



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 4

Agenda Date: February 28, 2023

In Control: Economic and Workforce Development Committee Meeting

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing on the Façade Improvement Program and Outdoor Spaces Program funded by the American Rescue Plan Act (ARPA) State & Local Fiscal Recovery Funds (SLFRF).

SUMMARY:

This briefing provides an update on the proposed program guidelines, eligibility criteria, and timeline for Façade Improvement Program and Outdoor Spaces Program.

BACKGROUND INFORMATION:

On June 23, 2022, the City Council approved the ARPA Small Business Implementation Plan. The Implementation Plan includes a two-phase approach, with the first phase focused on COVID Impact Grants, while the second phase included a variety of initiatives, including programs focused on geographic placemaking. The City Council allocated \$5.25 million in ARPA funding for these placemaking initiatives, including \$1 million for a Corridor Program Pilot and partnership with Main Street America (MSA), \$3 million for a Façade Improvement Program, and \$1.25 million

for an Outdoor Spaces Program. The Economic Development Department (EDD) finalized a partnership agreement with MSA for the Corridor Program, with the goal of identifying and selecting two corridors by June 2023. In parallel, EDD developed program guidelines, application criteria, management and administration structures, and program timelines for the Façade Improvement and Outdoor Spaces programs.

From 1998–2018, the Neighborhood and Housing Services Department (NHSD) – then organized as the Department of Planning and Community Development (DPCD) – managed and operated a façade improvement program, known as Operation Facelift, with a combination of City and U.S. Housing and Urban Development (HUD) funding. The program’s goal was to reverse the deterioration of commercial structures in targeted areas and stimulate new, private investment and economic growth. Eligible projects could receive up to \$35,000 in exterior improvements for a building. The program completed 95 façade improvement projects and allocated nearly \$1.9 million in funding. The Façade Improvement Program will reactivate the City’s programmatic investment in commercial building facades in targeted areas and strengthen shared spaces and connections between residents and commercial corridors.

San Antonio for Growth on the Eastside (SAGE) also operates a Store Front Grant Program on the Eastside of San Antonio, with funding from the City. SAGE’s program provides matching funds up to \$10,000 for improvements in targeted areas within their service area. To date, 150 commercial businesses have received Store Front grants, with a total investment of \$1.3 million in facades.

The Outdoor Spaces program will support new additions or improvements to outdoor spaces for food and beverage establishments, in part to support the ongoing recovery and future resiliency of local establishments. The COVID-19 pandemic catalyzed changes in customer preferences regarding eating and drinking spaces, and increased demand for outdoor spaces, specifically. The National Restaurant Association’s 2021 State of the Restaurant Industry found that since the start of the pandemic, 62% of fine dining establishments and 56% of casual dining restaurants committed more resources to expanding and developing outdoor dining spaces. Most operators not only created outdoor spaces to address pandemic challenges, but said they planned to keep the improvements moving forward.

ISSUE:

As part of the process to finalize program criteria and processes, staff reviewed similar façade improvement and outdoor spaces programs from communities across the country. Based on comparable programs and best practices, the programs will be implemented internally instead of utilizing a Request for Proposal process for outside management. City-led management of the programs will allow for more efficient and effective administration and management of the programs.

FAÇADE IMPROVEMENT PROGRAM

The Façade Improvement program will focus on opportunities to support façade and building improvements facing and visible to the public right-of-way. Eligible areas include the World

Heritage Buffer Zone (excluding the Centro Public Improvement District, Market Square, La Villita, and Downtown River Walk areas), Priority Corridors identified in adopted or currently underway SA Tomorrow Sub-Area and Regional Center Plans, the Northeast Corridor (NEC) Revitalization Program Area, and within 500 feet of City-initiated construction zones with projects scheduled to last 12 months or longer.

Owners or tenants (with written approval of tenant's property owner) in an eligible geography may apply for funding, as long as the building was owned or the tenant has been in business at the location prior to January 1, 2021. Applicants must be current on all City property taxes, have no City liens against the applicant and/or property owner, and be in compliance with (or commit to complying prior to completion of the proposed project) all Zoning and Unified Development Code (UDC) requirements. Up to \$300,000 of the total program budget has been allocated for non-profits, as defined by Section 501(c) of the Internal Revenue Code.

Franchisors (local or non-local), gambling/gaming businesses, sexually oriented businesses, payday and auto loan providers, liquor stores, tobacco, CBD, and vape stores, and government-owned and/or occupied buildings will not be eligible. Restrictions based on Section 2-53 of the City's Ethics Code will also apply.

Staff is proposing a minimum grant amount of \$5,000, and a maximum of \$50,000. Projects in a "Geography I" location – Census Tract with a Combined Equity Score of 2 to 6 – will be eligible for up to 75% of total, approved project costs up to the maximum grant amount. Projects in a "Geography II" location – Census Tract with a Combined Equity Score of 7 to 10 – will be eligible for up to 90% of total, approved project costs up to the maximum grant amount. To address access to capital and savings-based challenges, staff is recommending a grant disbursement schedule of 25% of total grant funding up-front, with the remaining 75% disbursed based on project milestones.

