



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 24, 2026

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Tim Rood, Community Development Director

SUBJECT: Tiered Business Attraction Grant Program

RECOMMENDED ACTION:

Receive a presentation and adopt a resolution approving a Tiered Business Attraction Grant Program and approving an appropriation of \$200,000 from the General Fund Reserve for the program.

BACKGROUND:

In July 2023, the City Council established a pilot Business Attraction Grant program to assist new, locally owned eating & drinking establishments with their move-in expenses. Commercial landlords typically provide a fixed cost per square foot allowance for tenant improvements (build-out of the interior of a commercial space to suit the needs of a particular tenant). In many cases, actual construction costs are significantly higher than the allowance, with the portion above the allowance paid by the business moving in. Businesses offering food and beverage service also have significant costs for furnishings, fixtures and equipment, such as commercial appliances, point of sale systems, furniture and tableware. By assisting with these costs, the City aims to lower the bar for entry of desired types of new businesses.

Qualifying new businesses moving into vacant spaces were eligible for up to \$25,000 in matching grants toward specified move-in costs, including tenant improvement construction net of the tenant improvement allowance provided by the landlord, permitting, fittings, furnishings, and equipment. The existing funding has been fully committed, with four businesses qualifying for the maximum \$25,000 grants: Tommy's

BBQ, Sugar Toof, HŌM Coffee and Pho Hanoi 89. Grant funding for Tommy's, Sugar Toof and Pho Hanoi 89 has been completely disbursed. HŌM Coffee has received \$20,000 to date and is eligible for a final payment of \$5,000 once the business receives a certificate of occupancy.

ANALYSIS:

At its January 27, 2026 meeting, the City Council received a report and reviewed draft guidelines for a renewed Business Attraction Grant program that is "tiered" to include larger grants and broader eligibility criteria for the largest vacant spaces, the Big Lots and Rite-Aid sites. The Council directed staff to return for formal authorization and a funding appropriation.

The proposed program guidelines (Attachment 2) include two categories. First, Eating & Drinking Establishment grants for smaller spaces would continue with similar eligibility criteria as before, but with a new grant maximum of \$20,000 for spaces less than 1,500 square feet and \$30,000 for spaces between 1,500 and 5,000 square feet.

Second, a new General Business Attraction category would be created for the two larger spaces, with broader eligibility criteria for many types of retail uses that generate sales tax. The General category would also include national chains and franchises, which are the primary tenants of these larger spaces.

Previously, \$150,000 in funding was recommended to be reserved for the two larger spaces (Big Lots and Rite-Aid), which would leave \$50,000 to support up to two Eating & Drinking Establishment grants in smaller spaces. The owners of the Big Lots space have informed staff that in January 2026, they entered into a Letter of Intent and are negotiating a lease with Goodwill, which would not qualify for a grant due to its proposed on-site donation station. The base lease term is 10 years with an option for two additional 5-year terms, for a total of 20 years should the options be exercised.

To account for these changed circumstances and provide greater flexibility, staff is proposing a minor amendment to the program guidelines reviewed by the Council on January 27, 2026, to eliminate the cap on funding in each of the grant categories. This will allow the entire recommended appropriation of \$200,000 to be used for any type of qualifying grant until the funding is exhausted.

FISCAL IMPACT:

This program requires an allocation of \$200,000. Staff recommends appropriating funds from the General Fund reserve to support this proposed expenditure.

Attachments:

1. Resolution
2. Draft program guidelines