



## CITY COUNCIL STAFF REPORT

DATE: SEPTEMBER 4, 2013 UNFINISHED BUSINESS

SUBJECT: APPROVE \$1,000,000 FUNDING FOR THE "SPECIAL ECONOMIC DEVELOPMENT FOCUS INCENTIVE PROGRAM AREAS" AND AUTHORIZE RELATED BUDGET AMENDMENTS.

FROM: David H. Ready, City Manager

BY: Community & Economic Development Department

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### SUMMARY

On July 3, 2013, the City Council approved the creation of two Special Economic Development Focus Incentive Areas general located along the major corridors south of Ramon Road and north of Tachevah Road, along the entryways into the Downtown and Uptown areas. Since July 3, the City has received a number of inquiries and pre-applications for funding pursuant to the general guidelines approved by Council.

#### RECOMMENDATION:

1. Adopt Resolution No. \_\_\_\_\_, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR FISCAL YEAR 2013-14 TO PROVIDE \$1,000,000 IN FUNDING FOR THE CITY'S "SPECIAL ECONOMIC DEVELOPMENT FOCUS INCENTIVE PROGRAM AREAS."
2. Authorize the City Manager to execute all documents related to the Budget Resolution and the Incentive Agreements.

#### BACKGROUND AND ANALYSIS:

On July 3, 2013 the City Council approved the creation of two Special Economic Development Focus Incentive Areas general located along the major corridors south of Ramon Road and north of Tachevah Road, along the entryways into the Downtown and Uptown areas.

General descriptions of the two new areas are: South Palm Canyon Drive (and Indian Canyon Drive) between Ramon Road and Sunrise Way, including the short block of East Sunny Dunes and Industrial Place near Palm Canyon; and, North Palm Canyon Drive (and Indian Canyon Drive) between Via Lola/Tachevah and Tramway Road (along

Palm Canyon) and Tramview Road (along Indian), including the 12 acre commercial area adjacent to the Visitor Center.

### Structure of the Incentive Area

Two of the simplest recommendations were to reinstate the Façade Improvement Program and the Retail-Commercial Interior Remodel Programs for these areas, with the additional advantage of being able to receive both an Interior Remodel grant and a Façade Improvement Grant. Already there have been a number of applications for these programs.

However, a single incentive program would not be applicable to every potential project in the area. Another challenge was how to create an incentive for catalyst vacant projects by layering several different incentives to systematically provide a threshold that provides the necessary assistance. The Council considered four types of investments:

- Assisting stalled, vacant land projects
- Renovating and repositioning major vacancies as catalyst projects
- Creative uses of the Hotel Incentive Program for small, dilapidated hotels
- Extending Façade Improvement/Interior remodel programs for the area

To assist projects like these, there are a number of tools that would be available to the City, in addition to the City's direct cash resources. These include:

- Direct Public Works investment (streets, sidewalks, etc.)
- Direct assistance to private developers
- More aggressive code enforcement within the area
- Leveraging other agencies' public investment (water, Caltrans, etc.)
- Leveraging other public and/or private outside dollars (tax credits, grants)

### Vacant Land Projects and Catalyst Vacant Buildings

Since the July 3 meeting, there have been a number of inquiries and requests for assistance from business owners looking to lease or improve property in the two areas. These include some major vacancies that were described in July as well as a number of smaller vacancies. In addition, some businesses have changed hands and new owners are looking to upgrade the experience. Examples of the inquiries from some of these vacancies and upgrading businesses in the two areas are:

#### New North End Catalyst Vacant Building Projects

- Northgate Center
- Dash and a Handful Catering

- Cowboy Way Barbecue
- Garden Vista Hotel
- The D Hotel
- Whiskey/Sushi Restaurant
- Coffee/Tiki bar
- Pizza Hut
- Restaurants/Gourmet Market in 1300/1400 Block of NPC
- City Owned Parcels at Palm Canyon and Stevens
- Palm Grove Inn
- The Monroe (formerly America's Best Value)
- The Skylark
- Former Ballard's Western Wear at Indian/Garnet


South End Vacant Land Projects and Catalyst Vacant Buildings

- Cameron Center (commercial portion)
- Former Alan Ladd Building ("The 500")
- Roscoe's
- The Travelodge
- Cedar Creek Inn
- Former Brushfire Grill (New York Restaurant)
- Former Davey's Hideaway space
- Restaurant Behind Koffi on Camino Real
- The Sparrows Hotel

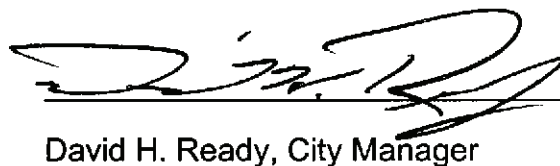
FISCAL IMPACT:

The Fiscal Impact for this program would vary by the size and scope of the projects that apply as outlined in the attached "Program Guidelines and Application Packet." Section 4 of the Guidelines (pages 24-27) describes the programs and their dollar limits.

Council previously discussed funding the project amount at \$1,000,000 for the initial program launch. Staff recommends this amount be split between two funds (Measure J Fund and General Fund) at \$500,000 each.



John S. Raymond, Director of  
Community & Economic Development



David H. Ready, City Manager

Attachments:

Budget Resolution(s)  
Program Guidelines and Application Packet

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET  
FOR FISCAL YEAR 2013-14.

WHEREAS, Resolution No. 23341 approving the Budget for the Fiscal Year 2013-2014 was adopted on May 15, 2013; and

WHEREAS the City Manager has recommended, and the City Council desires to approve, certain amendments to said budget.

NOW THEREFORE THE CITY COUNCIL DETERMINES, RESOLVES AND APPROVES AS FOLLOWS: that the Director of Finance is authorized to record inter-fund cash transfers as required in accordance with this Resolution, and Resolution No. 23341, adopting the Budget for Fiscal Year 2013-14 is hereby amended as follows:

SECTION 1. ADDITIONS

| Fund                  | Activity                               | Account   | Amount    |
|-----------------------|--|---|-----------|
| 001<br>General Fund   | 1400<br>Comm & Economic<br>Development | 59422<br>Economic<br>Development<br>Incentive Focus | \$500,000 |
| 260<br>Measure J Fund | 4500<br>Measure J Capital              | 59422<br>Economic<br>Development<br>Incentive Focus | \$500,000 |

Purpose: Establish funding for Special Economic Development Focus Incentive Program.

SECTION 2. SOURCE

| Fund                  | Activity | Account               | Amount    |
|-----------------------|----------|-----------------------|-----------|
| 001<br>General Fund   |          | 29301<br>Fund Balance | \$500,000 |
| 260<br>Measure J Fund |          | 29301<br>Fund Balance | \$500,000 |

ADOPTED THIS 4TH DAY OF SEPTEMBER, 2013.

\_\_\_\_\_  
David H. Ready, City Manager

ATTEST:

\_\_\_\_\_  
James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA )  
COUNTY OF RIVERSIDE ) ss.  
CITY OF PALM SPRINGS )

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. \_\_\_\_\_ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on \_\_\_\_\_, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
James Thompson, City Clerk  
City of Palm Springs, California

# SPECIAL ECONOMIC DEVELOPMENT FOCUS AREAS INCENTIVE PROGRAM

Guidelines and  
Application Packet



September 4, 2013

# Section 1.

## Background and Legal Guidelines

### **I. Background**

The Special Economic Development Focus Incentive Program Areas establishes a variety of goals for economic development of each constituent Project Area. These goals frame the near term economic development objectives for the plan period.

The corridors entering the Downtown and Uptown area of Palm Springs, both from the north and from the south, have historically lagged the progress made in the city's core. Over the past 30 years, the City and former Redevelopment Agency have tried to incentivize development in the area through the creation of redevelopment project areas (Project Area 9-A and North Palm Canyon in the north end, and South Palm Canyon and Project Area 9-E in the south end), but the overall vitality of the community was at a level that these were likely to see significant development activity only after the downtown core "filled up."

The general descriptions of the two new areas are: South Palm Canyon Drive (and Indian Canyon Drive) between Ramon Road and Sunrise Way; and North Palm Canyon Drive (and Indian Canyon Drive) between Via Lola/Tachevah and Tramway Road (along Palm Canyon) and San Rafael Road (along Indian).

These areas were former Project Areas of the former Community Redevelopment Agency, and under Redevelopment Law the Agency (or "RDA") would have been able to undertake a number of the projects and programs described herein. However, all redevelopment agencies in California were dissolved under State Law in the 2011-2012 year. On June 27, 2011, the State of California passed AB 1X 26, which dissolves all of the redevelopment agencies in the State of California and became effective October 1, 2011. As part of the law, the Agency was prohibited from entering new contracts after June 27, 2011.

Part of the law contained an "opt-in" provision, however, which would have allowed agencies to continue operating in return for a sizable payment to the State. The Agency intended to "opt in" under AB 1X 27. However, in August, 2011, the California Redevelopment Association and the League of California Cities, however, sued the State over the two laws on constitutional grounds. No action could be taken by the Agency while the lawsuit was pending.

On December 29, 2011, the California Supreme Court upheld AB 1X 26, eliminating redevelopment agencies, and overturned AB 1X 27, the opt-in payment.

On January 4, 2012, the City Council approved a resolution authorizing the City to become the Successor Agency and the Housing Successor Agency.

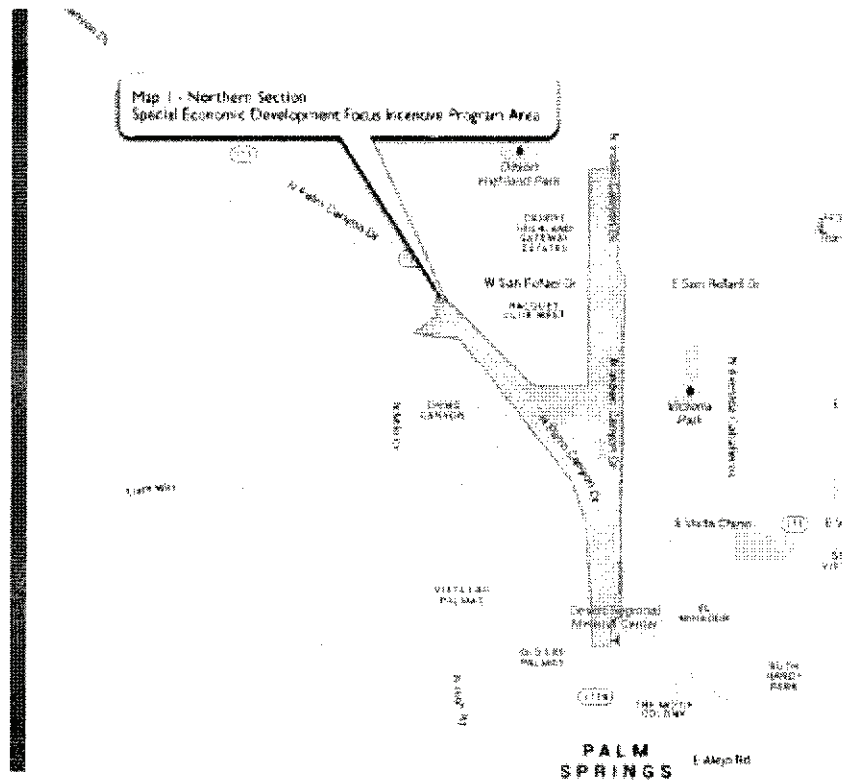
Actions of the Successor Agency under the review of an Oversight Board, which was created pursuant to Cal. Health and Safety Code §34179. However, actions of the City, acting under its own Charter and statutory authority, are not subject to Oversight Board review

The lesser economic vitality of these areas, particularly compared to the downtown and uptown areas, has prompted the City to look at developing mechanisms to spur development in these key gateway areas.

