CITY OF SANTA CRUZ

Motel Improvement Pilot Program

Guidelines and Procedures

July 2011

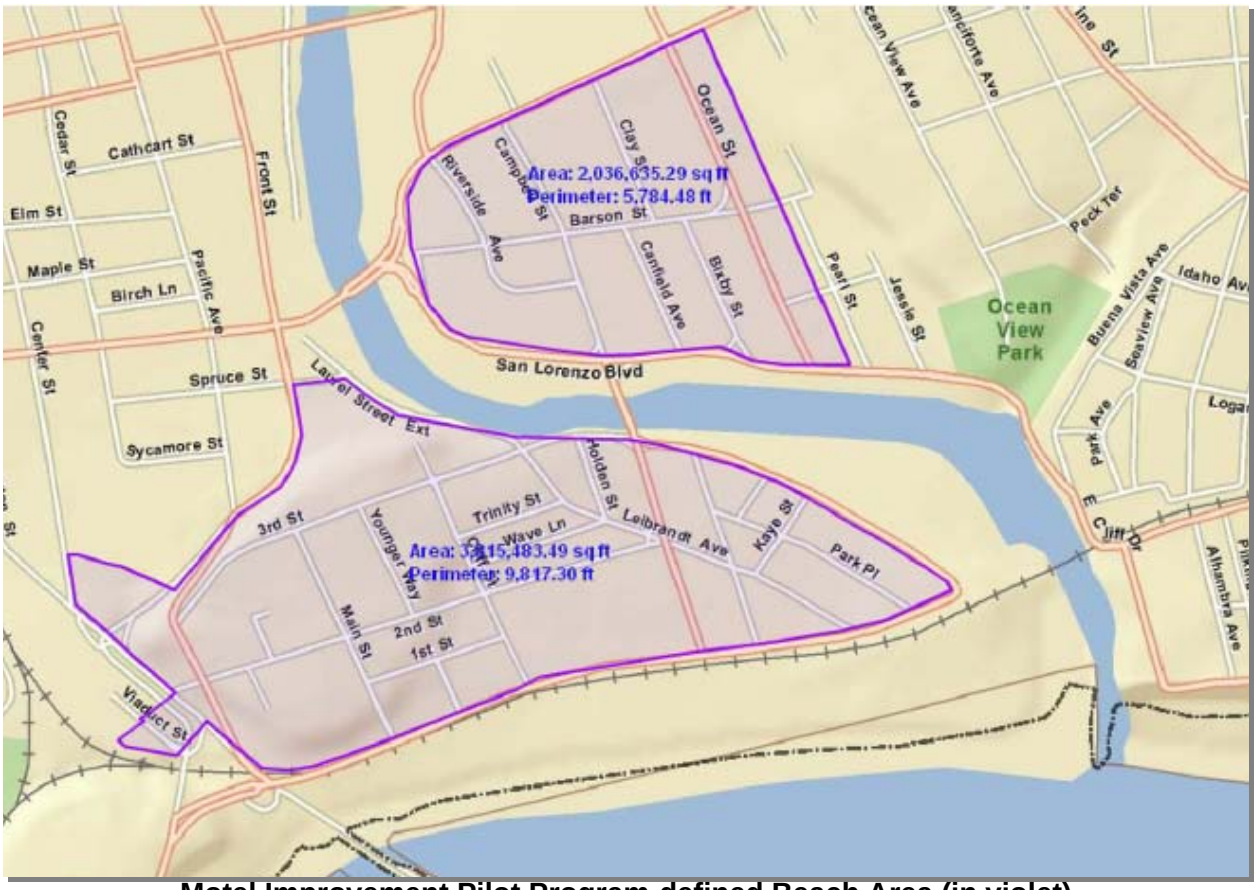
MOTEL IMPROVEMENT PILOT PROGRAM (MIPP)
Guidelines and Grant Program Procedures

PROGRAM PURPOSE

The Motel Improvement Pilot Program (MIPP) is a grant incentive program to help owners make exterior and interior improvements to their hospitality properties located in the Beach Area. The program collaborates with lodging operators that are committed to delivering a high-quality hospitality experience with a product that meets certifiable standards. This grant program aims to foster *comprehensive and significant* improvement projects that address the presentation of the physical environment, impact guest contact, and deliver high-quality service for an improved hospitality product.

