

	AGENDA ITEM EXECUTIVE SUMMARY		Agenda Item number: 3c-1
	Title:	Recommendation Regarding Amendments to the Commercial Corridor and Downtown Business Economic Incentive Program	
	Presenter(s):	Matthew O'Rourke Rita Tungare	
Meeting: Planning & Development Committee		Date: January 9, 2017	
Proposed Cost: N/A		Budgeted Amount:	Not Budgeted: <input type="checkbox"/>
<p><u>Background</u></p> <p>The Commercial Corridor and Downtown Business Economic Incentive program (CCD) was created in 2015 and amended in 2016, to provide build-out assistance for new or existing/expanding businesses that are renovating the inside of retail spaces located on the first floor of properties along the City's commercial corridors and downtown. Over the past two years, the program has received a high amount of interest and been instrumental in attracting 8 new businesses to St. Charles and assisting 1 with a major expansion.</p> <p>Staff is in the process of reviewing a grant for Stanbridge Master Saddlers at 122 W. Main Street (former Vertical Drop Space). Based on the submitted materials, this business is eligible for the maximum award amount of \$25,000 for internal build-out improvements. However, there are also façade improvements proposed to enhance the exterior appeal of this building. Typically, a building or business owner could apply for a Façade Improvement Grant (maximum amount of \$20,000) to assist with the cost of these external modifications, but the Façade Improvement Program has allocated all budgeted funds to other projects in the current fiscal year.</p> <p>When the CCD program was established, this type of scenario was considered and the following was included as an eligible improvement: <u>"Façade improvements (only if the Façade Improvement Program has committed all budgeted funding for the current fiscal year)."</u> However, the program did not specify whether façade improvements in this scenario must fall into the \$25,000 maximum award amount, or if additional funding is available for these façade improvements. If the Façade Improvement Program still had funds, this property would be eligible to receive funding from both sources and exceed the CCD's \$25,000 maximum.</p> <p>Therefore, staff is presenting a proposed amendment to the CCD program for the Committee to consider whether façade improvements are eligible for an increase in funding over the current maximum limit of \$25,000.</p> <p><u>The Proposed Amendments are as follows:</u></p> <ul style="list-style-type: none"> • Façade improvements <u>(only if the Façade Improvement Program has committed all budgeted funding for the current fiscal year).</u> <ul style="list-style-type: none"> ○ Qualifying façade improvements are eligible for an increase of up to \$20,000 *for façade improvements only*, and must comply with the established funding criteria in the Façade Improvement Program. Such façade awards will match applicant expenditures on a 50/50 basis. ○ Only applicants eligible for the Commercial Corridor and Downtown Business Economic Program may utilize this increase. ○ These improvements must conform to the Façade Improvement Program requirements and receive a recommendation from the Historic Preservation Commission regarding the appropriateness of these modifications. ○ The increase in the maximum funding for façade improvements shall be limited to properties eligible for the Façade Improvement Program. 			
<p>Attachments (please list): Commercial Corridor and Downtown Business Economic Incentive Program Description (Proposed Amendments are Highlighted in Red)</p>			
<p>Recommendation/Suggested Action (briefly explain): Recommendation regarding proposed amendments to the Commercial Corridor and Downtown Business Economic Incentive Program description to clarify whether qualifying façade improvements are eligible for an increase in award funding above the current \$25,000 maximum.</p>			

City of St. Charles

Commercial Corridor and Downtown Business Economic Incentive Program

1. Program Purpose

The purpose of the St. Charles Commercial Corridor and Downtown Business Economic Incentive Program is to encourage the rehabilitation and investment of properties located in downtown St. Charles. This program will meet this purpose by providing the following benefits:

1. The enhancement of the overall economic vitality and character of St. Charles by attracting tenants to fill vacant commercial spaces.
2. Assist the expansion and/or relocation of existing businesses within St. Charles.
3. Promoting the continued economic success of St. Charles through the improvement and repair of historic and older buildings that require maintenance and building/fire code updates.
4. The protection of the general welfare by enhancing property values and vitality of St. Charles.

