

FREQUENTLY ASKED QUESTIONS (FAQ)

About the Downtown Façade Improvement Program

Please note: Reading this FAQ is NOT a substitute for reading the full Program Guidelines. The FAQ is only a summary of selected Program terms. Please read the Program Guidelines for complete details.

Do I have to repay the loan under this Program? No, the loan is “forgiven” meaning that you don’t need to repay it, unless you default. The most typical reasons for default are the following: the borrower does not maintain the improvements in good condition, or alters or removes them; the borrower does not abide by the operational covenants described in the Program Guidelines; the property is sold, in the case of a loan to the property owner; or the lease is terminated, in the case of a loan to the tenant.

How is the loan “forgiven”? The loan term is 5 years from the date the legal documents are recorded with the County Recorder’s Office following completion of the facade improvements. Each year on the anniversary of that date, the balance of the loan—the amount that you owe in the event of default—is reduced or “forgiven” by 20% of the original amount. So, in the 1st year of the loan term, in the event of default you would owe 100% of the balance (the full amount of your loan), in the 2nd you would owe 80%, in the 3rd you would owe 60%, in the 4th you would owe 40%, and in the 5th you would owe 20%. Following the end of the 5th year, the final 20% is forgiven and you owe \$0. See the chart on Page 5 of the Program Guidelines for examples.

How is my loan amount calculated? The loan amount you can receive is the *lesser* of: 1) 50% of the Total Project Cost (TPC) or 2) the applicable maximum.

1. The TPC is the total of all eligible hard (construction) and soft (non-construction, such as architectural and permit fees) costs for the façade project. Only expenses related directly to the façade improvements are eligible. Limits on soft costs for determining TPC are as follows:
 - a. Soft costs are capped at an amount equal to 20% of the TPC.
 - b. Soft costs incurred more than 6 months before the borrower is accepted into the Program are not included in the TPC.
 - c. Soft costs in the amount of up to 10% of the TPC that were incurred up to 6 months prior to written acceptance into the Program may be included in the TPC.
2. The chart on Page 4 of the Program Guidelines shows the maximum loan amounts for the Program.

We compare the amount that is 50% of your TPC and the Program loan maximum that applies to your project, and the loan amount you can receive is whichever amount is *smaller*. See the chart on Page 5 of the Program Guidelines for examples.

If the loan is provided after the improvements are complete, how can I pay for the construction? You will either need to use your own funds, or borrow funds. If you borrow to pay for the construction, you can then use the Redevelopment Agency’s façade loan funds to pay back your construction loan.

I have already started construction on my façade improvements. Can I apply for the loan program?

No, projects that have already started (or completed) construction are not eligible.

Can I apply for funds to improve a vacant storefront? Yes, but you will need to demonstrate to our satisfaction that you are making concerted ongoing efforts to lease the space to an eligible tenant. The Program is not intended to beautify a storefront that is “mothballed” or used for storage.

I’m a tenant. May I apply for the Program? Yes, if you are a tenant occupying a ground-floor storefront space in the eligible geographic area, you may apply as long as you have the property owner’s permission, granted by the “Agreement and Waiver by Owner” attachment to the application; you have a lease of at least 5 years following completion of the improvements; and you can meet all the Program requirements including financing the construction and providing acceptable security for the loan.

Do I still need to get design review approval and a building permit for my project, since I’m getting the loan through the City’s Redevelopment Agency? Yes, the façade improvements must receive all applicable City and other approvals, just like any other project.

May I use loan funds to pay for my architect? Yes, design costs are included in the category of “soft costs” which may comprise up to 20% of the Total Project Cost. Other soft costs include permit, engineering, and loan fees.

My building is 2 stories high and has 3 storefronts, but I just want to improve a single storefront façade. May I do that under the Program? Yes, you may, but in general a comprehensive façade improvement for the entire façade and involving multiple elements of the façade is preferred.

My building is 3 stories high and has 2 storefronts. How much funding can I receive to improve the entire façade including both storefronts and the upper stories? The amount you can receive depends on the TPC and your eligible expenses, but the maximum would be \$45,000; \$25,000 for the first storefront, \$15,000 for the second storefront, and \$5,000 for the upper stories. This does not mean you need to spend these specific amounts on those locations on the façade; this formula is just for loan calculation purposes.

I have just one storefront in my building but a total of six tenants including the upper story offices.

Can I receive additional funding based on the number of tenants? No, the loan amount is based only on the number of ground-floor storefronts being improved and whether the facade improvements include the upper floors. For the single storefront we allow a maximum of \$25,000, and if you plan to include the upper stories of the façade in the improvement project, we will add \$5,000, for a loan maximum of \$30,000. If you do not plan to include the upper stories but rather to confine the façade improvement to your single ground-floor storefront, the loan maximum is \$25,000.

I only want to paint my building’s façade and add a new awning. May I apply for the Program? Yes. Modest façade improvements can make a big difference in your building’s appearance, and are allowable under the Program. However, keep in mind that the minimum loan amount is \$2,500, which means the minimum Total Project Cost is \$5,000. Also, comprehensive façade improvements that

include the entire façade including all storefronts and upper stories, and that include several façade elements, are preferred.

The storefront that I want to improve is occupied by an office. Is that eligible for the Program? Yes, as long as there are employees present in the office on a regular basis and the business conducted there generates foot traffic from clients or customers. However, since one of the goals of the Program is to foster a pedestrian-friendly street environment, the façade improvement itself must be appropriate for retail, restaurant, or arts-related business at the ground floor.

Should I apply for the Program now to “reserve” my loan even though I won’t start construction for a year or more? No. The Program has two key deadlines for participants. One is that construction of the improvements must begin within 6 months of acceptance into the Program, and the other is that construction must be completed within 9 months of the Notice to Proceed. Failure to meet these deadlines may disqualify you from the Program, in which case you will forfeit your \$300 deposit and you won’t be able to re-apply. So, you should wait to apply until you are confident that you can meet these deadlines.

There is a code violation at my property. Can I use the Program to correct it? If there are any code violations anywhere on the property you are required to correct them in order to participate in the Program. However, you may use the Façade loan funds to address a code violation only if you can demonstrate that correction of the code violation is an integral part of the façade improvements themselves. You may apply for Downtown Tenant Improvement Program loan funds to correct code violations on the interior of the building in tandem with your façade improvements.

The Program Guidelines say that I have to comply with “Prevailing Wage” laws if I receive a loan under this Program. What does that mean? All construction projects that receive public funds are required to pay “prevailing wages” as determined by the California State Department of Industrial Relations. If you participate in the loan program, it will be your responsibility to ensure that the improvements are in compliance with the Public Works/Prevailing Wage Law. For more information, visit <http://www.dir.ca.gov/dlse/dlsePublicWorks.html>.