



## **CITY OF MENIFEE**

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SUBJECT: Menifee M.E.N.U. (Mom and pop, Entertainment, New, and Unique) Restaurant Start-Up Grant

MEETING DATE: October 19, 2022

TO: Mayor and City Council

PREPARED BY: Kayla Charters, Senior Management Analyst

REVIEWED BY: Gina Gonzalez, Economic Development Director

APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Review and provide feedback to the proposed Menifee M.E.N.U. (Mom and pop, Entertainment, New, and Unique) Restaurant Start-Up Grant; and
2. Adopt a budget adjustment resolution carrying forward program budget from fiscal year 2021/2022 into the fiscal year 2022/2023 budget and in the amount of \$500,000.

### **DISCUSSION**

#### **Background**

On March 2, 2022, as part of the fiscal year 2021/2022 mid-year budget review process, the Menifee City Council approved the use of \$500,000 of American Rescue Act (ARP) Funds to assist the Menifee small business community with something that has a lasting impact and meets the desires of the Menifee community. A Façade Improvement Program was originally proposed to provide direct economic support to businesses to beautify and improve the exterior of business sites. However, upon calculation of the impact of a Façade enhancement program, it was revealed that the benefit of the program would not make a large enough impact as intended by the approval of the use of funds. The high costs associated with façade enhancements would take up a large amount of the allotted budget, and a smaller grant size would not provide impactful relief to a project to incentivize a project to occur. City staff will be recommending a program utilizing Community Development Block Grant (CDBG) funding in the City's disadvantaged communities at a future date to assist with façade enhancements and improvements to clean up blight and provide beautification.

After much research, staff is alternatively proposing a first time, innovative grant opportunity in Southwest Riverside County, utilizing the budgeted \$500,000 to assist Menifee **M.** (mom and pop), **E.** (entertainment), **N.** (new), **U.** (Unique) start-up restaurants. This opportunity would help

meet community requests and demands, to spur tourism opportunities, and to meet economic development targeted industries within Menifee's Comprehensive Economic Development Strategy for: a) local serving uses, b) business attraction, c) placemaking, and d) quality of life initiatives.

This grant would assist in one of the biggest obstacles with one of the highly requested type of restaurants, more mom-and-pop unique eateries with some entertainment, which has been an unmet need for the City of Menifee due to an array of challenges. For instance, incoming restaurants typically locate in new development areas due to the abundance of new construction as the City as Menifee continues to build out. Many restaurants are not able to afford the cost of new construction tenant space, when coupled with the associated lease rates, making it very difficult for these type of boutique restaurants to start-up and invest in their concept. Many businesses will spend between \$400,000-\$900,000 investing in their business. The large majority of this cost comes from the start-up costs such as associated kitchen hood, grease traps, commercial stove, commercial refrigerators, and utility connection fees.

### **Program Overview**

As the Menifee business community continues to navigate the impacts of the pandemic, the City of Menifee is looking to provide impactful assistance to those businesses that would result in meeting the needs of Menifee residents with long-term benefits in the community.

Menifee continues to grow at an impressive rate when it comes to residential development. Development has been bringing new residents in from San Diego, Orange County, and Los Angeles, who are used to unique and diverse eatery opportunities. One of the growing desires of the Menifee community is the need for diverse food options. Many incoming residents state the options for unique restaurants and entertainment, or "eater-tainment" options, are very minimal. Although no fault of the outreach efforts of the City, many unique eateries have come to the City and expressed interest. However, the high rent prices, lack of existing kitchens available in the city, and expensive cost for trenching and adding a grease trap has been the root cause of why eateries are unable to afford locating in Menifee. Although the new shopping centers greatly contribute to the new and clean look of the city, it comes with the challenge of pricing out unique eateries that do not have the funding capabilities that national chains have in order to afford the high rent costs, and the costs of building out a full kitchen and grease trap, especially when they put their proforma together for the operations of the restaurant. As a result, staff is recommending providing direct assistance through a grant to assist restaurant owners and their unique restaurant concepts, eatery, brewery with a restaurant component, eater-tainment, or a business that provides relief to a gap within Menifee's existing amenities.

