

# City of Tempe

## Storefront Improvement Program Guidelines

### Addendum A SIP/CDBG



City of Tempe  
Neighborhood Revitalization & Redevelopment Division  
May 1, 2013

**I. Summary**

The Storefront Improvement Program is designed to revitalize and improve neighborhood commercial areas, support small businesses, eliminate blight and code violations, and enhance the livability of surrounding neighborhoods. The city will waive fees for approved projects that meet the requirements and guidelines of the program. CDBG eligible properties may qualify for a 50/50 match of funds; this requires additional criteria and documentation, as set forth in this Addendum A, to qualify for the HUD funding.

To assist qualified property owners with financial incentives in the rehabilitation of their commercial properties, SIP/CDBG incentives will include direct financing, as well as development fee abatements. The City will target these funds in the northern sections of the City, particularly within the Apache Boulevard corridor and the light rail alignment. Implementation of this program is a component of the City’s long-term revitalization efforts, as described in the Apache Blvd. Specific Area Redevelopment Plan and other similar goals and objectives.

**II. Financing**

**A. Amount of Assistance Available**

To accommodate the variety of structures within the City’s building stock, the City Neighborhood Revitalization & Redevelopment Division (NRRD) opted to provide

# of Commercial Units	Maximum City Subsidy	Required Minimum Match
1	\$50,000	\$50,000
>1	\$100,000	\$100,000

variable assistance based on the number of commercial units at each assisted property. Regardless of the number of units in each assisted structure, the City will only provide up to 50% of

the total project costs, up to the maximum amounts listed.

**B. Financing Structure**

City share:	\$50,000
Owner share:	\$50,000
Cumulative amount forgiven:	
Year 1	\$12,500
Year 2	\$25,000
Year 3	\$37,500
Year 4	\$50,000

In all cases, the City will provide assistance to applicants as a non-amortizing loan, forgivable in yearly equal increments over a four (4) year period (25% per year). The table shows the structure of a hypothetical \$100,000 project financed through the City’s program.

The City will require that all applicants execute a Deed of Trust and/or other lien instrument to secure its investment in the assisted property. Furthermore, the City will only provide funding to program participants as a reimbursement upon completion of the project, and the City confirms that all program requirements have been met. These requirements include but are not limited to: compliance with labor standards, contract provisions, building permit requirements, and environmental standards.

#### C. Matching Requirements

As the City will only supply 50% of the total project cost, applicants must demonstrate at the time of application that they maintain the resources to obtain the funding for their projects until reimbursement and project closeout. Financial statements or other appropriate documentation will be required by applicants to demonstrate compliance with this requirement.

While the City will only reimburse the cost of construction-related expenses, applicants may use other expenses incurred as match. These expenses may include, but are not limited to, rental equipment, materials, labor and other items determined by the City to be reasonable and necessary to the implementation of the project. While not eligible for reimbursement, the cost of architectural/engineering services may be used as an eligible match up to 5% of the eligible match amount. All matching funds must be documented with invoices and records of payment.

#### D. Other Incentives

In addition to direct financial assistance, the City will provide other incentives to program applicants.

The City will waive all permit and plan review fees for approved projects. Program participants will not be required to pay for any fees at the time of application for plan review, nor at the issuance of a permit.

The City will offer expedited plan review to all program participants regardless of fee structure.

To assist participants in determining whether or not they will require architectural work to satisfy City requirements, the City will provide all participants with a list of work items that can be completed through administrative review.

### III. Eligibility

#### A. Applicants

The City will only accept applications from owners of properties. As part of the application process, applicants must prove their ownership of assisted properties through a Deed, Bill of Sale or other legally verifiable ownership instrument. In addition, applicants must demonstrate that their property taxes and mortgage are current.

While the City will not allow tenants to apply for program funding, owners will be requested to submit letters of support from their tenants, if any, to demonstrate their willingness to cooperate with the property owners during rehabilitation. If owners feel that it is in their best interest, they may, at their discretion, delegate responsibility for project implementation to a tenant. Any such delegation of authority must be submitted in writing to the City.

