SAN LUIS BUSINESS INCUBATOR PROGRAM POLICIES AND PROCEDURES

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SECTION 1. PROGRAM PURPOSE AND MISSION

1.1 Purpose

The San Luis Business Incubator ("SLBI") is a municipally operated economic development initiative established by the City of San Luis to support entrepreneurship, business attraction and expansion, industrial job creation, and private-sector investment within the community.

The purpose of the SLBI is to provide strategically managed business space and structured economic development support to businesses that demonstrate the capacity to contribute to the City's economic growth, employment base, and long-term commercial vitality.

The SLBI is intended to serve as an economic development tool that assists businesses in establishing, formalizing, expanding, or transitioning into sustainable private-market operations.

The SLBI is not intended to function as permanent subsidized tenancy or as a general commercial leasing program.

1.2 Mission

The mission of the San Luis Business Incubator is to foster business growth, entrepreneurship, and economic opportunity through structured business support, strategic facility utilization, and performance-driven economic development programming.

The City seeks to use the SLBI to:

- support startup and early-stage business development
- assist home-based or informal businesses in transitioning into compliant commercial operations
- encourage job creation and job retention within the City of San Luis
- promote private capital investment and business expansion
- support industrial, logistics, manufacturing, trade, and business-to-business enterprise development
- strengthen San Luis' role as a binational gateway for commerce and economic activity
- create a pipeline of businesses capable of graduating into privately owned or leased facilities within the local market

1.3 Program Objectives

The SLBI shall pursue measurable economic development outcomes, including but not limited to:

- creation of new businesses

- formalization of existing informal or home-based businesses
- creation and retention of quality jobs
- attraction of new private investment
- expansion of existing businesses
- increased industrial and commercial occupancy
- growth in participating business revenues
- successful graduation of businesses into private-market facilities
- diversification of the City's economic base
- support for industries aligned with the City's adopted economic development priorities

Program participation shall be evaluated based on measurable outcomes rather than occupancy alone. The San Luis Business Incubator shall also support broader City economic development strategy by:

- serving as a business attraction tool for targeted industries compatible with San Luis' economic development objectives
- supporting business retention and expansion efforts for existing firms requiring transitional growth space
- assisting local firms with operational expansion, permitting coordination, workforce development referrals, financing connections, and market growth support
- creating an early-stage pipeline for businesses transitioning from home-based or informal operations into formal commercial activity
- supporting strategic recruitment of businesses aligned with manufacturing, logistics, cross-border commerce, product-based enterprise, and other targeted sectors

SECTION 1.4 PROGRAM PARTICIPATION PATHWAYS AND RATE STRUCTURE

The San Luis Business Incubator operates under a structured two-track participation model designed to align facility use with economic development outcomes and responsible stewardship of public assets.

Businesses occupying the facility shall participate under one of the following classifications:

Program Occupancy Pathways

Occupancy Pathway	Intended Business Type	Curriculum Required	Initial Lease Structure	Renewal Eligibility

Incubator Program Tenant	Startup, early-stage, home-based formalization, growth-oriented small businesses	Yes	3-year graduated lease	Annual renewal subject to performance
Market-Rate Occupant	Compatible industrial, workforce, storage, or strategic uses without incubation need	No	Annual lease	Annual renewal subject to approval

Incubator Program Graduated Rate Schedule

Lease Year	Monthly Rate per Square Foot
Year 1	$0.55
Year 2	$0.65
Year 3	$0.80
Year 4+ (if approved)	$0.80 annually renewed

Incubator Program Tenants must successfully complete the City's required business incubation curriculum within the first twelve (12) months of occupancy to remain eligible for discounted rental rates.

Failure to complete required program participation requirements shall result in immediate reassignment to the full market-rate occupancy structure.

Market-Rate Occupants shall be charged the full adopted market program rate and are not eligible for discounted incubation pricing.

SECTION 2. PROGRAM ADMINISTRATION AND AUTHORITY

2.1 Program Administration

The San Luis Business Incubator ("SLBI") shall be administered by the City of San Luis Economic Development Department.

Administrative responsibilities may include, but are not limited to:

- program administration and tenant management
- application intake and applicant coordination
- business support programming and incubation services
- tenant performance monitoring and reporting
- lease coordination and compliance oversight
- occupancy planning and facility utilization
- economic development performance tracking
- coordination with partner agencies and service providers

2.2 Administrative Oversight

The Economic Development Department shall be responsible for the day-to-day administration of the San Luis Business Incubator, including application intake, technical review, tenant coordination, performance monitoring, lease administration, and preparation of recommendations.

The San Luis Economic Development Commission shall serve as the advisory and reviewing body for the Business Incubator. The Commission shall review and approve the Program Policies and Procedures and any subsequent substantive amendments, consistent with its bylaws and applicable City requirements.

For each proposed tenant lease, the Economic Development Commission shall review the applicant recommendation and proposed lease and make a recommendation to the San Luis City Council.

