



# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Alexa Jeffress  
Director, Department of  
Economic and Workforce  
Development

**SUBJECT:** Façade and Tenant Improvement  
Program Modifications

**DATE:** May 11, 2022

City Administrator Approval

Date:

May 25, 2022

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution:**

**Authorizing The City Administrator To Amend The Facade Improvement Program And Tenant Improvement Program To: 1) Expand The Program Eligibility Citywide With A Priority Focus On Priority Underinvested Commercial Corridors; 2) Waive Matching Grant Requirements For Grants Up To \$25,000; 3) Allow Staggered Reimbursements Of Project Costs; 4) Include Retail Cannabis Businesses As An Eligible Business Type; 5) Allow Physical Upgrades Associated With Outdoor Dining In Conjunction With Flex Street Program Permitting; And 6) Allow Window Repair From Vandalism Up To \$2,500 As An Eligible Program Expense.**

## **EXECUTIVE SUMMARY**

The Façade and Tenant Improvement Programs (FIP/TIP) have been an economic development tool for eligible Oakland business and property owners since 1997. Due to historic funding sources, implementation has been based on Redevelopment Project Areas and Community Development Block Grant (CDBG) eligible census tracts, limiting grants to certain areas in Oakland. While the program has succeeded in supporting blight abatement and property investment in these areas, particularly Downtown Oakland, businesses in East Oakland and other communities have faced barriers in accessing the program. Economic and Workforce Development Department (EWDD) staff completed an equity analysis of the program and are proposing program modifications to remove these barriers and facilitate equitable access to FIP/TIP funding for small businesses and property owners.

The proposed resolution would grant authority to the City Administrator to amend The FIP/TIP program to: 1) expand the program eligibility Citywide with a priority focus on underinvested commercial corridors; 2) waive matching grant requirements for grants up to \$25,000; 3) allow staggered reimbursements of project costs; 4) include retail cannabis businesses as an eligible

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business type; 5) allow construction upgrades associated with outdoor dining in conjunction with flex street program permitting; and 6) allow window repair from vandalism up to \$2,500 as an eligible program expense.

## **BACKGROUND / LEGISLATIVE HISTORY**

### *Legislative History*

On September 30, 1997, pursuant to Resolution No. 73818 C.M.S., the City Council approved the Commercial Property Facade Improvement Program (FIP) as part of the Neighborhood Commercial Revitalization Program. The FIP was directed to target areas in the City's Community Development Districts since program funding was primarily from the Community Development Block Grant (CDBG) Program.

Since the inception of the Program in 1997, it has expanded to the downtown and other Redevelopment project areas. In 1999, the Redevelopment Agency saw a need to revitalize and rehabilitate commercial buildings in the Central District Redevelopment Project Area (Central District) and adopted the FIP for the Central District under Agency Resolution No. 99-37 C.M.S. In September 2003, the Redevelopment Agency adopted the Downtown Tenant Improvement Program (TIP) under Agency Resolution No. 2003-69 C.M.S. Later, other Redevelopment Project Areas also adopted these Programs, including the Broadway/MacArthur/San Pablo Redevelopment Project Area, pursuant to Agency Resolution Nos. 02-91 C.M.S. (FIP) and 2006-0004 C.M.S. (TIP); Central City East Redevelopment Project Area, pursuant to Agency Resolution Nos. 2005-0005 C.M.S. (FIP) and 2005-0006 C.M.S. (TIP); the West Oakland Redevelopment Project Area, pursuant to Agency Resolution Nos. 2006-0001 C.M.S. (FIP) and 2006-0003 C.M.S. and the Coliseum Redevelopment Project Area, pursuant to Agency Resolution Nos. 2007- 0042 C.M.S. (FIP) and 2007-0043 C.M.S. (TIP).

### *Façade and Tenant Improvement Program as an Economic Development Tool*

For many years, FIP/TIP grants were the primary form of direct financial assistance that the City provided to businesses and property owners to support blight elimination and investment in targeted areas. The program provides matching grants to commercial property owners and businesses for qualified façade and tenant improvement expenses. The program also provides architectural design services for those applicants who cannot afford an architect of their own. Under these grants, the grantees bear the project costs and are reimbursed for eligible expenses once the project is complete. See existing program guidelines<sup>1</sup> for details.