On the north end, the lack of population density has made traditional retailing along Palm Canyon Drive a marginal endeavor. There is almost no non-restaurant "retail" on that stretch, with the exception of a few galleries and a plant nursery. The significant growth in the area has been in housing, particularly in the two communities of Mountain Gate, but the speed and lack of pedestrian amenities along Palm Canyon and Indian have made even restaurant and club businesses struggle. The number of new housing units has ameliorated some of the population density issue, but the Highway 111/Caltrans issue persists on the stretch down to Vista Chino.

A map of the northern portion of the focus area is shown in Map 1 below:

### Map 1 Special Economic Development Focus Incentive Program Areas Northern Section



The south end also faces issues with the former Highway 111 and the broad East Palm Canyon curve. Street lighting and pedestrian safety are major issues in the area, with two recent traffic fatalities in the same stretch of South Palm Canyon. And, among its other circulation-related benefits, Belardo Bridge was supposed to help to be a catalyst for new development, but it also presented the risk of serving as a "bypass" diverting valuable traffic for Palm Canyon Drive and making commercial development less viable. There is slightly more retail in the area, but not much.



recreational, maintenance, operational, and other services and facilities.



improperly utilized.

**Use Land Wisely.** Assemble land into parcels suitable for integrated development with improved pedestrian and vehicular circulation in the Project Areas. Guide and secure the availability of property to attract major investors and developers. Guide replanning, redesign, and development of undeveloped areas which are stagnant or



**Eliminate Blight.** Eliminate deteriorating buildings, incompatible and uneconomic land uses, and other environmental, economic and social deficiencies; improve the overall appearance of buildings, streets, parking areas, schools and other facilities, and assure that all buildings are safe for people and businesses to occupy.



**Protect and Enhance Community Character.** Preserve artistically, architecturally, and historically worthwhile structures and sites and upgrade urban design standards to provide unity and to encourage community identity.

All economic development activities are pursued with the intention to seek communitywide benefits that create a more cohesive and unified community by strengthening the physical, social, and economic ties between various land uses. The City encourages community and property owner involvement and citizen participation in the adoption of policies, programs, and projects so as to ensure that the Economic Development Plans are implemented in accordance with the objectives and goals of the General Plan. As necessary, the City encourages the coordination, cooperation, and assistance of other local agencies to ensure that projects are implemented to their fullest and most practical extent.

In terms of metrics, the City would evaluate the resources expended on an annual basis against several measures, including:

- Increased tax revenue (Sales, Property, TOT)
- Decreased vacancies, particularly long-term vacancies
- Total new business investment
- Total other public/private sources of funding (e.g. tax credits, grants)
- Total new public works investment

The goal would be that the Program “pay for itself” over time, i.e., that the amount committed by the City to spur new development in the two areas be matched by increased City revenue from all sources, with the new tax revenue in excess of any annual allocation of funds from the City. The natural mechanism available to former redevelopment agencies, the establishment of a “frozen base” of property tax, is not available to the City at this time, but the City will develop a geographic baseline of total tax revenue from the areas in order to track economic progress.

Another measure of economic vitality would be the rate of new business creation in the area, as measured by business license data. The City has already established a baseline of data for business licenses in the downtown, which has a normal aging curve. The experience in areas outside downtown is that the aging curve of business licenses is relatively flat, pointing to a low rate of new business creation in the area and a low rate of economic vitality.

Another measurable aspect of the two areas would be the rate of code enforcement complaints, whether they are active files or complaints themselves. The closure rate for complaints, particularly through properties changing hands and undergoing renovation, is also key.

Finally, the amount and profile of investment in the area will be tracked. Most of the properties there are small enough to be manageable by a small firm or group, and significant investments by groups that have the potential to and interest in leveraging their investments into wider area-wide efforts will also be noted.

### **III. Project Area Principles and Objectives**

1. Coordinate Future Development. The replanning, redesign, and development of undeveloped areas, which are stagnant or improperly utilized.
2. Assure Commercial Vitality. The strengthening of retail and other commercial functions in the area.
3. Stimulate Economic Development. The strengthening of the economic base of the Project Area and the community by the installation of needed site improvements to stimulate new commercial expansion, employment, and economic growth.
4. Invest in Development. The establishment of financial mechanisms to assist in the upgrading and/or economic development of properties in the Project Area.
5. Upgrade Urban Design Standards. The establishment and implementation of performance criteria to assure high site design standards and environmental quality and other design elements which provide unity and integrity to the entire Project.
6. Promote Hotel Development and Redevelopment. The establishment of financial mechanisms to assist in the development of key hotels and resort properties. The establishment or implementation of programs to assist in the upgrading and/or adaptive reuse of the older hotel structures in the Project Area.
7. Rehabilitate Structures. Encouraging the rehabilitation or modernization of deteriorating or substandard residential and commercial structures.
8. Redevelop Dilapidated Buildings The demolition or removal of certain buildings and/or improvements and the preparation of sites for reuse by private developers or government agencies.
9. Improve Public Infrastructure/Facilities. Providing public improvements such as the installation, construction, or reconstruction of streets, utilities, and other public improvements which are necessary for successful economic development and which are necessary to ensure the public health, safety, and welfare. These improvements may include streets, alleys, sidewalks and walkways, curbs, gutters, street lights, sewers, storm drains, flood control facilities, water and sewer facilities, or parks.
10. Protect Unique Character of Community. Restoring architecturally or historically significant structures.

### **IV. General Activities**

The City proposes to alleviate and prevent the deterioration in the Project Area through:

1. The acquisition, installation, construction, reconstruction, redesign, or reuse of streets, utilities, curbs, gutters, sidewalks, traffic control devices, flood control facilities, buildings, structures, parks, playgrounds, and other public improvements.
2. The rehabilitation, remodeling, demolition, or removal of buildings, structures, and improvements.
3. Providing the opportunity for participation by owners and tenants presently located in the Project Area and the extension of preferences to persons engaged in business desiring to remain or relocate within the redeveloped Project Area.
4. The development or economic development of land by private enterprise or public agencies for purposes and uses consistent with the objectives of this Plan.
5. The acquisition of real property, personal property, any interest in property, and improvements on the property by purchase, lease, option, grant, bequest, gift, devise, or any other lawful means, after conducting appropriate public hearings and making appropriate findings.
6. Site preparation and development and construction of necessary off-site improvements.
7. Improving open space.
8. Managing property acquired by the City.
9. Providing financing for the assistance of commercial and industrial development that increases the economic base of both the Project Area and the City, and the number of temporary and permanent jobs.
10. The disposition of real property, personal property, any interest in property, and improvements on the property through methods such as sale, lease, exchange, subdivision, transfer, assignment, pledge, encumbrance or any other lawful means of disposition.
11. Recommending standards to ensure that property will continue to be used in accordance with this Plan.
12. The closure or vacation of certain streets and the dedication of other areas for public purposes.
13. Applying for, receiving and utilizing grants and loans from federal or state governments or any other source.
14. Clearing or moving buildings, structures or other improvements from any real property acquired by the City.

To accomplish these actions and to implement this Plan, the City is authorized to use the powers provided in this Plan, and the powers now or hereafter permitted by State law.

## **V. Public Improvements**

To the greatest extent permitted by law, the City is authorized to install and construct, or to cause to be installed and constructed, the public improvements and public utilities (within or outside the Project Area) necessary to carry out the purposes of this Plan. Specifically, the City may pay for, install, or construct the buildings, facilities, structures, and other improvements identified in Exhibit C, attached hereto, and may acquire or pay for land required therefore.

Additionally, the City is authorized to install and construct, or to cause to be installed and constructed, within or without the Project Area, for itself or for any public body or entity for the benefit of the Project Area, public improvements and public facilities, including, but not limited to: over or underpasses; bridges; streets; bikeways; curbs; gutters; sidewalks; street lights; sewers; storm drains; traffic signals; electrical distribution systems; natural gas distribution systems; wastewater treatment facilities; cable TV and fiber optic communication systems; water distribution systems; parks; windbreaks; trails; plazas; playgrounds; motor vehicle parking facilities; landscaped areas; schools; civic, cultural and recreational facilities; camping facilities; and pedestrian improvements. The public facilities and infrastructure improvement projects that may be undertaken by the City pursuant to this Plan are identified in the General Plan, and capital improvement program, incorporated herein by reference.

The City, as it deems necessary to carry out the Plan and subject to the consent of the City Council, as may be required by Law, may pay all or part of the value of the land for and the cost of the installation and construction of any building, facility, structure or other improvement which is publicly owned either within or outside the Project Area, upon the City Council making the applicable determinations required pursuant to the Law.

When the value of such land or the cost of the installation and construction of such building, facility, structure or other improvement, or both, has been, or will be, paid or provided for initially by the City or other public corporation, the City may enter into a contract with the City or other public corporation under which it agrees to reimburse the City or other public corporation for all or part of the value of such land or all or part of the cost of such building, facility, structure or other improvements, or both, by periodic payments over a period of years. Any obligation of the City under such contract shall constitute an indebtedness of the City for the purposes of carrying out this Plan.

#### Preparation of Building Sites

Any real property owned or acquired by the City may be developed as a building site. In connection with such development it may cause, provide, or undertake or make provisions with other agencies for the installation, or construction of streets, utilities, parks, playgrounds and other public improvements necessary for carrying out this Plan.

#### Removal of Hazardous Waste

To the extent legally allowable, the City may, in its sole discretion, take any actions, which the City determines are necessary, and which are consistent with other State and federal laws, to remedy or remove a release of hazardous substances on, under, or from property within the Project Area.

## **VI. Private Owner Participation**

This Plan provides for opportunities for participation in the economic development of property in the Project Area by the owners of all or part of such property if the owners agree to participate in the economic development in conformity with this Plan.

Opportunities to participate in the economic development of property in the Project Area may include without limitation the rehabilitation of property or structures; the retention of improvements; the development of all or a portion of the participant's property; the acquisition of adjacent or other properties from the City; purchasing or leasing properties in the Project Area; participating with developers in the improvement of all or a portion of a participant's properties;

or other suitable means consistent with objectives and proposals of this Plan and with the City's rules governing owner participation and re-entry.

