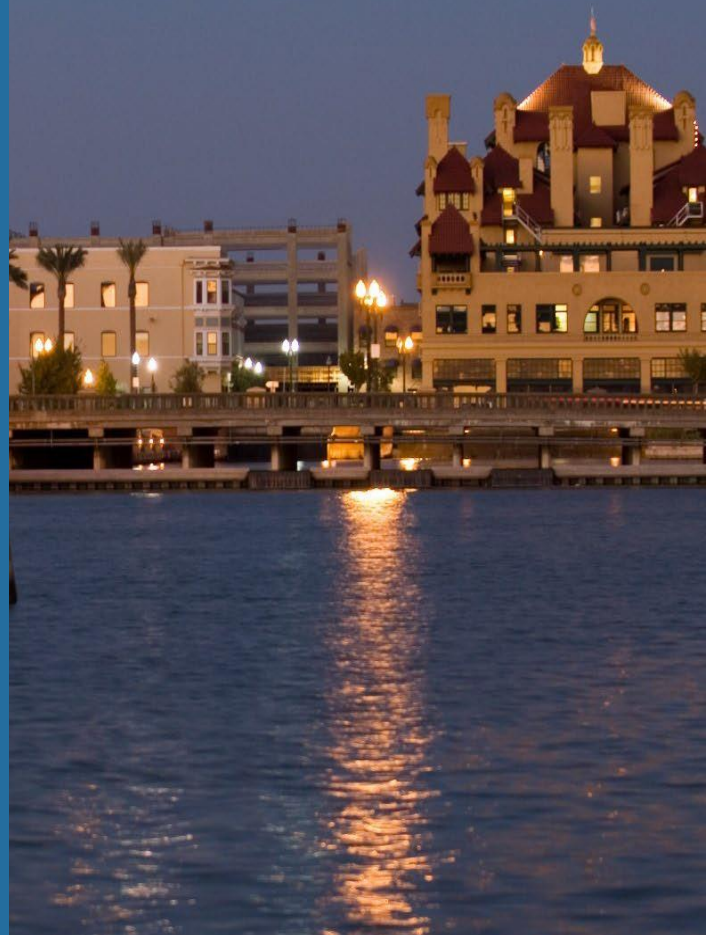

ECONOMIC DEVELOPMENT SUBSIDY

2023 ANNUAL REPORT

MAY 2023

CITY OF STOCKTON
COMMUNITY DEVELOPMENT DEPARTMENT
ECONOMIC DEVELOPMENT DEPARTMENT



2023 ECONOMIC DEVELOPMENT SUBSIDY ANNUAL REPORT

The purpose of the Economic Development Subsidy Report is to fulfill the annual reporting requirements as outlined in California Assembly Bill 562. Effective January 1, 2014, Assembly Bill 562 (Williams), chapter 740, added Section 53083 to the Government Code, which requires local agencies to annually report subsidies for economic development purposes. Government Code Section 53083 requires the report to include identifiable information (name and address) of each business entity that is a beneficiary of a subsidy, a description of each program, and the total amount of the expenditure of public funds or of revenue lost as a result of the subsidy, statement of public purpose of the subsidy, net tax revenue as a result of the subsidy, and estimated number of jobs created by the subsidy.

An “economic development subsidy” is defined as any expenditure of public funds or loss of revenue to a local agency in the amount of one hundred thousand dollars (\$100,000) or more, for the purpose of stimulating economic development within the jurisdiction of a local agency, including, but not limited to, bonds, grants, loans, loan guarantees, enterprise zone or empowerment zone incentives, fee waivers, land price subsidies, matching funds, tax abatements, tax exemptions, and tax credits. Furthermore, “economic development subsidy” shall not include expenditures of public funds by, or loss of revenue to, the local agency for the purpose of providing housing affordable to persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code. This report provides the necessary information for the qualifying programs to remain in compliance with Assembly Bill 562.

