



Vacant Storefront Improvement Assistance Program (Ordinance S-49574)

Request to authorize the City Manager, or his designee, to implement the Vacant Storefront Improvement Assistance Program (Program) and enter into agreements as necessary with retail/commercial building owners (Owners), or their designees, to provide financial assistance for public infrastructure improvements (Improvements). Further request authorization for the City Controller to disburse all funds related to this item. Funding for this program will not exceed \$2 million. There is no impact to the General Fund. Funding is available through the City's allocation of the American Rescue Plan Act (ARPA) funding received from the federal government under the City's Neighborhood Sustainability category.

Summary

Prior to the COVID-19 pandemic (Pandemic), the retail market was undergoing several changes leading to a significant increase in retail vacancy. Disruptions such as advances in shopping technology, retailers/brands that had become irrelevant, and shifts in consumer spending behavior all served as a catalyst to a decline in brick-and-mortar retail space occupancy. The Pandemic exacerbated the issues struggling landlords were already experiencing as retailers were forced to close and further change how they did business. Technology advances from e-commerce competitors greatly affected businesses that did not have the technological advances or the funding to pivot and compete with online retailers. Restrictions placed on in-person shopping and services further constrained retailers dependent on their brick-and-mortar spaces. These issues ultimately forced the permanent closure of many businesses, resulting in a significant increase in citywide retail vacancy.

While the Phoenix market has experienced success in Pandemic recovery, premium, minimally challenged and newer retail properties were among the first to be improved and occupied. Challenged commercial retail properties and shopping centers in older, under-served communities continue to experience prolonged vacancy. Many older buildings are good spaces but cannot be used due to infrastructure requirements that are not cost effective or site and building issues, such as no certificate of occupancy, asbestos mitigation, or lack of sprinkler systems, which are required when repurposing older retail buildings that do not have these features. For example, the work that accompanies a fire sprinkler system includes an underground fire line, fire backflow

preventer and a street tap. These are costly items that often deter redevelopment efforts, resulting in prolonged retail vacancy; however, updates and improvements to infrastructure can open up possibilities, as these items increase the allowable area of occupancy without changing the building's construction.

The Vacant Storefront Improvement Assistance Program aims to alleviate these obstacles by providing financial assistance for public infrastructure improvements to support the improvement and occupancy of vacant retail properties and the overall safety of the surrounding community. This will allow retail building owners to remain competitive with improved storefronts while revitalizing and beautifying the surrounding community. Examples of potential public infrastructure items include:

- Sidewalk/street repairs
- Street lights
- Place making signage
- Landscape enhancements/improvements in the right-of-way
- Median installation
- Bus shelter enhancements/improvements
- Water/sewer line installation and/or extension
- Public art installation

The Improvements will either be scheduled for completion by the City's Street Transportation Department (Streets), or other appropriate department(s), for installation or an approved Owner may opt to complete the Improvement directly. Any Improvements completed by an Owner must be in compliance with Planning and Development, Streets and other associated department's standards. The Improvements must comply with Arizona Revised Statutes Title 34. Performance and timeline indicators will be put into place to ensure compliance with ARPA General Rules.

Retail or commercial building owners located in the City who were impacted by the Pandemic and meet one or more of the following eligibility criteria may qualify for the Program:

- 25 percent revenue loss or 10 percent vacancy increase when comparing 2019 to 2020 and 2021; or
- Located in or immediately adjacent to a Qualified Census Tract; or
- Are an adaptive reuse development opportunity created by the Pandemic.

The maximum amount awarded per project will be approximately \$250,000. An

evaluation panel comprised of City staff will review each application for eligibility and provide a recommendation for approval or denial. The panel will consider costs, location, historic nature of the property, and community benefit. Each approved applicant will enter into a contract with the City to outline the terms and conditions of awarded funds.

Financial Impact

Total funding not to exceed \$2 million. There is no impact to the General Fund. Funding is available through the City's allocation of the ARPA funding received from the federal government and is under the City's Neighborhood Sustainability category.

Concurrence/Previous Council Action

This item was presented and adopted as part of the American Rescue Plan Act Second Tranche Strategic Plan by the City Council at the April 12, 2022 and June 7, 2022 Policy Meetings.

Responsible Department

This item is submitted by Interim Deputy City Manager John Chan, Deputy City Manager Alan Stephenson and the Community and Economic Development Department.