Final approval of each tenant lease shall rest with the San Luis City Council. No applicant shall have a right to occupy the facility until the lease has been approved by the City Council and executed by the authorized City representatives.

The Economic Development Director may make routine administrative determinations necessary to operate the program, provided that such determinations do not modify an approved lease, waive a material program requirement, or exceed the authority granted by the City Council.

2.3 Compliance with Funding Requirements

The San Luis Business Incubator shall be operated in a manner consistent with all applicable federal, state, and local requirements, including the Government Property lease Excise Tax (GPLET), as well as any restrictions, obligations, or performance requirements associated with grant-funded facilities or public economic development assets.

This includes compliance with applicable Economic Development Administration (EDA) requirements, facility use restrictions, and other legal obligations governing the operation of publicly supported economic development facilities.

Where a conflict exists between this Program Manual and applicable legal or funding requirements, the applicable legal or funding requirement shall control.

2.4 Policy Updates and Program Modifications

The City reserves the right to revise, update, or modify program policies, operating procedures, eligibility standards, reporting requirements, and rental structures as necessary to maintain:

- program effectiveness
- fiscal sustainability
- legal compliance
- consistency with market conditions
- alignment with City economic development objectives

Such updates shall be made in accordance with applicable City administrative or policy approval procedures.

2.5 No Guarantee of Continued Occupancy

Participation in the San Luis Business Incubator program does not guarantee continued occupancy beyond the approved lease term.

The facility exists primarily to support the City's economic development mission, business attraction, expansion and incubation objectives, and strategic use of public economic development assets.

Continued occupancy shall remain subject to performance, program compliance, facility compatibility, strategic program priorities, and renewal approval.

For Market-Rate Occupants, continued occupancy may be reevaluated where higher-priority incubator demand or strategic economic development program needs require reallocation of available space.

SECTION 3. ELIGIBILITY REQUIREMENTS

3.1 General Eligibility

Applicants seeking occupancy in the San Luis Business Incubator ("SLBI") must meet the following minimum eligibility requirements:

Applicants must:

- operate a lawful business or proposed lawful business activity
- comply with all applicable federal, state, and local laws
- maintain all required business registrations, licenses, permits, and approvals, as applicable
- demonstrate operational viability or credible readiness to commence operations
- operate in a manner compatible with facility zoning, applicable Economic Development Administration (EDA) requirements, the program's economic development mission, and all applicable laws.
- maintain required insurance coverage as specified in the applicable lease agreement
- submit a complete application with all required supporting documentation
- agree to comply with all program requirements, lease obligations, and facility operating policies

Eligibility for occupancy does not guarantee acceptance into the program.

3.2 Zoning and Land Use Compliance

Applicants must demonstrate that the proposed business use is permitted within the Business Incubator under the City of San Luis Zoning Ordinance or is capable of obtaining any required zoning, land use, or development approvals prior to commencing operations. Acceptance into the San Luis Business Incubator does not constitute zoning approval, approval of a conditional use permit, site plan approval, or any other regulatory authorization required under the San Luis City Code. Applicants remain responsible for obtaining all required permits, licenses, and approvals before commencing business operations.

3.3 Preferred Business Types

The SLBI is intended to support businesses and organizations that contribute meaningfully to the City's economic development objectives.

Priority consideration may be given to businesses operating in sectors such as:

- light manufacturing

- product assembly
- warehousing and distribution
- logistics and supply chain operations
- import/export businesses
- cross-border commerce enterprises
- food production or processing (where facility capabilities permit)
- skilled trades and industrial services
- product-based businesses
- business-to-business service providers supporting industrial or commercial growth
- technology-enabled operational businesses compatible with facility use
- workforce development or economic development partnership uses consistent with program purpose

Priority consideration shall be based on documented economic development value and facility compatibility. Economic development value shall be determined through verifiable information provided by the applicant and supporting documentation, including projected job creation, capital investment, payroll, industry sector alignment, business expansion potential, occupancy needs, and other information deemed relevant by the City. The City may also consider labor market data, industry analyses, economic impact studies, or other information from federal, state, regional, or local agencies and recognized economic development organizations when evaluating an application's potential economic benefit.

3.4 Ineligible Uses

Applicants must demonstrate that the proposed business use is permitted within the Business Incubator under the City of San Luis Zoning Ordinance or is capable of obtaining any required zoning, land use, or development approvals prior to commencing operations. Acceptance into the San Luis Business Incubator does not constitute zoning approval, approval of a conditional use permit, site plan approval, or any other regulatory authorization required under the San Luis City Code. Applicants remain responsible for obtaining all required permits, licenses, and approvals before commencing business operations.