QUALIFYING CITY PROGRAMS

City Programs that provide “economic development subsidies” as defined by Assembly Bill 562 include:

1. Stockton Economic Stimulus Plan (SESP)
2. Public Facility Fee (PFF) Reduction for Non-residential Projects
3. Greater Downtown Stockton Residential Development Public Facilities Exemption
4. Downtown Infill Infrastructure Program
5. Office and Industrial Sales Tax Incentive Program

These referenced programs offer subsidies on an annual basis. However, not all programs provided an economic development subsidy as defined by the statute in 2023.

STOCKTON ECONOMIC STIMULUS PLAN (SESP)

In November of 2015, the City Council adopted Resolution 2015-11-17-1602 – Stockton Economic Stimulus Program (SESP), superseding existing PFF reduction programs for residential and non-residential projects. The program launched in January 2016 to reduce eligible PFFs on qualifying single-family residential, multi-family residential, commercial, and industrial projects in the City of Stockton. In July 2018, City Council passed Resolution 2018-07-17-1302 to extend SESP for residential and non-residential projects and increase developer permit limitations in non-disadvantaged areas.

SESP eliminates/waives the following PFF categories:

PFF Category	Residential	Commercial / Industrial
City Office Space	✓	✓
Libraries	✓	✓
Fire Stations	✓	✓
Parkland	✓	
Community Recreation Centers	✓	✓
Police Stations	✓	✓

Street Improvements	✓	✓
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City Office Space, Community Recreation Centers, Libraries, Police Stations, Fire Stations, Street Improvements, and Parks are reduced to a total of \$19,997 or 100% of said fees, whichever is less, for single-family residential, \$14,080 per unit for multi-family residential, and 50% reduction for commercial and industrial projects. The 3.5% Administrative Fee charged on all PFF categories is also waived and is included in the amounts shown below.

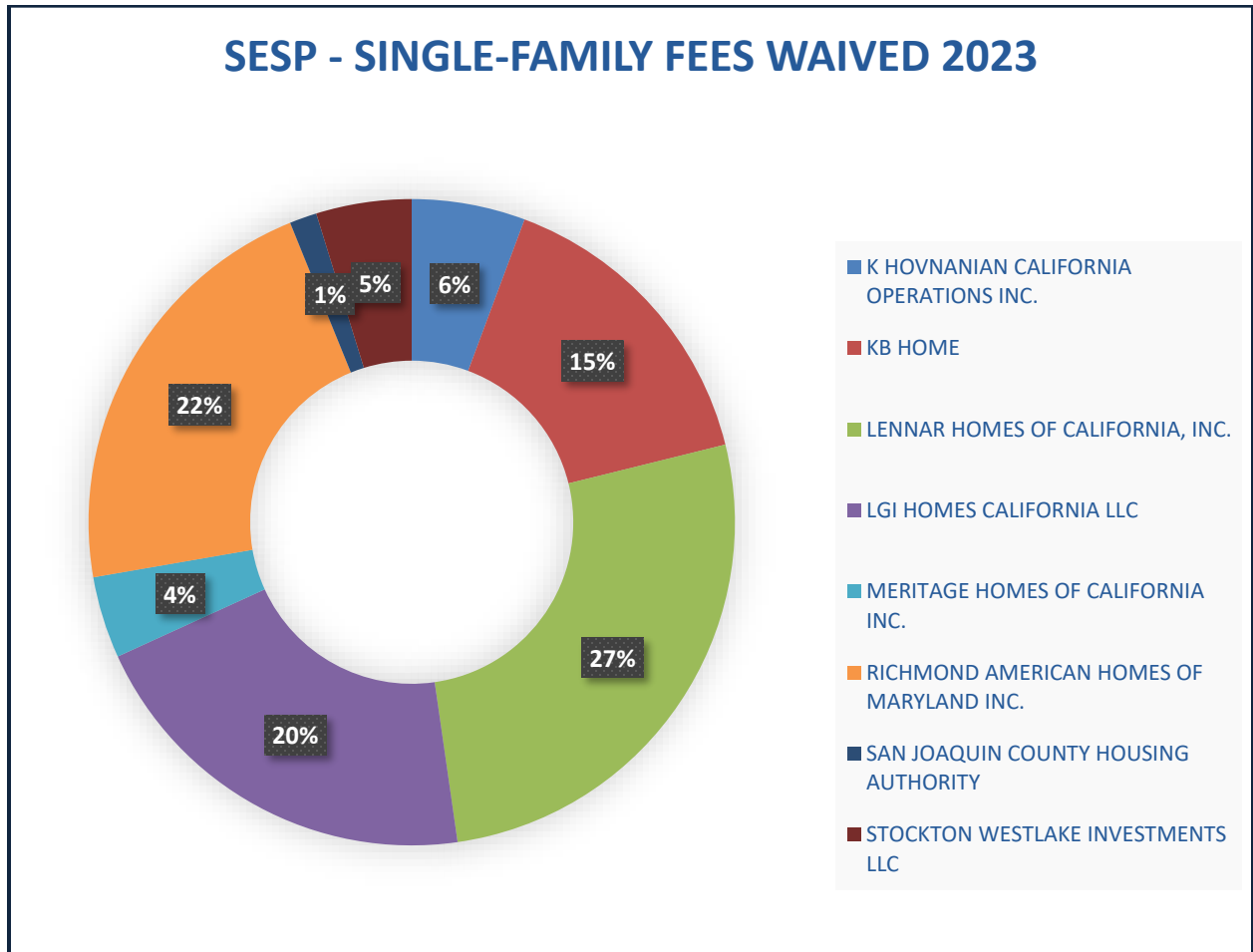
For single-family residential, multi-family residential, and non-residential (commercial/industrial) permits issued citywide, builders/developers must comply with the terms of the program. Participation in the single-family residential component of SESP requires a developer to comply with the local hire and disadvantaged individual requirements. Participants must agree to the program conditions to receive the incentives of the program for residential development. Additionally, only units within the existing City limits, as described in the 2008 General Plan Settlement Agreement, are eligible to meet the local hire requirement of the program. The commercial/industrial component, formerly the Public Facilities Fee Reduction Program (established in 2010), was incorporated into the SESP program in 2015; reporting of local hiring is not a requirement.