In addition to opportunities for participation by individual persons and firms, participation, to the extent it is feasible, shall be available for two or more persons, firms or institutions, to join together in partnerships, corporations, or other joint entities.

The City desires participation in economic development activities by as many owners and business tenants as possible. However, participation opportunities shall necessarily be subject to and limited by such factors as the provision or expansion of public improvements and/or public utilities facilities; elimination and changing of land uses; realignment of streets; the ability of owners and business tenants to finance acquisition and development activities in accordance with this Plan; development experience, where applicable, availability of franchises, whether the proposed activities conform to and further the goals and objectives of this Plan; and any change in the total number of individual parcels in the Project Area.

Under an Owner Participation Agreement, the participant shall agree to rehabilitate, develop, or use the property in conformance with this Plan and be subject to the provisions hereof. In the Owner Participation Agreement, participants who retain real property shall be required to join in the recordation of such documents as are necessary to make the provisions of this Plan applicable to their properties.

## **VII. Rehabilitation of Structures by the City**

The City is authorized to rehabilitate and conserve, or to cause to be rehabilitated and conserved, any property, building or structure owned by the City. The City is also authorized to advise, encourage, and assist (through a loan program or otherwise) in the rehabilitation and conservation of property, buildings or structures in the Project Area not owned by the City to the extent permitted by the Law. The City is authorized to acquire, restore, rehabilitate, move and conserve buildings of historic or architectural significance.

The City is authorized to conduct a program of assistance and enforcement to encourage owners of property within the Project Area to upgrade and maintain their property consistent with this Plan and such standards as may be developed for the Project Area.

The extent of rehabilitation in the Project Area shall be subject to the discretion of the City based upon such objective factors as:

- a. Compatibility of rehabilitation with land uses as provided for in this Plan.
- b. Economic feasibility of proposed rehabilitation and conservation activity.
- c. Structural feasibility of proposed rehabilitation and conservational activity.
- d. The undertaking of rehabilitation and conservation activities in an expeditious manner and in conformance with the requirements of this Plan and such property rehabilitation standards as may be adopted by the City.
- e. The need for expansion of public improvements, facilities and utilities.
- f. The assembly and development of properties in accordance with this Plan.

The City may adopt property rehabilitation standards for the rehabilitation of properties in the Project Area.

### Clearing or Moving Structures

As necessary in carrying out this Plan, the City is authorized to move, or to cause to be moved, any building structures or other improvements from any real property acquired.

### Seismic Repairs

For any project undertaken by the City within the Project Area for building rehabilitation or alteration in construction, the City may, by following all applicable procedures which are consistent with local, State, and federal law, take those actions which the City determines are necessary to provide for seismic retrofits.

### Graffiti Removal

Within the Project Area, the City after making the required findings may take any actions that it determines are necessary to remove graffiti from public or private property.

## **VIII. Real Property Disposition and Development**

### a. General

For the purposes of this Plan, the City is authorized to sell, lease for a period not to exceed 99 years, exchange, subdivide, transfer, assign, pledge, encumber by mortgage, deed of trust, or otherwise dispose of any interest in real property. To the extent permitted by law, the City is authorized to dispose of real property by negotiated lease or sale without public bidding after a noticed public hearing. Such sale or lease shall be first approved by the City Council by resolution after a noticed public hearing, together with such findings as may then be required by State Law.

The real property acquired by the City in the Project Area, except property conveyed by it to the City or any other public body, shall be sold or leased to public or private persons or entities for improvement and use of the property in conformance with this Plan. Real property may be conveyed by the Successor Agency of the former Community Redevelopment Agency, after approval by the Oversight Board and the California Department of Finance, and where beneficial to the Project Area, to any other public body without charge or for an amount less than fair market value.

All purchasers or lessees of property from the City shall be obligated to use the property for the purposes designated in this Plan, to begin and complete improvement of such property within a period of time which the City fixes as reasonable, and to comply with other covenants, conditions, or restrictions to prevent speculation or excess profit taking in undeveloped land, including right of reverter to the City and to comply with other conditions which the City deems necessary to carry out the purposes of this Plan.

During the period of economic development in the Project Area, the City shall ensure that all provisions of this Plan, and other documents formulated pursuant to this Plan, are being observed, and that development of the Project Area is proceeding in accordance with applicable development documents and time schedules.

All development, whether public or private, must conform to this Plan and all applicable federal, State, and local laws, including without limitation the General Plan and zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended. Such development must receive the approval of all appropriate public agencies.

b. Purchase and Development Documents

To provide adequate safeguards to ensure that the provisions of this Plan will be carried out and to prevent the recurrence of blight, all real property sold, leased, or otherwise disposed of by the City, as well as all property subject to Owner Participation Agreements and Disposition and Development Agreements, shall be made subject to the provisions of this Plan by leases, deeds, contracts, agreements, declarations of restrictions, provisions of the General Plan and zoning ordinance, and all other state and local building codes, guidelines, or master or specific plans as they now exist or are hereafter amended, conditional use permits, or other means. Where appropriate, as determined by the City, such documents or portions thereof shall be recorded in the office of the Recorder of the County.

Leases, deeds, contracts, agreements, and declarations of restrictions of the City may contain restrictions, covenants, covenants running with the land, rights of reverter, conditions subsequent, equitable servitudes, or any other provisions necessary to carry out this Plan.

The City shall reserve such powers and controls in Disposition and Development Agreements or similar agreements as may be necessary to prevent transfer, retention, or use of property for speculative purposes and to ensure that economic development is carried out pursuant to this Plan.

The City shall obligate lessees and purchasers of real property acquired in the Project Area and owners of property improved as part of a economic development project to refrain from restricting the rental, sale or lease of the property on the basis of race, color, religion, sex, marital status, ancestry, or national origin of any person. All deeds, leases, or contracts for the sale, lease, sublease or other transfer of land in the Project Area shall contain or be subject to such nondiscrimination and non-segregation clauses as are required by Economic development Law.

## **IX. Maps and Uses Permitted**

The Maps included herein as Map 1 and Map 2 A illustrate the location of the Project Area boundaries. The land uses permitted by this Plan shall be those permitted by the General Plan and zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended.

## **X. Nonconforming Uses**

The City is authorized but not required to permit an existing use to remain in an existing building in good condition if the use does not conform to the provisions of this Plan, provided that such use is generally compatible with existing and proposed developments and uses in the Project Area.

The City may take actions to, but is not required to, authorize additions, alterations, repairs or other improvements in the Project Area for buildings which do not conform to the provisions of this Plan where, in the determination of the City, such improvements would be compatible with surrounding Project Area uses and proposed development.

## **XI. Interim Uses**

Pending the ultimate development of land by developers and participants, the City is authorized to use or permit the use of any land in the Project Area for interim uses. Such interim use, however, shall conform to General Plan and zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended.

## **XII. General Control and Limitations**

All real property in the Project Area is hereby made subject to the controls and requirements of this Plan. No real property shall be subdivided, developed, redeveloped, rehabilitated, or otherwise changed after the date of the adoption of this Plan except in conformance with the goals and provisions the regulations and requirements of the General Plan and zoning ordinance, and all other state and local building codes, guidelines, or master or specific plans as they now exist or are hereafter amended. The land use controls of this Plan shall apply for the periods set forth in Section 1000 below. The type, size, height, number and use of buildings within the Project Area will be controlled by the General Plan and applicable zoning ordinance, and all other state and local building codes, guidelines, or master or specific plans as they now exist or are hereafter amended.

### New Construction

All construction in the Project Area shall comply with all applicable State and local laws in effect from time to time. In addition to the City land use regulations and requirements in the Project Area, additional specific performance and development standards may be adopted by the City to control and direct improvement activities in the Project Area.

### Rehabilitation

Any existing structure within the Project Area which the City enters into an agreement for retention and rehabilitation shall be repaired, altered, reconstructed, or rehabilitated in accordance with the applicable law and in such a manner that it will meet the following requirements: be safe and sound in all physical respects, be attractive in appearance and not detrimental to the surrounding uses.

### Open Space and Landscaping

The approximate amount of open space to be provided in the Project Area is the total of all areas so designated in the General Plan and zoning ordinance, and all other state

and local building codes, guidelines, or specific plans as they now exist or are hereafter amended, and those areas in the public rights-of-way or provided through site coverage limitations on new development as established by the City and this Plan. Landscaping shall be developed in the Project Area to ensure optimum use of living plant material in conformance with the standards of the City.

#### Limitations on Type, Size, Height Number and Proposed Use of Buildings

The limits on building intensity, type, size, height, number and proposed use shall be established in accordance with the provisions of the General Plan and zoning ordinance, and all other state and local building codes, guidelines, or master or specific plans as they now exist or are hereafter amended.

#### Signs

All signs shall conform to the requirements of the City. Design of all proposed new signs shall be subject to the review of the City and the procedures of this Plan.

#### Utilities

The City, in conformity with the City municipal code, and City policies, shall require that all utilities be placed underground whenever physically possible and economically feasible on projects funded in whole or in part by the City or subject to a Disposition and Development Agreement or an Owner Participation Agreement.

If the City determines that placing all utilities underground is not economically feasible, the City Manager may petition the City Council on behalf of a participant to waive the requirement to place all utilities underground.

#### Subdivision of Parcels

No parcels in the Project Area, including any parcel retained by a participant, shall be consolidated, subdivided or re-subdivided without the approval of the City.

#### Building Permits

Any building permit that is issued for the rehabilitation or construction of any new building or any addition, construction, moving, conversion or alteration to an existing building in the Project Area from the date of adoption of this Plan must be in conformance with the provisions of this Plan, any design for development adopted by the City, any restrictions or controls established by resolution of the City, and any applicable participation or other agreements.

#### Rehabilitation Loans, Grants, and Rebates

To the greatest extent allowed by State Law, the City may commit funds from any source to rehabilitation programs for the purposes of loans, grants, or rebate payments for self-financed rehabilitation work. The rules and regulations for such programs shall be those which may already exist or which may be developed in the future. The City shall seek to acquire grant funds and direct loan allocations from State and federal sources, as they may be available from time to time, for the carrying out of such programs.

Upon adoption, the administration and enforcement of this Plan or other documents implementing this Plan shall be performed by the City, as appropriate.

The provisions of this Plan or other documents entered into pursuant to this Plan may also be enforced by litigation or similar proceedings by the City. Such remedies may include, but are not limited to, specific performance, damages, re-entry onto property, power of termination, or injunctions. In addition, any recorded provisions, which are expressly for the benefit of owners of property in the Project Area, may be enforced by such owners.

## Section 2.

# Economic Rationale for Mitigating Long-Term Vacancies

The issues facing the economic development of existing property are similar to those facing the developers of new property. In some respects the economics of the project often do not “pencil out.” The economic development of existing buildings also presents additional challenges particularly in complying with updated building codes, fire codes and ADA, dealing with obsolete spaces.