WHO MAY APPLY

The MIPP applies to commercial lodging properties and non-homesteaded properties defined as hotel, motel, or inn located within the defined Beach Area (see the map below). The Beach Area consists of 150 acres in the Beach Hill and Beach Flats neighborhoods from Lower Pacific Avenue to the west, Beach Street to the south, 3rd Street to the east, and Laurel Street Extension to the north along the San Lorenzo River Levee. The area also includes a portion of lower Ocean Street from Broadway to the north and west, San Lorenzo Boulevard to the south, and Ocean Street to the east.



Motel Improvement Pilot Program-defined Beach Area (in violet)

The MIPP funding requires the following:

- Exterior improvements making a property suitable for commercial hotel, motel or inn (including ADA accessibility requirements)
- Applicants are owners of the property for which the program funds are being sought
- Properties must not have been constructed within ten years of application date
- First-time applicants will have priority over repeat applicants as well as priority over applicants who have already participated in the retail storefront Façade Improvement Grant Program for motel properties with eligible retail portions.

GRANT DETAILS

The Economic Development Department awards limited MIPP grants on a competitive basis. Grants are paid as reimbursements, contingent upon a participant's successful completion of the project and meeting all requirements of the grant agreement. As this is an incentive program, applications must be submitted and approved by the City of Santa Cruz BEFORE any reimbursable work begins. The grant funds will be distributed according to the approved grant agreement project timeline. The project timeline, including the permitting process, shall not exceed two (2) years in length and will be determined at the time of the agreement.

- Eligible applicants can receive a one-time grant of up to $100,000 for exterior property improvements when matching the grant with at least $200,000 of eligible interior improvements for the same property.

- A $15,000 optional Green Business matching grant is also available when matching the grant by a minimum of $30,000 in improvements specifically performed in order to attain Monterey Bay Area Green Business Certification in the Hotels and Hospitality category.

The additional grant may be used in conjunction with other incentive programs in the area. These additional programs may include AMBAG Energy Watch for Hospitality, California Urban Water Conservation Council Smart Rebate, and City of Santa Cruz Water Department Commercial Rebate Program. If the participant elects to participate in these additional programs, documentation of improvements and proof of payment are still required to be submitted directly to the MIPP for the $15,000 Green Business optional grant.

Quarterly Report
In order to receive grant funds in accordance with the project timeline, the applicant must submit a quarterly report. This quarterly report shall include:

- Description of progress and expenses to date
- Paid invoices/receipts detailing the expenses related to the completed portions of the project
- Photos of the completed portions of the project
- A signed completion certificate provided by the licensed contractor for the completed portions of the project

- A detailed plan of action for the next quarter. The plan of action should explain what the participant expects to accomplish for the next quarter and explain how the participant is on schedule with the project timeline.

IMPROVEMENTS ELIGIBILITY

All eligible improvements must be consistent with City of Santa Cruz Municipal Code. The grant funding cannot be used to correct pre-existing code violations. Furthermore, the cost of remedying any such code violations may not be used to count toward the $200,000 match requirement for interior improvements. Any code violations volunteered in the application or discovered during the grant process must be addressed and reconciled before the grant will be reimbursed.

Eligible Exterior Improvements (listed in order of program priority):

1. Painting and exterior lighting as a part of a significant and comprehensive improvement or renovation
2. Addition of anti-graffiti film coating on all display windows, especially those windows near heavily trafficked areas prone to vandalism
3. Addition and/or replacement of awnings/doors/windows only if part of a significant façade improvement or renovation
4. Replacement of existing signs with new signage/lighting (no internally illuminated can signs), if attached to the building and only if part of a significant façade improvement or renovation
5. Electrical work directly related to exterior requirements or the installation of approved signage

Once the above priorities are satisfied, and if grant funding remains, the following may be eligible exterior improvement expenses at City's discretion:

