



# MIAMI BEACH

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## COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Commission Committee

FROM: Jorge M. Gonzalez, City Manager

DATE: April 27, 2011

SUBJECT: **Discussion regarding incentives for façade renovation in North Beach Commercial Corridors**

At the January 19, 2011 City Commission meeting, Commissioner Jonah Wolfson referred for discussion the concept of a storefront revitalization program.

### **BACKGROUND**

Façade renovation programs have been a successful revitalization tool used by many communities, including Miami Beach. The purpose of these programs is to provide financial assistance to property owners and business owners who are desirous of improving their building facades, business signage, awnings, and to correct any exterior code violations. When using any federal entitlement funds (such as Community Development Block Grants) for a façade revitalization program, those businesses that receive the funds are located in or serve the income-eligible areas and Community Development Block Grant (CDBG) Target Areas. The City did fund a façade revitalization program using CDBG funds. The program was last funded more than a decade ago in FY 1999/2000; in the past, CDBG funds were provided to both the Miami Beach Community Development Corporation and the North Beach Development Corporation for these façade improvement programs, with the City assuming some components of the program implementation (e.g. Davis Bacon reviews, etc.).

In the City's prior program, grants were generally provided as 50/50 matching grants and the funds were provided on a reimbursement basis. The Applicant had to agree to abide by all city, state and federal regulations, as well as all CDBG or other regulations required by the funding source.

### **ANALYSIS**

In researching options for the re-implementation of a façade revitalization program in the City, staff looked at the following program requirements in order to gauge what the scope of the program could be:

- *Funding*: how much funding would be available for the overall program and from what source would this funding be available; how much funding would be available to an individual recipient
- *Management of program*: would the program be managed in house or contracted out; if federal funds are used, monitoring for compliance with federal regulations is very important
- *Requirements for recipients*: who would be eligible recipients (tenants or landlords); what, if any, requirements would be imposed on any recipients, such as a match; what federal regulations and reporting would be required, if any, of recipients; what, if any, requirements for repayment would be required for recipients if they sell or otherwise vacate an improved storefront

- *Use of funds:* what types of improvements would we want made with any funds allocated and should priority be given to one particular area of the City or one particular type of facade

Funding:

The City's prior programs were funded with federal entitlement funds. The prior CDBG funding levels of the City's Façade Improvement Programs were as follows:

Year	TOTAL Entitlement Allocation to City	Amount	Percentage (of tot. alloc.)
1995/96	\$2,974,000	\$275,000	9
1996/97	\$2,895,000	\$400,000	14
1997/98	\$2,836,000	\$340,000	12
1998/99	\$2,756,000	\$124,448	5
1999/00	\$2,768,000	\$325,000	12

Since the last time we funded this program in FY 99/00, our CDBG allocation has decreased from \$2,768,000 to an estimated \$1,572,379 in FY 11/12. The CDBG program has been targeted by both the Administration and Congress for budget cuts. In fact, the recent FY 2011 Continuing Resolution (CR) that funds discretionary programs for the rest of the current Federal fiscal year cuts CDBG formula funding by 16.2 percent, from \$3.99 billion in FY 2010 to \$3.343 billion in FY 2011 (a \$647 million cut). It should be noted that this final reduction for the current fiscal year is much better than the House Republican's initial proposal, whereby CDBG would have received a cut of 62.5 percent, down to \$1.5 billion. In FY 2010, the City received roughly \$1.87 million in CDBG funding. The reductions agreed to in the FY 2011 Continuing Resolution represent an approximate \$305,000 cut in Miami Beach's allocation. Beyond FY 2011, the outlook for CDBG is unknown. The Obama Administration's FY 2012 Budget calls for a 7.5% reduction in CDBG funding, and the FY 2012 Budget Resolution recently passed in the US House of Representatives, while not directly addressing CDBG, does call for across the board reductions for discretionary programs.

As you are aware, the City issues a competitive process for the allocation of our entitlement funds, including the CDBG funds. As permitted by federal regulations, the City sets aside and allocates through the competitive process up to the maximum allowable percentage for public service funding (15% of total allocation) to provide funding for programs that assist the elderly, youth, homeless, etc., and the City also retains the administrative percentage permitted by federal regulations to cover the City's costs in managing the program. The following table shows the proposed distribution of the City's CDBG funds for FY 2011-12.