#### B. CDBG Target Areas

Commercial properties located in the City's designated target areas will be eligible to participate in the Storefront Improvement Program and may qualify for funding assistance. These areas include the Apache Blvd. Redevelopment Area, as well as census tracts identified as containing at least 51% low and moderate income households and are also primarily residential in composition. In addition to the primarily residential requirement, projects proposed within these census tracts will be required to justify the benefit to low and moderate income residents. Specific documentation to satisfy this requirement may include customer surveys, traffic data, and others as approved by the City. See Exhibit B for boundaries of these areas.

Furthermore, only buildings that are at least 10 years of age at the time of application will be eligible to receive façade improvements through the program. The City will consider any commercial property located in the designated target areas. However, the City will prioritize funding for those proposed projects that conform to the selection criteria in the following section.

### C. Project Selection

While the City will accept applications from any commercial property owner in the identified target areas, those projects that conform to the following will receive higher funding preference:

- Reduce most visible and numerous code violations
- Eliminate physically deteriorated conditions

The City will create a Storefront Improvement Committee (SIC) to review and evaluate project proposals based on these criteria. The committee will be comprised of staff from throughout the Community Development Department, including but not limited to: the NRRD, Code Enforcement, and Planning. In all cases, the SIC will have final determination as to the eligibility of proposed projects.

### D. Eligible Work

Participants in the SIP/CDBG may only request reimbursement for expenses related to rehabilitation of the exterior of their commercial facilities. Eligible items include any work related to:

- Windows
- Doors
- Masonry, stucco or other wall surface treatment
- Painting
- Awnings/canopies
- Signage
- Commercial code violations
- Exterior lighting attached to the structure
- Other exterior items determined by the City to be consistent with its long-range redevelopment goals
- Exterior ADA accessibility modifications (only if related to violations of code or City ordinance)

Note that only items associated with or attached to the structure itself, and clearly visible from the street will be eligible for reimbursement. Buildings located on a corner will be eligible to receive assistance for improvements on multiple street-facing sides of the structure.

As the intent of this program is the redevelopment of ailing commercial areas, the City will require that applicants take a holistic approach to their façade restoration projects. As such, the City will judge projects by the degree that they address the entire street-facing façade, and not just pieces of it. Furthermore, the City will also review projects for the cohesiveness of their design elements at the project site, as well as the overall design concept's compatibility with neighboring properties and the City's long-term redevelopment goals.

#### E. Ineligible Items

The City will not allow the following items to be paid for with program funds:

- Any interior work, including but not limited to HVAC, plumbing, electrical, flooring, painting, cabinetry, etc.
- Roofs
- Building code violations, including, but not limited to structural deficiencies (i.e. foundations, framing, etc.). As a façade program, the City's focus is not on major structural issues or building code violations, but on primarily aesthetic building elements. To determine the presence of these violations, the City may require a structural assessment or other type of inspection prior to approval of an application.
- Property acquisition
- Working capital
- Equipment, furniture, supplies, etc. related to the operation of the business
- Billboards
- Security improvements
- Non-permanent fixtures
- Fencing
- Landscaping
- Demolition of obsolete structures
- Minor parking lot improvements
- Other work as determined by the City of Tempe to be inconsistent with its redevelopment goals or not eligible under the Community Development Block Grant (CDBG) program regulations

#### F. Approval

The City has the sole authority to determine eligibility of proposed projects and to determine confirmation of completed work. Certain work may be required or precluded as a condition of participation. Participants will be responsible for

obtaining necessary regulatory approvals. The City will exercise this approval authority through the SIC discussed in Section III C, as well as staff assigned to individual projects.