6. Landscaping in outside pots or planters, adjacent to walls, fences, or parking areas, if substantial amount of plant material is used and improvements are irrigated
7. Plant hedging and fencing only if part of a comprehensive landscaping project
8. Repairs or alterations designed to enhance the property (including ADA requirements)
9. Paved areas including the creation or improvement of off-street private parking facilities that provide a safe and pleasant parking environment for customers and employees, as well as the addition or restoration of sidewalks, bicycle racks, walkways and handicap access ramps consistent with ADA requirements
10. Permitting and processing fees through the City of Santa Cruz Planning and Community Development Department that are direct costs for exterior improvements only. Exterior

improvement related permits and fees are capped at a maximum of $5,000. When applicable, permits and fees associated with interior improvements are required but they are not eligible for reimbursement under the grant.

11. Professional architectural, design, and engineering services related to structural renovation, new construction, signage, and landscaping. This may not exceed $5,000.
12. Other improvements as part of the City's quality assessments can be considered on a case-by-case basis, but must make a significant difference to the property appearance and not be one of the excluded improvements listed in the Ineligible Improvements section.

Eligible Interior Improvements:

The following improvements are for the non-grant funding match requirement. Items are listed in order of program priority.

1. Painting interior walls and trim
2. Flooring improvements including carpet, tile, wood, synthetic flooring, or other surface
3. Minor plumbing work, including new fixtures, vanity/sink, low-flow toilets, etc.
4. Electrical work, lighting, and light fixtures directly related to interior improvements
5. Soft Goods (window coverings, bed linens, bath towels, etc.)
6. Case Goods (room furniture, wall art, etc. but not including televisions, telephones, or other electronics for guests)
    a. Beds and chairs – well constructed, comfortable, and attractive furniture meeting current industry standards
    b. Nightstands, bureaus, dressers, credenzas, desks, and luggage racks – well constructed, attractive and meeting current industry standards
    c. Interior décor – Wall artwork and decorative mirrors should be attractive and in keeping with current industry standards
    d. Kitchen appliances and equipment, if applicable, including refrigerators and microwaves

Ineligible Improvements:

1. New buildings
2. Chain link fencing
3. Residential projects or apartments located in residential neighborhoods
4. Painting when not associated with other improvements
5. Signage when not associated with other improvements
6. Non-licensed contractor performed labor (limited eligibility if the owner is a duly licensed contractor)
7. Televisions and telephones or other electronic case goods

8. Improvements constructed, implemented, or purchased prior to the execution of the MIPP funding agreement
9. Non-permanent guest accommodation and housekeeping supplies including soap, cleaners, toiletry kits, and toilet paper (permanent bulk shampoo and conditioner dispensers are eligible and encouraged under the Green Business Certification Program)
10. Refinancing existing debt

NOTE: Projects must make exterior improvements easily visible from public view. Grants will be awarded only for quality improvements done in a professional manner. A site review inspection will be conducted to confirm the work has been completed and conforms to the approved plans, colors and/or materials.

Green Building Practices and Green Business Certifcation:

For most motel improvement designs, Green Building Program Compliance with the Planning Department will apply. Please contact the MIPP Program Manager for details or visit http://www.cityofsantacruz.com/index.aspx?page=1177

Participants are strongly encouraged to consider applying to the optional Monterey Bay Area Green Business certification program, which recognizes green improvements that include the use of alternative building supplies. Alternatives include low emission and recycled content materials, low VOC paints, eco-friendly carpeting, ensuring demolition and waste material are transported to the recycling sorting area at the landfill, and other improvements identified by the Monterey Bay Area Green Business program.

Please contact the MIPP Manager for more details about how the motel project can include pursuing green business certification with additional grant funds. If the applicant elects to perform additional improvements, an additional matching grant of $15,000 is available when matched by $30,000 of capital improvement directly related to Green Business certification.

