



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of January 27, 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 on the proposed tiered Business Attraction Grant program, take public comment, and provide any comments or direction to staff.

### **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, HOM Coffee and Pho Hanoi 89. Grant funding for Tommy's, Sugar

Toof and Pho Hanoi 89 has been completely disbursed. HOM 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.

#### Available Spaces

Hercules has approximately 246,000 square feet of retail space. As of September 2025, staff estimates that Hercules has approximately 53,600 square feet of vacant and available retail space, about 25% of the current supply. Vacant and available spaces include the 31,631-square-foot former Big Lots space at Creekside Center, for which the property owner has identified a tenant. The former Rite-Aid property at 1560 Sycamore is vacant and is being marketed for lease. At the Willow Avenue Center, Suite A-4 totaling 1,200 square feet is available.

The Exchange has six commercial suites available, ranging from 502 square feet to 1,469 square feet, for a total of 10,563 square feet available. Suite A, which is 2,478 square feet and can accommodate venting for a full-service restaurant, has been leased. The Aventine has two commercial suites of 556 and 1,115 square feet available.

Sycamore Plaza at 1500 Sycamore Avenue, which was damaged by a fire in August 2023, is vacant and still has an open code enforcement case due to unpermitted interior remodeling work, failure to make required monthly reports to the Code Enforcement Officer, and failure to obtain required inspections for open building permits for repairs. Building A, the former Century 21, is approximately 4,435 square feet, and Building B to the rear includes nine (9) suites that are each under 2,000 square feet, for a total of 8,765 square feet. A leasing sign was posted at the property in October 2025.

#### Retail Sectors with Growth Potential

In January 2024, the City's economic development consultant, HdL ECONsolutions, prepared an updated analysis of "leakage" of Herculeans' retail dollars to other jurisdictions for specific types of purchases (Attachment 1). Retail leakage occurs when local people spend a larger amount of money on goods than local businesses report in sales, usually due to people traveling to a neighboring town within the same trade area to buy goods that are not available in their own city.

#### **ANALYSIS:**

At the July 15, 2025 meeting of the City Council's Economic Development Subcommittee's, the Subcommittee requested that staff return with a proposal for additional Business Attraction Grants that were "tiered" to include larger grants and broader eligibility criteria for the two larger vacant spaces.

At the Subcommittee's October 15, 2025, meeting, the Subcommittee received a presentation and draft program guidelines and referred the item to the full City Council for consideration.

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 larger spaces, with broader eligibility criteria for many types of retail uses in which Hercules experiences retail "leakage," primarily to Pinole. The General category would also include national chains and franchises, which are the primary tenants of these larger spaces.

Grant applications will continue to be reviewed on a first-come, first-served basis, and staff has full discretion in awarding the grant according to the established guidelines and information submitted.

#### **FISCAL IMPACT:**

This program would require a new allocation from the General Fund. Should the Council wish to proceed, staff will return to the Council for an appropriation and authorization.

Should the Council wish to proceed, staff would recommend allocating a total of \$200,000 for the program, with \$100,000 allocated to spaces over 15,000 square feet (i.e. Big Lots); \$50,000 allocated to spaces between 5,000 and 15,000 square feet (i.e. Rite-Aid); and an additional \$50,000 allocated to the Eating & Drinking Establishment grant program, which could support two additional grantees.

#### **Attachments:**

1. Retail Void Analysis, January 2024
2. Draft program guidelines