



Legislation Text

File #: ID#21-9008, Version: 1

SUBJECT/RECOMMENDATION:

Approve the Vacancy Reduction grant program to assist owners with renovating vacant and underutilized commercial spaces to attract businesses that generate pedestrian foot traffic, with additional funding available for unique, catalytic uses and authorize the appropriate officials to execute same.

SUMMARY:

The Community Redevelopment Agency (CRA) is recommending approval of a grant program as part of the CRA's two-year strategy to reduce vacancy and encourage private investment in downtown. The CRA staff spent 18 months in conversation with tenants, property owners and other city departments to understand how to develop partnerships with the community that will fill vacant, older commercial spaces.

The purpose of the Community Redevelopment Agency (CRA) Vacancy Reduction grant program is to reduce vacancy in commercial properties by assisting property owners with funding to renovate vacant spaces for occupancy by long-term uses that generate pedestrian foot traffic in downtown.

The program's objectives are as follows:

- Reduce the number of vacant properties in Downtown Clearwater by bringing older, vacant properties up to current building and fire codes to allow occupancy
- Increase the number of commercial spaces suitable to create new restaurant, retail and cultural destinations in downtown
- Incentivize the attraction of new businesses that generate pedestrian foot traffic to occupy vacant spaces by reducing the costs of renovation

There are two parts to this program - Part A funds interior and exterior buildouts of vacant spaces to attract the following kinds of businesses as defined in the Downtown Zoning code:

- Retail and restaurant businesses
- Personal Services Industries (e.g., barber and beauty shops, health spas, dance studios, photography and art studios, tailoring, and other similar services)
- Galleries, theaters, other cultural and community gathering spaces

Applications must include a concept site plan, interior and exterior concept plans, a narrative description of the proposed improvements, description of the future tenant/use, project timeline, and a scope of work with a minimum of two quotes from qualified vendors for completing the work. Every project must include interior improvements. The *total project cost* is determined by the total costs of eligible grant expenses. Grant funds can only be used towards eligible expenses. Matching funds must be used towards eligible expenses. The maximum grant amount per space is \$250,000, which requires a total project cost of a minimum of \$500,000. No more than two spaces/parcels/buildings will be considered per application. If two buildings are combined for one renovation project, then the maximum grant amount will be \$500,000 for a total project cost of \$1 million.

Part B provides additional funding for renovations and the purchase of specialty equipment for tenants and/or uses that will serve as a unique destination in downtown. For example, an award-winning chef or dining concept that would be new in downtown or a cultural attraction with an established audience. The applicant will be asked to show evidence of the proposed tenant's ability to generate significant visitors. Depending on the type of business/tenant proposed additional information will be required including, but not limited to, a narrative description of why the use is destination worthy, the total project costs and sources of funding, a multi-year pro forma for the business operations and breakdown of grant expenditures that will stay with the building versus any funds for specialty equipment.

The maximum grant available for Part B is up to \$500,000 per request with a 50% match from the property owner to attract and maintain the unique, destination use. This is the maximum grant regardless of the number of spaces/buildings. For Part B, the property owner can match the CRA grant funds in the following ways any construction costs (including labor/materials/permit fees), rent abatement for the tenant, and any Part B eligible expenditures. Matching funds cannot be counted twice. Any matching funds used for a Part A grant, cannot be used for Part B grant. CRA grant funds can only be used towards eligible expenses.

The CRA will require the property owner to commit to a five-year loan to grant agreement secured through one or more of the following methods:

- A mortgage on the property
- A personal guarantee
- A promissory note

For Part A grants, if a tenant goes out of business in less than five years, the property owner will have six months to replace the tenant with any eligible business under this grant program. For Part B grants, if a tenant goes out of business in less than five years, the property owner will have nine months to find a similar tenant or will have to seek approval to amend the grant agreement from the CRA Trustees for another eligible use.

CRA staff recommends establishing a one-year budget of \$1 million for this program with the grant funds split evenly between Part A and Part B. At a minimum, this amount would provide funding for the buildout of two spaces and one "catalyst" business.

The proposed grant program balances the legal requirements for the use of CRA funds, meets the goals of the downtown redevelopment plan and provides a partnership opportunity for property owners who wish to invest in downtown. The program would become effective May 1, 2021.

APPROPRIATION CODE AND AMOUNT:

Funds are available in CRA project code 3887552-R2003 ED-City.