

## FREQUENTLY ASKED QUESTIONS (FAQ)

### About the Downtown Tenant 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?** Yes, but there is a one-year payment deferral from the start of the loan term, and the interest rate is 0%. Following the deferral period, you pay back the amount that you borrowed in equal monthly payments over the course of the remaining loan period. Loan periods for the Program are 3-10 years and will be determined by the City's Department of Economic Development and Housing as part of the loan underwriting process.

**How is my loan amount calculated?** The loan amount you can receive is the *lesser* of 75% of the Total Project Cost (TPC) or \$50,000. The TPC is the total of all eligible hard (construction) and soft (non-construction, such as architectural and permit fees) costs for the tenant improvement project. Only expenses related directly to the tenant 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.

**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 tenant 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 only if you have a lease or leasing commitment with an eligible tenant that intends to move into the space before the loan is funded.

**I'm a tenant. May I apply for the Program?** Yes, 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 3 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 planning approvals and a building permit for my project, since I'm getting the loan through the City's Redevelopment Agency?** Yes, the tenant 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.

**Can I apply for loan funds for tenant improvements for an existing tenant of an eligible business type?** Yes, as long as the improvements will provide for the expansion or significant improvement of that business’ operations in that space.

**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?** Yes, code violation corrections are eligible improvements under the loan program.

**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>.