilized. Over the last couple of months, staff has analyzed the

current program and researched best practices and what other communities are doing to improve the appearance of their downtown areas. Staff also examined the existing conditions of downtown Belmont and has considered the unique opportunities and constraints associated with implementing the FIP. This research has coalesced into an amended set of rules to simplify the program and encourage maximum investment in façade improvements.

The draft amended rules contained in Attachment “A” are organized into two main parts: eligibility requirements, and funding. Attachment “B” is an addendum to the rules which outlines the application process. The rules and addendum are intended to assist staff in administering the program; a user-friendly application packet and brochure will be available to the public after the rules are approved by the Board. For comparison purposes, the current rules and application procedure are contained in Attachments “C” and “D,” respectively.

In addition, the Agency would administer the amended program, the Community Development Department would process the applications, and the Economic Development Committee (“the Committee”), which consists of the City Manager, Community Development Director, and Finance Director, would serve as the reviewing committee that determines which projects receive funding.

The following summarizes the proposed rules, compares them to those of the current program, briefly describes the application procedure, presents options for changes to funding, illustrates possible funding scenarios, and discusses the next steps for implementing the program:

Eligibility Requirements

1. *Project Area*

Current: The qualifying area includes all commercial buildings with frontage on El Camino Real, Old County Road, and Ralston Avenue from U.S.-101 to South Road. The Village Center, which is bounded by El Camino Real, Sixth Avenue, Ralston Avenue, and O’Neill Street, does not qualify.

Proposed: The FIP Project Area would focus on the highly visible retail corridors of El Camino Real, Old County Road, and Ralston Avenue, and expand to include more of the downtown area. (see map in Figure 1, Attachment “A”).

2. *Eligible Buildings*

Current: All commercial buildings in the qualifying areas are eligible.

Proposed: Most commercial, office, and mixed-use buildings in the FIP Project Area would be eligible. Properties are proposed to be ineligible for funding if any special assessments, real estate taxes, or personal property taxes are delinquent.

3. *Eligible Improvements*

Current: Improvements must be for a complete façade and may include sidewalks (when required by the City) and landscaping and irrigation, in addition to other street façade improvements.

Proposed: Funding would be intended only for exterior cosmetic improvements to existing buildings. Interior and other site improvements not integral to the façade improvements would not be eligible.

4. *Elimination of Code Violations and Blight*

Current: The current rules go no further than requiring improvements to conform to local regulations.

Proposed: In addition to complying with all applicable regulations, code violations and sources of blight must be corrected in order for projects to receive funding.

5. *Eligible Applicants*

Current: Property owners and tenants, including multiple tenants of the same building, are currently eligible. Each building is eligible for grant funding once every five years.

Proposed: Same as the current rule, except that there is no limit to the frequency of application and eligibility for funding. Also, the maximum funding amount would pertain to each individual business façade rather than to an entire building.

Application Procedure

Current: The current FIP application procedure consists of five steps and requires applicants to coordinate with the Belmont Chamber of Commerce and City of Belmont (see Attachment “D”). Applicants must submit FIP and design review applications simultaneously, which are then reviewed by the Planning Commission. The Agency then considers the Planning Commission’s recommendation and makes a final decision on the FIP funding request. Grants are awarded upon project completion.

Proposed (see Attachment “B”):

- a. Applicants submit a preliminary FIP application, including project scope, preliminary cost estimates, estimated timeline, conceptual plans, and other basic information about the property and anticipated façade improvements. If the applicant intends to apply for FIP loan assistance, s/he consents to a preliminary loan review screening.
- b. The Committee would then review preliminary FIP applications and loan requests on a case-by-case merit basis.
- c. Once the Committee accepts the preliminary application, the applicant may proceed with obtaining all necessary approvals for the project, including planning and building permits.

- d. After the project receives all necessary permits and approvals, the applicant may submit a final FIP application, which includes a revised project scope, cost estimates, timeline and the final approved plans.
- e. Once the final FIP application is approved by the Committee, the applicant will sign and execute all necessary agreements with the Agency before commencing construction.
- f. The applicant would then request reimbursement funds as the project is completed.
- g. The Committee would review reimbursement requests and disperse funding based on the percentage of project completion as outlined in the project agreement.

Funding

1. *Reimbursable Expenses*

Current: In addition to the improvement costs and architectural fees covered by the grant, applicants may currently be reimbursed for design review and building permit fees.

Proposed: The grant and loan amounts would cover both hard and soft project costs, including development application fees.

2. *Limits of Reimbursement*

Current:

- a. Applicants are currently eligible to receive a grant for the first \$1,000 of improvement costs. After the first \$1,000, applicants may receive a grant for 50% of the next \$4,000.
- b. Façades for new businesses are eligible to receive 100% of the first \$3,000 of improvement costs.
- c. When three or more contiguous façades are improved simultaneously, each project may be eligible to receive an additional \$500 grant.

Proposed:

- a. Projects valued at less than \$5,000 would not be approved for funding.
- b. The maximum total funding amount for any project would not exceed \$150,000.
- c. The maximum grant amount per project would be \$25,000.
- d. The amounts reflected in this section would be adjusted in \$1,000 increments according to changes in the Consumer Price Index for All Urban Consumers (CPI-U) in the San Francisco-Oakland-San Jose Metropolitan Area.

3. *Prevailing Wage Requirements*

Current: The current rules do not address prevailing wage requirements.

Proposed: All project costs would be subject to audit in order to ensure compliance with applicable prevailing wage requirements.

4. *Grant Details*

Current: Grants are currently awarded in the form of a rebate once projects are completed. Grant amounts are discussed above under “Limits of Reimbursement.”

