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Staff Report

RDA ITEM 14

To: Lemoore Redevelopment Agency Board
From: Judy Holwell, Redevelopment Project Manager
Date: January 22, 2011
Subject: RDA – Commercial Façade Improvement Program

Discussion

On January 18, the Board was asked to consider changes to our Redevelopment Agency (RDA) Commercial Façade Improvement Program. To summarize, an additional \$3,000 was proposed for each project so that the applicant could hire a licensed architect. The benefit of enlisting the expertise of an architect is to obtain better facade designs (requiring less time for Site Plan Review) and to provide oversight of the project throughout construction (making sure the job gets done right). Additionally, the proposed changes suggested that if an architect is used, the applicant could select any contractor whose bid is within 10% of the lowest bid. Lastly, staff suggested that the RDA pay the City for any Review Fee associated with the façade improvement. (Staff Report dated January 11, 2011 attached).

Our current guidelines require the applicants to pay their 25% match first. Applicants must submit proof of match payment prior to any RDA payment. After the match is paid, RDA pays its portion as the invoices become due, up to the maximum allowed, retaining 10% until the job is complete and the building department issues a notice of completion. Any overages are the applicants' responsibility.

The Board requested that staff bring this item back for further discussion regarding the following items:

- 1) If the applicant chooses not to use an architect, our current guidelines would be followed. The applicant would pay their 25% match prior to any RDA expenditures.
- 2) If the applicant enlists the expertise of a licensed architect, an additional \$3,000 would be granted and a dual tracking system would be followed.
 - a. The applicant pays \$3,000 upfront into an escrow account, which would be applied toward the applicant's 25% match. The remainder of the 25% match, if any, would be paid prior to the RDA expending any funds.

- b. If the applicant chooses a contractor whose bid is within 10% of the lowest bid, then the applicant pays the \$3,000 upfront and continues to pay for all improvements until the job is complete. After completion, the applicant is reimbursed the amount of the RDA's agreed upon portion.
- 3) Consider reducing the match from 25% to some lesser percentage or eliminate the match altogether. In any case, \$3,000 would be paid up front until the job is complete to account for any overages. Any remaining amount would be reimbursed upon completion.
- 4) Have controls in place to protect against fraud.

After reviewing the above options, staff is concerned that requiring the applicant to pay any amount up front when enlisting an architect would actually discourage the applicant from using an architect. Because the purpose for promoting the use of an architect is to create better looking storefronts in our community and reducing staff time during the review process and throughout construction, staff recommends not requiring the upfront payment.

The Board also requested that several match percentage options be analyzed. The following examples show a variety of percentage options and how paying prevailing wages effects the cost of a project due to the State of California prevailing wage (PW) requirement. All scenarios below assume a 30% increase due to prevailing wage requirement when RDA funds are utilized.

For a \$100,000 project – PW is approx. \$23,077 – Project cost w/o PW = \$76,923

- At 25% Match – RDA pays \$75,000 – Applicant pays \$25,000
- At 20% Match – RDA pays \$80,000 – Applicant pays \$20,000
- At 15% Match – RDA pays \$85,000 – Applicant pays \$15,000
- At 10% Match – RDA pays \$90,000 – Applicant pays \$10,000

For a \$75,000 project – PW is approx. \$17,308 – Project cost w/o PW = \$57,692

- At 25% Match – RDA pays \$56,250 – Applicant pays \$18,750
- At 20% Match – RDA pays \$60,000 – Applicant pays \$15,000
- At 15% Match – RDA pays \$63,750 – Applicant pays \$11,250
- At 10% Match – RDA pays \$67,500 – Applicant pays \$ 7,500

For a \$50,000 project – PW is approx. \$11,538 – Project cost w/o PW = \$38,462

- At 25% Match – RDA pays \$37,500 – Applicant pays \$12,500
- At 20% Match – RDA pays \$40,000 – Applicant pays \$10,000
- At 15% Match – RDA pays \$42,500 – Applicant pays \$ 7,500
- At 10% Match – RDA pays \$45,000 – Applicant pays \$ 5,000

For a \$25,000 project – PW is approx. \$5,770 – Project cost w/o PW = \$19,230

- At 25% Match – RDA pays \$18,750 – Applicant pays \$ 6,250
- At 20% Match – RDA pays \$20,000 – Applicant pays \$ 5,000
- At 15% Match – RDA pays \$21,250 – Applicant pays \$ 3,750
- At 10% Match – RDA pays \$22,500 – Applicant pays \$ 2,500

The Board also asked staff to check into the amount of additional property tax gained from the prior RDA assisted façade improvement projects. Staff contacted the Kings County Assessor's Office and found that these type of improvements are considered normal maintenance and therefore will not normally trigger an increase in assessed value.

Again, changes to this program are recommended as a means to encourage business and/or property owners to remove existing blight by improving their storefronts. Benefits to our community include:

- ♦ Blight reduction
- ♦ Beautification of our City
- ♦ A catalyst for other property owners to improve their storefronts
- ♦ The potential for increased sales tax revenue for the City
- ♦ The potential for additional jobs as businesses become more successful

Budget Impact

None. The \$3,000 increase in assistance to projects utilizing the design services of an architect will be paid out of the existing RDA Budget for the Façade Program.

Recommendation

That the Agency Board determine the level of applicant match and approve some or all of the revisions to the Commercial Façade Improvement Program as outlined above.