So the outcome for long-term vacant properties is often negative: the longer a space sits unoccupied the more difficult and expensive is to renovate. It is also true that in specialized properties, such as Magruder Chevrolet, the structures themselves and the site infrastructure do not lend themselves to “easy” reuses but the eventuality of the buildings’ demolition is just a matter of time.

An interesting lesson, too, can be learned from long-vacant hotels: for very Los Arboles or Spanish Inn that eventually found an investor to return it to a quality hospitality product, often shuttered hotels lean to another non-hospitality land use, such as assisted living facilities, drug treatment centers, sober living facilities, or pain management centers. It is a matter of debate as to whether such changes in land use are a net positive (i.e., keeping a marginal property economically viable) or negative (loss of variety and richness of the City’s hotel stock.) The fact is, in some cases, the change of use has been undeniably positive, such as the renovation of the Tiki Palms into another Michael’s House facility on Camino Real, across from The Ace Hotel.

The Ace Hotel is itself another major example of the economic development of a long-vacant property from within the study area itself, the redevelopment of the former Howard Johnson Motor Inn into the Ace. Following in the wholesale redevelopment of the Biltmore across the street, which included the total demolition of the structures, The Ace Hotel project took a relatively large hotel property (about 200 rooms) in what was perceived to be a secondary location (i.e., not near downtown) and made it not only a major tourism asset but one of iconic parts of the new Palm Springs brand attracting young and hipper hotel guests.

Given that, the challenges faced by developers interested in redeveloping existing property cannot be addressed strictly by facing off-site improvement or, to some extent, even fees.

The City Council recently approved the creation of an incentive program in the downtown and Section 14 area. That was specifically targeted at businesses that are redeveloping existing properties and also intensifying the land use. The example was the Copa Room, where the tenant is converting a retail space into a nightclub, and is subject to sewer connection fees, public art fees (based on permit valuation) and regular building fees. In the case of such an intensification of land use, these fees can represent a considerable cost and disincentive; the problem is exacerbated in the Central Business District with the imposition of in-lieu parking fees.

(This study area does not have an in-lieu parking program, so each business is directly responsible for providing adequate parking to meet the zone code requirements.

In the end, a direct incentive to the business is likely necessary for the renovation of long-term vacant properties, rather than relying on fee relief (e.g. deferrals) or off-site improvements.

This approach is more akin to what the City did with the Façade Improvement Program (grants) and the Interior Remodel Program (match grants with a maximum City contribution.) Those programs, collectively improved over 123 businesses in Palm Springs during the worst part of the recession.

There are a couple of approaches to consider. The first would be now the former RDA assisted with the economic development of the former Ralphs grocery store at Plaza del Sol into Stein Mart, in late 2000.

In that case the landlord was still in a lease with Ralphs, which had over 3 years left on it. The cost of converting the space was over \$1,000,000. The landlord allowed Ralphs to buyout of the lease, which allowed him to receive the three years lease payments in a lump sum, but discounted by about half. The difference in lease between Ralphs and Stein Mart was only \$3,000 per month. Applying the prepaid rent and monitoring the economic development, it still left a gap of about \$100,000. The City agreed to rebate \$20,000 per year for five years to the owner to close the feasibility gap and allow the project to go forward.

An alternative was the approach taken with the economic development of Lulu California Bistro.

In that case, the business owner proposed to spend over \$1.3 million on the renovation of the former Muriel's/Atlas/Copy Katz space. Acquisition of the building brought the total investment up to \$4.0 million.

While the restaurant was projected to do well it was difficult to rationalize the expenditure at that level. As described above, the project faced challenges complying with updated building and fire codes, new ADA requirements, and the discovery of a number of "bootlegged" improvements in the building. Finally, most of the actual functional kitchen was no longer there, having been stripped by prior tenants.

While the development of new product always has an impact on surrounding property, it is important not to underestimate the impact that the economic development and reuse of a vacant property can have on its surroundings. The most significant recent example of a vacant unit getting economic development and having a positive surrounding impact is Lulu California Bistro, which was a very large (22,000 sq. ft.) building near the center of downtown on a restaurant heavy block. Its economic development removed a major blighting factor on that block and helped accelerate the positive economic development of the area south of Tahquitz in downtown.

The final incentive is the existing Hotel Incentive Program, which has proven helpful in getting a number of older, faded hotel properties into good shape. It should be in the City's toolbox when approaching the area.

# Section 3.

## Characteristics of the Project Areas

### I. Background

The corridors entering the Downtown and Uptown area of Palm Springs, both from the north and from the south, have historically lagged the progress made in the city's core. Over the past 30 years, the City and former Redevelopment Agency have tried to incentivize development in the area through the creation of economic development project areas (Project Area 9-A and North Palm Canyon in the north end, and South Palm Canyon and Project Area 9-E in the south end), but the overall vitality of the community was at a level that these were likely to see significant development activity only after the downtown core "filled up."

The general descriptions of the two new areas are: South Palm Canyon Drive (and Indian Canyon Drive) between Ramon Road and Sunrise Way; with the inclusion of East Sunny Dunes and Industrial Place up to Palo Fierro; and, North Palm Canyon Drive (and Indian Canyon Drive) between Via Lola/Tachevah and Tramway Road (along Palm Canyon) and San Rafael Road (along Indian).

### II. Former Redevelopment Agency Activity in the Areas

Over the life of the redevelopment project areas, the Agency had undertaken a number of capital projects and business assistance projects, though the level and number of projects had never been very significant. The following are the most significant projects of the agency over the past decade:

#### South End

**Steinmart Owner Participation Agreement (OPA).** An OPA with Wessman Development Company provided Agency financial assistance to renovate and redevelop the Plaza del Sol Shopping Center located at 1555 South Palm Canyon Drive. Under the agreement, the Agency provided assistance in the amount of \$20,000 per year for five years starting in 2001-2002 to cover a portion of the difference between the old tenant's and new tenant's rent after improvement costs and to capitalize the gap in improvement costs. (Project Area I – South Palm Canyon)

**KFC Public Improvements.** The Agency programmed a capital project in its 2003-04 budget for a new traffic island median on South Palm Canyon Drive from Sunny Dunes Road south to the existing Tahquitz Creek Bridge, adjacent to the KFC /A&W restaurant, which was a economic development project under construction at the time. The project was programmed as an incentive to support the redevelopment of the site, which was considered blighted. The Agency funded approximately \$73,000 for construction of the median in order to provide better and safer traffic circulation in and out of the project site.

#### North End

**Art Colony Project.** The City (not the former RDA) owns a parcel within the footprint of the proposed Art Colony project, and had worked with the developer on the land

assembly and entitlement of the project, which was never developed. The City still owns the parcel.

**Desert Shadows Inn Street Improvements.** The Agency had a multi-project history with Desert Shadows Inn, including the use of eminent domain to acquire the 2.5 acre parcel along Vista Chino for a phase of 38 hotel condos; the reimbursement of \$79,000 toward the construction of street improvements along Chaparral Road; the closure of Chuckwalla and the construction of street and parking improvements in the vacated right of way; and, and OPA for the development of 17 hotel condominiums at the northeast corner of Indian Canyon Drive and Stevens Road. This included Agency financial assistance in the amount of \$185,000 for off-site improvements. It was the Agency's first prevailing wage project. (Project Area I – North Palm Canyon)

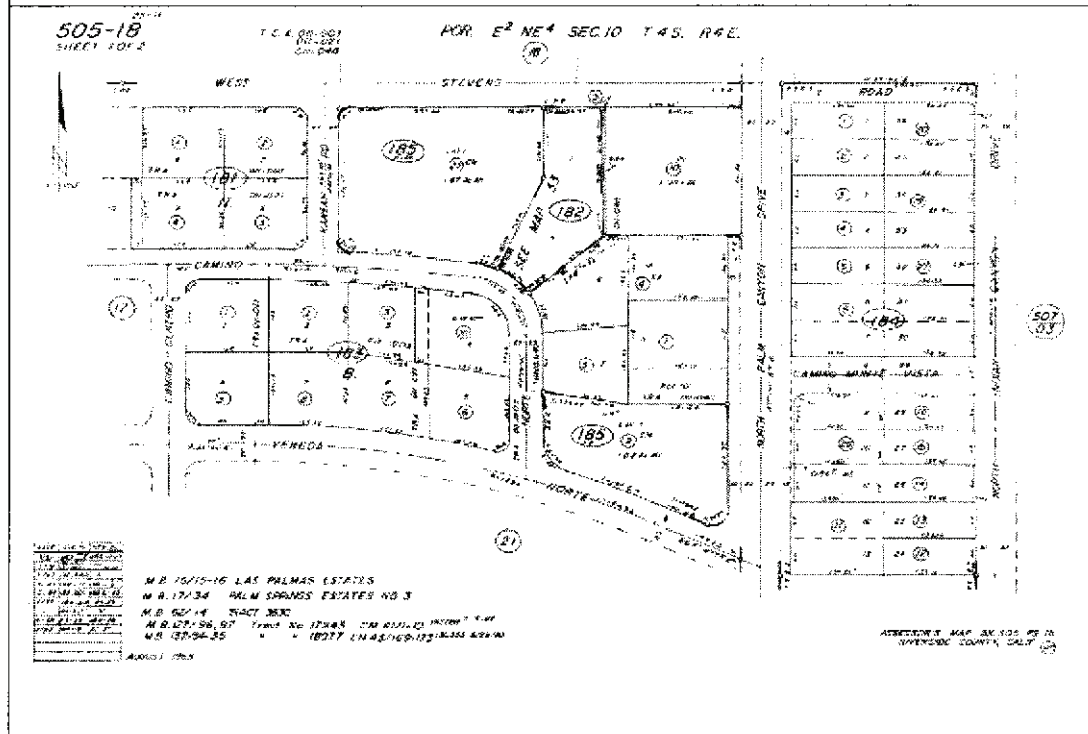
**North Palm Canyon/Stevens Road Mixed Use Project**

The former RDA worked to develop a mixed use project is proposed on two contiguous City-(and former RDA)-owned parcels in the Uptown area of Palm Springs on North Palm Canyon Drive south of Stevens Road. . (Project Area I – North Palm Canyon) In 2005 the RDA issued an RFP seeking interested parties for the development of the two parcels. The City currently owns one of the identified properties and will dispose of the second parcel on behalf of the former RDA for the purpose of facilitating the sale and development of both properties. The City's preference is to partner with a private developer interested in developing the combined property with a mixed use/hotel project, including a small amount of ground-floor commercial space and upper story units.

The property is located in a split C-1/R-2 zone and is situated near developed single-family home residential areas to the southwest and condominiums directly to the west. Property directly to the north along North Palm Canyon Drive is developed with commercial uses, including a Pizza Hut restaurant across Stevens Road. Properties across North Palm Canyon Drive to the east are a mix of commercial uses and residential condominiums. There is an undeveloped 48,000 square foot parcel immediately to the south of the City property, not a part of this proposal, and a multi-story office building south of that parcel.