2. Program Guidelines:

All Commercial Corridor and Downtown Business Economic Incentive Program awards will match applicant expenditures on a 50/50 basis for eligible improvements. There shall be a funding amount of \$10,000 available for individual businesses. Multiple businesses located in multi-tenant buildings shall all be eligible for individual awards. All businesses must meet the following criteria:

- The property must be located in the Commercial Corridor or Downtown Areas as defined on the Attached Map as the program boundaries.
- The business must be considered one of the following uses as defined in Section 17.030.020 of Title 17 the Zoning Ordinance:
 - Art Studio
 - Cultural Facility
 - Indoor Recreation & Amusement
 - Live Entertainment
 - Hotel/Motel
 - Outdoor Sales, Permanent
 - Personal Services
 - Coffee Shop or Tea Room
 - Restaurant
 - Retail Sales
 - Tavern/Bar
 - Theater
- The leasable space must be located on the first floor/street level of the eligible building.
- Primary point of sale for merchandise/services in the store must be the location of the physical business.
- Businesses are eligible for an additional \$15,000 provided the property/business meets one of the following criteria: (Total grant amount for any business shall not exceed \$25,000)
 - The additional awards are used to update building code or fire code deficiencies required by change of use such as but not limited to: ADA accessibility improvements, fire

sprinkler installation, fire alarms installation, repair, or updates, accessibility ramps/elevators.

- The building or leasable space has been vacant for more than 6 months.
- The proposed business is located in the Downtown Retail Overlay District.
- Large retail spaces that need to be demised to make leasing the space more feasible.
- Extraordinary costs based on a unique physical condition or alterations of the building can be considered on a case by case basis.

4. Approval of a Commercial Corridor and Downtown Business Economic Incentive Program Award Procedure:

The Community & Economic Development Department shall accept and process all applications for Commercial Corridor and Downtown Business Economic Incentive Program awards.

- All applicants must request a “Chapter 34” review by the Building & Code Enforcement Division and Fire Department to determine any necessary code upgrades required due to change in use or life safety issues.
- Awards of **\$10,000** or less are approved administratively by Director of Community & Economic Development Department or designee.
- Awards in **excess of \$10,000 up to \$25,000** are required to receive City Council approval.

5. Eligible Improvements

The following improvements shall be considered eligible to receive the Commercial Corridor and Downtown Business Economic Incentive Award:

- Accessibility improvements for handicapped persons.
- Creation of new exterior doors for access into new leasable commercial spaces.
- Demising walls for the purposes of creating individual leasable commercial spaces.
- Energy conservation improvements.
- Electrical work, including service upgrades.
- Fire alarm systems.
- Fire sprinkler system installation or upgrade, including any needed water service improvements.
- Heating, ventilation and air conditioning.
- Lighting.
- Plumbing.
- Restoration of historic interior architectural features, including ceilings, light fixtures, floors and architectural detailing.
- Utility service upgrades, including water and sewer.
- Improvements not specifically listed as eligible or ineligible are subject to review on a case by case basis.
- Façade improvements (*only if the Façade Improvement Program has committed all budgeted funding for the current fiscal year*).
 - Qualifying façade improvements are eligible for an increase of up to \$20,000 *for façade improvements only*, and must comply with the established funding criteria in the Façade Improvement Program. All extra façade awards will match applicant expenditures on a 50/50 basis.

- Only applicants eligible for the Commercial Corridor and Downtown Business Economic Program may utilize this increase.
- These improvements must conform to the Façade Improvement Program requirements and receive a recommendation from the Historic Preservation Commission regarding the appropriateness of these modifications.
- The increase in the maximum funding for façade improvements shall be limited to properties eligible for the Façade Improvement Program.