More details for what is required for certification in Hotel and Hospitality are available at: http://www.montereybaygreenbusiness.org/PDF/checklists-09/Hospitality_Sup.pdf

CRITERIA FOR PROJECT SELECTION

The City of Santa Cruz will assess applications with the following criteria:

1. Project viability and comprehensiveness
2. Improvements which will facilitate increased occupancy and property values

3. Quality assessment. Applicants will undergo a Property Site Review performed by City staff to determine whether quality exists and to the extent that a product or service meets customer's requirements and expectations. Applicants shall maintain a consistent level of quality throughout the duration of the grant period and for a minimum of five years following the receipt of grant funds.
4. Impact of project on the Beach Area
5. Significant and comprehensive improvement to the exterior visual appearance of the building and surrounding area. (i.e. (a) size; (b) location; (c) current condition of building)
6. Cost/Benefit Analysis where the relationship between the estimated cost of a project and the benefits gained provides a compelling case for the project
7. Applicant contribution and the level of investment being made:
    a. Relationship between the estimated cost of the project and the amount the applicant is willing to contribute, especially if the contribution exceeds the minimum requirement
    b. Consideration of the amount the applicant is willing to contribute toward maximizing or exhausting the grant limit funds
8. Project Readiness as the ability of a project to move forward and be completed in a timely manner

Conditions for Incentive Consideration:

1. Building must be within the boundary of the Beach Area as defined by the City.
2. Building must be a hotel, motel, or inn.
3. Rehabilitation must include improvements to the exterior and interior of the building and/or the property.
4. Applicants must be willing to undergo a Property Site Review prior to implementation of the grant and after construction to confirm improvements were performed.
5. Applicants must demonstrate that all necessary private financing required to complete the project is secured.
6. Applicants must have received City approval prior to commencement of the construction.
7. Proposed project must be in conformance with all applicable City of Santa Cruz land use, zoning, code and design standards.
8. Any exterior remodeling or site alteration valued more than fifty thousand dollars ($50,000) or an addition of more than twenty-five percent (25%) of existing floor area shall require approval of a Design Permit by the City of Santa Cruz Planning and Community Development Department.
9. All necessary permits and approvals must be obtained from applicable City Departments and Advisory Boards before work is commenced. All work is to be performed and inspected to the satisfaction of the City of Santa Cruz Planning and Community Development Department.

10. Green Building Program Compliance through the Planning Department is not required for non-residential additions and remodels totaling less than 1,000 square feet, OR interior-only non-residential remodels of any size wholly contained within the existing footprint of the building and NOT including any portion of the exterior. All other projects must comply with the City's Green Building Program.
11. All funds are released on a post-completion basis unless otherwise arranged and formally authorized by the City.
12. Exterior improvement work requires a licensed contractor. The City will require a signed affidavit of completed work by the licensed contractor before releasing grant monies. No unlicensed contractor work will be repaid under the MIPP grant.
13. Applicants will agree that if the applicant does not maintain motel service level and quality during the grant period or anytime within five years of receiving MIPP grant funds, all or a portion of funds will be reimbursed to the City.
14. The grant agreement will be recorded at the County of Santa Cruz on the property. Applicants will agree that if the applicant sells the property, changes the use of the business or goes out of business prior to receiving the grant funds or anytime within five years of receiving grant funds, all or a portion of the funds will be reimbursed to the City. Alternatively, if a new owner agrees to maintain the motel property to the design and service standards of the original grant agreement for the remainder of the five-year term, codified in an agreement with the City, the grant funds will not have to be returned to the City.
15. Applicant shall be required to provide sufficient security for grants awarded by the City. Such security shall be approved by the Director of Economic Development and the City Attorney to sufficiently cover the repayment provision and may include a mortgage, personal guarantee, security agreement and/or any other acceptable form of security.
16. Properties that have a homestead exemption in whole or in part, shall be deemed ineligible under this program.