### Map 3

## City- and Former RDA-Owned Parcels at Stevens Road and North Palm Canyon Drive



### III. Recent Major Development Activity in the Areas

There was a burst of potential development activity that was proposed in these two areas in the decade preceding the recession of 2009-2010, when several major projects were proposed. Several projects were actually successfully constructed. These primarily included several residential projects, including Oceo (still under construction), the Biltmore and a new 4-plex in the south end, and 43@Racquet Club, Tangerine, the Towers, and Palermo (partially) in the north end. Like Oceo, Tangerine has recently been completed and Palermo stalled in the middle of the project.

#### South End Major Projects

##### Cameron Center

Both areas have several major projects that were proposed and approved and not constructed. The primary stalled vacant land project in the south end is the Cameron Center, an 11 acre mixed use project located at the northeast corner of Mesquite and South Palm Canyon. The project features 80 townhomes plus 22 live-work units and approximately 15,000 sq. ft. of retail/commercial space located on South Palm Canyon.

The partnership that owns the Cameron Center site has removed the underground remains of the former shopping center. Even in 2008, they suggested that the economics of mixed

use projects are such that it is much more critical to have City participation than in the past. Even factoring in the effects of the recession, construction costs have again increased substantially over the past several years while at the same time they are recovering from the historic softening of the residential and commercial markets. A project that forecast decent returns to investors in 2004-05 now requires extraordinary creativity in obtaining construction and permanent financing, even with the recent rebound in residential demand in Palm Springs, largely because of the decoupling of costs from value.

In 2008, the developer asked the City to consider paying for certain roadway improvements on South Palm Canyon Drive, including new improvements would include construction of a landscaped median island, traffic signalization, storm drains, and related street work. This work is similar to that installed by the former Redevelopment Agency north of Tahquitz Creek at the KFC Building.

These improvements could accelerate the economic development of the entire area.

Specifically, the developer asked that the former RDA pay for a portion of the street improvements on South Palm Canyon Drive from the Tahquitz Creek Flood Control Channel to Mesquite Road. These improvements include a landscaped median island, street widening, repaving, new sidewalks, street tree planting, and traffic signalization. The improvements and request included the following:

- Designing and managing the construction of the off-site improvements. Prior to commencement, all plans will be approved and permits will be issued by the City's Engineering Department.
- The cost of the street median and storm drain improvements would be split equally between the City, the developer of the west side of South Palm Canyon Drive and the Cameron Center developer. The total cost was estimated to be \$696,000. The developer proposed to pay one-third of the cost of these improvements, totaling \$232,000. The City would pay the balance of the cost, totaling \$464,000, and obtain a reimbursement agreement with the other developer for their one-third share.
- The developer proposed to pay for the entire cost of the replacement traffic signal at Mesquite and South Palm Canyon Drive. The estimate for this work is \$190,000. They would be entitled to obtain a reimbursement agreement for half of these traffic signal expenditures from the eventual developer of the West side of South Palm Canyon.
- The City would pay for the cost of the new traffic signal at the Rock Garden Café site. The estimate for this work is \$190,000.
- To mitigate community impact during construction, especially on the adjacent residential neighborhood to the east, they were conditioned to install an irrigated decorative landscape buffer between the public right-of-way and our site fencing during Phase I construction. The landscaping shall be substantially in accordance with the landscaping plans submitted to the City's Planning Department in connection with our project, but will be installed earlier than would be required as part of the development plan.

### Fairfield

This 11-acre project on South Palm Canyon Drive was first approved as a Radisson Hotel with timeshare units in 1999. The former RDA approved a DDA with the developers of Star Canyon Resort in 2001 to provide a land write-down for the 210 room hotel and 176 unit timeshare project, where it agreed to rebate property tax increment from the project back to

the developer, to try to close the feasibility gap. In 2002, the RDA approved a change of scope in the project to make it entirely timeshares, at 255 units. The amendment corresponded to a sale of the project in the wake of the 9/11 terrorist event to Fairfield Resorts, a national timeshare development company. That developer, Fairfield Development, was not successful in obtaining Final Development Plan Approval. The project's final PDD was denied by City Council due to a lack of consistency between the original hotel architecture and site plan and the architecture proposed by Fairfield. In 2006, another developer proposed combining Fairfield's 11 acres with the vacant Magruder Chevrolet property to the south (on an Indian Leasehold) to construct a new mixed use project; health and wellness center, hotel, high-end retail, called The Trails. By 2009, the recession effectively ended The Trails project and the responsibility of the property returned to the owner, Fairfield Resorts. Since that time, several developers have looked at it for a variety of residential products, including a retirement-community and single family homes (different developers).

Staff recommends that there be no subsidy or assistance provided for a purely residential project, but that the City consider assisting any project that would have a commercial component, and more assistance for a project that also incorporated the vacant Magruder Chevrolet property next door.

Any public improvement assistance is described in the Cameron Center request above, as it would relate to the share of landscaped medians and a traffic signal required of both projects in prior approvals

More assistance should be provided for a project that also assembles the Rock Garden Café into the site and integrates it into an overall master plan.

## **North End Major Projects**

### **Northgate Center**

The Northgate Center, commonly known as the Loehmann's Center, was built in the early 1980's and for a number of years was the home of Loehmann's Department Store and a number of other factory outlets, including Dansk and Mikasa. More recently it has been plagued with a high rate of vacancies. Current tenants include M Modern and Modern Home (same owner), Caffè Italia, and a Carl's Jr. The property was bank owned and will go to auction in July, 2013. A new owner would need to develop a concept that was comprehensive and then work with tenants to have a major opening all at once. Some assistance may be requested from the City for this.

### **Art Colony Project**

On the north end, the most visible stalled vacant land project in the south end is the Art Colony project, a 10 acre mixed use project located at the southeast corner of Racquet Club and North Palm Canyon. The project featured townhomes, stacked flat condominiums and live-work units and approximately 25,000 sq. ft. of retail/commercial space located on North Palm Canyon. That project stalled after approval, the developer died, and the property went back to the lender. The former shopping center at the corner was demolished, as were several single family homes, and all that operates is a Del Taco store. There is also a small residential hotel that was part of the land assembly that remains vacant but boarded up.

### Racquet Club

The redevelopment of the famed Racquet Club property got underway prior to the recession, leaving a partially constructed condo building. The previous developer lost the property and it is now owned by a group interested in completing the project; they are soliciting interest from financial partners. Since the final product would be largely, and perhaps entirely, residential, it may be outside the scope of this program.

### Pedregal

Pedregal was a 132 unit residential project that also went back to the bank during the recession. It now has a new owner that intends to develop it as originally designed and entitled. Since the final product is entirely residential, it may be outside the scope of this program.

## **IV. Other Recent Development Activity in the Areas**

### South End

There are positive developments that have occurred at the edges of the areas in the past several years, but their effects on the rest of the areas have been relatively modest. In the south end, these include the major renovation of Smoketree Village and construction of Smoke Tree Commons at Sunrise and East Palm Canyon Drive; and, the renovation of the hotel at the northeast corner of East Palm Canyon Drive and Sunrise Way into (first) The Holiday Inn and (later) The Saguaro Hotel.

Within the area, commercial development activity includes the economic development of the former Howard Johnson Motor Lodge into the Ace Hotel; the economic development of the former Travelodge into The Curve Hotel; the historic preservation and renovation of The Horizon Hotel, Caliente Tropics and now the Sparrow Hotel; the repositioning of Plaza Del Sol for a grocery anchored center (Ralphs) into a Stein Mart; the economic development of several dilapidated commercial structures into new quick-serve/fast food restaurants, including KFC, Jack in the Box, and Starbucks; and the renovation and expansion of the Sun Center, culminating with the construction of a new 8,000 sf building, suitable for a sit-down restaurant. Finally, and most recently, the former Alan Ladd Building has recently undergone a major renovation and repositioning into a new office complex called "The 500."

Notwithstanding the success of some of the efforts, commercial development in the area has been a mixed bag. The 3 mile stretch has three liquor stores, and more than half of the new commercial development has been for fast food restaurants or coffee (Starbucks and Koffi.) Other types of retail, aside from Stein Mart, has had limited success, and over the past 10 years, even restaurants have had a mixed track record.

The newly-constructed restaurant space at the Sun Center has not been leased; the former Brushfire Grill is vacant; the Cedar Creek Inn has been closed for several years; Davey's Hideaway was recently closed; the restaurant space in the Caliente Tropics has had a succession of unsuccessful restaurant operators; and Twin Palms – while doing reasonably well when it was operated, has faced two interior fires in the past year; similarly, Rock Garden Café has been for sale, sold, closed, and reopened in the past two years. There is also a vacant

space next to Koffi, unleased. There are a core of successful restaurants in the area, however, including Palm Greens Café, El Mirasol, Miro's, Kiyosaku, Lyons' English Grill, Pizza Hut, Carrow's, Elmer's, and King's Highway at the Ace Hotel.

### **Vacant Land Projects and Catalyst Vacant Buildings**

Both areas have several major projects that were proposed and approved and not constructed, including the Cameron Center and Fairfield project in the south end, and the Racquet Club redevelopment and Pedregal on the north end. Additionally, there are major difficult building vacancies in both areas, such as the Northgate Center, Magruder Chevrolet and Cedar Creek Inn. The program would be designed to consider assistance based on pro forma need through a combination of direct (up-front) assistance and some tax sharing over time based on project performance. Examples of some of the major vacancies in the area are:

#### **North End Vacant Land Projects and Catalyst Vacant Buildings**

- Northgate Center
- Former Art Colony project
- Racquet Club
- Desert Moon (under development)
- Blue Pear
- Dink's Restaurant
- Bono's Restaurant
- Numerous Vacant Parcels on North Palm Canyon and Indian
- Pedregal
- City Owned Parcels at Palm Canyon and Stevens

#### **South End Vacant Land Projects and Catalyst Vacant Buildings**

- Cameron Center
- Fairfield parcel
- Magruder parcel
- Cedar Creek Inn
- Rock Garden (potential)
- Stein Mart Center and Environs
- Sun Center Restaurant Pad
- 555 South Palm Canyon (Wherehouse Center)
- Brushfire Grill
- Davey's Hideaway
- Chia Café
- Koffi/Oceo space
- Numerous Vacant Parcels on South and East Palm Canyon

## Section 4.

# Proposed Projects and Programs

The recommendation for how to create an incentive for catalyst vacant projects would be to layer a couple of different incentives to get to the necessary threshold to provide the necessary assistance.

