



# STAFF REPORT

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**Meeting Type:** Sandy Urban Renewal Board meeting  
**Meeting Date:** August 7<sup>th</sup>, 2023  
**From:** David Snider, Economic Development Manager  
**Subject:** 2023 Changes to SURA Grant Programs

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## **DECISION TO BE MADE:**

Whether to approve the following suggested changes to the Façade Improvement and Tenant Improvement grant programs

## **BACKGROUND / CONTEXT:**

It has now been three years since the SURA Board has reviewed and made any substantive changes to the City's grant programs, when the board opened the Tenant Improvement grant program up to participation by childcare businesses in July of 2020. As we currently have few urban renewal grant projects in progress at the moment, staff thought this biennial break would be a convenient time to provide some needed updates to the language of our urban renewal-based grant programs to achieve the following goals:

- Removing errors and improving the clarity of program language.
- Incorporating best practices.
- Standardization of our primary urban renewal grant programs (Façade, TI) by incorporating matching language and conditions where possible.
- Making programmatic changes based on changing market conditions.
- Altering the application process to reflect programmatic changes as requested by the Urban Renewal Board.

The proposed new versions of the program guidelines for both programs showing all of the proposed changes (entitled "Proposed - Façade Improvement Grant Program Guidelines" & "Proposed - Tenant Improvement Grant Program Guidelines") are attached to this staff report for your reference and convenience.

The City of Sandy Façade Improvement Program was enacted in 2008. In the last fifteen years, this grant program has seen steadily increasing usage with local property owners looking to update the look of their buildings. This in turn has improved the overall aesthetic of downtown Sandy and has helped to bring new infill development to the community. Proposed changes to strengthen the City of Sandy Façade Improvement program are listed in the following section (**new language in red**):

## KEY CONSIDERATIONS / ANALYSIS:

### Façade Improvement grant program:

- **Add to III. Eligibility** – a third bullet point to read: “Newly constructed buildings are generally not eligible for the Façade Improvement Program, with the following exceptions:
  - Childcare businesses (daycares, preschools) -- applicants shall provide a copy of a signed lease agreement with the business operator leasing the space (minimum 1-year lease) prior to receiving Façade grant reimbursement.
  - Redeveloped properties (i.e., Where the primary structure is demolished, and a new structure is built in its place)
  - Rationale: Now that we have reasonable interest in C-1 infill properties, staff believes that offering Façade grant benefits to new construction as an incentive for most business types is no longer necessary. We should only offer this for business types we want to heavily incentivize going forward, like childcare businesses. The City should continue to offer but not advertise TI and Public Infrastructure grants to new construction as conditions warrant.
- **Add to III. Eligibility** – Add a fourth bullet point to read: “Food carts and other non-permanent structures are not eligible for the Façade Improvement Program.”
  - Rationale: Food carts are not eligible for this program, but this question has been asked of staff a number of times over the years. Staff suggests adding this exclusion simply to clarify our policy.
- **Modify IV. Eligible Improvements, #7** to read “Removal, ~~replacement~~ or repair of exterior wall, freestanding or projecting signs.” Eliminate the word “replacement”
  - Rationale: It is staff’s understanding that this program was not intended by the Urban Renewal Board to reimburse for the replacement of signage as signs are an advertising expense. Repairing physical damage and adding or replacing stone wrap at the base of freestanding signs as a Sandy-style element are the only sign-related expenses that are currently eligible for reimbursement.
- **Replace entire section - VI. Application Process**: See replacement section entitled “Application Process -- Replacement for both grant programs” at the end of this report.
- **Modify VII. General Conditions, #2** to read: “Funding is limited to one façade grant per property per year. No grant recipient may receive more than two (2) total façade grants within a five (5) year period.”
  - Rationale: Best practices & making grant programs language match. This item is under the Eligibility section in the Tenant Improvement program and allows no more than \$60,000 in grant funding (i.e. 2 maximum grants) every 5 years. Staff believes that this program limitation is beneficial to the City, and that similar language should appear in both programs.
- **Add to VII. General Conditions, #7** to read: “All construction contractors shall have a valid contractor’s license in the State of Oregon and a City of Sandy Business License in good standing. Applicants may not be the contractor on their own project, regardless of contractor status. Any work not completed by licensed contractors is not eligible for reimbursement.”
  - Rationale: Best practices & making grant program language match. Staff would like to exclude applicants who are licensed contractors from working on their own projects because there is no way to audit that work (e.g., number of hours worked, proper basis for reimbursement, etc.) Staff would also like to avoid situations where business owners are doing their own work – our preference is that any project work involving City funds be done by licensed and bonded contractors to ensure that the work is done correctly

