



**ECONOMIC DEVELOPMENT SUBCOMMITTEE  
SPECIAL AGENDA**

**6:30 p.m. – Special Meeting**  
Economic Development Subcommittee  
April 4, 2023

Council Chambers  
City Hall  
111 Civic Drive  
Hercules, CA 94547

- I. ROLL CALL – CALL TO ORDER**  
Council Member Dion Bailey  
Council Member Tiffany Grimsley
- II. PLEDGE OF ALLEGIANCE**
- III. INTRODUCTIONS/PRESENTATIONS**
- IV. AGENDA ADDITIONS/DELETIONS**
- V. PUBLIC COMMUNICATIONS**

This time is reserved for members of the public to address issues not included in the agenda. In accordance with the Brown Act, Council will refer to staff any matters brought before them at this time, and those matters may be placed on a future agenda.

Individuals wishing to address the Economic Development Subcommittee are asked to complete a form indicating the name and address of the speaker and the general topic to be addressed. Speakers must make their comments from the podium and will be allowed three (3) minutes to discuss their concerns. All public comments are recorded and become part of the public record. A limit of thirty (30) minutes will be devoted to taking public comment at this point in the agenda. If any speakers remain at the conclusion of the initial thirty-minute period, time will be reserved at the conclusion of the meeting to take the remaining comments.

- VI. INFORMATION ITEM**
- VII. CONSENT CALENDAR**

The Consent Calendar consists of items that are considered to be routine and are recommended for approval. These items may be acted upon and approved by one motion of the Economic Development Subcommittee. However, individual items may be removed from the Consent Calendar, for discussion, by individual Commission Members wishing to consider the matter separately.

## **VIII. DISCUSSION AND/OR ACTION ITEMS**

1. Discussion on Business Attraction Grant Program
  - A. Presentation- Vacant Retail Spaces
2. Discussion on Eat Local Yiftee Catering Card

## **IX. SUB COMMITTEE ANNOUNCEMENTS**

This is the time for brief announcements on issues of interest to the community. In accordance with the provisions of the Brown Act, matters which do not appear on this agenda but require Sub Committee discussion may be either (a) referred to staff or other resources for factual information or (b) placed on a future meeting agenda.

## **X. ADJOURNMENT**

Agendas are posted in accordance with Government Code Section 54954.2(a) or Section 54956. Members of the public can view electronic agendas and staff reports by accessing the City website at [www.ci.hercules.ca.us](http://www.ci.hercules.ca.us) and can receive e-mail notification of agenda and staff report postings by signing up to receive an e-notice from the City's homepage. Agendas and staff reports may also be obtained by contacting the Office of the City Clerk at (510) 799-8208. **(Posted: March 30, 2023)**



**STAFF REPORT TO THE  
ECONOMIC DEVELOPMENT SUBCOMMITTEE**

**DATE:** Special Meeting of April 4, 2023

**TO:** Members of the Economic Development Subcommittee

**VIA:** Dante Hall, City Manager

**SUBMITTED BY:** Tim Rood, Community Development Director

**SUBJECT:** Business Attraction Grant program

**RECOMMENDED ACTION:**

Receive a presentation on the proposed Business Attraction Grant program, take public comment, and provide any comments.

**BACKGROUND:**

Councilmembers have inquired the how the City could assist certain types of desired new retail businesses with move-in costs associated with occupying vacant storefront spaces in Hercules. Sit-down restaurants and other eating and drinking establishments that provide gathering space have been a particular focus.

There are currently vacant ground-floor commercial spaces at the Creekside Center, the Willow Avenue Center, Sycamore Place, The Aventine, and The Exchange. While they are being actively marketed through commercial brokers, some have remained vacant for months or years.

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 could lower the bar for entry of desired types of new businesses, which could lead to higher sales tax revenues.

### Available Spaces

As of March 2023, listing brokers indicated that Hercules has approximately 25,000 total square feet of vacant ground floor commercial space, located in shopping centers as well as newer mixed-use buildings.