### Structure of the Incentive Area

The recommendation of how to create an incentive for catalyst vacant projects is to layer several different incentives to get to a threshold that provides the necessary assistance. First, this is a relatively large and heterogeneous area. A single incentive program would not be applicable to every potential project in the area. However, there are four types of investments that the City should consider:

- Assisting stalled, vacant land projects (Based on Need)
- Renovating and repositioning major vacancies as catalyst projects (Up to \$30/sf or \$250,000 maximum)
- Creative uses of the Hotel Incentive Program for small, dilapidated hotels (Based on share of Future TOT Increment)
- Extending Façade Improvement/Interior remodel programs for the area (Up to \$5,000 for Façade Improvement/Up to \$25,000 for Interior Remodel Program)

To assist projects like these, there are a number of tools that would be available to the City, in addition to the City's direct cash resources in building projects. These include:

- Direct Public Works investment (streets, sidewalks, etc.)
- Direct assistance to private developers
- More aggressive code enforcement within the area
- Leveraging other agencies' public works investment (water, Caltrans, etc.)
- Leveraging other public and/or private outside dollars (tax credits, grants)

While residential development is useful to the vitality of nearby commercial uses, it is not the purpose of this program to create incentives for residential development projects, since the residential market is driven by local, regional and national forces outside the scope of this program. In other words, there should not be any special incentives for purely residential development in the North or South Palm Canyon area.

### Public Works

The City has undertaken an ambitious program of new public works using its Measure J funds, as well as funding traditional public works through normal channels. Public works in these areas should be "counted" as part of the investment in the project areas, particularly in the area of leveraging public resources for grant applications. An example would be the Tahquitz Creek Master Plan: any City money expended as part of the implementation of the Master Plan should be counted as public investment within the Project Area. Similarly, the extension and

replacement of palm tree lighting in the uptown area should be considered as part of the public investment in the project.

In addition, missing sidewalks are particularly a problem in the East Palm Canyon area, on both sides of the street, presenting problems for pedestrians wanting to traverse the section from the Saguro Hotel to the Ace Hotel. Such problem is exacerbated at night.

### **Need Based Assistance**

Need-based assistance would be available for projects in the “stalled, vacant land projects” and the “renovating and repositioning major vacancies as catalyst projects” categories. Both categories of assistance would require some direct assistance to the project itself, rather than merely considering the construction of adjacent public improvements by the City as a way of assisting a private development project, as was done in several projects by the former RDA. (See the differences between the Stein Mart OPA and the KFC assistance, above).

First, like in former RDA projects, a review of the project’s pro forma should be undertaken to determine the “warranted assistance” to the project. This analysis would review the project capital costs, operating costs, anticipated revenues from operations (and/or rents), and the proposed development capital stack. The warranted assistance would need to show that the value of the project based on the capitalization of either operating profit or tenant rent would not be enough to support the capital outlay necessary to get the project into the condition necessary to bring the project forward.

#### Example:

As an example, the cost of building out a retail space for a new tenant was \$1,000,000, to bring it to a quality standard adequate to meet the brand standard. The developer had about half of the amount available in the form of prepaid rent from the previous tenant, which had vacated. Those funds were available for the renovation. However, the new tenant was only paying \$3,000 per month more than the prior tenant, which, when capitalized, meant that half of the remaining cost had no “basis” for being expended – it was pure cost to the owner without a return. In that case, the “warranted assistance” would be \$250,000, which the City/Agency could rationalize a number of different methods to close the gap: an enhanced version of the Interior Remodel Program, but rather than a capped dollar amount (the original program was \$25,000), a program that features a dollar match of 3:1, meaning \$3.00 of private investment for each \$1.00 of City money. Therefore, in the example above, the City may contribute \$250,000 toward the renovation but only if the private renovation dollars exceed \$750,000.

The maximum dollars per building square foot committed by the City should be \$30. However, the \$30/sq.ft. should be reserved for high potential \$/sq.ft. projects, meaning major restaurants or clubs projected to produce significant revenue for the City through sales taxes, property taxes and other revenue. The base maximum of \$10/sq.ft. for would be for general retail. One criterion to distinguish the types of spaces for one another would be whether Department of Health review was necessary on the project. Another would be whether there was sewer connect fees charged to the project.

The recommended additional criteria for the Catalyst Building Remodel projects is:

|  |
|--|
| Type of Project  |
| Is the proposed property currently vacant?   |
| Has the property been vacant more than two years?  |
| Does the project intensify the land use, e.g. converting from retail to restaurant?  |
| Does the project combine or assemble two or more properties, spaces, or addresses into a larger consolidated project?  |
| Does the property add more land square footage, i.e. expanding the site and/or parking area?   |
| Does the project anticipate increased gross sales tax, increased per sq. ft. sales tax, and other tax benefits to the City?                                      |
| Does the project propose a cultural or entertainment use, such as a performing arts venue?   |
| Does the project attract new investors to the City?  |
| Does the applicant have a plan for integrating new uses into the surrounding neighborhood?   |
| Is the project entitled?   |
| Are there any environmental conditions (i.e. parking, noise mitigation, Engineering conditions of approval) that affect the economic feasibility of the project? |
| Is the project eligible for any other public funding or other non-profit grant funding?  |
|  |
|  |

The Program Application requires the Applicant to provide evidence of their own financial commitment to the project (cash, especially), leverage of the public resources, viability of the project over the long-term, and physical conditions that would suggest the project(s) would be catalytic for the surrounding area.

In addition to pure need-based assistance, the Program would also entertain assistance requests from projects that are anticipated to be truly catalysts for an area:

- Renovating a vacant property
- Intensifying the use of the property by assembling other parcels
- Proposing a high tax-generating use
- Proposing a large number of persons patronizing the location, such as a club or performing arts venue
- Attracting significant outside capital, enough to meet a high threshold of dollars per square foot investment

Such assistance may take the form of a tax sharing agreement to reach the investment threshold necessary to make the project economically feasible.

**Other Types of Assistance**

In 2009, the City Council adopted the Interior Remodel Program which assisted a number of sales tax-producing businesses, particularly restaurants, to upgrade the “front of house” experience for their customers as a way of spurring new business investment during the recession. The program was a companion to the larger but more financially limited Façade Improvement Program which provided assistance for exterior remodeling for approximately 120

businesses. Both programs have been phased out due to funding constraints largely attributable to the loss of redevelopment dollars.

These two renovation programs were extraordinary successful during the recession, helping set the stage in downtown for the recent growth in new business activity. The latest wave of business investment activity in the downtown has been the intensification of land uses, namely the conversion of traditional retail spaces into eating and drinking spaces and/or nightclubs/performing spaces. As downtown continues its transformation into an arts and entertainment destination, this next step is necessary to create the critical mass necessary to for the economic vitality to become sustainable. This type of development has also had a positive and significant effect on tourism in the City, and created other positive spillover effects.

Most recently, it created a mechanism to assist owners or tenants of businesses investing in the redevelopment of retail space into eating and drinking spaces and/or nightclubs/performing spaces in the downtown and uptown core and the western portion of Section 14. This incentive would be accomplished through the deferral of certain City fees until the business is operating. Fees would include the Public Art Fee and the Sewer Connection Fee, as well as the Parking In-Lieu Fee in areas where such fee applies. That recommended geographic area was limited to the Business Improvement District (BID) area plus the western half of Section 14 (west of Avenida Caballeros).

1. Stalled, vacant land projects
2. Major vacancies – catalyst
3. Hotel Incentive Program
4. Façade Improvement/Interior remodel
5. More aggressive code enforcement



# **SPECIAL FOCUS AREA INCENTIVE PROGRAM**

## **Program Application**

Application packet for the City of Palm Springs' Special Focus Area Incentive Program. The areas are generally north of the Downtown and Uptown Area and South of Ramon and along East Palm Canyon. Included are the Property Remodel Grant Program, the Façade Improvement Program, the Hotel Incentive Program and the Catalyst Vacancy Program Applications.

**Community & Economic Development Department  
8/21/2013**



## **SPECIAL FOCUS AREA INCENTIVE PROGRAM**

The program is a collection of several City incentives to create an incentive to redevelop vacant properties or spur stalled development projects in the area. It "layers" several different incentives to get to a threshold that provides the necessary assistance. A single incentive program would not be applicable to every potential project in the area. However, this application packet is for four types of investments that the City may consider:

- Commercial Façade Improvement Program
- Commercial – Retail Interior Remodel Program
- Major Need-Based Assistance for Renovating Major Vacancies as Catalyst Projects
- Major Need-Based Assistance for Assisting Stalled Vacant Land/Demo Projects
- Creative uses of the Hotel Incentive Program for small, dilapidated hotels
- Assistance with Public Works/Infrastructure Requests

The Façade Improvement Program is the smallest and simplest of the programs, with a match up to \$5,000 for exterior improvements.

Most interior renovations in the Program Area would be eligible for the Commercial – Retail Interior Remodel Program, with a match up to \$25,000 from the City for a similar investment by the owner.

The Major Need-Based Catalyst Vacancy Program requires that a building or single space be at least 8,000 s.f., have approved renovation plans, undergo a pro forma analysis by the City, and propose an expenditure of at least \$1,000,000 – excluding the acquisition of the property.

The Stalled Vacant Land Program requires that a development parcel be at least 5 acres, have an approved Planned Development District and/or Tentative Parcel Map, undergo a pro forma analysis by the City, and propose an expenditure of at least \$10,000,000 – excluding the acquisition of the property.

The Hotel Incentive Program. Hotels would be eligible under the "Qualified renovation program" of the City's Hotel Incentive Program, meaning a property improvement program undertaken by an existing hotel which invests no less than fifteen thousand dollars per room, or invests no less than one million dollars in ancillary non-hotel room facilities and/or space. The property improvement program shall be comprehensively executed in a single renovation project on the property and be under construction no later than December 31, 2014 and completed no later than December 31, 2015.



## COMMERCIAL- RETAIL INTERIOR REMODEL GRANT PROGRAM

The City of Palm Springs has established a Interior Remodel Grant Program designed to encourage the improvement and investment in retail properties that contribute to the revitalization of the City of Palm Springs. The Interior Remodel Grant Program features a match grant up to \$25,000 to assist in the cost of interior improvements made by a property owner or tenant.

### Eligible uses:

- Interior painting or wall covering
- Window treatments
- Flooring covering
- Lighting systems
- Ceiling tiles
- Display cases (permanent)
- Partition walls
- Interior electrical to dedicated space

### Ineligible Uses:

Grant funds may not be used for improvements that are not permanent or mounted or affixed to the interior of a building. Ineligible uses include, but are not limited to:

- Exterior signs, vinyl letter signage (windows)
- Portable signs, such as sandwich board or A-frame signs, signs not mounted or attached to storefronts
- Flags or banners
- Benches and trash receptacles
- Tables, chairs, or umbrellas
- Equipment (not affixed to structure), merchandise, supplies or products
- Landscaping
- Patios

### Eligible Applicants:

Property owners or tenants located in leased or owned commercial properties in the Incentive Zone areas: South Palm Canyon Drive (and Indian Canyon Drive) between Ramon Road and Sunrise Way; with the inclusion of East Sunny Dunes and Industrial Place up to Palo Fierro; and, North Palm Canyon Drive (and Indian Canyon Drive) between Via Lola/Tachevah and Tramway Road (along Palm Canyon) and Tramview Road (along Indian).



