



# **RENT SUBSIDY PROGRAM**

## **PROGRAM GUIDELINES**

### **PURPOSE**

The Rent Subsidy Program is designed to help facilitate the establishment of small businesses within the Delray Beach Community Redevelopment Area. The program allows the Delray Beach Community Redevelopment Agency (“CRA”) to provide rental subsidies that are intended to assist start-up businesses during the critical first year of operation by reducing the cost of overhead expenses.

### **HISTORY**

Originally established in FY 1994/95 as the Business Development Assistance Program, it was available only to start-up businesses in the West Atlantic Redevelopment Area. At the time, the program was implemented in order to encourage job creation while reducing the number of vacant commercial properties on West Atlantic Avenue. In FY 2007/2008 the program was expanded to include the Pineapple Grove Arts District, which was also characterized by a surplus of commercial properties after several businesses closed and properties were redeveloped to provide additional commercial space for lease in the area.

The program was expanded again in FY 2008/2009 to encompass the entire Downtown Development Authority District, which includes the entire City of Delray Beach Central Business District, as well as a significant portion of the Federal Highway corridor and most of the Pineapple Grove Arts District. In FY 2010/2011, the eligibility area was expanded to include the entire CRA Redevelopment Area in an effort to attract new businesses and encourage job creation during the current economic recession. In FY 2011/2012, the program was modified to help attract artist galleries and studios to the District, and again in FY 2016/2017 to help attract office users to the downtown core. Minor adjustments are made regularly to ensure the practicality, functionality and overall effectiveness of the program. In FY 2017/2018, the program was renamed as the Rent Subsidy Program.

### **PROGRAM**

The Rent Subsidy Program provides rent subsidies of up to one-third of the business’s monthly rent, or \$500 per month (whichever is less), for twelve (12) months anytime during the first 18 months of operation, during a multi-year lease term. The maximum total subsidy per business is \$6,000.

Funding is budgeted on an annual basis and awarded on a first-come, first-served basis. All applications are subject to the approval of the CRA board.

### **FUNDING LIMITS & ELIGIBILITY REQUIREMENTS**

Applicants must meet all of the following requirements in order to be eligible to receive assistance through the Rent Subsidy Program:

1. Business must be located within the Community Redevelopment Area. In CRA Sub-Areas #1 and #2, eligible businesses are restricted to art galleries, art studios, and office users. An office user is defined as any business entity primarily engaged in professional, administrative and/or clerical activities, including but not limited to company headquarters, financial services (excluding banks), insurance agencies, architects, lawyers, engineers, real estate offices, marketing, advertising or design firms, travel agencies, consulting firms, software and technology firms, abstract and title agencies. The term "office user" does not include medical offices or medical clinics, call centers, or personal service providers. (Refer to Geographical Sub-Areas map.)
2. Existing Businesses are defined as being in operation for more than six months at the time of application.
3. A New Business Venture is defined as a company in operation for less than six months at the time of application.
4. In order to qualify for funding under the Rent Subsidy Program the applicant must be one of the following:
  - a. New business venture;
  - b. Existing business relocating to Delray Beach from another city; or,
  - c. Existing business opening an additional location in Delray Beach.
5. The Business must be in operation for less than six months at the location for which the subsidy is being requested, at time the application is submitted.
6. The Business must have an executed multi-year lease (2-year minimum) for the new location in the eligibility area.
7. The Business must employ a minimum of two (2) full-time equivalent W-2 employees, as defined by the CRA, whose wages are reported to the state and federal government. No more than one of the two required full-time equivalent positions may be occupied either by an owner of the business receiving the grant, or by an employee who is related to an owner of the business receiving the grant.
  - a. Artist Exception – Art galleries and/or studios in which the primary artist is the owner-operator need not employ additional employees to be eligible for assistance under the Rent Subsidy Program.
8. The Business must be properly licensed and approved by the City of Delray Beach.
9. The following businesses will be considered automatically ineligible for assistance under the Rent Subsidy Program:
  - a. Existing businesses relocating from one area of Delray Beach to the eligibility area, with the exception that home-based Delray Beach businesses relocating to commercial space shall be eligible if all other requirements are fully met.
  - b. Businesses with less than two full-time equivalent W-2 employees
  - c. Businesses that do not report employees' wages
  - d. New businesses using a DBA that has been used by another business within the last 12 months.