- and properly covered in the event of error or accident. This item is from the TI grant program (VII. General Conditions (10))
- **Modify VII. General Conditions, #8** to read: “Projects are required to be completed within one (1) year of the date of the grant approval. ~~If the project timeline extends beyond one (1) year the grant applicant shall request an extension from the Planning Director.~~ **Any project items not completed more than one (1) year from the contract date may not be eligible for reimbursement. Applicants that do not complete the scope of work identified in the Grant Agreement within one year will not be eligible to receive another Façade Improvement Grant for five (5) years.”**
    - Rationale: Best practices & making grant program language match. This item is from the General Conditions section of the Tenant Improvement Program. We have had several Façade projects that have dragged out for 2+ years recently – this is not necessary and consumes an abundance of staff time. We wish to eliminate the possibility of this happening in the future.
  - **Modify VII. General Conditions, #10** to read “All façade project work must pass final inspection applicable to the façade work **and all contractors must be paid in full for their services** prior to final payment of grant funds to applicant.”
    - Rationale: Best practices - If the applicant fails to pay his/her contractors, we have no leverage to address the situation once the applicant is paid, and we would prefer to avoid getting involved in contractor payment disputes.
  - **Delete VIII. Review Process, A.** – No longer needed due to the modification to “VIII. Review Process, B.” listed below.
  - **Modify VIII. Review Process, B.** to read: “Grant applications for **all** projects ~~with a total cost greater than \$50,000 or a request for an exception as specified in Section XII~~ require review and approval by the ~~Grant Review Board~~ **Sandy Urban Renewal Agency Board.**”
    - Rationale: This program change was directly requested by the Urban Renewal Board.
  - **Modify X. Reimbursement Procedure, #C** to read: “Detailed written invoice(s) or itemized receipts and proof of payment (i.e., cancelled checks) shall be provided with all reimbursement requests. **All contractors must be paid in full before applicant may receive reimbursement.**”
    - Rationale: To reflect modification made in VII. General Conditions, #10 above.
  - **Delete XI. Grant Review Board** – This section is no longer necessary due to the changes suggested in **Section VIII. Review Process** above.

As the Tenant Improvement grant program is a newer program (established in 2016), there are fewer updates needed overall and most of the suggested changes are minor. The proposed changes to the Tenant Improvement program are listed in the following section:

### **Tenant Improvement grant program:**

- **Change III. Eligibility, #5.** “No grant recipient may receive more than ~~\$60,000~~ in **two (2)** Tenant Improvement grants within a five (5) year period.
  - Rationale: To provide identical program language for matching sections of the Façade and TI grant programs.
- **Change IV. Eligible Improvements,** “For restaurants that are moving into a previously existing building, the following expenses are eligible for matching funds **(the first ten (10) eligible expenses listed below are restricted to customer-facing areas only.)**”
  - Rationale: Staff believes that the intent of the SURA Board here was to make improvements to customer-facing areas to improve the customer experience, not to

assist applicants with the basic maintenance of their building. Making this rule change should eliminate most basic maintenance project requests.

- **Change IV.** Eligible Improvements, #5 under childcare businesses to “Adding an ADA-compliant a public restroom.”
  - Rationale: For clarity only. Our grant programs always support ADA improvements, and any new restroom in a commercial building would be required by state and federal code to be fully ADA compliant.
- **Replace entire section - VI.** Application Process: See replacement section entitled “**Application Process -- Replacement for both grant programs**” at the end of this report.
- **Change IX.** Reimbursement Procedure, #4 to read “Applicants may not be the contractor on their own project, regardless of contractor status. Any work not completed by licensed contractors is not eligible for reimbursement.”
  - Rationale: Best practices & making grant program language match. Staff would like to exclude applicants who are licensed contractors from working on their own projects because there is no way to audit that work (e.g., number of hours worked, proper basis for reimbursement, etc.) Staff would also like to avoid situations where business owners are doing their own work – our preference is that any project work involving City funds be done by licensed and bonded contractors to ensure that the work is done correctly and properly covered in the event of error or accident.

