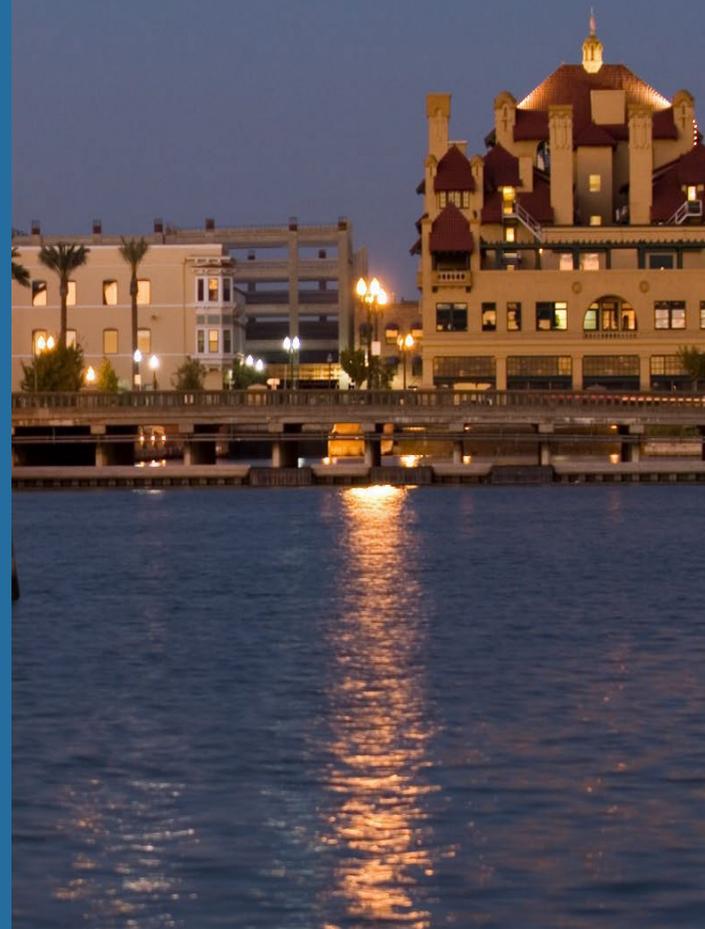

ECONOMIC DEVELOPMENT SUBSIDY

ANNUAL REPORT 2024

MAY 2025

CITY OF STOCKTON
COMMUNITY DEVELOPMENT DEPARTMENT
ECONOMIC DEVELOPMENT DEPARTMENT



2024 ECONOMIC DEVELOPMENT SUBSIDY ANNUAL REPORT

The purpose of the Economic Development Subsidy Report is to fulfill the annual reporting requirements as outlined in California Government Code Section 53083 (Assembly Bill 562), which requires local agencies to annually report subsidies for economic development purposes. Government Code §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 CGC §53083.

QUALIFYING CITY PROGRAMS

City Programs that provided “economic development subsidies” in 2024 as defined by CGC §53083 include:

1. Stockton Economic Stimulus Program (SESP)
2. Public Facility Fee (PFF) Reduction for Non-residential Projects (part of SESP)
3. City-Wide Affordable Housing Development Public Facilities Fee Exemption Program
4. Office and Industrial Sales Tax Incentive Program

STOCKTON ECONOMIC STIMULUS PROGRAM (SESP)

In November of 2015, City Council adopted Resolution 2015-11-17-1602 – Stockton Economic Stimulus Program (SESP), superseding all but two existing PFF reduction programs for residential and non-residential development projects. The program launched in January 2016 to reduce eligible Public Facility Fees (PFFs) on the following development types, subject to program requirements:

1. Single-Family Residential (SFR),
2. Multi-Family Residential (MFR), and
3. Commercial And Industrial Projects

The SESP was originally slated to sunset in 2018 but was extended in 2018 and 2019. The current program will not sunset until new PFF fee amounts are adopted (as a result of an updated PFF Nexus Study). SESP eliminates/waives the following PFF categories for eligible projects:

