

CITY OF SAN LEANDRO

MEMORANDUM

Date: March 29, 2012
To: City Council Community Development Committee
From: Chris Zapata, City Manager
Via: Luke Sims, Community Development Director
By: Cynthia Battenberg, Business Development Manager
Subject: DISCUSSION OF ECONOMIC DEVELOPMENT INCENTIVES –
CONTINUATION OF THE COMMERCIAL FAÇADE IMPROVEMENT AND
INDUSTRIAL COMPETITIVENESS PROGRAMS, ESTABLISHMENT OF A
BROADBAND CONNECTION PROGRAM

RECOMMENDATION

For the past several years, the San Leandro Redevelopment Agency funded two incentive programs to encourage private investment: a Commercial Façade Improvement Program and an Industrial Competitiveness Program. Both incentive programs provided a framework for staff to work with small, medium and large businesses to make improvements and upgrades to their building or operations. Although redevelopment funding is no longer available, the draft FY 2012-13 budget for economic development includes \$180,000 for business assistance programs. Staff recommends continuation of these programs as well as the creation of a new Broadband Connection Program to assist businesses in connecting to the internet.

BACKGROUND AND ANALYSIS

Staff is currently in discussion with six businesses regarding the two former incentive programs and requests direction from the Community Development Committee regarding future funding of these established incentive programs.

A brief description of the programs follow. Program flyers are attached for your information.

The **Commercial Façade Improvement Program** provides two types of assistance: Design assistance and matching forgivable loans for small and large projects. The programs serve to stimulate investment and improve the exterior appearance of businesses in order to make commercial districts more attractive.

The Design Assistance Program offers architectural and technical assistance to property owners and tenants of business located in targeted revitalization areas. The program pays for preliminary architectural drawings by a licensed firm. This amount, usually \$3,000-\$5,000, includes conceptual design drawings, color and material studies and cost estimates for the project.

The Awning, Sign and Paint Program provides forgivable loans of up to \$10,000 in matching funds and the Commercial Rehabilitation Program provides forgivable loans of up to \$50,000 in matching funds for costs to improve the appearance of a business.

The **Industrial Competitiveness Program** is designed to stimulate investment in energy efficiency projects in order to increase the economic viability of industrial activity in the City by achieving energy cost reductions. The program also serves to help reduce greenhouse gas emissions that result from industrial processes and facility operations, furthering an adopted City goal to reduce greenhouse gas emissions in the City to 25% below 2005 levels by 2020. The program provides incentives to improve energy efficiency by providing access to capital through a one-year forgivable loan of up to \$50,000.

The following businesses were assisted by these programs since 2008:

433 Estudillo	Glesby Wholesale	Scribner Center
Bal Theater	Los Pericos	Senna Properties
Bayfab Metals	Luke's Grill	Sergio's
Best Building	Mi Rancho	Stepping Stones
Bob Jones building	Mike's Pet & Feed	Tapioca Express
DC Dance	Ridge Foundry	Tsciro Sushi
Englander	Prime Source	Whitehouse Catering
Ghirardelli	Scandic Springs	

The amount spent on these programs follows:

	Façade Improvement	Industrial Competitiveness
2008	\$67,000	
2009	228,000	
2010	54,000	4,000
2011	<u>212,000</u>	<u>22,000</u>
4-year Total	561,000	\$26,000
Annual Average	\$140,000	n/a

An additional incentive program staff is exploring as part of the Commercial Broadband Strategy is a **Broadband Connection Program**. The goal of the program would be to assist businesses with the one-time costs to connect to a service provider's network. Although the service providers sometimes share in these costs, the expense can still reach the tens of thousands for a business. A City subsidy for qualifying broadband connections would provide a significant benefit for businesses that might not otherwise be able to access industrial grade service. Additionally, over time, facilitating system expansions will strengthen the City's digital infrastructure and increase the share of our building stock that has access to quality broadband.

An incentive for broadband connections would need to be carrier-neutral, supporting connections to any viable commercial carrier or the Lit San Leandro fiber network. Funding provisions could be similar to existing incentive programs (a matching reimbursable contribution of up to \$50,000) although a lower funding cap might also be viable. Based on the results of the Commercial Broadband Strategy and direction from the Community Development Committee, staff will bring Broadband Connection Program parameters to the Committee for consideration in the upcoming months.

Past loans have taken between three and eighteen months to process, with the length of time mainly being a function of businesses readiness. With funding included in the FY 2012-13 budget, direction from the Committee regarding programs to be funded will allow staff to begin working with interested businesses now on projects to be funded in the next fiscal year.

Staff provides updates to the Committee as projects are designed and approved. Larger projects, those over \$10,000 are brought to the Committee for direction. As the matching funds are less than \$50,000, the agreements are handled at the Committee level.

Staff recommends the Community Development Committee provide direction to continue these programs and create of a new Broadband Connection program to facilitate businesses in connecting to the internet.