The final proposed change to these grant programs is to update the entire Application Process section in both programs for the purpose of a) standardizing the language between programs, b) altering the application process to incorporate some of the changes listed above, c) correcting a few small errors in the existing language, and d) adding additional detail to the written process for the benefit of the applicant.

Staff proposes that the following section entitled “**Application Process – Replacement for both grant programs**” replace “Section VI. Application Process” in its entirety in both the Façade Improvement Program Guidelines and the Tenant Improvement Program Guidelines:

### **Application Process – Replacement for both grant programs:**

The application process includes the following steps:

1. Applicant to review Design Standards in Chapter 17.90 of the Sandy Municipal Code.
2. Applicant fills out online Façade Improvement/Tenant Improvement Program Grant Application on the City of Sandy website. Application is routed to Economic Development Manager for initial review.
3. The Economic Development Manager schedules a Grant Application Meeting with the applicant to discuss the proposed improvement project. City staff will review grant application requirements and program rules with the applicant.
4. The Economic Development Manager will develop a scope of work for the proposed project and ask for a design review determination from the Planning Division. Applicant will also forward any plans, elevations, or other additional project documentation discussed during the Grant Application Meeting to the Economic Development Manager at this time.
  - a. Projects requiring design review as specified in Chapter 17.90 of the Sandy Municipal Code are required to complete the design review process before proceeding with project work. (Permits will not be issued until this process is completed.)

5. Staff will work with the SURA Chair to bring the project to a future Sandy Urban Renewal Agency board meeting for review. Staff will provide the board with a summary of the proposed project and a range for estimated project costs – if the winning bid for the project ends up being more than 10% of the estimated cost range, the project will be brought back before the SURA Board for additional review. Project review decisions are subject to the discretion of the Urban Renewal Board.
6. If approved by the SURA Board, applicant may then solicit bids for the project. Bids must be sent directly to the Economic Development Manager from the applicant – bids submitted by the applicant on behalf of the contractor will not be accepted. Projects that cost \$10,000 or more require the submittal of a minimum of three (3) bids. Projects that cost less than \$10,000 can be sole sourced. (On January 1, 2024, the threshold for requiring a competitive bidding process under Oregon law increases to \$25,000.)
7. Once the Economic Development Manager has received the minimum number of bids the project requires, they will:
  - a. Research all bidding firms for eligibility (CCB status).
  - b. Select the winning bidder and inform bidding firms of the bid results.
  - c. Use bid information to draft a standard Façade Improvement/Tenant Improvement grant reimbursement contract – contractor may not begin work until this contract is signed by both the applicant and the City.

#### **Additional Policy Question:**

As a conclusion to this report, there is one other policy question that staff would like to pose to the Board at this time.

Although this process change has not been formally included in the official program guidelines of any of our grant programs to date, the SURA Board did at one point request that staff include a provision with the Covered Structures program that an official cost estimate range be included with all future project reviews, and that those projects be brought back before the SURA Board if the winning bid ends up exceeding this estimate range by more than 10%. Staff followed this process for the second round of Covered Structure Program projects.

For future projects, a more effective way to use this provision might be to bring back projects that exceed the high estimate by a specific dollar amount (\$10,000) rather than a percentage. If the Board prefers, staff can add this provision to the Program Guidelines document for both grant programs discussed here. We would like to request the Board's direction on this matter.

#### **BUDGET IMPACT:**

The changes indicated above are mostly programmatic rule changes. The impact on the SURA budget as a result of adopting these changes should be negligible.

#### **RECOMMENDATION:**

Staff recommends that the SURA Board adopt the proposed changes, and provide direction to staff concerning the "Additional Policy Question"

#### **SUGGESTED MOTION LANGUAGE:**

“I move to adopt the changes to the Façade Improvement and Tenant Improvement grant programs as presented in the agenda packet.”

**LIST OF ATTACHMENTS / EXHIBITS:**

- Façade Improvement grant program guidelines – proposed
- Tenant Improvement grant program guidelines -- proposed