PFF Category	Residential 100% Reduction	Commercial / Industrial 50% Reduction
City Office Space	✓	✓
Community Recreation Centers	✓	✓
Fire Stations	✓	✓
Libraries	✓	✓
Parkland	✓	
Police Stations	✓	✓
Street Improvements	✓	✓

PFF Category	Waived Amount (per unit)		Waived Amount (per 1,000 SF)		
	Single Family Residential*	Multi-Family Residential	Commercial		Industrial
			Office	Retail	
City Office Space	\$467.00	\$391.00	\$43.75	\$22.50	\$25.50
Community Recreation Centers	\$481.00	\$405.00	\$39.50	\$20.25	\$23.25
Fire Stations	\$781.00	\$658.00	\$118.50	\$61.00	\$54.00
Library	\$902.00	\$761.00	\$94.50	\$48.50	\$56.00
Parkland	\$2,798.00	\$1,712.00	N/A	N/A	N/A
Police Stations	\$591.00	\$497.00	\$105.50	\$54.00	\$62.00
Street Improvements	\$13,226.00	\$9,656.00	\$2,412.00	\$3,177.00	\$931.50
3.5% Administrative Fee [†]	\$673.61	\$492.80	\$98.48	\$118.41	\$40.33
TOTAL \$ WAIVED	\$19,919.61	\$14,572.80	\$2,912.23	\$3,501.66	\$1,192.58

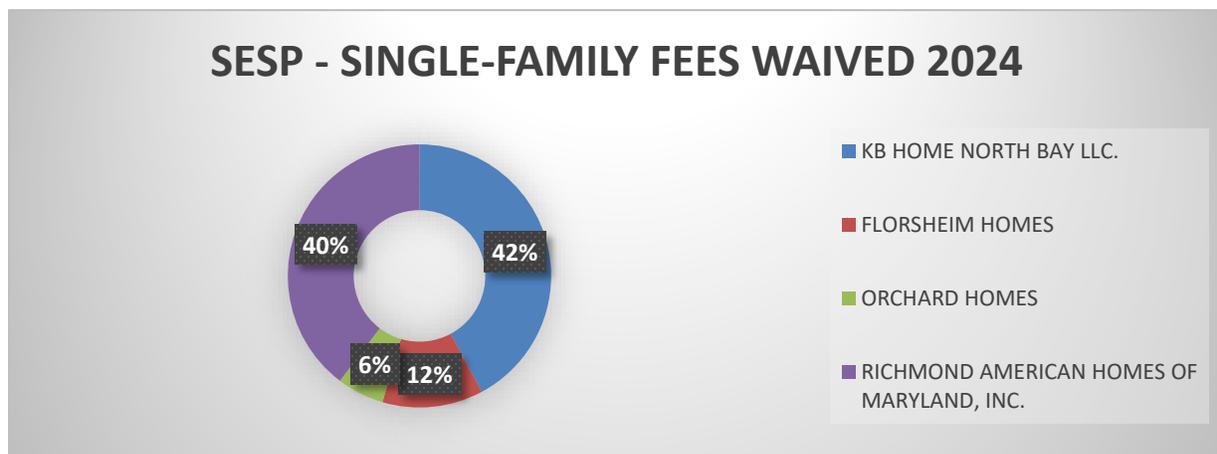
*A maximum of \$19,997 per unit, or 100%, whichever is less

[†]Administrative Fee waived/reduced in accordance with the PFF reduction amount

For single-family residential, multi-family residential, and non-residential (commercial/industrial) permits issued citywide, builders/developers must agree to and comply with all program terms and conditions to receive the incentives of the program for development. Only new single-family residential (SFR) units within the existing City limits, as described in the 2008 General Plan Settlement Agreement, are eligible for fee waivers under SESP. Participation in the SFR component of SESP also requires a developer to comply with local hire and disadvantaged individual requirements. Multi-family residential (MFR) development must comply with disadvantaged requirements but is exempt from the local hire requirement (per Motion 2019-08-20-1405). The commercial/industrial component, formerly known as 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 motion 2019-08-20-1405.