6. Ineligible Improvements

The following items are **NOT** eligible for awards under the Commercial Corridor and Downtown Business Economic Incentive Award Program:

- Acquisition of land or buildings.
- Product inventory.
- Interior signage.
- Lighting fixtures.
- Hard surface materials for non-retail exterior space (parking lots, sidewalks, etc.).
- Display window enhancements (hanging grid system, lighting, display shelf, etc.).
- Media marketing and advertising.
- Ongoing business expenses such as rent, payroll, consulting work, moving expenses, etc.
- Day-to-day operational costs (e.g. utilities, taxes, maintenance, refuse).
- Exterminator services.
- Landscaping (see the City of St. Charles' Corridor Improvement Grant Program).
- Paint, tile, or other design elements.
- Furniture, cabinetry, carpets, office equipment, or similar interior finishes.
- Building permit fees and related costs.
- Sweat equity.
- Signs.

7. Commencement of Work:

Only after the Commercial Corridor and Downtown Business Economic Incentive Program Agreement is approved by the City, can work commence. **DO NOT START BEFORE -- YOU WILL NOT BE REIMBURSED FOR WORK DONE PRIOR TO CITY APPROVAL OF THE DOWNTOWN ECONOMIC INCENTIVE PROGRAM AGREEMENT.**

8. Completion of Work:

All improvements must be completed within 270 calendar days of Commercial Corridor and Downtown Business Economic Incentive Program Agreement approval, unless otherwise authorized by City staff for a maximum of a one (270) day extension. If the work is not complete by the end of the extension the City's remaining obligation to reimburse the owner or tenant for the project terminates.

9. Reimbursement Payments:

Upon completion of the work, the owner or tenant must submit copies of all design invoices, contractor's statements, other invoices, proof of payment and notarized final lien waivers to the

Director of Community & Economic Development, as evidence that the owner or tenant has paid the architect and contractor(s). You should use the attached forms for the contractor's statement and final lien waivers. Payment will be authorized upon completion of all work items as originally approved and receipt of all of the required documents.

The Applicant will only be reimbursed for the amount of the award once all approved work has been completed and a Certificate of Occupancy is issued by the Building & Code Enforcement Division.

The Director of Community & Economic Development may authorize reimbursement to be made in two payments, if all of the following conditions are present: 1) The first partial payment may be made upon completion of work representing at least forty percent (40%) of the amount specified in the Commercial Corridor and Downtown Business Economic Incentive Program Agreement; 2) The architect's invoices, contractor's statements, invoices, notarized final lien waivers and proof of payment for the completed work have been submitted; 3) The remaining work is expected to be delayed for thirty days or more following completion of the initial work due to weather, availability of materials, or other circumstances beyond the control of the owner or tenant.

In the case that the award covers multiple leasable spaces in one building, partial award funding can be disbursed as each individual leasable space is issued a Certificate of Occupancy. The amount of the partial disbursement shall be based on the proportion of square footage.

All Improvements shall be installed in accordance with the approved plan. Minor revisions as may be approved by a representative of the City Staff due to field conditions not known at the time of design, and similar circumstances beyond the Applicant's control. **THIS IS A REIMBURSEMENT PROGRAM -- YOU MUST PAY YOUR ARCHITECT, CONTRACTORS AND SUPPLIERS BEFORE YOU RECEIVE PAYMENT FROM THE CITY.**

Reimbursement awards are subject to Federal and State taxes, and are reported to the Internal Revenue Service on Form 1099. You are required to provide your taxpayer ID number or social security number as part of the Commercial Corridor and Downtown Business Economic Incentive Program Agreement. Property owners and tenants should consult their tax advisor for tax liability information.

10. Maintenance Period:

The property owner and tenant shall be responsible for maintaining the improvements without alteration for five (5) years. A restrictive covenant limiting alterations may be required by the City Council at the time of approval of the Commercial Corridor and Downtown Business Economic Incentive Program Agreement. A waiver from this requirement may be awarded by the City Council following a recommendation the by Director of Community & Economic Development, upon submittal of evidence of hardship or unusual circumstances.

In the event that any of the Building Improvements are removed during the term of this agreement the APPLICANT and/or the OWNER shall repay the CITY all grant funds received pursuant to this Agreement and shall pay any costs and fees including reasonable attorney's fees incurred by the CITY to collect said grant funds. The amount of repayment required to be paid by the APPLICANT and the OWNER shall be reduced by 20% for every full year that this Agreement has been in effect at the time of the required repayment.