## COMMERCIAL – RETAIL INTERIOR REMODEL GRANT PROGRAM

### Grant Amounts:

The maximum City matching grant shall not exceed \$25,000. Example: if the applicant's interior improvement cost is \$50,000 the City Match Grant would be \$25,000. If the total improvement cost is \$10,000, the City Match Grant would be \$5,000.00.

### Process:

Applications are available in the Department of Community & Economic Development and on the City's website. The application will ask for a narrative description of the project scope. The applicant will hire the contractor and is responsible for obtaining design approvals. The City shall provide some assistance in scoping the project and will reimburse the applicant for work performed, based on submittal of evidence of work performed and paid invoices.

### Contact Information:

City of Palm Springs  
Department of Community & Economic Development  
3200 E. Tahquitz Canyon Way  
Palm Springs, CA 92262

Phone: 760-323-8175

Fax: 760-322-8325

Email: [cathy.vanhorn@palmspringsca.gov](mailto:cathy.vanhorn@palmspringsca.gov)

Mailing Address: P.O. Box 2743, Palm Springs, CA 92263

**COMMERCIAL – RETAIL  
INTERIOR REMODEL GRANT PROGRAM  
APPLICATION ON NEXT THREE PAGES**



COMMERCIAL – RETAIL  
INTERIOR REMODEL GRANT PROGRAM

APPLICATION FORM

**APPLICANT INFORMATION**

|                   |  |
|-------------------|--|
| Business Name:    |  |
| Business Address: |  |
| Applicant's Name: |  |
| Address:          |  |
| Phone:            |  |
| Email:            |  |
|                   |  |

**PROJECT DESCRIPTION**

|   |   |
|---|---|
| <p>Description of Requested Improvements:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>Estimated Cost: _____</p> <p>Is this your estimated cost, or have you obtained a bid or estimate from an architect or contractor?</p> <p>___ self ___ contractor ___ architect</p> <p>(Please provide a copy of estimate if available)</p> | <p>Please note that the maximum matching grant shall not exceed \$25,000. The grant increases on a dollar for dollar basis up to the \$25,000 cap. Example: if the applicant's interior improvement cost is \$50,000 the City will pay the match grant of \$25,000. If the total improvement cost is \$10,000 the applicant pays \$5,000 and the City will pay a match grant of \$5,000.</p> <p>Amount applying for: \$ _____</p> |
|---|---|



**COMMERCIAL – RETAIL  
INTERIOR REMODEL GRANT PROGRAM**

APPLICATION FORM  
PAGE 2

**PROPERTY INFORMATION**

| <i>FOR OWNER OCCUPANTS</i>   | <i>FOR TENANT/LESSEES</i>   |
|--|---|
| I hereby certify that I am the owner of my business property. The property is vested (owned) under the following name: | I am a lessee/renter of the space for which I am applying for a Interior Remodel Grant. The owner of the property is: |
| Property Owner Legal Name:<br>_____  | _____<br>_____  |
| Contact Information:<br>_____<br>_____   | Contact information for the property owner:<br>_____<br>_____   |
| Assessors Parcel Number:<br>_____  | Remaining years on lease term: _____<br>Assessors Parcel Number:<br>_____   |

**PROGRAM BOUNDARIES**

Businesses located in the following areas: South Palm Canyon Drive (and Indian Canyon Drive) between Ramon Road and Sunrise Way; and North Palm Canyon Drive (and Indian Canyon Drive) between Via Lola/Tachevah and Tramway Road (along Palm Canyon) and Tramview Road (along Indian).



## COMMERCIAL – RETAIL INTERIOR REMODEL GRANT PROGRAM

### APPLICATION CHECKLIST

All applicants must provide:

- Application (Completed and Signed by Applicant)
- If incorporated, evidence that applicant has authorization to apply for program
- Verification of Property Ownership, if owner (Title or Deed of Trust)
- Evidence of Tenant's Right to Make Improvements, if tenant or lessee (Signed)
- Description of Scope of Work
- Estimate or Bid, if available
- Copy of Valid Palm Springs Business License (Applicant)
- Copy of Valid Palm Springs Business License (Contractor hired to perform work)

No assistance may be provided for any contract awarded before the application is approved. Once the application is approved by the City, the applicant must provide the following:

- If applicable, evidence of required permit approvals from the City of Palm Springs
- If claiming cash match, provide verification of funds availability (loan agreement, canceled checks, etc.)

I hereby declare that the foregoing information is true and correct to the best of my knowledge. I authorize the City of Palm Springs to verify the information to determine my eligibility and to conduct an inspection of my property. I understand that as the applicant I will hire the contractor and am responsible for obtaining design approvals. I understand that the program provides that the City will reimburse the applicant for work performed, based on submittal of evidence of work performed and paid, and that the City will not pay contractors or vendors directly.

---

Applicant Signature

Date

Mail or deliver completed application with copies of required documents to:

City of Palm Springs  
Department of Community & Economic Development  
3200 E. Tahquitz Canyon Way, Palm Springs, CA 92262

Fax 760-322-8325 or email to [cathy.vanhorn@palmspringsca.gov](mailto:cathy.vanhorn@palmspringsca.gov)  
Mail to: P.O. Box 2743, Palm Springs, CA 92263  
Any questions please call: 760-323-8175 or 760-323-8259



## COMMERCIAL – RETAIL MAJOR “NEED-BASED” ASSISTANCE FOR RENOVATING MAJOR VACANCIES AS CATALYST PROJECTS

### APPLICATION FORM

This Program represents a significant commitment by the City to help mitigate larger, long-term vacancies in the Incentive Program Areas in an effort to create a catalyst effect for additional development in an area.

The threshold for investment in a project that would qualify for this assistance would be \$1,000,000, excluding the cost of purchasing the land or building, or leasing the property. Additionally, the Applicant must show that the project has a feasibility “gap”, or the difference between the proposed investment necessary to make the project “work” and the amount of investment that could be reasonably be supported by an equity investment at a standard return on investment.

Additionally, the Applicant must demonstrate that there are extraordinary costs associated with the development: these costs could be due to challenges complying with updated building and fire codes, new ADA requirements, the discovery of previous “bootlegged” improvements in the building, as well as the issues of kitchens (in restaurants) having been stripped by prior tenants.

While the development of new product always has an impact on surrounding property, it is important not to underestimate the impact that the economic development and reuse of a vacant property can have on its surroundings. The most significant recent example of a vacant unit getting economic development and having a positive surrounding impact is Lulu California Bistro, which was a very large (22,000 sq. ft.) building near the center of downtown on a restaurant heavy block. Its economic development removed a major blighting factor on that block and helped accelerate the positive economic development of the area south of Tahquitz in downtown.

The recommended assistance structure criteria for vacant or catalyst building remodel projects should be:

#### Grant Amounts:

The maximum dollars per building square foot committed by the City would be \$30. However, the \$30/sq.ft. would be reserved for high potential dollars per square foot projects, meaning major restaurants or clubs projected to produce significant revenue for the City through sales taxes, property taxes and other revenue. The base maximum of \$10/sq.ft. would be for general retail. One criterion to distinguish the types of spaces for one another would be whether Department of Health review was necessary on the project. Another would be whether there was sewer connect fees charged to the project.

The maximum City matching grant shall not exceed \$250,000. Example: if the applicant's interior improvement cost is \$1,000,000, the City Match Grant would be \$250,000. If the total improvement cost is \$100,000, the City Match Grant would be \$25,000.00.

**Process:**

Applications are available in the Department of Community & Economic Development and on the City's website. The application will ask for a narrative description of the project scope, evidence of permits, plans and drawings, and the financing structure. The amount of eligible assistance will be based on the overall project cost, the amount of "need" determined by the project pro forma, the amount of leverage of the City's dollars (private investment ratio). The assistance will also be structured based on the availability of City funds.

The applicant will hire the contractor and is responsible for obtaining design approvals.

The City shall provide some assistance in scoping the project and will reimburse the applicant for work performed, based on submittal of evidence of work performed and paid invoices.

**Contact Information:**

City of Palm Springs  
Department of Community & Economic Development  
3200 E. Tahquitz Canyon Way  
Palm Springs, CA 92262

Phone: 760-323-8175  
Fax: 760-322-8325  
Email: [cathy.vanhorn@palm Springsca.gov](mailto:cathy.vanhorn@palm Springsca.gov)  
Mailing Address: P.O. Box 2743, Palm Springs, CA 92263



**COMMERCIAL – RETAIL  
MAJOR “NEED-BASED” ASSISTANCE FOR  
RENOVATING MAJOR VACANCIES AS  
CATALYST PROJECTS**

**APPLICATION FORM**

***PROGRAM BOUNDARIES***

Businesses located in the following areas: South Palm Canyon Drive (and Indian Canyon Drive) between Ramon Road and Sunrise Way; and North Palm Canyon Drive (and Indian Canyon Drive) between Via Lola/Tachevah and Tramway Road (along Palm Canyon) and Tramview Road (along Indian).

***APPLICANT INFORMATION***

|                                   |                        |                        |
|-----------------------------------|------------------------|------------------------|
| <b>Business Name:</b>             |                        |                        |
| <b>Business Physical Address:</b> |                        |                        |
|                                   | <b>Applicant No. 1</b> | <b>Applicant No. 2</b> |
| <b>Applicant's Name:</b>          |                        |                        |
| <b>Applicant's Address:</b>       |                        |                        |
| <b>Work Phone:</b>                |                        |                        |
| <b>Cell Phone:</b>                |                        |                        |
| <b>Email:</b>                     |                        |                        |
| <b>Ethnic/Gender Status:</b>      |                        |                        |

**BUSINESS INFORMATION**

|                   |                       |               |
|-------------------|-----------------------|---------------|
| Type of Business: |                       |               |
|                   | Type of Legal Entity: | Taxpayer ID:  |
| Project Area:     | Year Established:     | NAISC:        |
|                   |                       | Census Tract: |
|                   |                       | Low/Mod?:     |
|                   |                       |               |

**PROPERTY INFORMATION**

|   |   |
|---|---|
| <p><b>FOR OWNER OCCUPANTS</b></p> <p>I hereby certify that I am the owner of my business property. The property is vested (owned) under the following name:</p> <p>Property Owner Legal Name:</p> <p>_____</p> <p>Contact Information:</p> <p>_____</p> <p>_____</p> <p>Assessors Parcel Number:</p> <p>_____</p> | <p><b>FOR TENANT/LESSEES</b></p> <p>I am a lessee/renter of the space for which I am applying for an Interior Remodel Grant. The owner of the property is:</p> <p>_____</p> <p>Contact information for the property owner:</p> <p>_____</p> <p>_____</p> <p>Remaining years on lease term: _____</p> <p>Assessors Parcel Number:</p> <p>_____</p> |
|---|---|

