



Staff Report

TO: City Council
FROM: Joel Belding, Economic Development Manager
DATE: October 1, 2024
SUBJECT: Business Incentive Program Update

Description Update on Business Incentive Program use and proposal of new incentives.

Background and Analysis:

This report provides a summary of the Downtown Incentive Program (Program) utilization and a recommendation for new incentives for business establishment, expansion, or retention and for residential front yard improvements.

At its December 6, 2022, the City Council approved the Downtown Business Incentive Program, with an initial funding allocation of \$500,000. A second allocation of \$500,000 was made as a part of the 2023-2024 budget process. The following is an update on the overall usage of the Incentive Program and a proposed new incentive to assist with business establishment and expansion.

The current suite of business incentives include:

- The Business Attraction and Expansion Loan Program: a forgivable loan program with a maximum funding amount of \$50,000.
- Façade Improvement Program: A 1:1 matching program to assist with aesthetic improvements to businesses, with a maximum funding amount of \$50,000.
- Fire Sprinkler Installation Program: a 1:1 matching program to assist with the installation of fire sprinklers in commercial buildings, with a maximum funding amount of \$50,000.
- Grease Interceptor Program: a 1:1 matching program to assist with the installation of a grease interceptor for existing and new restaurant in commercial buildings, with a maximum funding amount of \$15,000.
- Downtown Fee Waiver Program: A program waiver of certain City fees related to proposal reviews and building investigations.
- Sewer Connection Fee Waiver Program: A two-year fee deferral to assist with new development.

These incentives are on the City's website at <https://beaumontcabusiness.gov/>, the City's social media accounts, through the Chamber of Commerce direct engagement with existing and prospective businesses and on two billboards on the 10 Freeway. The City receives a few calls per week from interested individuals, but very few initial calls translate to application submittals.

To date, the City has received 28 applications for the incentive programs:

- 5 for the Business and Attraction Loan Program
- 11 for the Façade Improvement Grant Program
- 2 for fee waivers
- 7 for the Grease Interceptor Grant Program

Of these applications, only three (3) have been funded, all for grease interceptors, with three (3) others in various stages of development of the funding agreements in preparations for City Council consideration.

Of the original \$1 million allocated to the Business Incentive Programs, \$34,675 has been spent on funding to date, with \$92,368 in active funding requests. This allocation also provided \$230,175.49 in funding for costs associated with Beaumont Nights, leaving \$651,132.51 of available funding.

Proposed Business Incentive

In the interest of increasing the options available to the City and to existing and future businesses, staff proposes to add one more incentive program, which would be focused on the jobs created by a new business or expansion of existing business. There may be sites that do not require any of the existing incentives focused on construction related activities or where the owner is incapable of seeking the City's new business grant incentive. This new incentive would create a more direct incentive focused on the employees of the business, providing funding to businesses that are creating jobs in certain sectors identified in the City's Economic Development Strategic Plan as being key to the City's economic success. The incentive program would utilize a forgivable loan as the funding mechanism, with a minimum one-year commitment to retain and staff the created jobs.

Key Features:

- *Eligibility:* To qualify, businesses must be located in Beaumont or, for a new business, provide a lease or purchase agreement for a location in the city, not have any outstanding debts or code violations, possess a valid business license, and provide necessary documentation, including a business plan and liability insurance.

- *Loan Forgiveness:* The program operates as an interest-free loan that can be fully forgiven if the new full-time equivalent position is maintained for at least one year.
- *Application Process:* Businesses must submit a pre-application, which will be reviewed and possibly entered into a lottery for full application consideration. Only one application is permitted per business, and previous participants in other city programs within the last year are ineligible. Because of the potential for a large number of applicants for this program and to keep the awarding of the funding objective, staff proposes a lottery system for those applicants that successfully complete the program application in a six-month application cycle or once the city has received ten applications, whichever occurs first.
- *Job Creation Requirement:* The program defines a "job created" as a permanent full-time position (40 hours per week), with certain conditions for part-time and seasonal roles.
- *Ineligible Businesses:* Several types of businesses are excluded from the program, including home-based businesses, national chains (not locally franchised), adult-oriented businesses, and those engaged in illegal activities.
- *Program Evaluation:* Applications will be scored based on criteria such as the number of jobs created, the quality of the business plan, and the impact on the local economy. A minimum score is required for approval.
- *Reporting and Compliance:* Participants must submit monthly payroll reports and a close-out report at the end of the funding period to verify compliance with program requirements.

The incentive program would prioritize the hiring of Beaumont residents, veterans, high wage employees, jobs within targeted industry sectors, as well as factor in the overall economic and/or social benefit of these jobs. A detailed business plan would be required to justify the City's expenditure of funds and to confirm the viability of the business.

The projected grant amount per employee is proposed to be \$20,000. For new or expanding businesses, the grant recipient would guarantee the creation of new jobs one year of the grant disbursement. For existing businesses, a guarantee by the business owner to retain this job for a period of no less than one year, would be required. These requirements would be documented in the Program Agreement and failure to meet these terms could subject the loan recipient to repayment requirements.

The program would require City Council consideration for each application and would require a Program Agreement to document and guarantee compliance with the particular elements of an applicant's funding agreement.

While the existing suite of incentives is focused on the downtown area, this program could be available citywide for high priority business attraction or retention, should the City Council direct this.

Residential Front Yard Beautification Grant

While the City offers a suite of incentives for downtown businesses, there are residential properties mixed in with the commercial uses and their appearance is just as important to the overall character of the area in terms of first impressions for visitors and prospective businesses. The City Council could expand its incentive offerings to include these residences with a grant to fund new front yard clean up and landscaping. A grant of approximately \$1,500-\$2,000 for a typical residential front yard would be adequate to provide new drought tolerant landscaping and ground cover for a typical residential front yard. This funding could be provided as a reimbursement, with receipts for the purchases and an inspection to confirm that all plants and materials were installed. In instances of economic hardship, the City could arrange a direct payment(s) to vendors for the plants and materials, with a commitment from the property owner to complete installation within a specified timeframe. The funding could also involve a pledge from the property owner to maintain the plants and materials for a period of three to five years, including replacing plants that died during this period.

Should the City Council approve these new incentives, staff will fully develop program parameters, application forms, and associated agreements. Additionally, there is no new financial impact to the City from either of these incentive concepts. Funding for any approved applications would be from the existing Business Incentive Program Account 100-1235-7096-0000.

Staff will continue to evaluate methods to expand awareness of the Incentive Program with existing and prospective businesses, and expand the incentives offered to ensure the funding allocated by the City Council is being utilized by the business community and maximizing the benefit to the City.

Fiscal Impact:

The estimated cost to prepare this report is \$300.

Recommended Action:

Authorize the City Manager to develop and implement the Job Creation and Retention Incentive Program. Provide additional direction to staff on the Business Incentive programs, as appropriate.

Attachments:

A. Business Grant Incentive