#### **IV. Application Process**

The first step for interested parties is to contact:

City of Tempe  
Neighborhood Revitalization & Redevelopment Division  
21 E. 6<sup>th</sup> Street, Suite 208  
Tempe, AZ 85281

480-350-8028 (P)

480-858-2070 (F)

[www.tempe.gov/comdev/redevelopment](http://www.tempe.gov/comdev/redevelopment)

Staff will be able to provide information on eligibility requirements, application process and financing for any interested party. Materials to submit for the SIP/CDBG will include: an application form (see Exhibit A) and all materials listed therein (description and cost estimate of the work to be completed, at least one property photo, sketch of the proposed work and a commitment of matching funds). In addition to these materials, the City will require applicants to provide legally verifiable documentation of ownership and demonstration that all property taxes and mortgage(s) are current.

City staff will work with applicants to gather and review these materials as quickly as possible so as to expedite the approval process.

#### **V. Environmental Standards**

Pursuant to federal regulations in 24 CFR 570, the City's use of CDBG funds requires a review of activities for any adverse effects on the environment. Attendant with this review, the City prepared an Environmental Review Record (ERR) to document the steps taken to ensure compliance with environmental standards.

In completion of the City's ERR, the SIP/CDBG activities will require on-going environmental review with respect to: historic preservation; floodplain management; and radioactive materials and nearby hazardous operations.

Other environmental factors have been reviewed and cleared by the City, and are included in the ERR; this review and clearance applies to all SIP/CDBG commercial rehabilitation projects conducted through the program. Copies of all environmental review documentation are included in individual project files and cataloged in the ERR.

#### A. Historic Preservation

Section 106 of the National Historic Preservation Act requires that construction projects financed with federal funds undergo a historic preservation review. The City of Tempe maintains a Historic Preservation Office (HPO) and consultation with this office is the first step in satisfying the Section 106 review requirement.

Once an applicant is determined to be eligible to receive assistance, the NRRD forwards the address and parcel number to the City's HPO for initial review. If the HPO determines that the property is not listed, nor eligible for listing on the local, State or National Registers of Historic Places, there will likely be no historic preservation concerns at the subject property. Though the City HPO may determine that a property is not historically significant, all projects must be reviewed and approved by the Arizona State Historic Preservation Office (SHPO) prior to commitment or expenditure of federal funds. The NRRD will submit the following materials to SHPO:

- Cover Letter describing the City HPO's local findings
- Site photo(s)
- Scope of work
- Area map
- Maricopa County Assessor's parcel information
- Correspondence related with consultation with the City of Tempe HPO

The materials must be sent by certified mail in order to document receipt of submitted materials by SHPO. By regulation, SHPO has 30 days from receipt of materials to object to a project. If SHPO fails to object within this time frame, the City may proceed with the project as proposed.

#### B. Floodplains

Per 24 CFR Part 55, the City must determine the floodplain status of all properties eligible for CDBG funding prior to commitment or expenditure of federal funds. The NRRD will review FEMA floodplain maps on a case-by-case basis to determine which, if any, properties are within a floodplain. For those properties in floodplains, flood insurance will be required. Copies of



the appropriate floodplain map (and insurance policy, as applicable) will be kept in individual project files, and documented in the Environmental Review Record.

C. Radioactive Materials and Nearby Hazardous Operations

Per 24 CFR Part 51 Subpart C, the City must determine whether CDBG eligible project sites are located in the immediate vicinity of hazardous or radioactive materials. To determine proximity to these hazards, the City will request a review of the project by the City of Tempe Fire Department, which maintains records of hazardous and radioactive materials throughout the City.

D. Lead-Based Paint

As of the development of this manual, current regulations exempt commercial properties from lead-based paint requirements. However, the EPA is currently investigating the possibility of lifting this exemption, and requiring that all federally-assisted properties, regardless of use, comply with lead-based paint requirements. As such, the City will modify its procedures to comply with any requirements as stipulated by the EPA and HUD.