The following uses are generally not eligible for occupancy:

- uses prohibited by applicable zoning or land use regulations
- uses inconsistent with applicable EDA requirements or public facility restrictions
- hazardous or prohibited industrial activities
- residential occupancy
- religious institutional use
- adult-oriented businesses
- unlawful business activity

- businesses requiring facility infrastructure or utility capacity beyond available site capability
- uses incompatible with facility operations, safety, or intended economic development purpose

3.5 Restricted Uses

Certain business uses may be considered only under limited circumstances or under the Market-Rate Occupant classification, subject to compatibility review.

These may include:

- storage-dominant operations
- low-employment occupancy
- temporary operational uses
- workforce or institutional partner occupancy
- office-support uses ancillary to an otherwise compatible business operation

These uses shall not be eligible for subsidized incubation occupancy unless independently justified through the application review process.

3.6 Program Participation Eligibility

Applicants seeking discounted Incubator Program participation must additionally demonstrate:

- a credible business growth strategy
- willingness to participate in the required business incubation curriculum
- ability to comply with reporting and performance requirements
- intent to expand, formalize, grow operations, or transition into private-market space

Applicants unwilling or unable to meet these requirements may only be considered under Market-Rate Occupancy.

SECTION 4. APPLICATION, REVIEW AND TENANT SELECTION PROCESS

4.1 Application Solicitation Process

When space becomes available within the San Luis Business Incubator ("SLBI"), the City shall open a formal application period to solicit qualified applicants for the available space.

Applications shall be accepted during a designated application window established by the Economic Development Department.

The purpose of the application process is to identify the applicant whose proposed business operation, project, or economic development activity provides the strongest measurable economic development benefit to the City of San Luis while remaining compatible with the facility's purpose and operational requirements.

The San Luis Business Incubator is not operated on a first-come, first-served basis.

The City reserves the right to determine whether an available space should be offered for occupancy, held for strategic program purposes, or utilized for other compatible economic development functions consistent with the program mission.

4.2 Required Application Materials

Applicants shall submit a complete application package including, at minimum:

Business Information

- completed application form
- legal business name
- ownership structure
- ownership and management information
- business registration documentation
- applicable licensing or permitting documentation
- certificate of good standing, if applicable

Operational Information

- detailed business description
- proposed facility use
- operational model
- requested space needs
- staffing plan

- anticipated occupancy timeline
- equipment or infrastructure needs
- operational readiness timeline

Economic Development Impact Information

- projected full-time and part-time job creation
- projected payroll impact
- capital investment commitment
- equipment purchase commitments
- private financing documentation, if applicable
- anticipated annual revenues or current business performance summary
- customer contracts, purchase orders, letters of intent, or other demand validation where applicable

Strategic Growth Information

- business growth plan
- expansion strategy
- transition or graduation plan (for incubator applicants)
- explanation of community economic benefit
- explanation of alignment with City economic development priorities

The City may request additional supporting documentation as necessary.

4.3 Application Completeness

Only complete applications shall be considered for review.

Applications that are incomplete, contain unsupported material claims, or fail to provide required documentation may be rejected from consideration.

Informal inquiries, preliminary discussions, prior expressions of interest, or incomplete submissions shall not establish entitlement, priority, or selection preference.

4.4 Application Processing Fee

Applicants shall submit a non-refundable application processing fee of $100.00 at the time of application submission.

The application fee is intended to offset administrative review, application processing, technical evaluation, and tenant selection costs associated with the formal application review process.

Applications shall not be considered complete until the required application fee has been paid.

4.5 Technical Review Committee

Complete applications shall be reviewed by the Economic Development Department for completeness, eligibility, operational viability, facility compatibility, and economic development impact.

The Economic Development Director and Business Incubator Coordinator shall coordinate the review. Representatives from Development Services, Finance, Fire, Legal, or other City departments may be consulted when necessary based on the proposed use.

Applications shall be evaluated using the standardized scoring criteria established in this section. Economic Development staff shall prepare a documented scoring summary and applicant recommendation for presentation to the San Luis Economic Development Commission.

Staff review shall be technical and administrative in nature and shall not constitute approval of the applicant or proposed lease.

Committee recommendations shall be documented administratively.

4.6 Economic Development Commission Review and Recommendation

Following completion of the Technical Review Committee evaluation, qualified applications and the Committee's scoring summary shall be presented to the San Luis Economic Development Commission for review.

Acting in its advisory capacity as sated in the bylaws, the Commission shall evaluate whether the recommended applicant is consistent with the mission of the San Luis Business Incubator, the City's Economic Development Strategic Plan, targeted industry objectives, and the long-term economic interests of the City.

Following its review, the Commission shall make a recommendation regarding tenant selection to the Economic Development Director.

The Commission's recommendation shall be advisory in nature and shall not constitute final approval or create any right to occupancy.

Commissioners shall comply with all applicable conflict-of-interest requirements and shall abstain from participating in any matter in which a conflict exists.

Information presented during the tenant selection process that is confidential under Arizona law or subject to applicable confidentiality requirements shall be handled in accordance with those requirements.