At Creekside Center, three suites totaling 3,870 square feet are available, with individual suites ranging from 900 to 1,770 square feet. The 1,770 square foot suite was previously leased as a deli/sandwich shop, but that business did not complete its tenant improvements or open due to the Covid-19 pandemic, and the partially built-out space became available early in 2023. At the Willow Avenue Center, two adjacent suites totaling 1,350 square feet (formerly used as a nail salon) are available. Sycamore Place has one approximately 4,000 square foot standalone building, the former Century21 realty office, available for lease.

The Aventine has three noncontiguous retail spaces available, ranging from 556 to 1,530 square feet, for a total of 3,201 square feet. The Exchange has nine commercial suites available, ranging from 502 square feet to 2,478 square feet, for a total of 10,563 square feet available. The largest suite can accommodate venting for a full-service restaurant. This and the three adjacent spaces could be combined into a single suite of 5,918 square feet, which would be the largest available retail space currently available in Hercules.

### Retail Sectors with Growth Potential

In 2022, the City's economic development consultant, HdL ECONsolutions, prepared a Community Profile and a void analysis that identified "leakage" of Herculeans' retail dollars to other jurisdictions for specific types of purchases (Attachment 1). This analysis was presented to the Economic Development Subcommittee on August 16, 2022.

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 to buy goods. Retail sales leakage occurs when there is unsatisfied demand within the trading area and indicates that the locality has unmet demand for such type of businesses.

Many of the types of retail showing significant leakage out of Hercules are sectors that tend to occupy much larger spaces than those currently available in Hercules, such as auto dealers, grocery stores, department stores and furniture stores, which can be 50,000 to 100,000 square feet or more.

The opening of the Hercules Safeway in 2021 reduced the grocery leakage significantly, but the data still indicate that Herculeans are spending more money on groceries than Hercules grocers are reporting in sales. This could be due in part to the presence of specialty markets aimed at other market segments, such as Sprouts and Trader Joe's in nearby Pinole. Hercules has some small specialty grocers that carry international foods,

including Everest Grocery in the Willow Center. There may still be room for additional growth in the specialty grocery category, particularly since Asians make up a plurality (44%) of Hercules's population and the nearest large Asian groceries, such as 99 Ranch in Richmond and San Pablo International Supermarket, are relatively distant. However, the available retail spaces in Hercules are much smaller than a traditional grocery carrying fresh produce, meats and dairy products would require. New chain groceries such as the Hercules Safeway are 50,000 square feet or more, and even smaller-format specialty groceries such as Trader Joe's are typically around 12,000 to 18,000 square feet.

Health care/personal services also shows leakage, but national chain stores in this category typically occupy spaces of approximately 15,000 to 20,000 square feet. Currently, sales in this category occur at Rite Aid and Safeway pharmacy. During the pandemic-induced downturn, CVS pulled out of the Sycamore Crossing development, which is planned to include a standalone 13,111 square foot "pad" building with a drive-through lane that was targeted at this or a similar pharmacy tenant.

#### **ANALYSIS:**

City funding could be used for a pilot Business Attraction matching grant program. Given the relatively small size of the available retail spaces in Hercules, staff recommends that the Business Attraction grant program be targeted to eating/drinking establishments.

The proposed program guidelines are as follows:

#### **GOAL**

1. Incentivize small businesses that increase vibrancy and provide amenities (such as sit down or fast casual restaurants that are unique or small chain operated) to locate in Hercules such that other sales tax producing small businesses will follow.

#### **STRATEGY**

Create a small business matching grant program aimed (or exclusively targeted) at the business types identified above, for reimbursement of up to \$5,000 – \$25,000 for costs associated with occupying an existing property, such as tenant improvements, fees, equipment, furnishings, etc. The grant program would require a matching move-in expenditure from the business to ensure a commitment to remain in operation.