1. SFR SESP Recipients that received fee waivers of \$100,000 or greater in 2024:

Recipients	AMOUNT
KB Home 4830 Business Center Dr., Suite 150 Fairfield, CA 94534	\$ 1,015,900.11
Florsheim Homes 1701 W. March Lane, Suite D Stockton, CA 95207	\$ 298,794.15
Orchard Homes 1025 Creekside Ridge Dr., Suite 240 Roseville, CA 95678	\$ 139,437.27
Richmond American Homes of Maryland Inc. 1 Harbor Ctr., Ste 100 Suisun City, CA 94585	\$ 956,141.28
TOTAL	\$ 2,410,272.81



Net Tax Revenue Accrued as a Result of Subsidy – Not applicable.
 Total Number of Jobs Created by Subsidy: 478

2. MFR SESP participants did not exceed the \$100,000 threshold; therefore, no reporting is required per AB 562.
3. On September 14, 2010, the City Council adopted Resolution No. 10-0308, which authorized the reduction of fees for residential and non-residential projects (known as the PFF Reduction Program). The program was extended and absorbed by the SESP in 2019.

Recipients that received \$100,000 or greater in 2024:

Recipients	Amount
First American Title Insurance Co. National Commercial Services 333 W Santa Clara St., Ste 220 San Jose, CA 95113-1714	\$ 307,562.02
Gospel Center Rescue Mission Inc. 445 S San Joaquin St. Stockton, CA 95205	\$ 255,492.00
TOTAL	\$ 563,054.02

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

Number of Jobs Created by Subsidy: Not applicable.

City-Wide Affordable Housing Development Public Facilities Fee Exemption Program

In February 2018, City Council adopted Resolution 2018-02-06-0504 – City-Wide Affordable Housing Development Public Facilities Fee (PFF) Exemption Program, expanding the existing Greater Downtown Stockton PFF Exemption Program to apply city-wide for qualifying affordable housing developments. The program was created to incentivize the development of new affordable housing units throughout Stockton by exempting select Public Facilities Fees for eligible projects.

Affordable housing developments, as defined by the program, include residential projects with recorded regulatory agreements requiring that units be rented or sold to low-income households (defined as those earning at or below 80% of the area median income). The following PFF categories are waived for eligible developments:

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

Recipients	Amount
St. Mary's Community Services 545 W. Sonora St. Stockton, CA 95203	\$ 1,170,262.08
Housing Authority of the County of San Joaquin 2575 Grand Canal Blvd Ste 200 Stockton, CA 95207	\$ 743,212.80
TOTAL	\$ 1,913,474.88

The program will sunset upon City Council's adoption of new PFF fee amounts, as outlined in the upcoming Development Impact Fee Nexus Study.

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 2024, two companies continued to receive subsidies under prior agreements. The 2024 subsidies for each company are as follows:

Recipients	Amount (2024)
Valley Pacific Petroleum 152 Frank W Circle, Ste 100 Stockton, CA 95206	\$952,011.00
Diesel Direct West 3861 Duck Creek Dr. Stockton, CA 95215	\$1,111,737.00
TOTAL	\$2,063,748.00

In 2024, the City rebated \$2,063,748 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

City Programs that provided “economic development subsidies” in 2024 are as follows:

Program	Eligible Subsidies
Stockton Economic Stimulus Plan (SESP): Single-Family Residential	\$2,410,272.81
SESP: Public Facility Fee (PFF) Reduction for Non-residential Projects	\$563,054.02
City-Wide Affordable Housing Development Public Facilities Fee Exemption Program	\$ 1,913,474.88
Office & Industrial Sales Tax Incentive Program	\$2,063,748.00
TOTAL	\$ 6,949,549.71