The overall benefit of the M.E.N.U. restaurant start-up grant to the community would be relatively quick in terms of the impact and would be long lasting. While it is acknowledged that there are inherent risks to funding start-up businesses, the grant requires consultation with the Small Business Development Center (SBDC), which would provide confidence that the business would be able to stand on their own feet, both short and long term.

In addition, transitioning a lease spot into a location that has a full kitchen would provide for future opportunities down the road for the both the center and the community long term, giving the Menifee community something tangible. With any new incoming business, the community would benefit from the job creation and provide residents the opportunity to work closer to home. In good faith, property owner/landlord must sign a letter stating that they would work with the City to reuse equipment for the same intended end user to the best of their ability.

### **M.E.N.U. Program Requirements**

The proposed Menifee restaurant start-up grant would provide grants ranging from a minimum of \$20,000 to a maximum of \$100,000, with anticipated number of projects funding ranging from 5 concepts up to 25 businesses, depending on availability of funding, score received, and purpose of grant funding. The following eligibility and distribution of funding criteria are proposed:

#### **Eligibility Requirements**

- Location must be located and/or operating within the boundaries of Menifee, California, (address cannot be a PO Box, home based, or an address that leads to a Shipping Center as their physical location).
- Must have a City of Menifee business license in a food service, brewery, or bar license category.
- Must be private for-profit business including sole proprietorships.
- Must have a signed lease with an existing or incoming retail center, or at time of grant being expended, a fully executed lease shall be completed.
- Be an independently-owned business and not considered a national brand/chain.
- Corporations, limited liability companies and limited partnerships must have an "ACTIVE" business status with the California Secretary of State.
- Must attend a free business consultation with the Small Business Development Center, with sign off from SBDC that the consultation as completed.
- Must have a new unique dining restaurant concept that has an entertainment element; and must provide a visioning board or concept layout to give visuals on the proposed concept and how the concept will provide something new and different.

#### **Eligible Use of Funds**

- Expenses related to kitchen equipment
- Expenses related to a grease trap installation and equipment
- Additional startup costs related to starting a unique eatery in Menifee, must be pre-approved by City grant administrator.
- In good faith property owner/landlord must sign a letter stating that they will work with the City to reuse equipment for the same intended end user.

#### **Disbursement of Funds**

Each applicant would propose what the grant expenditures are. Upon conditional approval, the business would be required to obtain three quotes for each item they are proposing to purchase. The grant administrator would verify three quotes were collected, and would issue available funds to the business, collecting proof of payment upon purchase, that shall be used before December 24, 2024.

### **Pre-Application Review & Selection**

A pre-application must be filled out by each applicant. The application would request a list of proposed expenses to be reimbursed/purchased, and give full details, including concept board or visual renderings of concept. Each application received is proposed to be reviewed by an internal review committee consisting of members from several different departments. Applications would be rated based on a weighted point system that prioritizes the needs of the Menifee community.

The proposed ranking system is as follows:

#### **Ranking Criteria**

<b>Weight Percentage</b>	<b>Points</b>
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Desire of the Community/Amenity Gap	
30% Percentage	
3 Points	

Jobs Created	
30% Percentage	
3 Points	

Size of Establishment	
20% Percentage	
2 Points	

Proposed Interior Design Investment	
20% Percentage	
2 Points	

Each application would be given a score based upon the criteria above. If an application does not score above seven, the application does not meet the minimum criteria to be awarded. Staff would work with proposed restaurant concepts to make suggestions to re-consider in their application. One re-application is permitted per pre-applications.

### **Pre-Application Period**

Upon City Council approval, the grant shall open and remain open until all funds have been issued, up until December 24, 2024.

### **STRATEGIC PLAN OBJECTIVE**

Livable and Economically Prosperous Community

By meeting the desires of the Menifee community to provide residents and visitors with unique mom and pop dining with entertainment restaurant concepts that would provide additional economic opportunities in Menifee.

### **FISCAL IMPACT**

Funding for this program would be funding with the original \$500,000 approved as part of the fiscal year 2021/2022 mid-year budget process. Included within this staff report is approval of a corresponding budget amendment resolution to carry forward into fiscal year 2022/2023 the previously approved funding, specifically within account no. 301-4221-58162.

### **ATTACHMENT**

1. Budget Amendment Resolution