APPLICATION PROCEDURE

An application for MIPP grant funding can be obtained from the Economic Development Department at 337 Locust Street, Santa Cruz, CA 95060 or online at: http://www.cityofsantacruz.com/Modules/ShowDocument.aspx?documentid=20950

Architects, Contractors and Bidding Requirements:
It is recommended that applicants retain the services of a registered architect, or similarly qualified design professional, to prepare plans, drawings and construction specifications for their entire project as needed for the application. However, only fees for services provided by a registered architect for structural improvements will be eligible for reimbursement under the grant. Architectural fees are eligible for exterior improvement costs only if there is room available in the grant budget for the project and after high-priority items have been fulfilled in the scope of work. Eligible architecture fees may not exceed $5,000 and are reimbursable only when a grant agreement is executed between the City and a selected applicant. Any design

fees that exceed this amount may not be reimbursed or used to count toward the matching portion of the grant improvements. If an applicant is not selected for a grant, design fees shall be the sole responsibility of and be borne by the applicant.

The City will not be responsible in any manner for the selection of a contractor. A business or property owner should pursue all activities necessary to determine contractor qualifications, quality of workmanship, and reputation. The property or business owner will bear full responsibility for reviewing the competence and abilities of prospective contractors and secure proof of their licensing, insurance, and bonding coverage. Licensing can be verified with the California Department of Consumer Affairs at:
https://www2.cslb.ca.gov/OnlineServices/CheckLicenseII/checklicense.aspx.

The property or business owner must obtain written price proposals, from no less than three (3) licensed contractors, based on the project's final plans and specifications. The City will make all required payments to the applicant. The City shall not be liable to any of the contractors hired by the applicant.

APPLICATION PROCESS SUMMARY:

1. Conduct design and gather initial bids. Then contact MIPP manager for the Pre-Application Meeting.

2. Submit a complete application to the City of Santa Cruz Economic Development Department including the application form and all additional required attachments and documents as specified in the application form checklist.

3. Application will be reviewed for completeness, accuracy and eligibility. The application may be shared informally with the Planning Department as a part of the evaluation of the project. A project will be awarded based upon the application satisfying the criteria for project selection. An application meeting will be arranged by City staff to formally review the application with the participant.

4. Upon approval, the applicant will be notified in writing of the amount of the award and the documentation that must be provided before the grant agreement is executed.

The City of Santa Cruz Economic Development Department expressly reserves the right to reject any or all applications and/or to request additional information from any and all applicants. The City retains the right to photograph, display, and advertise properties which have received MIPP grant funds. Questions on how to complete the application form or the appropriateness of a proposed project should be directed to the City of Santa Cruz Economic Development Department at (831) 420-5150.

PRE-APPLICATION MEETING

City staff will review the applicant's conceptual plans in an informal format, including discussion of the eligibility criteria, program requirements, proposed project scheduling, and consistency of the proposal with any design guidelines of the City. At this pre-application stage, the City staff will make a determination as to whether the merits of the proposed project are likely to qualify to receive program funds and whether the applicant is sufficiently prepared to move forward to the application stage.

Required Submissions for the Pre-Application Meeting:

1. Color photographs of existing building, exterior and interior
2. A conceptual improvement plan accompanied by a cost estimate from a licensed contractor(s). If the owner/tenant is a licensed contractor and is qualified to do the work, the owner will still be required to obtain additional cost estimates from appropriately qualified contractors.
3. Sketches or conceptual drawings of proposed construction, (including interior/structural work, if involved), a detailed description of materials to be used, the construction procedure, and a proposed construction timeline
4. Product specification sheets for interior case goods and soft goods
5. Written statement of justification not to exceed 1 page, double-spaced 12 point font
6. Profit/loss statements or a tax return for the preceding three years of business operations
7. A business plan for the years following the completion of the project. As a City of Santa Cruz business, free, one-on-one assistance with a business plan is available from the Small Business Development Center at Cabrillo College. Visit: http://centralcoastsbdc.org/
8. Provide an up-to-date Business License with the City of Santa Cruz
9. W-9 Form for the applicant available at .

APPLICATION MEETING

A business/property owner interested in participating in the MIPP must submit an application, along with supporting documents, to:

City of Santa Cruz
Economic Development Department
337 Locust Street
Santa Cruz, CA 95060

Applications will be reviewed for completeness and compliance with program criteria. Applications which are incomplete or do not comply with the program criteria will not be

considered for funding. Once the application has been received and initially reviewed, City staff will contact the applicant to arrange for an application meeting to review the application with the applicant.