**VI. Bidding, Contracting and Labor Standards**

A. Responsibilities

The City requires that program participants act as the lead party in the bidding and contracting process. City staff will be available to provide technical assistance to participants throughout this process to assure that all federal procurement requirements are satisfied in the most efficient way possible.

B. Eligibility & Ineligibility of Contractors

All participants in the SIP/CDBG must include a minimum of three (3) bids for all approved projects. Due to the variety of rehabilitation activities requested by program participants, the City will require that all contractors obtain and maintain a General Contractor's license through the Arizona Registrar of Contractors. All approved contractors must also maintain the proper insurance in order to be eligible for bid acceptance.

In addition to the on-going licensing requirement, the City will verify a contractor's debarment status through the Excluded Parties List (EPL). Any contractor on the EPL will not be allowed to bid on a project, nor receive a contract until they are removed from the list.

## C. Contractor Bids

### 1. Bid Submission

It will be the participant's responsibility to obtain and submit bids from qualified contractors. All contractors must demonstrate that they maintain the following:

- An appropriate commercial contractor's license through the Arizona Registrar of Contractors
- Minimum insurance coverage, which must list the property owner and the City of Tempe as additionally insured parties
- A performance bond (for projects over \$100,000 in value)
- Bid documents must include all applicable labor standards provisions
- Sealed bid will be received at the NRRD office by close of business on the deadline date, and will be opened at a predetermined bid opening date. Bid documents must include all applicable labor standards provisions

### 2. Bid Review

#### a. In-House Estimates

Once bids are received from the selected contractors, the NRRD will review the bids for completeness. The NRRD will evaluate the reasonableness of bid values by consulting established reference sources. Examples of reference sources include:

- HomeTech Remodeling and Renovation Cost Estimator
- National Construction Estimator
- National Repair & Remodeling Estimator
- National Renovation & Insurance Repair Estimator
- Other contractors and subcontractors
- Other cost estimator materials available

The source of bid estimates may originate from numerous sources, including available estimating software.

b. Allowable Variances Between Bids and Estimates

If the value of all contractor bids exceed the In-House Estimate, then the NRRD must determine the cost variance between them and act accordingly:

- If the bid values are within 15% of the In-House Estimate, the bids will be accepted as is
- If the bid values are between 15% and 20% of the In-House Estimate, the bids will be further reviewed, including but not limited to further information obtained from the contractors to justify the excess cost
- If all bids values exceed 20% of estimated costs, all bids may be rejected, and the project rebid

c. Bid Acceptance

Once the bids have been reviewed for completeness and the cost reasonableness determined, at least two NRRD staff must sign off on the bids, and the NRRD will also complete a Bid/Change Order Review form. Finally, the owner must accept the winning bid by signing the "Acceptance of the Bid." In all cases, the City will accept the lowest responsible bid as the basis of the funding agreement. Should an owner choose another contractor, then they may do so by contributing the difference themselves.

d. Elimination of Work Items

Should the bid amount(s) exceed available funding, participants will have the option to either eliminate items or absorb the additional cost themselves. If the participant opts to remove items, the City will work with the property owner to pare down the scope of work provided that reduction/elimination of work does not jeopardize the overall design integrity of the project. Code violations may not be eliminated from the scope of work. Within this limitation, the NRRD and participant will discuss the owner's priorities for which work will be completed.

C. Contracts

To ensure that all federal requirements are met, the City will require that the applicant and contractor enter into a contract for work to be completed. Provisions in this contract will include, but are not limited to: timeline for performance, renderings/drawings, material lists or other documentation

provided by the project architect, Equal Employment Opportunity and Nondiscrimination, contract termination, use of subcontractors, insurance requirements, permits/licenses/debarment and labor standards (see Section E below).

To verify that contracts are in compliance with federal requirements, the City will periodically inspect the project site.