The City's consultant HdL would set up a process for: a) application processing to determine eligibility and matching parameters, and b) awarding the grants.

Program guidelines could include:

1. Eligible Businesses

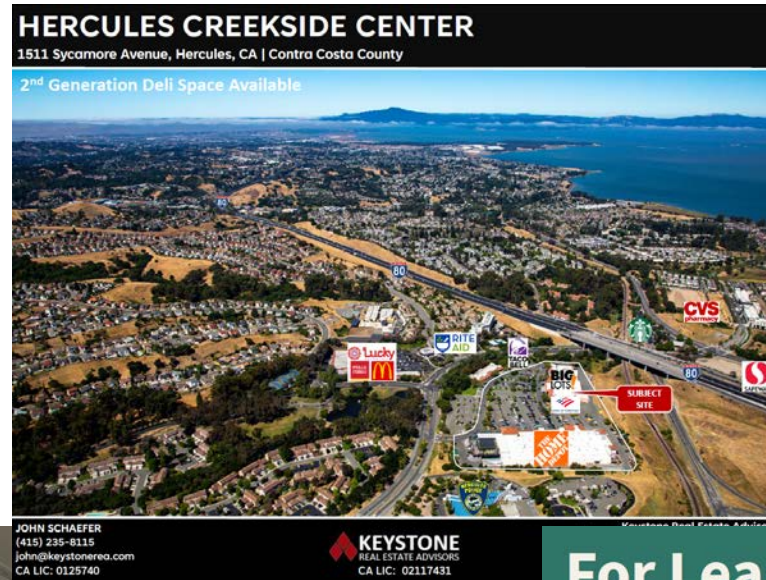
- Eligible businesses must be located within incorporated Hercules.
- The program is aimed at brick-and-mortar, for-profit, sales tax-generating businesses in one of the following categories:
  - Restaurant/Café
  - Brewpub/Micro-distillery
- The business must lease/rent their commercial property directly from a landlord.
- The space must be vacant and available for lease as of the start date of the program.
- The business is either independently owned/operated or a locally-owned chain (i.e., local outlets of chains or franchises that are headquartered outside of the nine-county Bay Area and/or have more than five locations are not eligible)
- The business must provide a matching move-in expenditure equal to or greater than the grant amount.

**FISCAL IMPACT:**

This pilot program would require a new allocation from the General Fund. Staff recommends the Council allocate a total of \$100,000 in order to allow up to four grants for the maximum \$25,000.



# Vacant Retail Spaces



**For Lease**  
1375 Sycamore Ave | Hercules, CA

AVENTINE JLL

**556 -1530 SF Available**

Jeff Badstubner  
Managing Director  
+1 415 395 4916  
jeff.badstubner@am.jll.com  
RE License #01155279

Justin Choi  
Associate  
+1 415 395 7262  
justin.choi@am.jll.com  
RE License #02107928

# Creekside Center

Three suites available, 900 to 1,700 sq ft

Total 3,870 sq ft available

Largest space partially constructed as a deli

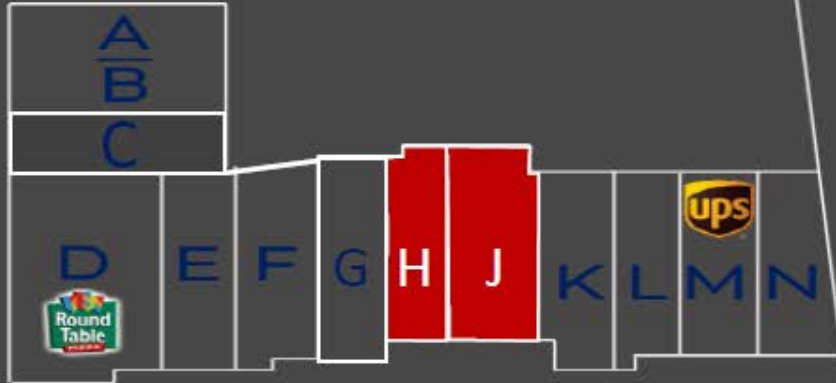




# SITE MAP

## CREEKSIDE SHOPPING CENTER

SITE PLAN



**BIG  
LOTS!**

2nd generation deli space w/ equipment



Suite	Tenant	SF
A-B	Hercules Pet Clinic	2,400
C	Solis Martial Arts	1,200
D	Round Table Pizza	3,000
E	My Vo Nail Salon	1,200
F	State Farm	855
G	Cleaners	1,500
H	AVAILABLE	900