4.6 Competitive Evaluation Criteria

Applications shall be evaluated using a standardized 100-point scoring framework.

The evaluation framework is intended to identify the applicant that provides the strongest measurable economic development opportunity for the City of San Luis.

Evaluation Category	Maximum Points
Job Creation	20
Capital Investment	20
Business Viability and Operational Readiness	20
Strategic Economic Development Alignment	20
Facility Compatibility	20

Total Possible Score: 100 Points

Evaluation Definitions

Job Creation (20 Points): Evaluation of projected employment creation, payroll impact, staffing timeline, and demonstrated likelihood of delivery.

Capital Investment (20 Points): Evaluation of committed equipment purchases, facility investment, financing readiness, and demonstrated financial capacity.

Business Viability and Operational Readiness (20 Points): Evaluation of business model strength, operational readiness, management capacity, customer demand, and ability to successfully occupy and operate.

Strategic Economic Development Alignment (20 Points): Measures alignment with City economic development priorities, target industry recruitment objectives, entrepreneurship development, business retention and expansion goals, supply chain development, and broader economic diversification benefits.

Facility Compatibility (20 Points): Evaluation of compatibility with zoning, EDA restrictions, facility operations, infrastructure capacity, safety requirements, and program purpose.

Following its review, the Commission shall make a recommendation regarding tenant selection and the proposed lease to the San Luis City Council.

The Commission's recommendation shall be advisory with respect to the proposed lease and shall not constitute final lease approval or create any right to occupancy.

4.7 Verification of Claims

Applicants must provide documentation sufficient to substantiate material claims.

Examples may include:

Job Creation Verification

- executed contracts
- staffing plans
- payroll documentation
- customer demand documentation
- letters of intent

Capital Investment Verification

- equipment quotes
- financing pre-approval
- bank commitment letters
- purchase orders
- investor documentation

Business Viability Verification

- tax returns

- financial statements
- contracts
- profit and loss statements
- customer pipeline documentation

Unverified claims shall not receive scoring credit.

4.8 Tenant Recommendation

Following completion of the Technical Review Committee evaluation, the highest-scoring qualified applicant shall be presented to the San Luis Economic Development Commission. The Economic Development Department shall prepare the proposed lease and supporting documentation for Commission review.

The Commission shall review the applicant recommendation and proposed lease and make a recommendation to the San Luis City Council. The City reserves the right to reject all applications if no applicant sufficiently advances the objectives of the program.

4.9 City Council Approval and Lease Execution

Each proposed tenant lease shall be presented to the San Luis City Council for final consideration and approval.

Final tenancy approval is contingent upon:

- Economic Development Commission review and recommendation;
- City Council approval of the lease;
- completion of any required legal review;
- confirmation of eligibility and operational readiness;
- compliance with insurance and licensing requirements; and
- execution of the lease by the authorized City representatives and the tenant.

Selection or recommendation of an applicant does not authorize occupancy or create a binding obligation until the lease has received City Council approval and has been fully executed.

SECTION 5. INCUBATOR CURRICULUM AND PARTICIPATION REQUIREMENTS

5.1 Mandatory Program Participation

Tenants approved under the Incubator Program classification shall be required to participate in the City's formal business incubation program as a condition of receiving discounted rental rates.

Participation in the incubation program is intended to provide structured business development support, strengthen business readiness, improve operational capacity, and support successful graduation into long-term private-market operations.

Participation is a material condition of continued eligibility for subsidized occupancy.

5.2 Required Business Incubation Curriculum

Incubator Program Tenants shall complete the City's required business incubation curriculum during the first twelve (12) months of occupancy.

The required curriculum currently consists of six core business development modules:

1. Business Basics
2. Business Model Development and Planning
3. Marketing and Customer Development
4. Key Resources, Partnerships and Operations
5. Financial Management, Pricing and Revenue Planning
6. Leadership and Business Resilience

The City may revise curriculum content, delivery format, instructional partners, or program structure as needed to maintain relevance and effectiveness.

5.3 Completion Standards

Successful completion of the incubation curriculum shall require:

- attendance at all required curriculum sessions
- completion of required assignments, business development activities, or milestone deliverables
- participation in required business progress reviews
- engagement in program coaching, technical assistance, or related incubation activities as required by the City

Attendance alone shall not constitute successful completion.

5.4 Performance Participation Requirements

In addition to curriculum participation, Incubator Program Tenants shall be required to:

- submit periodic business performance updates as required by the Economic Development Department
- participate in program progress evaluations
- maintain accurate business information on file
- cooperate with performance reporting and program documentation requirements
- demonstrate measurable progress toward business growth, expansion, formalization, or graduation

5.5 Non-Compliance

Failure to comply with Incubator Program participation requirements may result in administrative corrective action.