#### D. Labor Standards Provisions

Since the Tempe SIP/CDBG will utilize federal CDBG funds, federal labor provisions will apply to all projects that expend \$2,000 or more in assistance. For those projects that meet this minimum threshold, program participants must comply with the following labor laws:

##### 1. Davis-Bacon Wage Act

- a. Summary – requires that all laborers and mechanics employed on a project site that will receive more than \$2,000 in CDBG assistance be paid at the prevailing wage for their job classification. Prevailing wages are determined by the US Dept. of Labor (DOL) and published regularly at [www.dol.gov](http://www.dol.gov).
- b. Compliance – owners must obtain a Wage Determination from DOL prior to letting their projects to bid, as the Wage Determination must be included in all bid documents. After contract execution, the contractor will be required to provide Certified Payrolls attesting to the payment of prevailing wages, and the City will be required to conduct on-site interviews with all laborers and mechanics employed during the project.

##### 2. Copeland Act

- a. Summary – prohibits kickbacks from laborers and mechanics as a condition of employment on federally-assisted jobs. Violations of the act are criminal actions.
- b. Compliance – the City will review Certified Payrolls and explanations of non-payroll paycheck deductions (i.e. retirement/health insurance contributions, court-ordered restitution, etc.) for compliance. Additionally, employee interviews will be conducted to verify information included in the payrolls.

3. Contract Work Hours and Safety Standards Act

- a. Summary – requires that contractors pay one and one half times regular pay for all hours worked beyond a standard 40-hour week. Penalties for violations equal \$10 per occurrence, and may be considered criminal if committed willfully.
- b. Compliance – it is the contractor’s responsibility to include the correct number of hours worked by each covered employee on their Certified Payrolls. If the contractor claims additional hours beyond the 40-hour threshold, the City will verify the correct wage during its review of payrolls. On-site interviews will also include verification of the number of hours worked by individual employees.

4. Section 3

- a. Summary – Section 3 of the Housing and Community Development Act requires that if a federally-assisted construction project value is \$200,000 or more, or an individual contract value is \$100,000 or more, contractors must take affirmative steps in hiring or training employees and awarding business contracts
- b. Compliance – Any project value equal to or greater than \$200,000 or contract executed through the program in excess of \$100,000 will require Section 3 compliance. Should a project exceed these thresholds and require the hiring or training of new employees, and/or hiring of new businesses, the contractor must demonstrate outreach to low and moderate income persons through media, job fairs, partnership with job training programs, or other acceptable means to show due diligence towards Section 3 compliance.

# **Exhibits**

**A. Storefront Improvement Program Application**

**B. Target Area Maps**

**C. Application Process Flowchart**

**D. Guide to Davis-Bacon and Other Labor Standards**

**EXHIBIT A: Storefront Improvement Program Application**



**Application**

City of Tempe Façade Improvement Program

Date: \_\_\_\_\_

**1. APPLICANT INFORMATION**

Applicant Name: \_\_\_\_\_

Business Owner \_\_\_\_\_ Building Owner \_\_\_\_\_

Business Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

Mailing Address (if different from above) \_\_\_\_\_

Daytime Phone \_\_\_\_\_ Email Address \_\_\_\_\_

**2. PROJECT INFORMATION**

Proposed Project:      Storefront Improvement    \_\_\_ New Sign    \_\_\_ New Awning    \_\_\_

Project Address: \_\_\_\_\_

Brief Project Description: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**CDBG ELIGIBLE TRACTS ONLY**

Grant Amount Requested \_\_\_\_\_

Applicant Match (amount you are willing to invest in the project) \_\_\_\_\_

Total Estimated Cost of Project (equal to grant request + applicant match) \_\_\_\_\_

Leased Property: If applicant leases property, how much time remains in lease: \_\_\_\_\_

Is there an option to renew? No \_\_\_\_\_ Yes \_\_\_\_\_ >Length of option \_\_\_\_\_

Submit the following information with this application:

- 1) *Description of proposed improvement project (for example, storefront elements you wish to restore or renovate such as siding material or the configuration of shop windows, or a new sign or awning);*
- 2) *Simple sketch, modified aerial or photograph of the project, if possible, but this item is not required. If provided, please indicate relationship to abutting buildings;*
- 3) *List of proposed materials, if know;*
- 4) *Photographs of existing conditions of project, including abutting building(s);*
- 5) *Description of source of private funding match. If source is other than applicant's readily available funds, then please provide a letter of commitment or other documentation indicating availability and commitment of funds.*

**3. LANDLORD INFORMATION** (if Tenant is acting on behalf of Owner)

Landlord's Full Name: \_\_\_\_\_

Landlord's Mailing Address: \_\_\_\_\_

Landlord's Phone Number: \_\_\_\_\_ Email Address: \_\_\_\_\_

**4. LANDLORD ACKNOWLEDGEMENT** (if Tenant is acting on behalf of Owner)

I am the landlord/owner of the building address noted in this project application and my address and phone number is noted correctly in this document. I have been informed of the Applicant's intention to perform the improvements described in this application, and I hereby authorize the tenant to apply for the proposed improvements.

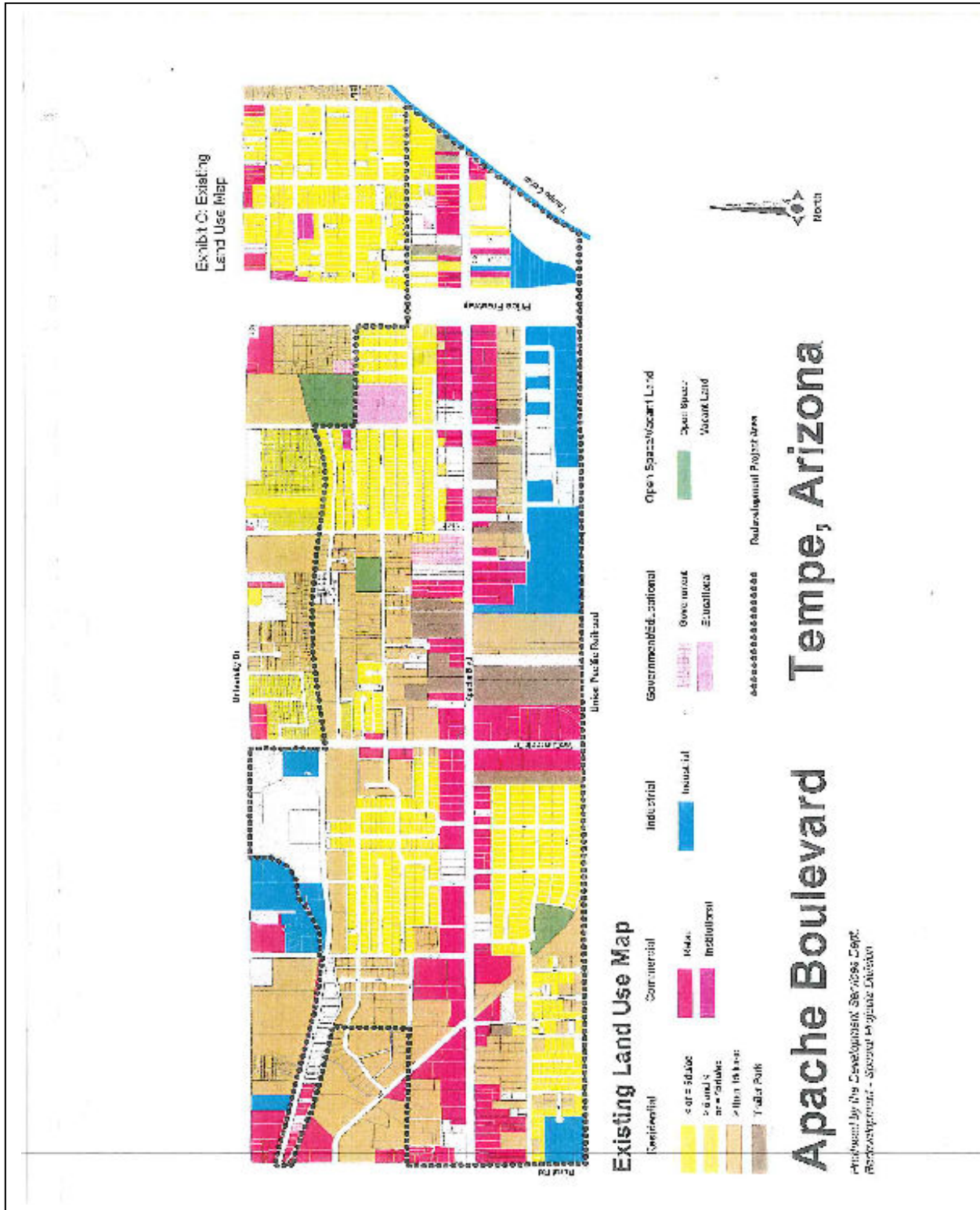
\_\_\_\_\_  
Landlord/Owners' Signature

\_\_\_\_\_  
Date

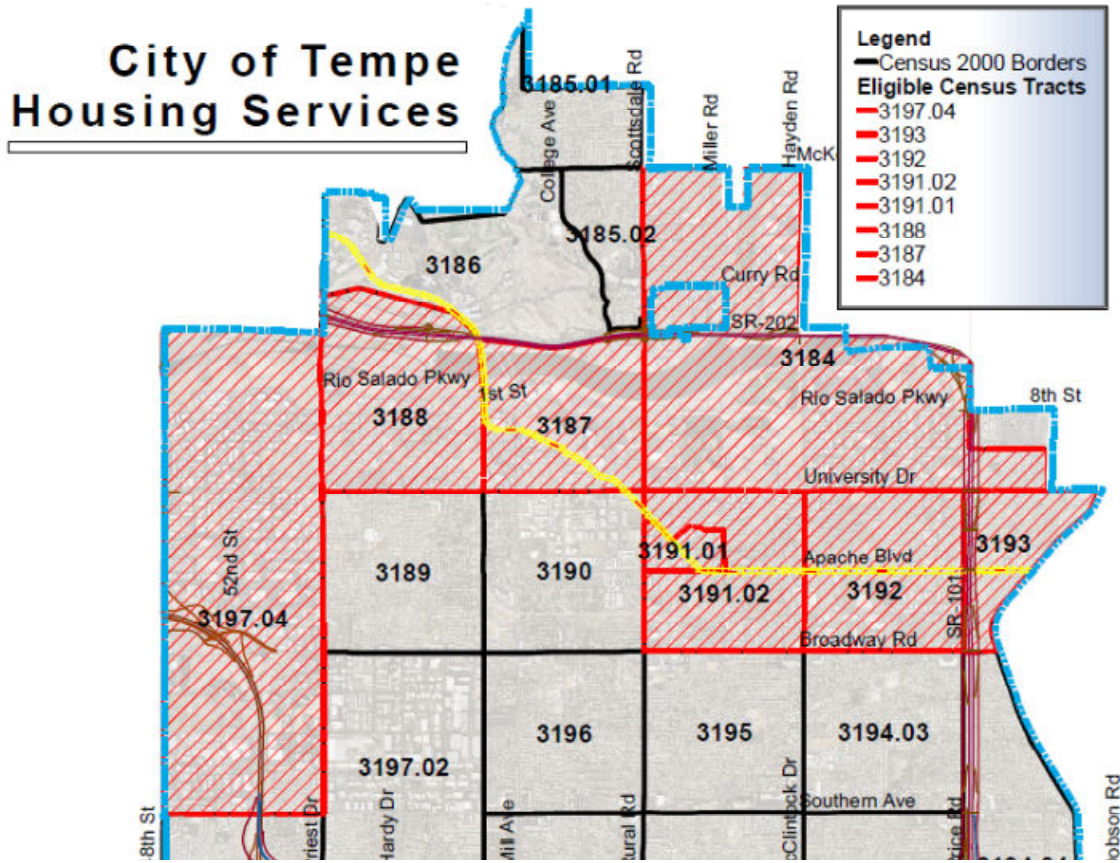


# EXHIBIT B-1: Target Area Maps

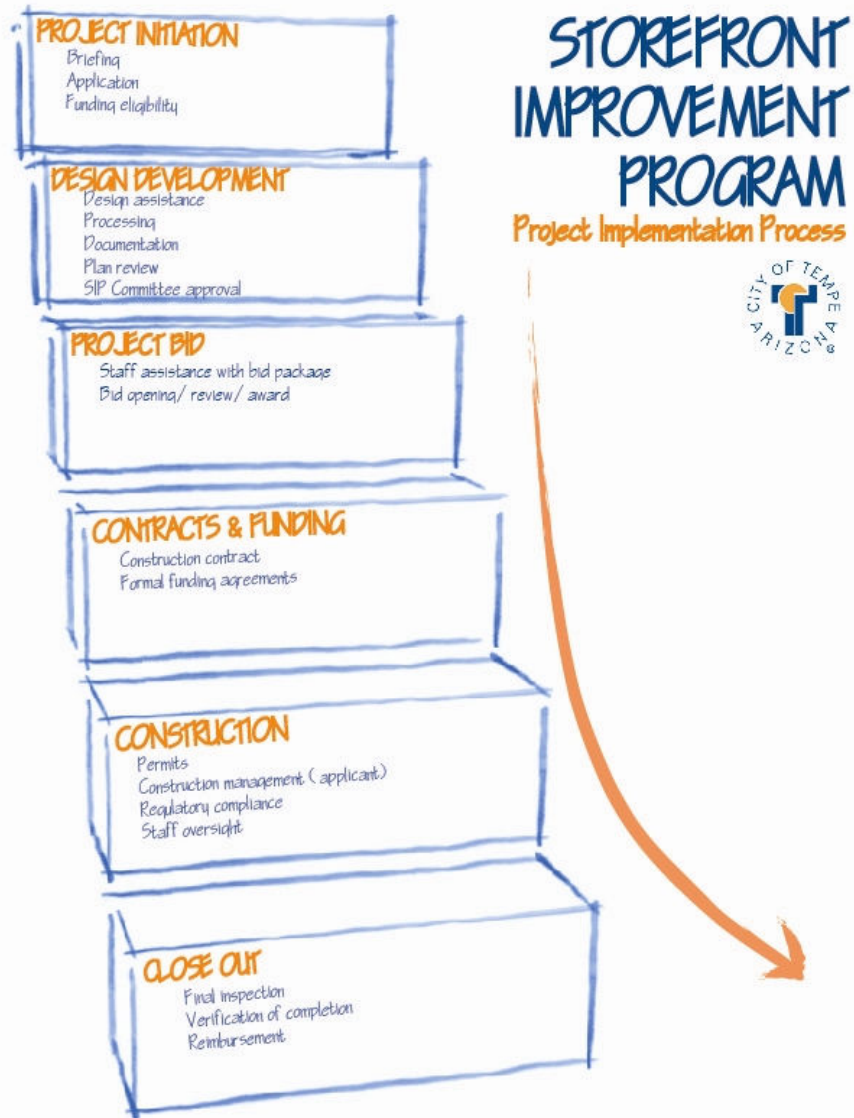
## City of Tempe Storefront Improvement Target Area Maps



# EXHIBIT B-2: Target Area Maps



## EXHIBIT C: Application Process Flowchart



## **EXHIBIT D: Guide to Davis-Bacon and Other Labor Standards**

<http://www.hud.gov/offices/adm/hudclips/guidebooks/HUD-LR-4812/4812-LR.pdf>