The SESP program will remain in place until the City conducts a nexus study for the Public Facility Fees (Development Impact Fee) program and adopts new fees per City Council Motion 2019-08-20-1405.

STOCKTON ECONOMIC STIMULUS PLAN (SESP) DATA:

Recipients that received fee waivers of \$100,000 or greater:

Recipients	Amount (2023)
K HOVNANIAN CALIFORNIA OPERATIONS INC. 3721 DOUGLAS BLVD., STE 150 ROSEVILLE, CA 95661	\$ 497,990.25
KB HOME 4830 BUSINESS CENTER DR., STE 150 FAIRFIELD, CA 94534	\$ 1,354,533.48
LENNAR HOMES OF CALIFORNIA, INC. 1025 CREEKSIDE RIDGE DR., STE 240 ROSEVILLE, CA 95678	\$ 2,330,594.37
LGI HOMES CALIFORNIA LLC 1450 LAKE ROBBINS DR., STE 430 THE WOODLANDS, TX 77380	\$ 1,792,301.99
MERITAGE HOMES OF CALIFORNIA INC. 8800 E RAINTREE DR., STE 300 SCOTTSDALE, AZ 85260	\$ 358,552.98
RICHMOND AMERICAN HOMES OF MARYLAND INC. 1 HARBOR CTR., STE 100 SUISUN CITY, CA 94585	\$ 1,892,362.95
SAN JOAQUIN COUNTY HOUSING AUTHORITY 421 S EL DORADO ST. #B STOCKTON, CA 95203	\$ 119,517.66
STOCKTON WESTLAKE INVESTMENTS LLC 10100 TRINITY PKWY., 5TH FL. STOCKTON, CA 95219	\$ 418,311.81
TOTAL	\$ 8,764,165.49



Multi-family residential SESP participants did not exceed the \$100,000 threshold; therefore, no reporting is required per AB 562.

Net Tax Revenue Accrued as a Result of Subsidy – Not applicable.