Since the program start, staff estimate that over 1,000 businesses and commercial property owners have received design services and/or a FIP/TIP grant in the range of \$5,000 (for those who just received design services) to \$75,000, with an average grant amount of approximately \$23,000, mostly in the Central District and Downtown areas. This level of investment in individual properties, clustered primarily in a single neighborhood, had a significant impact.

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<sup>1</sup> <https://cao-94612.s3.amazonaws.com/documents/Facade-and-Tenant-Improvement-Program-Description.pdf>

Historically funded through both Redevelopment funding and CDBG, the program has been spending down allocated funds and has exhausted the CDBG funding sources, leaving Redevelopment Agency Bond funds as the primary program funding source, which limits their geographic distribution.

In Fiscal Year (FY) 2021-22, as part of the biennial budget adoption process, City Council authorized \$300,000 in General Purpose Fund (GPF) support through [Resolution 88717 C.M.S.](#) to support small, disadvantaged businesses with façade and Flex Street Program<sup>2</sup> assistance in East Oakland, West Oakland, Fruitvale, Chinatown, Little Saigon/Eastlake, Dimond, Laurel and Fairfax commercial neighborhoods.

In 2021, staff completed an equity analysis identifying FIP/TIP program modifications that would remove access barriers and increase program participation for businesses in these targeted areas. The recommended FIP/TIP program changes in this action would allow staff to move forward with expending the additional \$300,000 in GPF funding and fulfill the City Council's intent of providing additional support to disadvantaged businesses in these areas.

## **ANALYSIS AND POLICY ALTERNATIVES**

Staff recommends that the FIP/TIP program be modified and expanded to remove barriers to access, increase program participation in priority neighborhoods, and support equity outcomes. Over the 25-year program history, significant resources have been allocated to the FIP/TIP with a majority of impact and program participation in Downtown Oakland. After evaluating the equity barriers in the program design, modifications to the program are recommended to address racial disparities, build more wealth in low-income neighborhoods and support entrepreneurs in underinvested commercial neighborhoods throughout Oakland. The below program modifications represent changes that would support these goals. Approval of the requested action advances the Citywide priority of **economic and cultural security**.

### *Program Modifications - Equity Analysis*

The overwhelming majority of previous FIP/TIP grants went to businesses in the Downtown area, where they helped to accelerate the transformation of the downtown built environment, create an active nightlife, and support an increase in property values. A 2019 analysis by staff in collaboration with UC Berkeley graduate students and local nonprofit, Just Cities, estimated that the Downtown area contains 32% of businesses located in Oakland's commercial and industrial corridors, but received 86% of FIP/TIP funding. No information was collected on the race, ethnicity, or gender of grant recipients at the time of the study. **Table 1** below shows the breakdown of the FIP/TIP grants by funding amount and area:

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<sup>2</sup> <https://www.oaklandca.gov/flexstreets>

**Table 1: Geographic Distribution of FIP/TIP Funding 2005-2019**

Façade and Tenant Improvement Grants (includes CDBG)			
Area	Total Grants	Total Funding	Program Years
East Oakland - Central City East and Coliseum	62	\$ 2,028,431	2005-2019
Downtown	789	\$ 17,450,000	2003-2019
West	49	\$ 1,577,732	2005-2015
Broadway/MacArthur/San Pablo	20	\$1,100,000	2015-2019

Staff attributes this geographic disparity to several causes, including the level of demand from local businesses and property owners for grants, available funding through Redevelopment bonds, and the design guidelines for the program. All work funded by the FIP/TIP must adhere to the City's Small Project Design Guidelines to ensure that FIP/TIP projects are in line with the City of Oakland's aesthetic goals for commercial properties and preservation of historic property.