Required Submissions for the Application Meeting:

1. Completed application form
2. Proof of property insurance
3. Site plan with elevations, showing proposed improvements, drawn to scale
4. Construction plan with materials, schedule and dimensions accompanied by a project timeline
5. Landscape and irrigation plan (if applicable)
6. Final cost estimates, broken down between exterior and interior project components, and the name of the licensed contractor chosen to perform the work
7. Signage specifications (if applicable)

PROGRAM PARTICIPATION

Projects determined to be eligible can apply at any time. Projects are selected based upon the Criteria for Project Selection at the discretion of City staff. A project will be funded based upon the strength of the application and as program monies are available. The amount of funding will be based on the final design and construction estimates included in the project's application. This reimbursement grant amount shall not exceed $100,000 for exterior improvements matching $200,000 of interior improvements. If the applicant elects to perform additional improvements as part of a formal application to seek Monterey Bay Area Green Business Certification for Hotels and Hospitality, an additional grant shall not exceed $15,000 for a $30,000 match in capital improvements that earning points toward Green Business certification. Applicants are required to have qualified estimators prepare their estimates. City staff will schedule a meeting after City approval, at which time the funding agreement will be executed. Applicants will receive funding according to the City approved timeline for disbursements as a reimbursement grant. The contractor will certify, and the City will make the final determination through documentation of final invoices, copies of proof of payment, and site reviews as to whether the project has been completed according to the approved plans.

Construction Start:
After the MIPP grant agreement has been executed, the applicant may award the construction contract and secure all necessary construction permits with the City of Santa Cruz Planning and Community Development Department. The owner must issue a "Notice to Proceed" to the contractor, and apply for a building permit within 30-days of executing the funding agreement. The applicant will notify the Executive Director of the City of the construction start date with a copy of the written "Notice to Proceed" to be provided to the contractor. Construction must begin

within thirty (30) days of grant approval and be completed within two (2) years (or sooner as may be prescribed).

Modifications to the approved final plans or changes to the construction documents which produce visible differences in the previously approved design (such as changes in exterior materials or colors, additions, or deletions) will require review by City staff and written prior approval by the Executive Director of the City. Failure to receive such approval shall invalidate the funding agreement and the agreement will be deemed terminated. **IMPROVEMENTS NOT APPROVED BY THE AGENCY WILL NOT BE ELIGIBLE FOR GRANT FUNDING.**

Construction Approval and Billing:
Improvements to be made under this program must be initiated and completed within two (2) years. Extensions may be granted at the discretion of the Executive Director of the City, contingent upon the applicant demonstrating just cause for such an extension.

Disbursements:
Approved projects will receive program funding on a post-completion basis according to the City approved timeline for disbursements. The City, in conjunction with the Planning and Community Development Department, will make the final determination as to when the project is complete. Applicants must provide verification, satisfactory to the City, of all project costs, including contractor invoices before program funds can be disbursed.

Funds will be disbursed by a check payable to the applicant matching the W9 form submitted with the application, upon certification of completion and City staff verification that the work was completed as proposed in a satisfactory and professional manner. Funds will not be disbursed on projects which are not in accordance with the approved plans.

If you have questions about this program, please contact J. Guevara at:

City of Santa Cruz
Economic Development Department
337 Locust Street
Santa Cruz, CA 95060
(831) 420-5156
jguevara@cityofsantacruz.com

MOTEL IMPROVEMENT PILOT PROGRAM (MIPP)
Guidelines and Grant Program Procedures

CHECKLIST

Pre-Application Meeting:

- ☐ Color photographs of existing building exterior and interior.
- ☐ A conceptual improvement plan accompanied by a cost estimate from a licensed contractor(s). If the owner/tenant is a licensed contractor and is qualified to do the work, the owner will still be required to obtain additional cost estimates from appropriately qualified contractors.
- ☐ Sketches or conceptual drawings of proposed construction, (including interior/structural work, if involved), a detailed description of materials to be used, the construction procedure, and a proposed construction timeline.
- ☐ Written statement of justification not to exceed 1 page, double-spaced 12 point font;
- ☐ Profit/loss statements or a tax return for the preceding three years of business operations.
- ☐ A business plan for the years following the completion of the project.
- ☐ Provide an up-to-date Business License with the City of Santa Cruz.