- e. Any business that is a non-conforming use as determined by the City of Delray Beach.
  - f. Any business, other than an art gallery, art studio, or office user, located within CRA Sub-Areas #1 and #2.
10. Rental subsidies may be approved for one-third of the business's monthly rent, up to a maximum of \$500/month. Subsidy payments will be paid in monthly installments for a maximum of twelve (12) consecutive months during the first 18 months of a business's operation.
11. The total subsidy amount will not exceed \$6,000 per business.

### **GRANT TERMS & CONDITIONS**

- The Commercial Lease must define the landlord-tenant relationship and at least specify the following:
  - a. A description of the space being rented;
  - b. Utilities included and not included;
  - c. Rental rate and deposits required, along with terms of lease and methodology for rent increases;
  - d. Responsibility for interior and exterior repairs and/or improvements;
  - e. Insurance requirements;
  - f. Abilities to terminate; and
  - g. Consequences of default.
- The Commercial Lease must be the result of an "Arms Length Transaction". An "Arms Length Transaction" shall be defined, for purposes of this Program, as a Commercial Lease under which one party to the lease agreement is not able to control or substantially influence the actions of the other. Leases which are not an "Arms Length Transaction" include, but are not limited to, those between (a) divisions of an organization, (b) organizations under common control through common officers, directors or members, or (c) an organization and a director, trustee, officer or key employee of the organization or his immediate family either directly or through corporations, trusts or similar arrangements in which they hold a controlling interest. The CRA shall have the sole discretion to determine whether the Commercial Lease is the result of an Arms Length Transaction.
- Rental subsidies will be paid on the behalf of businesses that are open for business and paying wages only.
- Subsidies will not be paid during renovations or construction phases during which businesses are not in operation.
- The responsibility for all rental payments is between the contracted parties to the lease, as such the tenant and the landlord. As grantor, the CRA neither bears nor accepts any responsibility for payment of rent at any time, nor penalties incurred for the late arrival of payments by any party.
- The CRA reserves the right to approve or deny Rent Subsidy Program applications and to discontinue payments at any time if in its sole and absolute discretion it determines that the

business will not further the goals and objectives established for the economic development of CRA District. The receipt of past payments is not a guarantee of future subsidy payments.

## **PROCEDURES FOR IMPLEMENTATION**

1. **Application Process** – All applicants are strongly encouraged to meet with CRA staff in order to determine eligibility before submitting an application. Funding requests will not be considered until all required documentation is submitted to the CRA office. Application packets must include the following documentation:
  - a. Completed/executed application form
  - b. Copy of executed multi-year commercial lease
  - c. Business plan, including executive summary and three-year financial projections of revenues and expenses
  - d. 3-year historical financials (for existing businesses only)
  - e. List of jobs to be created and/or maintained, including brief job descriptions and weekly schedule
  - f. Executed Rent Subsidy Program grant agreement
2. **Approval of Funding Request & Grant Agreement** – Once eligibility is verified and all required documentation has been submitted, CRA staff will present the funding request and grant agreement to the CRA Board of Commissioners for approval. Staff will notify the applicant of the Board's decision.
3. **Subsidy Payments** – Subsidy payments will begin at the beginning of the first full month that the business is open for operations, subsequent to CRA board approval verification of employment, and the receipt of a completed W-9 form. Payments will be mailed directly to the landlord monthly, unless otherwise specified by the CRA Board of Commissioners. A maximum of twelve (12) consecutive monthly payments may be made.
4. **Site Visits** – CRA staff will conduct a site visit before subsidy payments begin in order to verify that the business is in operation. Staff may also conduct unannounced site visits periodically in order to ensure compliance with the terms of the grant agreement.
5. **Reporting** – By accepting the grant, the applicant agrees to comply with any reporting procedures deemed necessary by CRA staff to verify that the required job positions are properly fulfilled and maintained. Reporting may include, but is not limited to, payroll records, work schedules, and reporting forms.
6. **Discontinuation of Payment** – The receipt of past payments is not a guarantee of future payments. The CRA retains the right to discontinue payments at any time according to its sole and absolute discretion.