



Downtown Economic Development Incentives Program Guidelines

Program Description

Everyone loves a vibrant, busy and interesting city center with unique shops and services, terrific food and drink venues and quality living space. The Downtown Economic Development Incentives Program embraces these concepts. The Program provides three types of incentives to encourage higher occupancies, new development and physical improvements in the downtown. These are briefly described below.

- **Occupancy Incentives** – Increase the occupancy rate downtown by providing cash for new businesses that open downtown, as well as providing a refund of mill tax and sales tax for the first year for new businesses or expanded hours of operation for existing businesses.
- **New Development Incentives** - Promote downtown residential development through Capital Facility Fee (CFF) exemptions for the roadway component, and waiver/exemptions for construction related encroachment permits.
- **Physical Improvement Incentives** - Facilitate façade improvements through matching grants, as well as provide for maintenance, beautification and establishment of outdoor dining areas by exempting encroachment permit fees.

Incentives and Eligibility

A. Occupancy Incentives

I. Incentive Types

1. **Cash** – New businesses or businesses relocating into downtown from another area, either office or retail, are eligible for the following cash incentive based on the number of full time equivalent (FTE) jobs created:
 - a. < 5 jobs = \$1,000
 - b. 5-10 jobs = \$2,000
 - c. > 10 jobs = \$2,500
2. **Mill Tax Refund** – New businesses are eligible for a refund of City mill tax for the first year of business.
3. **Local Sales Tax Refund** – New retail businesses that are open Monday through Saturday are eligible for refund of local sales tax for first year of business

4. Partial Sales Tax Refund – Existing retail businesses that extend hours are eligible for refund of local sales tax collected during the extended hours for one year.
5. Wastewater Capacity up-charges Fee Exemption – Retail, residential and office tenant improvements in previously occupied building areas are exempted from wastewater Capacity fee up-charges.

II. Retail Requirements

1. Eligible businesses shall be non-seasonal, full-time operations, maintaining regular, published operating hours equaling a minimum of 40 hours per week.
2. Eligible retail businesses are exclusive to targeted areas, starting with 10th (K to H), 11th (K to I) and J (9th to McHenry) and include only the following uses:
 - a. Eating/Drinking Establishments (Restaurants, Café's, etc.)
 - b. Artisan Shops (hand crafted durable and non-durable goods)
 - c. Clothing/Apparel Stores
 - d. Antique Stores
 - e. Music Stores
 - f. Pubs and Lounges (3,500 square feet/three max per street)
 - g. Beauty and Spa Services
 - h. Fitness Facilities
 - i. Art Galleries
 - j. Drug Stores/Sundries
 - k. Grocery Stores (20,000 square feet max)
 - l. Bookstores
 - m. Bicycle Stores, Skate Shops, etc.
 - n. Other similar uses, as approved by the C&ED Director

B. Development Incentives

I. Incentive Types

1. CFF Fee Exemption – New development that includes residential uses are exempt from CFF roadway fees.
2. Encroachment Permit Fee Exemption – No fee for encroachment permits needed in conjunction with construction.
3. Occupancy Incentives – Commercial portion of new buildings receives applicable occupancy incentives identified above.

C. Physical Improvements Incentives

I. Incentive Types

1. Façade Improvement – Matching grant up to \$10,000.
2. Encroachment Permit – No fees for minor encroachment permits for repair/maintenance, beautification or outdoor dining.

II. Façade Improvement Requirements

1. Eligible buildings are exclusive to targeted areas, starting with 10th Street, between J and I Streets.

2. For buildings over 50 years old, focus shall be on restoration of original building façade and historically sensitive improvements, except where determined infeasible by the Urban Design Group of the Downtown Modesto Partnership.

Submittal Requirements

Many of the incentives are automatically administered through the building or encroachment permit processes and are self-enforcing. However, the occupancy and façade improvement incentives do not fit into existing programs and require special submittals, which may be subject change to accommodate the needs of the program or to comply with law. The current submittal requirements are listed below:

A. Occupancy Incentives

- Completed Occupancy Incentive Application Form
- Draft Business Plan
- Approved Business License
- Letter of Intent to Lease
- Signed W-9 Form

B. Façade Improvement

- Completed Façade Improvement Application Form
- Evidence of Property Ownership (e.g., deed, title insurance policy)
- Detailed Façade Restoration Plans showing:
 - Before and After Elevations
 - Building Elements to be Removed
 - Building Elements to Remain
 - Introduction of New Building Elements