



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: JUNE 21, 2022

DEPARTMENT: COMMUNITY DEVELOPMENT
PUBLIC WORKS

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TITLE: DOWNTOWN OUTDOOR DINING FORGIVABLE LOAN PROGRAM

RECOMMENDED MOTION:

A motion to approve a Resolution:

- 1) approving the Downtown Outdoor Dining Forgivable Loan Program (Program), and
- 2) appropriating \$150,000 from Capital Improvement Program 9136, Economic Development Element Implementation, to fund the Program.

RECOMMENDATION:

It is recommended that the City Council approve a Resolution:

- 1) approving the Downtown Outdoor Dining Forgivable Loan Program (Program), and
- 2) appropriating \$150,000 from Capital Improvement Program 9136, Economic Development Element Implementation, to fund the Program.

EXECUTIVE SUMMARY:

On December 14, 2021, City Council extended the term and fee waiver of active COVID-19 Relief Temporary Outdoor Activity Permits through December 31, 2022. In addition, City Council requested staff to return to Council with recommendations for establishing a loan or grant program to financially assist businesses to obtain permanent Sidewalk Café Encroachment Permits in compliance with the City's permit design standards. This staff report presents staff recommendations for streamlining the Sidewalk Café Encroachment Permit (SCEP) process and establishes design standards to complement recent improvements in the Downtown. In addition, financial assistance through forgivable loans is proposed to assist Downtown businesses with converting temporary outdoor dining activities to permanent operations. The funding source for

the Downtown Outdoor Dining Forgivable Loan Program (Program) is \$150,000 from the Economic Development Element Implementation (CIP 9136).

BACKGROUND:

Since 2007 the City has allowed outdoor dining in the public right of way through a Sidewalk Café Encroachment Permit (SCEP). A one-year SCEP incentive program for the Downtown district was established in October 2016 to encourage outdoor dining by waiving the \$300 permit fee for up to ten (10) businesses. Only two business participated in the incentive program. Business interest in outdoor dining shifted with the COVID-19 pandemic. Local, State and Federal policies to shelter-in-place due to the COVID-19 outbreak in March 2020 resulted in sudden and dramatic impacts to local small businesses as many were forced to close or move their operations outdoors. Staff responded quickly by expediting outdoor activity permits, relaxing established design standards as well as waiving permit fees. **Attachment 1** to this report provides a more detailed timetable of efforts and events following the 2007 adoption of the Sidewalk Café Encroachment Permit (SCEP) process including SCEP incentives to encourage outdoor dining and the issuance of Temporary Outdoor Activity Permits during the pandemic.

In December 2021, City Council extended the term and fee waiver of active COVID-19 Relief Temporary Outdoor Activity Permits through December 2022 and directed staff to consider establishing a loan or grant program which would encourage and support those restaurants currently holding Temporary Outdoor Activity Dining Permits to bring temporary operations into compliance with the City’s SCEP design standards.

DISCUSSION:

Downtown Outdoor Dining Forgivable Loan Program (Program)

This Program sets design standards for outdoor dining in the public sidewalk on Main Street, establishes a furniture color palette and material standards for outdoor dining in the Downtown area, and establishes the Downtown Outdoor Dining Forgivable Loan Program, a “one-time” forgivable loan to assist downtown eateries with investing in quality outdoor furniture that complements and enhances Downtown revitalization improvements and ensures compliance with accessibility requirements for both the general Downtown district visitors and eatery customers.

Streamlining the Sidewalk Café Encroachment Permit Process

To streamline the permit process, SCEP design standards will be updated to include an established material finish and color palette for fencing, tables and chairs in the Downtown. Applicants will also be provided with a list of Acceptable Outdoor Furniture Options to assist with furniture selection. This list would simplify the applicant’s research efforts and time when deciding on chairs, tables, fencing, and would result in a standardized cohesive look with the recently completed Downtown Main Street streetscape improvements. Further, the Program would establish standards in the Downtown district to align outdoor dining operations with current accessibility requirements and traffic safety guidelines.

In addition, staff recognizes that the requirement of a “Site Plan” for outdoor dining in the public sidewalk tends to discourage applicants from following through the SCEP process as the application preparation can be time consuming as well as result in an additional expense as the applicant may elect to hire a design consultant to prepare and submit a Site Plan. Staff will continue to examine City policies to identify alternative ways to assist applicants with this Site Plan requirement to ensure there will be a clear and transparent process.

