



STAFF REPORT

Date: Tuesday, September 9, 2014
To: Bryan H. Montgomery, City Manager
From: Dwayne Dalman, Economic Development Manager
SUBJECT: Adoption of the Downtown Revitalization Loan Program

Approved and Forwarded to City Council:


Bryan H. Montgomery, City Manager

Summary and Background

A goal of the 2014 – 2015 Economic Development Work Plan is to *“improve the look and feel of the City while maintaining its small town character.”* This is particularly applicable in the downtown area, and is consistent with a goal of the 2014 – 2016 Strategic Plan, which states that *“we will facilitate the continued development and redevelopment of the Downtown; and beautify and preserve the Main Street commercial corridor.”* The City has partnered with the private sector to make a substantial financial commitment to the downtown corridor with the development of the Civic Center Plaza, the Oakley Plaza and neighboring commercial uses.

In order to facilitate this goal, on June 30, 2014 the City Council approved \$275,000 to be allocated for staff to create a loan program to further the commitment to the downtown area. The goal of the Downtown Revitalization Loan Program is to leverage public funds and private investment to further enhance the physical appearance and economic vitality of the commercial buildings and businesses in the downtown corridor. The long-term objectives of the program include improving the physical appearance of the buildings and area, encouraging the retention and attraction of businesses to the corridor, increasing property values, increasing tenant stability, increasing pedestrian walkability and creating a stronger “sense of place”.

Loan funds under the program are proposed be used in the following ways:

1. Façade Improvements
2. Landscaping and exterior lighting
3. Signage
4. ADA compliance
5. Building infrastructure upgrades needed for new tenant conversion
6. Demolition

A work session was held during the August 12th City Council Meeting to allow for Council input and comments on the draft Loan Program. In response to staff's presentation, the Council voiced their overall support for the program as presented, but wanted to make a change in one area. The attached Loan Program outlines the proposed goals, loan parameters and loan application process for the program. The loan parameters presented to the Council during the work session contained two provisions which allow the Council to approve the following changes to the program if recommended by staff:

1. The maximum loan amount under the program is \$75,000. If a project came forward that exceeded the goals of the program and would act as a catalyst to the downtown, staff may recommend a higher loan maximum for council approval on a case-by-case basis.
2. On a case-by-case basis, the Council may approve a 12-month loan payment deferment if a loan that is made to a business which needs to preserve working capital.
3. Though the program is designed to facilitate investment in the downtown corridor, the Council desired to add a third provision to the program. If a project came forward that exceeded the goals of the program and would act as a catalyst to the economic development goals of the entire City, the Council wanted the ability to approve a loan outside of the downtown corridor.

Fiscal Impact

The \$275,000 funding for the Loan Program has been allocated in the 2014 – 2015 Oakley General Fund.

Recommendation

Staff recommends that the City Council approve the resolution formally adopting the parameters of the Downtown Revitalization Loan Program and carry out its full implementation.

Attachments

- 1) Resolution
- 2) Proposed Downtown Revitalization Loan Program

RESOLUTION NO. _____-10

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLEY ADOPTING
THE DOWNTOWN REVITALIZATION LOAN PROGRAM**

BE IT RESOLVED by the City Council of the City of Oakley that the Downtown Revitalization Loan Program is hereby adopted, a true and accurate copy of which is attached.

The foregoing resolution was introduced at a regular meeting of the Oakley City held on the 9th day of September 2014, by Councilmember _____, who moved its adoption, which motion being duly seconded by Councilmember _____, was upon voice vote carried and the resolution adopted by the following vote:

AYES:

NOES:

ABSTENTION:

ABSENT:

APPROVED:

Randy Pope, Mayor

ATTEST:

Libby Vreonis, City Clerk

Date



City of Oakley

Downtown Revitalization
Loan Program

2014 - 2015



Executive Summary




As the City of Oakley has experienced its growth, a continuing goal has been to maintain its small town character, particularly in the downtown area. The City has partnered with the private sector to make a substantial financial commitment to the downtown corridor with the development of the Civic Center Plaza, the Oakley Plaza and neighboring commercial uses.


The goal of the Downtown Revitalization Loan Program is to leverage public funds and private investment to further enhance the physical appearance and economic vitality of the commercial buildings and businesses in the downtown corridor. The long-term objectives of the program include improving the physical appearance of the buildings and area, encouraging the retention and attraction of businesses to the corridor, increase property values, increase tenant stability, increase pedestrian walkability and create a stronger “sense of place”.

Loan funds under the program can be used in the following ways:


1. Façade Improvements
2. Landscaping and exterior lighting
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6. Demolition

Goals

 Leverage public funds and private investment to enhance the physical appearance and economic vitality of the commercial buildings and businesses in the downtown corridor

 Encourage the retention and attraction of businesses

 Increase property values

 Increase tenant stability

 Increase pedestrian walkability

 Create a stronger “sense of place”

Loan Parameters

❖ **Eligible Applicants**

- The loan program is targeted to property owners and/or tenants located in the Oakley Downtown Specific Plan Project Area (see attached map)
 - A tenant with a remaining lease term of 10 years or more may be eligible for the Program, with written consent of the property owner
 - With the recommendation of City staff, the Oakley City Council may consider a loan outside of the Downtown Specific Plan Project Area for a project that exceeds the stated objectives of the program and will act as a catalyst to the economic development goals of the entire City.