Total Number of Jobs Created by Subsidy: 2,896

- Jobs Created for Stockton Residents: 1,667
- Jobs Created for Non-Stockton Residents: 1,229

PUBLIC FACILITY FEE (PFF) REDUCTION FOR NON-RESIDENTIAL PROJECTS

On September 14, 2010, the City Council adopted Resolution No.10-0308, which authorized the reduction of fees for residential and non-residential projects. The program was extended and evolved with the adoption and later extension of the SESP program in 2019. The PFF Reduction to Non-Residential Projects program will remain in place until the City conducts a nexus study for the Public Facility Fees (Development Impact Fee) program and adopts new fees.

For new non-residential development, the following Public Facilities Fees shall be reduced by fifty percent (50%) citywide. The following fee categories apply:

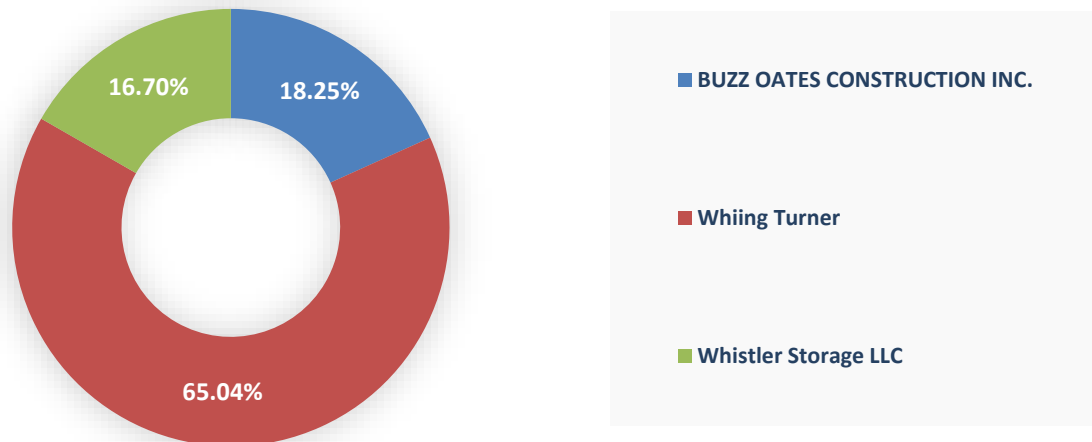
- City Office Space
- Community Recreation Centers
- Libraries
- Fire Stations
- Police Stations
- Street Improvements

The 3.5% Administrative Fee charged on all PFF categories is also waived and is included in the amounts shown below.

Recipients that received \$100,000 or greater:

Recipients	Amount (2023)
Buzz Oates Construction Inc. 555 CAPITOL MALL SUITE 900 SACRAMENTO, CA 95814	\$ 267,082.05
Whiting Turner 300 E Joppa Rd, 8th Fl., Baltimore, MD 21286	\$ 951,682.14
Whistler Storage LLC 1776 N Murray Rd., Linden, CA 95236	\$ 244,401.62
TOTAL	\$ 1,463,165.81

Non-Residential Public Facility Fee Reduction 2023



Net Tax Revenue Accrued as a Result of Subsidy: Not applicable.

Number of Jobs Created by Subsidy: Not applicable.

GREATER DOWNTOWN STOCKTON RESIDENTIAL DEVELOPMENT PUBLIC FACILITIES EXEMPTION

The Greater Downtown Stockton Residential Development Public Facilities Fees Exemption Program provides fee exemptions for qualifying residential developments within the greater downtown area to encourage housing production. The PFF Exemption Program will remain in place until the City conducts a nexus study for the Public Facility Fees (Development Impact Fee) program and adopts new fees. Eligible development projects will receive an exemption for the following Public Facilities Fees (PFF) categories:

- City Office Space
- Libraries
- Fire Stations
- Parkland
- Community Recreation Centers
- Police Stations
- Street Improvements

There were no eligible subsidies to report in 2023.

Net Tax Revenue Accrued as a Result of Subsidy – Not applicable.

Number of Jobs Created by Subsidy – Not applicable.

DOWNTOWN INFILL INFRASTRUCTURE PROGRAM

The Downtown Infill Infrastructure Program provides a financial incentive to eligible parties interested in developing new market-rate residential, commercial, or mixed-use projects in Downtown Stockton. In Stockton's downtown area, aging infrastructure, such as sewer and water lines, as well as the

rehabilitation of older structures, can significantly increase project costs and serve as barriers to infill development.