Non-compliance includes, but is not limited to:

- failure to complete required curriculum within the required timeframe
- repeated non-attendance
- failure to submit required reporting
- failure to participate in required progress reviews
- failure to maintain active business operations
- failure to demonstrate reasonable progress toward program objectives

5.6 Consequences of Non-Compliance

Failure to maintain compliance may result in one or more of the following:

- written corrective action notice
- probationary program status
- immediate loss of discounted rental rate eligibility
- reassignment to Market-Rate Occupancy classification
- ineligibility for lease renewal or extension
- lease termination in accordance with applicable lease provisions

Failure to complete the required business incubation curriculum within the first twelve (12) months shall result in immediate loss of discounted rental rate eligibility unless otherwise approved under Section 5.7.

5.7 Limited Exceptions

Limited exceptions may be granted for documented hardship, business disruption, scheduling conflicts, or other extraordinary circumstances that materially affect a tenant's ability to complete required participation obligations.

Any exception must:

- be requested in writing
- include supporting justification
- receive written administrative approval

Exceptions shall be limited and shall not be granted in a manner inconsistent with program integrity.

SECTION 6. OCCUPANCY CLASSIFICATIONS

6.1 Occupancy Framework

The San Luis Business Incubator ("SLBI") operates under a two-class occupancy framework designed to align facility use with the City's economic development mission, public asset stewardship, and program performance expectations.

Occupancy classifications distinguish between businesses receiving subsidized incubation support and businesses occupying the facility at the full market program rate.

Occupancy classification shall be determined through the formal application review and evaluation process established in Section 4.

6.2 Incubator Program Tenant

The Incubator Program Tenant classification is intended for startup, early-stage, formalizing, or growth-oriented businesses that require structured business development support and demonstrate alignment with the purpose of the San Luis Business Incubator.

This classification is intended for businesses that:

- are establishing new operations
- are transitioning from informal or home-based operations into formal commercial activity
- are expanding early-stage operations
- require structured business development support
- demonstrate realistic growth potential
- intend to transition into long-term private-market occupancy

Incubator Program Tenants are eligible for the City's graduated discounted rental rate structure in exchange for participation in the formal business incubation program and compliance with all program performance requirements.

Incubator Program occupancy is intended to be transitional, growth-oriented, and performance-based.

6.3 Market-Rate Occupant

The Market-Rate Occupant classification is intended for businesses, organizations, or compatible economic development users that do not require formal incubation support but remain consistent with the facility's intended economic development purpose.

Examples may include:

- established businesses requiring operational space
- industrial users
- logistics and distribution businesses
- business expansion projects
- workforce development or training partners
- temporary compatible economic development uses
- storage or operational uses consistent with facility restrictions

Market-Rate Occupants are not eligible for subsidized incubation pricing and shall be charged the full adopted market program rate.

Market-Rate occupancy is intended to support compatible economic activity while preserving the primary mission of the facility as a business incubation and economic development asset.

Continued occupancy may be reevaluated if higher-priority incubator demand or strategic program needs require reallocation of available space.

6.4 Occupancy Expectations

All occupants, regardless of classification, must:

- operate in compliance with lease requirements
- maintain lawful business operations
- comply with applicable facility rules
- maintain required insurance and business documentation
- participate in required reporting or administrative reviews
- remain compatible with the facility's operational and economic development purpose

Occupancy within the San Luis Business Incubator does not create a permanent right to tenancy.

6.5 Classification Changes

The City may reclassify a tenant's occupancy status where warranted by program compliance, business growth, operational changes, or failure to meet applicable program requirements to the extent permitted by law.

Examples may include:

- failure of an Incubator Program Tenant to complete required curriculum
- transition of a tenant from subsidized incubation support to market-rate occupancy
- operational changes that materially alter facility compatibility
- administrative renewal under updated occupancy terms

Any reclassification shall be documented administratively and communicated in writing.

SECTION 7. PERFORMANCE METRICS AND ACCOUNTABILITY

7.1 Performance Monitoring

The San Luis Business Incubator ("SLBI") shall operate as a performance-driven economic development program.

All tenants shall participate in performance monitoring and administrative review processes designed to evaluate business progress, economic development outcomes, facility utilization, and continued program alignment.

Performance monitoring is intended to ensure responsible stewardship of public assets and to support tenant business growth and accountability.

7.2 Required Performance Reporting

All tenants shall provide performance information as requested by the City at intervals established by the Economic Development Department.

Required reporting may include, as applicable:

- current full-time employee count
- current part-time employee count
- payroll estimates
- capital investment completed
- equipment purchases
- financing secured
- annual revenue range or business performance summary
- contracts obtained
- business expansion milestones
- facility utilization updates
- business licensing or compliance status
- anticipated growth or transition plans

The City may modify reporting requirements as needed to support program administration and economic development performance tracking.

7.3 Incubator Program Performance Expectations

Incubator Program Tenants shall be expected to demonstrate measurable business growth and progress toward successful graduation.