❖ **Maximum Loan Amount**

- The Program will fund up to \$75,000 of approved project costs
- With the recommendation of City staff, the Oakley City Council may consider approval of a loan higher than the maximum limits for a project that exceeds the stated objectives of the Program and will serve as a catalyst for future improvements in the Downtown
- Loan funding will be available on a first-come, first-serve basis

❖ **Project Equity Requirements**

- Loan applicant is required to contribute minimum equity of 10% of the total project costs
- Proof of applicant equity expenditures is required prior to loan funding

❖ Collateral Requirements

- Each loan shall be secured with appropriate collateral as determined by City staff. Typical collateral could include a Deed of Trust, UCC Filing and/or a personal guarantee

❖ Loan Terms

- The term of the loans will be 5 years for loans up to \$25,000 and 10 years for loans greater than \$25,000
- Of the total loan amount approved, 50% will be issued as a forgivable 0% interest loan. This portion of the loan will be written down in equal annual increments for the term of the loan, as long as the improvements are in place
- The remaining 50% of the approved loan amount will be in the form of a low interest loan at a 2% fixed rate for the life of the loan
- Loan payments may be deferred for a period of 12 months at the request of the applicant

❖ Prevailing Wage

- The applicant shall require its contractors and subcontractors to pay prevailing wages to all persons performing work on the project as required by California Labor Code section 1720.

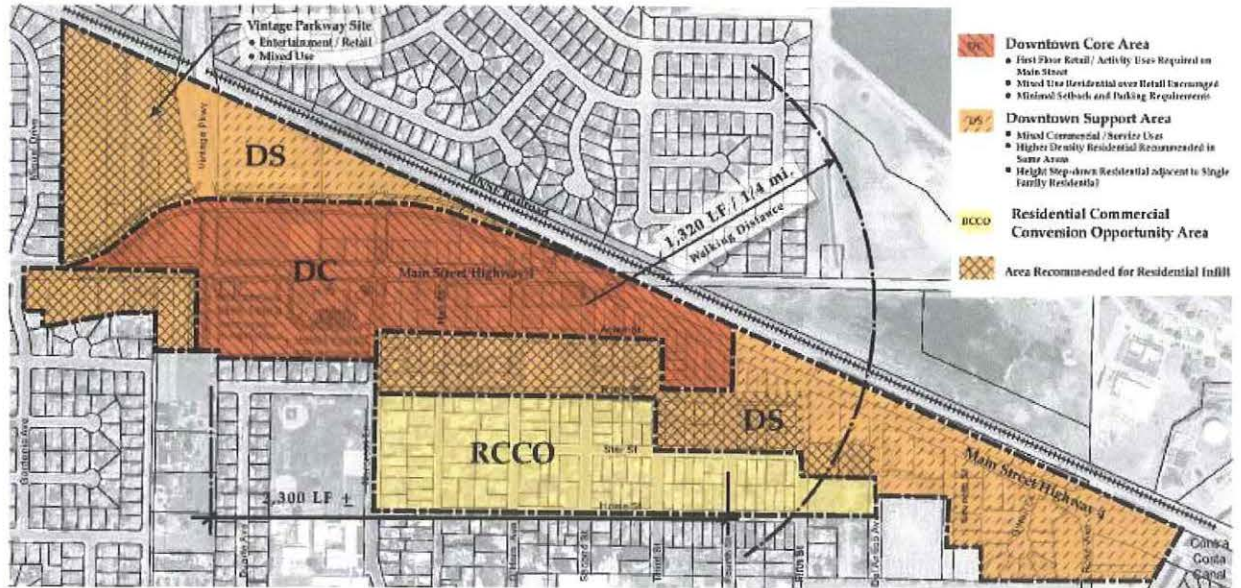
❖ Other Terms

- All improvements must conform with the Uniform Building Code and the City of Oakley Planning and Building permit and approval process
- Property owners with outstanding building code or code enforcement violations will not be eligible for the program
- Loans can be prepaid with no prepayment penalty
- If new applicant is approved, loans may be assumed
- Loan will become due and payable if:
 - Building is sold (loan to property owner)
 - Business is sold (loan to tenant)

Loan application process

1. Meet with Economic Development staff to discuss applicant's preliminary plans and proposed project impacts
2. The City of Oakley will provide an architect/design firm to provide conceptual drawings of the proposed improvements up to a maximum amount of \$2,000 per application.
3. Submit loan application together with the following:
 - a. Description of the proposed improvements
 - b. Description of the impact of the proposed improvements towards the stated goals of the program
 - c. Preliminary cost estimate
 - d. Proof of property ownership or long-term lease agreement with attached property owner consent
 - e. Proof of loan repayment ability in the form of three years tax returns/and or business financial statements
4. Loan applications will be reviewed by City Staff, recommended to the City Manager and considered by the City Council for final approval based on the following criteria:
 - a. Strength of project impacts towards program goals of enhancing the physical appearance and economic vitality of the downtown corridor
 - b. Applicant credit history to be pulled at time of application
 - c. Applicant equity requirement
 - d. Applicant loan repayment ability
5. Loan funds will be dispersed after proof of project equity funds verified and loan documents executed

Map of Downtown Project Area



Downtown Specific Plan Subarea Map

Figure II.1