City of Miami Beach Community Development Block Grant 2011 – 12 Estimated Entitlement	
<b>Total Estimated Allocation</b>	<b>\$1,572,379</b>
<b>Competitive Funding Categories</b>	<b>Estimated Available Funds</b>
Public Services (Limited to 15% by HUD)	\$ 235,855
Housing, Rehabilitation and Public Facilities Improvements	\$ 722,049
<b>Estimated Total Competitive Funds</b>	<b>\$957,904</b>
<b>Non-Competitive Funding Categories</b>	
Section 108 Loan Repayment	\$ 210,000
Code Enforcement	\$90,000
Planning and Administration	\$ 314,475
<b>Estimated Non-Competitive Funds</b>	<b>\$614,475</b>

Should a façade revitalization program be recommended, funding for that program (approximately \$140,000) would be allocated from the "Housing, Rehabilitation and Public Facilities Improvements" line item. It is important to note that a total of nine (9) requests for a total of \$1,593,086 was submitted for these available funds (\$722, 049) for this current funding cycle, and include requests for multifamily housing rehabilitation, senior center improvements, health facility improvements, and homeownership assistance and counseling. Examples of currently/previously funded activities in this category include: Douglas Gardens – Mayfair House AC Replacement; HACMB – Lois Apartments Rehabilitation; MB CDC - Homeownership Assistance; JCS - Senior Center Improvements; MB CDC – Multifamily Housing Program; MB CDC – Seymour Community Center; and UNIDAD – Oceanfront Community Center.

In terms of funding to any individual recipient, based on the requirements for managing the program, prior experience, the approach of other façade improvement programs, and in light of likely costs associated with typical façade improvements (e.g. painting, awnings, lighting, etc), it would not be feasible to allocate less than \$10,000 to each eligible recipient. Likewise, in light of the administrative oversight relating to the federal regulations of the funding source, a program with a value of less than \$100,000 may not be financially feasible to manage. As such, a potential program would have a with a first year implementation goal of assisting ten (10) businesses, with a maximum grant of \$10,000 per applicant. The total estimated budget for such a program is \$140,000, taking into account direct program fees, administration, and monitoring of the project.

*Management of program:*

Options for managing a program, should it be implemented, include either having the program administered in-house (in our Real Estate, Housing and Community Development Division), or have it contracted out to a third party. In-house administration would require, at-a-minimum, the hiring of a part time (temporary position) to coordinate the program and ensure compliance with the various entitlement funding requirements. Any third party entity that might be considered must have the capacity to implement this type of program, given the restrictions on administrative costs associated with CDBG funds. Such CDBG program restrictions will include complying with timeliness, financial management, procurement, environmental review, labor standards, accessibility and equal employment regulations. One option can be to contract with another existing façade improvement program in a nearby municipality for the management/administration of the City's program.

*Requirements for recipients:*

Should the City proceed to fund a façade revitalization program, it would be essential to determine who would be eligible recipients (tenants or landlords) for the funding. Needless to say, any tenant improvements would require landlord approval. However, because these are federal funds, and the funds are allocated to the City, if a sub-recipient fails to meet federal requirements, then the City would be responsible for repayment of these funds to the federal funding agency. Staff would work with legal to identify a process to ensure that any investment made will meet the federal requirements and minimize any liability for the City. Another question is whether a match should be required. Match requirements are common for these types of programs but the amount of match can range. Should the Commission wish to proceed with a façade revitalization program, it would be suggested that perhaps a two-tiered approach be used whereby a match may not be required for some amounts, or where the match requirement is lower proportionate to the funding allocated.

*Use of Funds:*

It would be important to identify the parameters of any recommended program, such as whether the

program is intended to assist struggling existing businesses, or if the funding would be available for vacant business storefronts. Should the Commission consider a façade revitalization program, it would be recommended that it be used only for current, occupied businesses.

The following table provides information on the façade improvement programs currently in use in other jurisdictions:

	<b>City of Miami</b>	<b>City of N. Miami</b>	<b>Downtown Development Authority</b>	<b>City of Miami Gardens</b>
<b>Implementing Entity</b>	Administered by Community Development Department through three sub-recipients	Administered by Community Redevelopment Agency	DDA	Community Development Department
<b>Business Match Requirements</b>	5-15%	Up to 50% Match	Up to 50% Match	Up to 20%
<b>Grant Amount to recipient</b>	Up to \$10,000	Up to \$80,000	Up to \$50,000	Up to \$50,000
<b>Terms</b>	Grant	Grant	Grant	Forgivable Loan
<b>Total Program Amount Available</b>	\$600,000		\$300,000	\$200,000

**CONCLUSION**

The Administration issued a Request for Proposals for the next cycle of CDBG funding on March 1, 2011. Should the Finance and Citywide Projects Committee recommend the creation of a façade improvement program in North Beach, the Administration seeks guidance on the amount of CDBG funding to be earmarked for the program, and direction on how the program should be administered.

JMG/HF/KC/AP/BG