Performance indicators may include:

- completion of required incubation curriculum
- business formalization and regulatory compliance
- customer acquisition
- revenue growth
- hiring activity
- capital investment
- operational expansion
- financing readiness
- readiness for transition into private-market occupancy

The City recognizes that business growth may occur at different rates depending on industry and business model; however, tenants must demonstrate reasonable and measurable progress.

7.4 Market-Rate Occupant Performance Expectations

Market-Rate Occupants shall be expected to demonstrate continued compatibility with the facility's economic development mission and measurable economic contribution where applicable.

Performance indicators may include:

- job retention or job creation
- operational activity
- facility utilization
- business expansion
- workforce development contribution
- strategic economic benefit to the City
- continued operational compatibility

Low-utilization or inactive occupancy may be subject to review.

7.5 Annual Performance Review

All tenants shall be subject to an annual performance review conducted by the Economic Development Department.

The annual review may evaluate:

- compliance with lease terms
- compliance with program requirements
- performance against stated business commitments
- business growth progress
- economic development outcomes

- facility compatibility
- continued occupancy justification
- graduation readiness, where applicable

Annual review outcomes may include:

- renewal recommendation
- corrective action plan
- transition planning
- occupancy reclassification
- non-renewal recommendation

7.6 Failure to Meet Performance Expectations

Failure to demonstrate satisfactory performance, maintain compliance, or actively utilize the facility in a manner consistent with program objectives may result in administrative action.

Administrative actions may include:

- written corrective action notice
- performance improvement requirements
- probationary occupancy status
- occupancy reclassification
- non-renewal
- lease termination in accordance with applicable lease provisions

Performance expectations shall be applied reasonably and in consideration of documented business circumstances.

7.8 Business Retention & Expansion Engagement

The Economic Development Department shall engage incubator tenants and market-rate occupants through structured business retention and expansion ("BRE") outreach to assess business needs, identify barriers to growth, support expansion opportunities, and facilitate successful transition into long-term private-market operations.

BRE engagement may include:

- annual business retention visits
- expansion planning discussions
- workforce development referrals

- permitting and regulatory assistance
- financing or lender referrals
- market development assistance
- supply chain or procurement opportunity connections
- technical assistance coordination

SECTION 8. GRADUATION, EXTENSIONS AND RENEWALS

8.1 Program Philosophy

The San Luis Business Incubator ("SLBI") is intended to function as a growth-oriented economic development program that supports business establishment, expansion, and transition into long-term sustainable private-market operations.

The SLBI is not intended to serve as indefinite subsidized occupancy.

Occupancy within the program is intended to support measurable business development outcomes, strategic economic growth, and responsible stewardship of public economic development assets.

8.2 Incubator Program Duration

Incubator Program occupancy shall generally follow a three (3) year graduated participation structure.

The standard occupancy framework is as follows:

Lease Year	Monthly Rate Per Square Foot
Year 1	$0.55
Year 2	$0.65
Year 3	$0.80

The three-year structure is intended to provide a reasonable period for business development, incubation support, operational growth, and transition planning.

Continued occupancy beyond the initial three-year term is not guaranteed.

8.3 Graduation Expectations

Incubator Program Tenants are expected to work toward successful graduation into private-market commercial, industrial, or business facilities.

Graduation may include:

- leasing private commercial or industrial space
- purchasing a business facility
- expanding into a larger operational location
- constructing a permanent business facility
- transitioning into other sustainable long-term occupancy solutions

Graduation planning shall be considered a core expectation of incubator participation.

8.4 Extension Eligibility for Incubator Program Tenants

Incubator Program Tenants seeking occupancy beyond the initial three-year term may be considered for annual renewal at the full adopted market-rate occupancy rate.

Extension consideration shall be based on:

- continued active business operations
- compliance with lease and program requirements
- successful completion of required incubation curriculum
- participation in required reporting and annual reviews
- demonstrated business progress
- a written transition or graduation plan
- continued economic development value to the City

Extension approval shall not be automatic.

The Economic Development Department shall evaluate extension requests as part of the City's business retention and expansion efforts and may consider whether continued occupancy supports successful business transition, growth, expansion, or relocation into long-term private-market facilities.

The City's objective is not merely tenant occupancy, but successful business transition, expansion, and long-term economic contribution within San Luis.

The Economic Development Department may utilize business retention and expansion strategies to support relocation, expansion, site identification, or other growth solutions for graduating businesses.

8.5 Market-Rate Occupant Renewals

Market-Rate Occupants may be eligible for annual renewal based on continued operational activity, compatibility with facility purpose, and alignment with the City's economic development objectives.

The Economic Development Department shall conduct periodic business retention and expansion engagement, including at least one annual review or business retention visit, to assess tenant performance, facility use, future growth needs, and transition planning.

Continued occupancy may be evaluated based on:

- active use of the facility
- business performance
- economic contribution
- operational compatibility
- strategic economic development priorities
- transition readiness or long-term facility needs

Market-Rate Occupancy does not create a right to indefinite tenancy.