In EWDD's FIP/TIP Race & Equity Analysis, staff determined that the desired equitable outcomes for FIP/TIP grants should be to support more low-income entrepreneurs in priority neighborhoods to access resources to improve their storefronts. To achieve this equity goal, staff recommend the following modifications to the FIP/TIP program:

**1) Expansion of eligibility to retail corridors Citywide with a priority focus on underinvested commercial neighborhoods.**

The existing FIP/TIP program is geographically based and tied to Redevelopment Project Area boundaries<sup>3</sup> and available funding. This limits program participation, since Redevelopment bond funding can only be spent in the Redevelopment Project Areas. As of the writing of this report Redevelopment bond funding is available in the following three project areas: \$1,500,000 dedicated to Central District Project Area, \$900,000 to the Coliseum Area, and \$640,000 to the Central City East District Area. Unlike Redevelopment Bond Funds, General Purpose Funds (GPF) are not similarly restricted and may be used for programming throughout the City.

In June 2021, as part of the FY 2021-2023 Biennial Budget, Council authorized \$300,000 of FY 2021-2022 GPF resources to support small, disadvantaged business which could be applied in areas outside of Redevelopment Project Areas. To implement this Council direction, the FIP/TIP program eligibility areas should be expanded to cover the City's commercial corridors beyond the Redevelopment project area boundaries with a priority focus on underinvested commercial neighborhoods. This could be accomplished with a Notice of Funding Availability application period that establishes scoring prioritization of applications within targeted commercial neighborhoods, with a focus on East Oakland, West Oakland, Fruitvale, Chinatown, Little Saigon/Eastlake, Dimond, Laurel and Fairfax commercial neighborhoods, per Council direction. Staff will analyze racial and income demographics for these priority neighborhoods to target funds to areas with lower-income levels and higher Black and Indigenous People of Color (BIPOC) populations, as identified by the Oakland Department of Transportation (OakDOT)

<sup>3</sup> <https://www.oaklandca.gov/topics/archive-page-for-former-oakland-Redevelopment-agency>

Equity Toolbox.<sup>4</sup> In addition to location, priority scoring could be established for existing businesses who provide needed goods and services to these neighborhoods.

## **2) Elimination of matching requirements up to \$25,000**

As part of feedback from businesses during staff outreach, along with a survey of business owners along Macarthur Boulevard and International Boulevard in East Oakland, staff found that many businesses would be interested in the FIP/TIP program if the dollar for dollar match requirement was removed. It is recommended that the program eliminate matching funds up to \$25,000, creating a multi-tier program. Larger projects exceeding \$25,000 would trigger the matching fund requirements dollar for dollar beyond \$25,000. In addition, while the façade improvement program is available to any businesses or property owner, the tenant improvement program is currently only available for vacant storefronts. To expand resources for businesses already in operation, staff also recommends that the program be modified so that existing businesses are eligible for tenant improvement projects less than \$25,000.

## **3) Allow staggered reimbursement for projects**

Program participation has been hindered by the City reimbursement process that requires a business or property owner to pay for all project costs upfront and be reimbursed once the project is completed. This issue was identified and remedied as part of the Bus Rapid Transit (BRT) Business Assistance Fund (BAF) façade grant program, and a staggered payment schedule was developed to eliminate significant upfront capital outlay from grantees. Applying a similar staggered payment schedule to the FIP/TIP program would allow phased payments with supporting documentation at project milestones, providing greater project cash flow flexibility for grantees. A grantee would have the option of the standard reimbursement or a staggered reimbursement based on their needs.

## **4) Include retail cannabis businesses as an eligible business type**

Since the FIP/TIP program was created over 25 years ago, it did not contemplate cannabis businesses as an eligible business type. It is recommended that the FIP/TIP include retail cannabis businesses as an eligible business type for program participation.

## **5) Physical upgrades associated with outdoor dining in conjunction with Flex Street Program participation**

As part of the Flex Street Program analysis, staff identified the need for funding support for small businesses in neighborhoods outside of Downtown, including East and West Oakland. Since the FIP/TIP is the City's primary program with direct financial support to small businesses, it is recommended that physical upgrades for outdoor dining in conjunction with the Flex Street Program be added as an eligible FIP/TIP improvement. This would allow streamlined implementation of Flex Street funding support as the program framework has been established and would include similar legal agreements and documentation.