Suite	Tenant	SF
J	AVAILABLE	1,200
K	Roti Boti Indian Cuisine	1,200
L	Family Hair Cuttery	900
M	UPS	1,200
N	City of Ember	900
1611-A	US Post Office	2,920
1611-C	AVAILABLE	1,770
1611-D	Bank of America	4,619





# 2<sup>nd</sup> GEN RESTAURANT SPACE (Suite 1611-C)





# SUITE H (Former T-Mobile) -900 SF

YOUR NAME HERE



# Willow Center

One space available - 1,350 sq ft

Landlord seeking replacement salon tenant





# Sycamore Place

One building available – approx. 4,000 sq ft

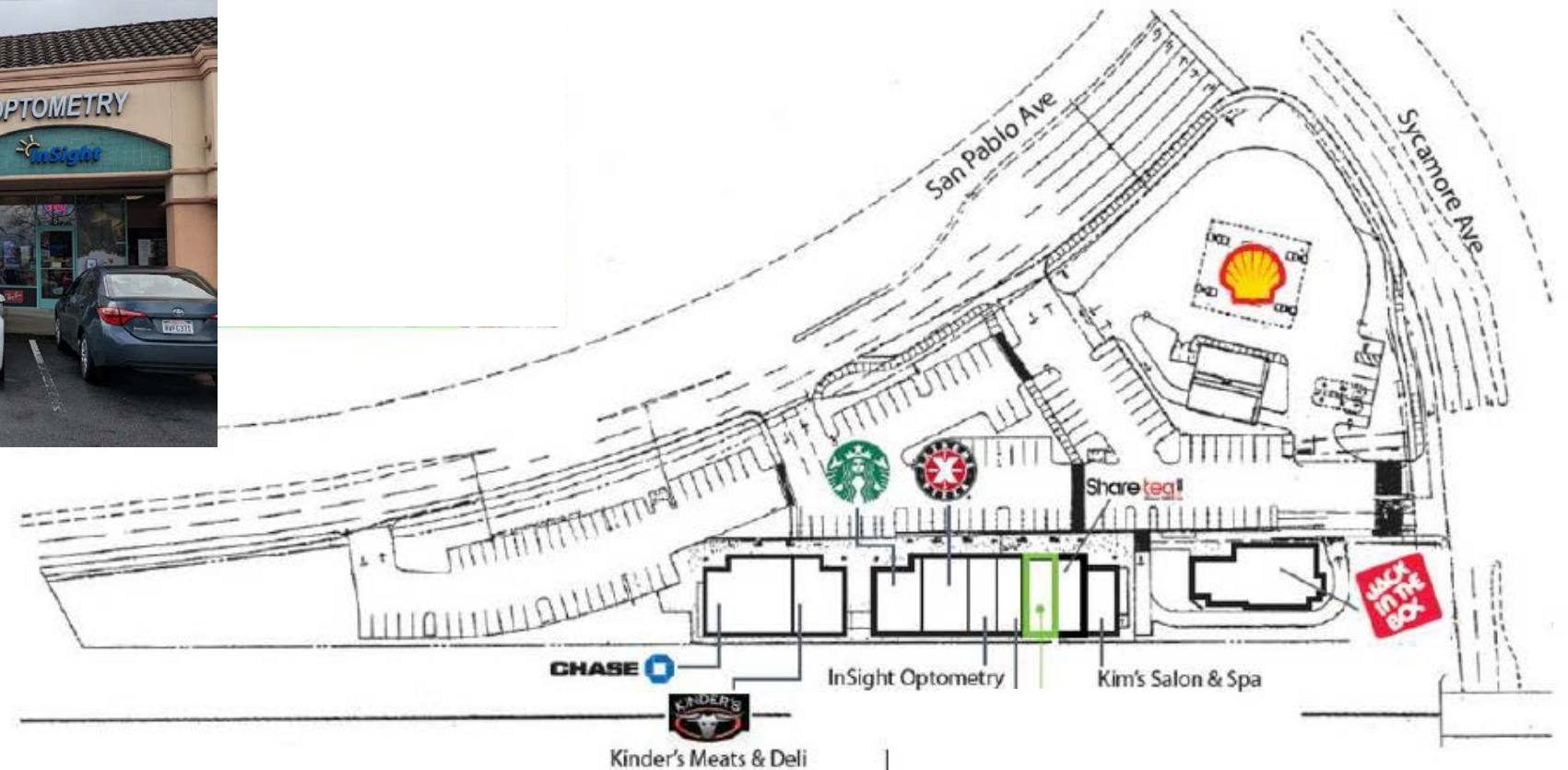




# Hercules Retail Center

New Ownership as of January 2023

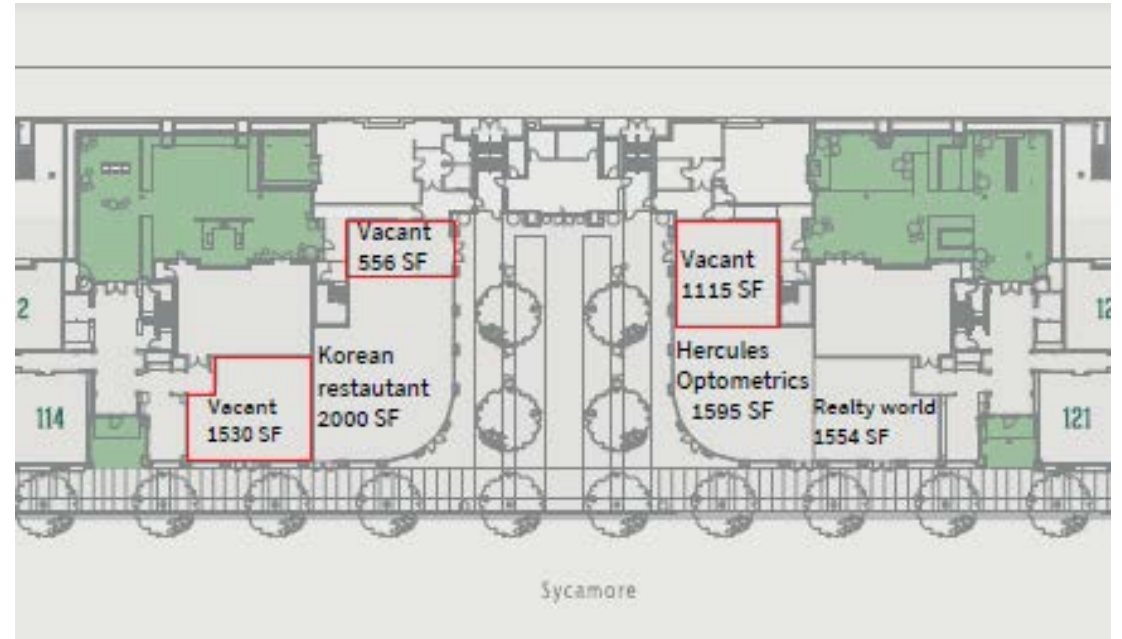
No space available – former Tutti Frutti site leased to Dynamite Donuts



# The Aventine

Three suites available, 556 to 1,530 sq ft

Total 3,201 sq ft available





# The Exchange

Nine suites available, 502 to 2,478 sq ft (combined up to 5,918 sq ft)