Eligible project expenses are consistent with the NEC Revitalization Program. Replacement of exterior doors, windows, and awnings, painting, installation of stone, stucco, or masonry, landscape renovations, and signage improvements would all be allowable project costs. Improvement to parking lots and areas would not be eligible, and all improvements must conform to respective Unified Development Code (UDC) and Historic Preservation requirements.

Staff will work closely with the Development Services Department (DSD) and the Neighborhood and Housing Services Department (NHSD) to leverage City and SAWS Fee Waiver Program funding when applicable and expedite the permit review and approval process. The Office of Historic Preservation (OHP) will also provide support for awarded projects in areas designated historic or requiring Historic Design and Review Commission (HDRC) approval. Staff will also provide referrals for the businesses to access the City Tree Fund.

Finally, staff will work with an Application Review Committee to review the program applicant pool, provide technical support and opinions on best practices, and make recommendations to EDD leadership for funding awards. Application Review Committee partners will include the Planning Department, DSD, OHP, World Heritage, and a community representative with professional capacity in architecture and/or design.

OUTDOOR SPACES PROGRAM

To be eligible for the Outdoor Spaces Grant Program, a business must have a physical location within the city limits, must have been operating prior to January 1, 2021, be current on all City property taxes, have no City liens against the applicant and/or property owner, and be in compliance with (or commit to complying prior to completion of the proposed project) all Zoning and Unified Development Code (UDC) requirements.

Business exclusions are the same as the Façade Improvement Program.

Staff is proposing a minimum grant amount of \$2,000 for the program and a maximum grant amount of \$10,000. The program will include a cost sharing requirement based on the Combined Equity Score of project location's Census Tract:

- Eligible for 50% of total, approved projects costs up to the maximum grant amount, if located in a Census Tract with a Combined Equity Score of 2 – 4;
- Eligible for 75% of total, approved projects costs up to the maximum grant amount, if located in a Census Tract with a Combined Equity Score of 5 – 7; and
- Eligible for 90% of total, approved projects costs up to the maximum grant amount, if located in a Census Tract with a Combined Equity Score of 8 – 10.

The disbursement schedule will be the same as the Façade Improvement Program. Eligible project costs for the Outdoor Spaces Program include design costs, construction materials and labor for physical improvements to the space(s), umbrellas, fans, and other cooling systems, outdoor heaters, outdoor furniture, lighting, weather protection investments, and digital technology improvements such as contactless Point-of-Sales ordering, Wi-Fi upgrades, and more, but which may not exceed 25% of total project cost.

EDD will take the same approach as the Façade Improvement Program with regards to coordination and collaborations with DSD, NHSD, and OHP on City and SAWS fee waivers, projects in historic areas, and permit approval. EDD will take lead management of application review and awards for the program.

TIMELINE

For both Façade Improvement and Outdoor Spaces, EDD will begin awareness outreach and marketing in April 2023. An initial application period for both programs will run concurrently from May 2023 through June 2023. Application reviews will take place in July 2023, with Outdoor Spaces grants awarded in late July and Façade Improvement grants awarded in early August 2023. A rolling application period will commence if any funding remains.

No City Council action is required for the implementation of the programs and selection of grant awardees. However, EDD staff will provide the Economic and Workforce Development Committee with briefings on program status, applications, and grant award information over the next few months.

OUTCOMES

Based on an average grant award of \$30,000, the Façade Improvement Program is estimated to support 100 grants. The goal for the Outdoor Spaces Program is to fund 150 grants, with an approximate value of \$8,200. To promote an equity-focus, 50% of the funds within both programs will be awarded to businesses with Combined Equity Scores of 8-10. These investments align with the equitable outcome of strengthening the connection between people and the places they share. The performance indicators for these programs include increased business activity and revenue post improvement completion, along with additional leveraged private investment.

FISCAL IMPACT:

As part of the Small Business Implementation Plan, City Council approved a total of \$3,000,000 in ARPA funding for the Façade Improvement Program and a total of \$1,250,000 for the Outdoor Spaces Program.

For the Façade Improvement Program, staff is proposing the following funding plan:

- **\$10,000 – Marketing, outreach, and coordination**
- **\$2,990,00 – Grants for proposed improvement projects**

For the Outdoor Spaces Program, staff is proposing the following funding plan:

- **\$10,000 – Marketing, outreach, and coordination**
- **\$1,240,00 – Grants for proposed additions of or improvements to outdoor spaces**

Funding is available from ARPA State and Local Fiscal Recovery Funds. There is no impact to the General Fund.

ALTERNATIVES:

This item is for briefing purposes only.

RECOMMENDATION:

Based upon favorable feedback from the Economic and Workforce Development Committee, staff recommends moving forward with implementation of the two proposed programs.