



## **CITY OF SALINAS COUNCIL STAFF REPORT**

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**DATE:** MARCH 6, 2018

**DEPARTMENT:** PUBLIC WORKS

**FROM:** HILDA GARCIA, PUBLIC WORKS ADMIN SUPERVISOR

**TITLE:** LEASE AGREEMENT WITH CALIFORNIA COASTAL RURAL DEVELOPMENT CORPORATION FOR USE OF 106 LINCOLN AVENUE

### **RECOMMENDED MOTION:**

A motion is sought to approve a lease of the City's building at 106 Lincoln Avenue to Cal Coastal Rural Development Corporation (CCRDC) for use as a Small Business Development Center.

### **RECOMMENDATION:**

Staff recommends the City Council approve a Resolution authorizing the City Manager to enter into a two-year Lease Agreement with CCRDC to use 106 Lincoln Avenue as a Small Business Development Center.

### **EXECUTIVE SUMMARY:**

The Small Business Development Center ("SBDC") is a nationally accredited program that offers entrepreneurs access to a wide range of services and resources. It has served the Monterey and San Benito Counties since 2009. In 2013, the City entered into a lease agreement with University Corporation at Monterey Bay for 106 Lincoln to house the SBDC. In 2017, the SBDC began transitioning to a new host, the California Coastal Rural Development Corporation (CCRDC), a Salinas-based nonprofit. CCRDC is now seeking a two-year lease agreement for continued use of 106 Lincoln Avenue as the SBDC.

### **BACKGROUND:**

The Small Business Development Center ("SBDC") Program is a nationally accredited program that offers entrepreneurs access to a wide range of services and resources designed to meet their unique business needs. The program provides business technical assistance and training for each stage of business development. In order to deliver the SBDC services using the financial resources provided by the U.S. Small Business Administration ("SBA"), the funds must be leveraged on a dollar-for-dollar basis with investments made by local government, academic or non-profit hosts, as well as community and business partnerships.

The SBDC, serving Monterey and San Benito Counties, has been locally hosted by the CSU Monterey Bay/University Corporation at Monterey Bay since 2009 as part of the Central CA SBDC Network covering a 15-county area. During 2017, the 15-county SBDC network helped businesses create or retain 896 jobs and access \$45,472,671 in capital in the form of loans, equity and alternative funding – an example of how the network fosters entrepreneurship that helps grow and diversify Central California’s economy.

In 2013, City Council approved a two-year lease agreement with University Corporation at Monterey Bay (UC@MB) for use of 106 Lincoln Avenue for use as the new local SBDC. The lease was subsequently amended extending the terms through December 31, 2018.

In October 2017, UC@MB notified the City that its contract with SBDC would end as of December 31, 2017 and it would begin the transition of the SBDC to a new host. Ultimately, California Coastal Rural Development Corporation (CCRDC), a Salinas-based nonprofit was awarded the contract with UC Merced to continue the SBDC services in Salinas.

CCRDC is now seeking a two-year lease agreement for continued use of 106 Lincoln Avenue as the SBDC. Consistent with the City’s long-term development plans and the Downtown Vibrancy Plan, the premises, along with the adjacent parking lot, are planned for development. However, development is not anticipated to occur within the next couple of years therefore leaving the premises available for a short-term lease agreement.

The market rate value of the rent will be contributed to assist the SBDC to leverage an equal amount in federal funds and reduce the cost of doing business. This in-kind contribution is in exchange for services benefiting small businesses in Salinas. The benefits provided directly to Salinas businesses are in equal or greater value than the in-kind contribution. CCRDC will submit on an annual basis a report documenting the benefits received by Salinas businesses.

The benefits accrued as a result of the original lease agreement with UC@MB include:

- The SBDC has not had to turn back federal SBA funds due to lack of leveraged local funding;
- The market rate value of the lease provided equates to 14.1% of the match required;
- Salinas’ entrepreneurs have represented 35% of the total clients served;
- Salinas’ entrepreneurs had easy access to workshops and training with 59% of all SBDC workshops presented in Salinas.

#### CEQA CONSIDERATION:

**Not a Project.** The City of Salinas has determined that the proposed license agreement for the storage of props is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

#### STRATEGIC PLAN INITIATIVE:

Providing a local permanent home for the SBDC supports the Council's Strategic goal of economic diversity and prosperity by supporting the environment that attracts, creates and retains businesses that enhance the economic diversity and economic prosperity of all residents.

#### FISCAL AND SUSTAINABILITY IMPACT:

The annual lease revenue estimated at \$30,000 is to be contributed to the SBDC, which will match these dollars with federal SBA dollars. Over a period of three years, the contribution is estimated to be \$90,000. Since approximately 35% of its clients are based in Salinas, this contribution is equal to \$31,500.

#### ATTACHMENTS:

Resolution  
Lease Agreement