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<sup>4</sup> <https://www.oaklandca.gov/resources/oakdot-geographic-equity-toolbox>

**6) One-time window repair from vandalism up to \$2,500.**

Over the past three years, an uptick in vandalism of commercial business windows has occurred and some small businesses have had to replace vandalized windows multiple times. Staff has identified the FIP/TIP as a support program for commercial businesses owners experiencing window vandalism. It is recommended that businesses be eligible for a one-time window repair from vandalism up to \$2,500.

**FISCAL IMPACT**

For the FIP/TIP program, there is approximately \$1,500,000 dedicated to the Central District Project Area, \$900,000 in the Coliseum Area, \$640,000 in the Central City East District. In June 2021, Council authorized supporting small business and FY21/22 general funding resources of \$300,000 for small, disadvantaged business. This proposal recommends using these General Funds, currently budgeted in General Fund (1010), Economic Development Organization (85411), Contract Contingencies Account (54011), Small Business Assistance/FIP/TIP Project (1006027), Business Creation, Attraction, Retention, & Expansion Program (SC11), to expand the FIP/TIP program eligibility areas to cover the City's commercial corridors beyond the Redevelopment project area boundaries with a priority focus on underinvested commercial neighborhoods. The Redevelopment Bond funds are one-time money that will continue to draw down until the funding is fully committed. Expansion of the FIP/TIP program eligibility areas would allow a diversity of funds to support the economic development tool.

**PUBLIC OUTREACH / INTEREST**

As part of program management, staff has been tracking questions and feedback from participants and non-participants who expressed interest in the program. Outreach was also conducted with businesses along targeted commercial corridors in East Oakland on MacArthur and International Boulevard looking for program design feedback. Staff has also been in contact with Business Improvement Districts (BIDs) and community organizations to share information about and solicit feedback on proposed program modifications.

If approved by City Council, staff would establish a program implementation plan that would include revised program materials, the equity scoring criteria, FIP/TIP application period, program outreach plan to the business community through our business networks including our newsletter, website, and community partners, and translation of materials.

**COORDINATION**

EWDD coordinated with the Department of Race and Equity for program modifications, and the Office of the City Attorney for form and legality.

## **SUSTAINABLE OPPORTUNITIES**

***Economic:*** Equitable small business support is a core function of EWDD and the FIP/TIP program is a direct financial assistance program that was created to eliminate blight and spur investment and job opportunities into disadvantaged commercial neighborhoods. The proposed program modifications are intended to increase program access and participation in underinvested commercial neighborhoods which could help achieve equity outcome goals of wealth building and support of low-income entrepreneurs to open businesses, increasing the City's economic vibrancy and creating new job opportunities.

***Environmental:*** Support of FIP/TIP Program modifications will increase small business opportunity which would provide needed goods and services in disadvantaged commercial neighborhoods. With additional small businesses located in neighborhoods, reductions in travel could be an outcome that would reduce greenhouse gas emissions and provide local employment.

***Race and Equity:*** The proposed modifications to the FIP/TIP advances racial equity by removing the identified barriers for program participation. Priority would focus on commercial neighborhoods in East Oakland, West Oakland, Fruitvale, Chinatown, Little Saigon/Eastlake, Diamond, Laurel and Fairfax. Staff will analyze racial and income demographics for these priority neighborhoods to target funds to areas with lower-income levels and higher BIPOC-populations, as identified by the OakDOT Equity Toolbox, with the goal of building more wealth in low-income neighborhoods and supporting entrepreneurs in underinvested commercial neighborhoods throughout Oakland.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution:

Authorizing the City Administrator to amend The Facade Improvement Program And Tenant Improvement Program to: 1) expand the program eligibility Citywide with a priority focus on disadvantaged commercial corridors; 2) waive matching grant requirements for grants up to \$25,000; 3) allow staggered reimbursements of project costs; 4) include retail cannabis businesses as an eligible business type; 5) allow construction upgrades associated with outdoor dining in conjunction with flex street program permitting; and 6) allow window repair from vandalism up to \$2,500 as an eligible program expense.

For questions regarding this report, please contact Micah Hinkle, EWDD Deputy Director, at (510) 917-9473.

Respectfully submitted,



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