Where feasible, the City may work with Market-Rate Occupants as part of broader business retention, expansion, attraction, or relocation efforts to support transition into larger or alternative long-term facilities.

Continued occupancy may be reevaluated if higher-priority incubator demand or strategic economic development needs require reallocation of available space.

8.6 Non-Renewal

The City may decline renewal where:

- required program participation obligations are not fulfilled
- performance expectations are not reasonably met
- business operations become inactive
- facility compatibility changes
- legal or compliance concerns arise
- strategic economic development priorities require reallocation of available space
- the tenant fails to demonstrate continued occupancy justification

Non-renewal decisions shall be made in accordance with applicable City administrative authority and lease provisions.

SECTION 9. RENTAL RATES AND LEASE TERMS

9.1 Rental Philosophy

The San Luis Business Incubator ("SLBI") exists as a public economic development program intended to support business growth, entrepreneurship, job creation, private investment, and strategic economic development within the City of San Luis.

Rental rates are structured to balance:

- accessibility for qualifying incubator businesses
- responsible stewardship of public assets
- fiscal sustainability
- measurable economic development outcomes
- compliance with applicable funding requirements and facility restrictions

Discounted rental rates are reserved exclusively for businesses actively participating in the formal Incubator Program.

Businesses occupying the facility outside of the formal incubation program shall pay the full adopted market program rate.

9.2 Adopted Rental Rate Schedule

Occupancy Classification	Year 1	Year 2	Year 3	Annual Renewal
Incubator Program Tenant (Compliant)	$0.55/SF	$0.65/SF	$0.75/SF	$0.75/SF
Incubator Program Tenant (Non-Compliant)	$0.55/SF	Immediate reassignment to $0.75/SF upon non-compliance	$0.75/SF	$0.75/SF
Market-Rate Occupant	$0.80/SF	$0.80/SF	$0.80/SF	$0.80/SF

Rental rates are subject to formal City review and revision as provided in this Program Manual.

9.3 Shared Facility Services Fee

All tenants occupying the San Luis Business Incubator shall be assessed a monthly Shared Facility Services Fee of $95.00.

This fee supports shared facility operations, common services, and administrative support resources associated with the operation of the incubator.

Covered services may include, but are not limited to:

- conference room access for tenant business use
- common area maintenance
- janitorial services for shared spaces
- shared internet connectivity
- package and delivery coordination
- meeting scheduling support
- shared administrative business support
- minor shared office support services
- general shared facility operations and upkeep

The Shared Facility Services Fee shall apply to all occupancy classifications and shall be billed monthly in addition to rental charges.

9.3 Incubator Program Rate Eligibility

Eligibility for discounted rental rates is conditioned upon active participation in the formal Incubator Program.

To remain eligible for discounted rates, Incubator Program Tenants must:

- complete the required six-course business incubation curriculum within the first twelve (12) months of occupancy
- maintain compliance with all program participation requirements
- comply with lease obligations
- participate in required reporting and performance review activities
- remain actively engaged in business operations

Failure to maintain eligibility shall result in immediate loss of discounted rental status.

9.4 Market-Rate Occupancy

Market-Rate Occupants shall not be eligible for discounted rental rates.

Market-Rate Occupancy is intended for compatible business or strategic economic development uses that do not require subsidized incubation support.

Market-Rate Occupants remain subject to annual review, lease compliance, and facility compatibility requirements.

9.5 Lease Terms

Lease terms shall be structured consistent with occupancy classification.

Incubator Program Tenants shall generally be approved under a structured lease framework aligned with the three-year incubation model, subject to annual administrative review and continued compliance.

Market-Rate Occupants shall generally operate under annual lease terms subject to review and renewal.

All lease agreements shall remain subject to applicable City approval and authority.

9.6 Non-Compliance with Rental Eligibility

Failure to maintain compliance with Incubator Program participation requirements may result in:

- immediate reassignment to the full market-rate occupancy structure
- ineligibility for future discounted participation
- non-renewal
- lease termination in accordance with applicable lease provisions

Reassignment to market-rate occupancy does not guarantee continued tenancy.

9.7 Security Deposit

All approved tenants shall provide a security deposit equal to one (1) month of the applicable monthly rental rate, exclusive of the Shared Facility Services Fee, unless otherwise approved by the City.

The security deposit is intended to protect the City against damages, unpaid obligations, lease default, or other tenant-related liabilities as permitted under the applicable lease agreement.

The City may apply the security deposit in accordance with lease provisions and applicable law.

9.8 Rate Review

The City shall review the San Luis Business Incubator rental rate structure at least once every five (5) years, or sooner if deemed necessary, to ensure continued alignment with:

- market conditions
- fiscal sustainability
- economic development program goals
- facility operating costs
- public policy objectives

Any future rate adjustments shall be adopted through the applicable City administrative or policy approval process.