Downtown Outdoor Dining Forgivable Loans

The Downtown Outdoor Dining Forgivable Loan Program will provide downtown restaurants, cafes and breweries with interest free, one-time forgivable loans of up to \$10,000 per business for the purchase of outdoor dining furniture. Loans will be interest free and forgivable at the rate of one third of the loan amount at the end of each year over three (3) years provided that the applicant/awardee maintains the furniture purchased through the Program. Forgivable loans will be made available on a first come, first serve basis and will be available until funds are exhausted. Eligible loan expenses include the \$300 Sidewalk Café Encroachment Permit Fee but do not include installation costs or furnishings purchased prior to Program application approval. Program funding of \$150,000 will come from the Economic Development Element Implementation Project, CIP 9136.

Staff presented the Program’s framework to the City’s Small Business and Economic Recovery Taskforce, SCCIA’s Land Use Committee, SCCIA’s District Identity and Streetscape Improvements (DISI) Committee, and the City’s Housing and Land Use Committee. Comments received were positive and supportive of the Program framework. Staff will continue to work with DISI, the downtown restaurants, and the Public Works Department to finalize and implement the Program.

Refer to **Attachment 2** of this report for a more detailed table outlining requirements and eligibility of the proposed Program.

Program Implementation Steps

Timeframe	Actions
July – August 2022	<ul style="list-style-type: none"> • Continue to refine program with stakeholder groups (SCCIA, Downtown eateries, and Small Business Recovery Task Force) and PW Department. • Develop <u>Acceptable Outdoor Furniture Options</u>. • Develop Downtown Outdoor Dining Design Standards. • Develop Downtown Outdoor Dining Forgivable Loan Application. • Finalize program details, marketing/promotional flyers. • Finalize online-portal for electronic submittals or in-person appointments.
September – October 2022	<ul style="list-style-type: none"> • Launch Downtown Outdoor Dining Forgivable Loan Program and Application Portal. • Outreach to Downtown eateries – canvassing, social media.

	<ul style="list-style-type: none"> • Conduct informational sessions about the program, application process via Zoom Meeting and in Person.
April – May 2023	<ul style="list-style-type: none"> • Provide Program update to City Council.

CEQA CONSIDERATION:

When the Sidewalk Café Encroachment Permit (SCEP) was established and adopted in August 2007 (Ordinance 2475, Resolution 19298), program permitting activities were determined to be a Class 1 (Existing Facilities), Class 5 (Minor Alterations in Land Use Limitations), and Class 11 (Accessory Structures) Categorical Exemption pursuant to Sections 15301, 15305, and 15311 of the California Environmental Quality Act (CEQA) Guidelines. Given there is no change in permitted activities under the SCEP, and the proposed Downtown Outdoor Dining Forgivable Loan Program streamlines the SCEP process and provides financial assistance through forgivable loans to incentivize outdoor dining in the public right-of-way, this Program is also determined to be categorically exempt pursuant to the same sections listed above. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

The City’s goal for Economic Development is to sustain, encourage, and develop a diverse and thriving economy that benefits all Salinas residents and businesses and that contributes to the community’s economic health. This Program addresses two City Economic Development Strategies identified in the City’s 2022-2025 Strategic Plan:

1. Supporting and engaging small, large, and entrepreneurial businesses, and
2. Promoting Salinas as a desired destination for business.

Streamlining the permitting of and providing financial assistance for permanent outdoor dining in the Downtown allows restaurants and cafes to increase the number of customers they can serve, expanding their business opportunity and attracts visitors to the Downtown. The Downtown Vibrancy Plan identifies outdoor dining experience as an element that adds to foot traffic and vibrancy, improving the vitality of shops and restaurants in the Downtown and promotes Salinas as a destination for residents, visitors and business.

DEPARTMENTAL COORDINATION:

The Community Development Department’s Advanced Planning and Project Implementation (APPI) Division coordinated with the Public Works Department to process expedited COVID-19 Temporary Outdoor Dining Permits and coordinated development of the Downtown Outdoor Dining Forgivable Loan Program. In April and May 2022 APPI presented the proposed Program to the Small Business and Economic Recovery Task Force which was appointed by Council during the pandemic. Taskforce members include SUBA, Salinas Chamber of Commerce, Central Coast Small Business Development Center, El Pájaro CDC, the Salinas City Center Improvement Association, and the Housing and Land Use Committee. Stakeholders supported the Program framework and provided positive comments.

FISCAL AND SUSTAINABILITY IMPACT:

It is recommended that Council authorize the appropriation of \$150,000 of the existing Economic Development Element Implementation Capital Improvement Project (CIP 9136) to fund the Downtown Outdoor Dining Forgivable Loan Program. The EDE CIP was established to leverage the implementation of the goals and policies outlined in the Economic Development Element with focus on small business support and business attraction.

ATTACHMENTS:

1. Resolution
2. Attachment 1: Timetable of Efforts and Events Following the 2007 Adoption of the Sidewalk Café Encroachment Permit (SCEP)
3. Attachment 2: Downtown Outdoor Dining Forgivable Loan Program Requirements and Eligibility