Proposed: Grants will continue to be awarded in the form of a rebate, however, the Committee would be authorized to disperse funds on a percentage of project completion basis as provided for in the project agreement.

5. *Loan Details*

Current: The current FIP does not contain a loan component.

Proposed: Applicants must be financially capable of meeting the loan requirements and would be required to sign a Loan Agreement in order to receive project funding. Loan amounts must not exceed 100 percent (100%) of the total collateral value. For owner applicants, loans would be secured by a deed of trust, and for tenant applicants, by business or personal assets if real estate collateral is unavailable.

6. *Funding Cycle*

Current: The current program includes no details about the funding cycle other than the timing of the grant award (upon project completion) and frequency of eligibility (once every five years).

Proposed:

- a. The applicant shall have six months from final approval of the FIP application to complete the improvements. There would also be a provision for a six-month extension.
- b. Grant and loan monies will be disbursed on a percentage of project completion basis consistent with the project agreement and upon documentation of project costs. Amortization of the loan shall begin immediately upon disbursement.
- c. Repayment of the loan shall begin one month after the funds are disbursed.
- d. Loans must be repaid on a schedule established by the Loan Agreement by no later than ten years from the disbursement date, or for tenant applicants, upon expiration of

the least term, whichever occurs first.

- e. Should there be inadequate funding, approved applications would be held until funding becomes available.

7. Remedies of Default

Current: The current program does not address loan default.

Proposed: The applicant would be considered in default if s/he fails to comply with the Loan Agreement, does not maintain the façade improvements, is delinquent in property taxes, or fails to comply with all applicable laws and regulations. The Agency would be authorized to take action to enforce the conditions of the Loan Agreement.

Funding Options

In an effort to increase participation in the program and encourage maximum investment in façade improvements, staff recommends adding two new components to the program funding – (1) increasing the grant amount and, (2) adding a loan component. Two funding options are presented below, beginning with staff’s recommendation, followed by an alternative. Staff seeks direction from the Board as to which funding option should be included in the final FIP.

Option 1 (recommended):

- For every \$2 an applicant spends, \$1 in grant funds is awarded, up to \$25,000.
- There is a zero percent (0%) interest rate for loans under this option.
- There is no limit to the amount of money an applicant may spend on a project, although the maximum loan amount is \$125,000.

Staff believes this option encourages the greatest investment by offering up to \$25,000 in grant money, based on the amount an applicant is willing to spend on a project. Applicants must apply for a FIP loan or spend their own money in order to be eligible for FIP grant funds. For projects receiving less than the maximum grant amount under this option, the Committee may use its discretion to apply other loan provisions to fund the project on a case-by-case basis.

Option 2:

- Applicants are eligible to receive a grant for reimbursement of the first \$25,000 of project costs.
- For projects that exceed \$25,000, the Agency may administer a low interest rate loan to qualified applicants for up to an additional \$125,000.
- There is a five percent (5%) interest rate for loans under this option.

Although this option also offers up to \$25,000 in grant money, staff believes it may potentially discourage larger projects since no additional financial investment is required.

The following table demonstrates how different projects could be funded under Options 1 and 2. Note that the Committee’s special provision in Option 1 could affect the loan provisions of the first two projects since the grant amounts are less than \$25,000.

<i>Project</i>	<i>Funding Scenarios</i>	
	Option 1	Option 2
Awning		
Total Project Cost	\$10,000	\$10,000
Grant Amount	\$3,333	\$10,000
Loan Amount	\$6,667	\$0
Sign, Paint, Windows		
Total Project Cost	\$50,000	\$50,000
Grant Amount	\$16,666	\$25,000
Loan Amount	\$33,334	\$25,000
Sign, Paint, Architectural Details		
Total Project Cost	\$75,000	\$75,000
Grant Amount	\$25,000	\$25,000
Loan Amount	\$50,000	\$50,000
Complete Façade Redesign		
Total Project Cost	\$150,000	\$150,000
Grant Amount	\$25,000	\$25,000
Loan Amount	\$75,000	\$125,000

Next Steps

Upon approval from the Board of the amended FIP rules, staff will prepare the application materials and hire a consultant to market the program. The consultant would advertise the program through print and web-based media, and by direct outreach to the local business community. Applications would then be processed by the Community Development Department.

General Plan/Vision Statement

The objective of the FIP redesign and implementation is consistent with the City’s Vision Statement in priding itself on a “Thriving Economy,” which is especially relevant to the FIP in the following ways:

- A charming, vibrant town center is the heart of our civic and economic life.
- Our economy prospers with a mix of attractive, successful businesses that fit with our community character.
- We look first in our own shops and restaurants for what we need.
- Education, arts and the economy flourish in concert.

Fiscal Impact

The amended FIP is expected to be accommodated within the approved \$150,000 FIP grant awards budget for FY 08-09. The staff time required for administration of the program and application processing will vary depending on the number and complexity of applications. No augmentation of the FIP grant awards budget is expected.

Public Contact

Posting of City Council agenda.

Recommendation

Staff recommends that the Agency review the draft amended FIP rules, choose the preferred funding option(s), and direct staff to return with a resolution amending and authorizing implementation and administration of an amended FIP.

Alternatives

1. Direct staff to return for further discussion and direction.
2. Take no action.

Attachments

- A. Draft Amended FIP Rules and Project Area Map
- B. Addendum to Draft Amended FIP Rules (Application Procedure)
- C. Current FIP Rules
- D. Current FIP Application Procedure (“How the Program Works”)

Respectfully submitted,

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