SECTION 10. FACILITY OPERATIONS, TENANT RESPONSIBILITIES AND GENERAL RULES

10.1 General Facility Use

All tenants shall use the San Luis Business Incubator ("SLBI") in a lawful, safe, professional, and commercially responsible manner consistent with the approved use identified in the tenant's application and lease agreement.

Tenants shall not use the facility for any purpose not approved by the City.

Use of the facility must remain compatible with:

- applicable zoning requirements
- lease terms
- facility operational capacity
- public safety requirements
- applicable Economic Development Administration (EDA) restrictions
- the City's economic development mission

10.2 Tenant Responsibilities

Each tenant shall be responsible for maintaining its leased premises in a clean, safe, orderly, and operational condition.

Tenant responsibilities include:

- maintaining business operations in good standing
- maintaining all required business licenses, registrations, and permits
- maintaining required insurance coverage
- complying with all lease obligations
- ensuring employee and visitor compliance with facility rules
- maintaining orderly operations within the leased premises
- promptly reporting maintenance or safety concerns
- complying with applicable building and fire safety requirements

10.3 Access and Security

Facility access shall be controlled in accordance with City operational procedures.

Tenants shall:

- use the facility only during approved operational hours unless otherwise authorized

- maintain control of issued keys, access devices, or credentials
- not duplicate, transfer, or distribute access credentials without City approval
- report lost or compromised access devices immediately
- comply with all security procedures established by the City

The City reserves the right to revise access procedures as necessary for operational or security purposes.

10.4 Maintenance and Repairs

The City shall maintain common areas and building systems in accordance with lease responsibilities and available resources.

Tenants shall be responsible for:

- routine housekeeping within leased premises
- proper care of tenant-occupied space
- preventing avoidable damage
- promptly reporting maintenance issues
- repair of tenant-caused damage where applicable

No tenant shall make unauthorized repairs, alterations, or facility modifications.

10.5 Alterations and Improvements

Tenants shall not make alterations, improvements, equipment installations, structural modifications, signage changes, or utility modifications without prior written approval from the City.

Any approved improvements shall comply with:

- building code requirements
- permitting requirements
- facility safety standards
- lease obligations
- applicable public facility restrictions

The City reserves the right to require removal or restoration where appropriate.

10.6 Signage and Exterior Appearance

Tenant signage, exterior branding, window coverings, displays, and exterior modifications shall require prior City approval.

The City may establish signage standards to maintain facility appearance, consistency, safety, and compatibility with public property requirements.

10.7 Utilities and Operational Services

Utility responsibilities shall be governed by the applicable lease agreement.

Tenants shall use utilities and facility services responsibly and in a manner consistent with approved operations.

The City reserves the right to evaluate unusually intensive utility demands or facility impacts.

10.8 Safety and Compliance

Tenants shall comply with all applicable health, fire, safety, environmental, and operational regulations.

Prohibited activities include, but are not limited to:

- unsafe storage practices
- hazardous operations without authorization
- unauthorized occupancy changes
- obstruction of common areas
- illegal business activity
- activity creating unreasonable nuisance or safety risk

The City may require corrective action where safety concerns arise.

10.9 Visitors, Deliveries, and Operational Conduct

Tenants are responsible for the conduct of employees, contractors, customers, vendors, and visitors.

Operations shall be conducted in a manner that does not unreasonably interfere with:

- neighboring tenants
- facility operations
- access and circulation
- loading or unloading activity
- public safety

Delivery, loading, and operational activities shall comply with designated facility procedures.

10.10 Parking and Common Areas

Parking and common areas are shared resources intended to support facility operations.

Tenants shall:

- use parking only in designated areas
- avoid obstruction of access routes
- comply with loading/unloading procedures
- refrain from unauthorized storage in common areas

The City may establish additional parking and common area operational rules as needed.

10.11 Conference Room and Facility Use by Outside Organizations

The City may allow limited use of designated meeting or conference spaces within the San Luis Business Incubator by outside organizations, public agencies, business partners, educational institutions, or compatible community organizations, subject to availability and administrative approval.

Use fees shall be established as follows:

Facility Use Type	Fee
Conference Room Reservation (up to 4 hours)	$50
Conference Room Reservation (full day)	$100

Approved use may include access to available shared internet connectivity and standard meeting room setup.

The City reserves the right to:

- deny facility use requests
- prioritize incubator tenant needs
- restrict facility use based on operational requirements
- modify the fee schedule administratively as needed

Facility use must remain compatible with the economic development mission and operational integrity of the incubator.

10.11 Default and Enforcement

Failure to comply with facility rules, operational requirements, lease obligations, or applicable program policies may result in corrective action.

Corrective actions may include:

- written notice
- required corrective measures
- probationary status
- occupancy review
- non-renewal
- lease enforcement actions
- termination in accordance with lease provisions