Application Meeting:

- ☐ Completed application form including all items on the application form checklist.
- ☐ Proof of property insurance.
- ☐ Site plan with elevations, showing proposed improvements, drawn to scale.
- ☐ Construction plan with materials, schedule and dimensions accompanied by a project timeline.
- ☐ Landscape and irrigation plan (if applicable).
- ☐ Final cost estimates, broken down between exterior and interior project components, and the name and license number of the contractor chosen to perform the work.
- ☐ Signage specifications (if applicable).

Pre-Construction:

- ☐ Formal Design Permit Land Use Application submitted to the Planning Department.
- ☐ After Design Permit is granted, Building Permits are required from the Planning Department.

MOTEL IMPROVEMENT PILOT PROGRAM (MIPP)
Guidelines and Grant Program Procedures

CHECKLIST

During the Project:

- ☐ Quarterly report which shall include progress and expenses to date; paid invoices/receipts detailing the expenses related to the completed portions of the project; pictures of the completed portions of the project; a completion certificate provided by the licensed contractor for the completed portions of the project; and a plan of action (what they expect to accomplish and are they on schedule with the City approved timeline) for the next quarter.
- ☐ Signed affidavit from the licensed contactor detailing the completed improvements and payments received in full.

After Completion of Project:

- ☐ Detailed expenses along with pictures of the completed work.
- ☐ City staff will determine if the applicant has submitted sufficient evidence of completion and expenses.
- ☐ Signed affidavit from the licensed contactor detailing the completed improvements and final payment received.
- ☐ City staff and the City's Planning and Community Development Department will determine if the project is complete and may require a Site Review including access to guest rooms.
- ☐ Funds will be disbursed by a check payable to the applicant matching the W9 submitted in the application process after receipt of a Certificate of Completion or Certificate of Occupancy for the funded work and City staff verification that the work was completed as proposed in a satisfactory and professional manner.
- ☐ If deemed necessary, City staff will arrange for site assessments to guarantee product quality and project maintenance during the five-year period after the completion of the project.

MOTEL IMPROVEMENT PILOT PROGRAM (MIPP)
Guidelines and Grant Program Procedures
Program Flowchart Summary

SANTA CRUZ REDEVELOPMENT AGENCY

Design and Initial Bids
- Work with a licensed architect or designer to guide the exterior and interior improvements you envision
- Gather intial bids
- Review Application checklist and gather all materials for Pre-Application Meeting

Pre-Application Meeting
Contact MIPP manager to schedule the meeting and bring the following materials:
- Color photographs, interior and exterior
- Conceptual Improvement Plan with bids
- Sketches or conceptual drawings
- Statement of Justification
- 3 years of past tax returns or profit/loss statements
- Business Plan for the years following the improvements
- Provide Up-to-date business license

Submit Application

City of Santa Cruz Application Review

Post-Application Meeting
Agency staff will set up the meeting with the applicant to review:
- Completed application form and all checklist items
- Proof of property insurance
- Site plan with elevations
- Construction plan with timeline
- Final bids submitted
- Signage specifications (if applicable)
- Landscape plan (if applicable)

City of Santa Cruz Project Decision

If YES, then:

If NO, waitlist or suggestions for re-applying

Project Site Review
(interior and exterior)

Grant Agreement Execution with:
- Final Scope of Work
- Final Design
- Timeline

Pre-Construction
- Submit formal Design Permit Land Use Application to Planning Department
- Submit for Building Permits to Planning Department

Construction
- Begins within 30-days of executing agreement
- Completed within two years

Quarterly Report
- Progress and expenses to date
- Paid invoices/receipts
- Photos detailing progress
- Completion certificate from contractor(s)
- Plan of Action and timeline for the next quarterly period

Project Completion and Grant Disbursement
- Detailed expenses submitted
- Signed Affadavit by licensed contractor(s)

CONGRATULATIONS!
Once Agency staff determines all documentation and work is complete, the grant funds will be disbursed