Under the Downtown Infill Infrastructure Program, eligible development projects may receive a reimbursement for certain public infrastructure improvements. Examples of eligible public infrastructure improvements include sewer and water; storm drain; street improvements, including crosswalks, bike lanes, striping, and medians; traffic signals; streetlights; and landscaping.

To qualify for the program, the developer must meet these criteria:

1. Develop a minimum of 35 new market-rate residential units and/or develop a minimum of 30,000 square feet of new or newly renovated retail or commercial space.
2. Be located within the program boundary, which includes Center Street to the west, Park Street to the north, ACE Rail/Union Pacific Railroad to the east, and Washington Street to the south.
3. Make a capital investment of at least \$500,000.
4. Eligible public infrastructure improvements must equal \$100,000 or more.

Applicants must submit a request for funding to the Economic Development Department for review and consideration. If deemed eligible under the program guidelines, a Reimbursement Agreement requiring Council approval will be executed between the City and the applicant. The City will reimburse the applicant within six (6) months of completion of the public improvements included within the reimbursement agreement of up to \$900,000 annually. The program was approved by City Council on July 7, 2015, and is scheduled to sunset in July 2025.

During 2023, no applicants received an economic development subsidy under the Downtown Infill Program.

Net Tax Revenue Accrued as a Result of Subsidy: Not applicable.

Number of Jobs Created by Subsidy: Not applicable.

OFFICE AND INDUSTRIAL SALES TAX INCENTIVE PROGRAM

The Office and Industrial Sales Tax Incentive Program provides an annual sales tax rebate to new or expanding office and industrial businesses located within Stockton City limits. Examples of the types of office and industrial businesses that would have been eligible under the program include eCommerce businesses, fuel distributors, high-tech equipment manufacturers or software developers, medical device manufacturers, and business-to-business sales. To qualify for the program, the business must have met the following criteria:

1. Generate net new annual gross taxable sales of \$25 million or more.
2. Generate sales tax to the City corresponding with the gross sales tax amount.
3. Create a minimum of ten full-time equivalent jobs.
4. Make a capital investment of \$50,000 or more.

The sales tax rebate is based on the annual net new sales tax revenue received by the City and is restricted to the Bradley-Burns tax. The rebate amount is based on the following tiers:

Net New Sales Tax Revenue	% of Sales Tax Revenue Rebated to the Business	% of Sales Tax Revenue Retained by the City
Less than \$250,000	0%	100%
\$250,000 - \$500,000	50%	50%
More than \$500,000	65%	35%

Qualifying businesses must have executed an agreement with the City, which required Council approval. The term of the agreement is ten (10) years, with options to extend for up to an additional ten (10) years.

This program was approved by Council on June 24, 2014, and sunset in June 2019 for new applications. During 2023, two companies continued to receive subsidies under prior agreements. The 2023 subsidies for each company are as follows:

Recipients	Amount (2023)
VALLEY PACIFIC PETROLEUM 152 FRANK W CIR, STE 100., STOCKTON, CA 95206	\$ 1,679,272
DIESEL DIRECT WEST 3861 DUCK CREEK DR., STOCKTON, CA 95215	\$ 1,281,365
TOTAL	\$ 2,960,637

In 2023, the City rebated \$2,960,637 in net new sales tax revenue as a result of the Office and Industrial Sales Tax Incentive Program. A minimum of 40 full-time equivalent new jobs were created as a result of this program.

SUMMARY

In 2023, the Greater Downtown Stockton Residential Development Public Facilities Exemption and the Downtown Infill Infrastructure Program had no eligible economic development subsidies to report. City Programs that provided “economic development subsidies” in 2023 are as follows:

Program	Eligible Subsidies
Stockton Economic Stimulus Plan (SESP)	\$ 8,764,165.49 (single-family)
Public Facility Fee (PFF) Reduction for Non-residential Projects	\$ 1,463,165.81
Greater Downtown Stockton Residential Development Public Facilities Exemption	-
Downtown Infill Infrastructure Program	-
Office and Industrial Sales Tax Incentive Program	\$ 2,960,637.00
TOTAL	\$ 13,187,968.30