**PROJECT DESCRIPTION**

|   |  |
|---|--|
| <p>Description of Requested Improvements:</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <p>Estimated Cost: _____</p> <p>Is this your estimated cost, or have you obtained a bid or estimate from an architect or contractor?</p> <p>___ self ___ contractor ___ architect</p> <p>(Please provide a copy of estimate if available)</p> | <p>The maximum dollars per building square foot committed by the City would be \$30. However, the \$30/sf is reserved for high potential dollars-per-square-foot projects, meaning major restaurants or clubs projected to produce significant revenue for the City through sales taxes, property taxes and other revenue. The base maximum of \$10/sf would be for general retail. One criterion to distinguish the types of spaces for one another would be whether Department of Health review was necessary on the project. Another would be whether there were sewer connect fees charged to the project.</p> <p>The maximum City matching grant shall not exceed \$250,000 at a 3:1 ratio. Example: if the applicant's interior improvement cost is \$1,000,000, the City Match would be \$250,000. If the total improvement cost is \$100,000, the City Match would be \$25,000.</p> <p>Amount applying for: \$</p> |
|---|--|

**PROJECT DESCRIPTION**

|   |   |  |
|---|---|--|
| <p style="text-align: center;"><b>Economic Impact</b></p> <p>Jobs Retained: _____</p> <p>Jobs Created: _____</p>  | <p style="text-align: center;"><b>Pro Forma Review</b></p> <p>Does a project pro forma support:</p> <p>(a) The minimum investment of \$1,000,000?</p> <p>(b) The private investment: public investment ratio of at least 3:1?</p> <p>(c) The demonstrated "need" for assistance to the project based on ROI?</p> <p>(d) A projected schedule of "return" to the City based on increased tax revenue?</p>  |  |
| <p style="text-align: center;">[Department Use Only]</p> <p style="text-align: center;"><b>Credit Risk Rating</b></p> <p><input type="checkbox"/> Almost Bankable – Grade 1</p> <p><input type="checkbox"/> Standard – Grade 2</p> <p><input type="checkbox"/> Pass – Grade 3</p> <p><input type="checkbox"/> Watch – Special Mention Grade 4</p> <p><input type="checkbox"/> Sub Standard – Grade 5</p> <p><input type="checkbox"/> Doubtful – Grade 6</p> <p style="text-align: center;"><b>Repayment Source</b></p> <p><input type="checkbox"/> Primary: Cash flow from business operations</p> <p><input type="checkbox"/> Secondary: Applicants' income from outside sources</p> <p><input type="checkbox"/> Tertiary: Liquidation of collateral/Recourse to applicants</p> <p style="text-align: center;"><b>Leverage</b></p> <p>Total Project Cost: _____</p> <p>Requested Assistance: _____</p> <p>Ratio: _____</p> <p style="text-align: center;"><b>Public Benefit</b></p> <p>Does the project anticipate increased gross sales tax, increased per sq. ft. sales tax, and other tax benefits to the City?<br/>[City to check and calculate previous "base" of taxes from the site.]</p> | <p style="text-align: center;"><b>Supplemental Questions</b></p> <p>Is the interior space of the proposed property at least 8,000 s.f.?</p> <p>Is the proposed property currently vacant?</p> <p>Has the property been vacant more than two years?</p> <p>Is the development project (renovation excluding property acquisition) at least \$1,000,000?</p> <p>Does the project intensify the land use, e.g. converting from retail to restaurant?</p> <p>Was Department of Health review necessary on the project?</p> <p>Does the applicant have planning approval?<br/>Do they have building plans?<br/>Health Department approval?</p> <p>Does the project combine or assemble two or more properties, spaces, or addresses into a larger consolidated project?</p> <p>Does the property add more land square footage, i.e. expanding the site and/or parking area?</p> <p>What is the percentage increase?<br/>Does it add parking demand?<br/>Parking spaces?<br/>Is the additional space also vacant?</p> | <p style="text-align: center;">Yes    No</p> |

**PROJECT DESCRIPTION**

|   |   |
|---|---|
| <p style="text-align: center;"><b>Background &amp; Management</b></p>                               | <p style="text-align: center;"><b>Analysis of Projections</b></p> <p>The applicant's projections for Pro Forma Year 1, which represents estimated income and expenses for a full year of operation once the business is operating, must appear to be reasonable and conservative for income and for operating expenses.</p> <p>The City may use RMA industry comparisons for similar NAICS Codes to determine average net profits for the industry as a % of total sales, versus the % reflected in the original projections.</p> <p>With respect to the variance in the projected net profits of the business and RMA industry standards, it should be noted for Pro Forma Year 1, often neither rent expense (paid to owners) or depreciation/amortization and interest expense (associated with the business loan or mortgage) are included.</p> <p>Based on the RMA comparisons, many small businesses in owner-occupied space report either rent paid to the principals (when title and debt is held in a name other than the operating concern) or depreciation &amp; interest expense associated with underlying financing (when held in the name of the operating concern).</p> |
| <p style="text-align: center;"><b>Principals, business concept, experience, investors, etc.</b></p> |   |

**SOURCES & USES OF FUNDS**

| SOURCE                 | AMOUNT | USE                    | AMOUNT |
|------------------------|--------|------------------------|--------|
| <i>City Assistance</i> |        | <i>Renovations</i>     |        |
| <i>Partner Equity</i>  |        | <i>Working Capital</i> |        |
| <i>Business Debt</i>   |        | <i>Fees</i>            |        |
| <i>Personal Debt</i>   |        |                        |        |
| <b>Total Sources</b>   |        | <b>Total Uses</b>      |        |

**PROJECT DESCRIPTION**

|   |   |
|---|---|
| <p style="text-align: center;"><b>Strengths</b></p> <p>Do the applicants have outside income sources, with net discretionary income that can be used for working capital to support the operations and debt service of the business?</p> <p>How many \$_____ of personal cash do the Applicants have invested into the business.</p> <p>Is collateral coverage adequate (greater than 1.50 to 1.00) for the debt the business is carrying?</p> <p>Do projections suggest that once the business is fully operational, it has the ability to generate sufficient cash flow to service the existing and proposed debts?</p> <p>Is the Project Area undergoing renovation and resurgence in this type of business?</p> | <p style="text-align: center;"><b>Summary</b></p> <p><b>Staff Recommendation:</b></p> <p>Staff would recommend providing the assistance with the following conditions.</p> <p>Controlled disbursement of assistance proceeds and obtaining lien releases, to ensure no mechanics liens remain on the property.</p> <p>Subordination of shareholder loans payable by the investors.</p> <p>Evidence of any loan guarantee.</p>   |
| <p style="text-align: center;"><b>Weaknesses</b></p> <p>Is the Business relying solely upon projections for debt service repayment, with no historic cash flow?</p> <p>Does the business' income depend upon a specific clientele seeking the product or service? Could the "theme" be considered a marketing benefit, as no other businesses in the area offer it, or is it a hindrance if not enough consumers are drawn to it?</p>   | <p style="text-align: center;"><b>VACANT LAND PROJECTS<br/>Supplemental Questions</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Is the project currently undeveloped land?</li> <li><input type="checkbox"/> Is there an entitled project on it?</li> <li><input type="checkbox"/> Is the project beyond its original 2-year approval window and needed approval extensions from the Planning Commission?</li> <li><input type="checkbox"/> Is the project solely a residential project or does it have a mixed use/commercial aspect to it?</li> </ul> |

**CASH FLOW ANALYSIS**

| <i>Cash Flow / Coverage</i>  | Note | <i>Projected, Upon Completion</i>  |
|--|------|--|
| Net Profit Before Taxes  | 1    |  |
| Depreciation / Amortization  | 2    |  |
| Interest Expense   | 3    |  |
| <b>Total Cash Available</b>  |      |  |
| Existing 1st TD  | B    |  |
| Existing 2nd TD  | C    |  |
| Owner's Required Draw  | D    |  |
| <b>Total Cash Required</b>   |      |  |
| <b>Cash Flow</b>   |      |  |
| <b>Coverage Ratio</b>  |      |  |
| <p><b>ADDBACKS:</b></p> <ol style="list-style-type: none"> <li>Profit before tax per tax returns and interim financial statement of business, and net profit before taxes per the Borrower's Proforma Year 1 projections.</li> <li>Depreciation per tax returns, interim financial statement, and Borrower's Proforma Year 1 projections of business.</li> <li>Interest expense per tax returns, interim financial statement, and Borrower's Proforma Year 1 projections of business.</li> </ol> |      | <p><b>DEDUCTIONS:</b></p> <ol style="list-style-type: none"> <li>Existing loan with _____ secured by 1<sup>st</sup> TD against the (assets of the business and/or real property), in the amount of \$_____, interest rate of _____%, monthly P&amp;I payments of \$_____, maturing in _____.</li> <li>Are owner's draws are required from the Business? Do owners receive W-2 wages (or other income) from outside sources which will continue even after the business is opened?</li> <li>Based on the above, does the applicant demonstrate the ability to service their proposed debt and existing debts with a coverage ratio of _____ in Proforma Year 1 (based on borrower's income and expense projections) or based on RMA industry averages for net profitability?</li> </ol> |

**MAJOR "NEED-BASED" ASSISTANCE FOR  
RENOVATING MAJOR VACANCIES AS  
CATALYST PROJECTS  
*Credit Risk Rating System***

While the City's Incentive Program is primarily a Grant program and does not anticipate requiring the applicant to repay the assistance, it is still important to grade the applicant's ability to service their existing debt and obligations to ensure that City funds are not wasted in a venture that is not viable.

**Almost Bankable – Grade 1**

Credit is strong in all respects, but circumstances such as banks' legal lending limits, rapid growth rates, individual bank lending policies (i.e. loan size) have made credit unavailable elsewhere.

**Standard – Grade 2**

Typical credits that have demonstrated capacity for repayment from cash flow but which do not possess adequate collateral and/or sufficient years in business to mitigate perceived credit risk exposure.

**Pass – Grade 3**

Start-up businesses and/or credits that possess a historically suspect capacity for repayment. In addition businesses that may be lacking in proportionate collateral to loan request. However, the company shows good potential for improvement through newly acquired business and/or contracts.

**Watch – Special Mention Grade 4**

Credits which lack adequate historical cash flow to service the debt and possess disproportionate collateral to mitigate the risk. Credit would be entertained due to the involvement of strong outside co-borrower/guarantor.

**Sub Standard – Grade 5**

Credits exhibiting past performance/credit deficiency, which if not corrected could result in loss.

**Doubtful – Grade 6**

Loans that are doubtful and where there is a strong potential for future loss due to a severe deficiency in the financial condition, borrower payment performance, and/or collateral position/value.

**Recommended Loan Loss Reserve Percentages**

|                |             |                |             |                |             |                |             |
|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|
| <b>Grade 1</b> | <b>3.0%</b> | <b>Grade 2</b> | <b>3.0%</b> | <b>Grade 3</b> | <b>3.0%</b> | <b>Grade 4</b> | <b>6.5%</b> |
| <b>Grade 5</b> | <b>20%</b>  | <b>Grade 6</b> | <b>50%</b>  |                |             |                |             |