Total 10,563 sq ft available



# The Exchange

Nine suites available, 502 to 2,478 sq ft

Up to 5,918 sq ft restaurant space w/outdoor seating







**STAFF REPORT TO THE  
ECONOMIC DEVELOPMENT SUBCOMMITTEE**

**DATE:** Special Meeting of April 4, 2023

**TO:** Members of the Economic Development Subcommittee

**VIA:** Dante Hall, City Manager

**SUBMITTED BY:** Tim Rood, Community Development Director

**SUBJECT:** “Eat Local” Yiftee Gift Card Enterprise program

**RECOMMENDED ACTION:**

Receive a presentation on the “Eat Local” Yiftee Gift Card Enterprise program components and implementation measures, ask any questions, take public comment, and provide any comments to staff.

**BACKGROUND:**

The American Rescue Plan Act (ARPA) provides relief to local governments and enables them to lay the foundation for a robust economic recovery. The one-time infusion of funds is welcomed as it will help mitigate losses incurred in the community during the pandemic, which has extended for almost two years. The sooner a recovery plan is developed, the faster the City can stabilize operations, get the local economy back on track, and support those in the community most impacted by the pandemic.

The Yiftee Community Digital Gift Card program is a cost-effective way to stimulate the local economy and assist small businesses in recovery. It also provides additional savings to card purchasers who shop locally.

On April 26, 2022, the City Council authorized the City Manager to execute an agreement with Yiftee for a Shop Local/Gift Card program for \$65,000. On February 28, 2023, the City Council extended the program and added an additional \$75,000 due to the successful launch of the pilot program, with over 1,600 redemptions totaling over \$100,000. On March 28, 2023, the Council discussed modifications to the program to reduce the maximum card amount from \$250 to \$100 and add City Recreation Department classes to the list of eligible Yiftee card purchases.



## **ANALYSIS:**

The proposed Yiftee Gift Card Enterprise program would be a new program with a special type of Yiftee card marketed to large employers in Hercules. This card would have a higher spending limit and would be redeemable at Hercules small businesses that provide catering services. The City would use ARPA funding to subsidize the card purchases.

The proposed program guidelines are as follows:

### Eat Local Program Bonus Gift Incentive

Many communities are integrating a bonus gift incentive to the community to encourage the success of their programs, amplify the infusion of dollars into the local economy and provide incentives to shop local. For example, businesses could buy a gift card (for example) valued at \$250 and receive a 'purchase bonus' amount of another \$250 card paid by the City through ARPA funding.

Program guidelines could include:

- A limit of 5 cards per customer.
- Maximum value of \$500 per Gift Card
- City would match the value with an equivalent Gift Card purchase bonus from ARPA funding
- The Gift Card (original purchase amount) does not expire. Still, staff recommends that the bonus gift card expire six months (120 days) after purchase (any expired unspent bonus gift funds would be returned to the City for redistribution after a restocking fee).
- The City will pay all purchasing and delivery fees during the Pilot Program while funds remain (first come, first serve).

### 1. Eligible Businesses

Staff and consultants recommend the following parameters for business participation in the Eat Local Program:

#### Purchasers:

- Is a for-profit business
- Operates from a physical location in the City of Hercules (home-based businesses are not eligible)
- Maintains a current City business license
- Has 21 or more full time equivalent employees as of December 1, 2021

#### Redemption Sites:

- Is a for-profit business in one of the following categories:
  - Restaurant/Café providing catering service

- Operates from a physical storefront in Hercules (home-based businesses are not eligible)
- Maintains a current City business license
- Has no open code enforcement actions
- Is either independently owned/operated or a locally-owned chain (i.e., local outlets of chains or franchises headquartered outside of Hercules are not eligible)

**FISCAL IMPACT:**

The Council would need to allocate additional funding from the ARPA funds to establish this program.