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# ANNUAL REPORT 2014 - 2019

SEPTEMBER 2020

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CITY OF STOCKTON  
COMMUNITY DEVELOPMENT DEPARTMENT  
ECONOMIC DEVELOPMENT DEPARTMENT



## ECONOMIC DEVELOPMENT SUBSIDIES ANNUAL REPORT 2014 – 2019

Adopted in 2013, Assembly Bill 562 (Williams) added section 53083 to the Health and Safety Code requiring local agencies to provide a reporting of the subsidies provided to developers for economic development purposes beginning January 1, 2014. Per AB 562, said report shall include description of the corporations or any other business entities that are the beneficiaries of the subsidy, descriptions of the program and 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 a net number of jobs created by the subsidy.

“Economic development subsidy” means 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. “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.

## QUALIFYING CITY PROGRAMS

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

- Stockton Economic Stimulus Plan (SESP)
- Non-Residential Public Facility Fee Reductions
- Greater Downtown Stockton Residential Development Public Facilities Exception
- Downtown Infill Infrastructure Program
- Storefront Beautification Microgrant Program
- Stocked Full of Produce Grant Program
- Industrial Development Bonds (IDBs)
- Lien Forgiveness Program (Commercial)
- Commercial Emergency Grant Program
- Commercial Façade Improvement Loan Program
- Office and Sales Tax Incentive Program

## STOCKTON ECONOMIC STIMULUS PLAN (SESP)

The SESP program provides a Public Facility Fees (PFF) fee reduction for qualifying single-family residential, multi-family residential, commercial, and industrial projects in Stockton. Fee reductions are applied to the following PFF fee categories:

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

PFF reduction amounts to the categories above are as follows:

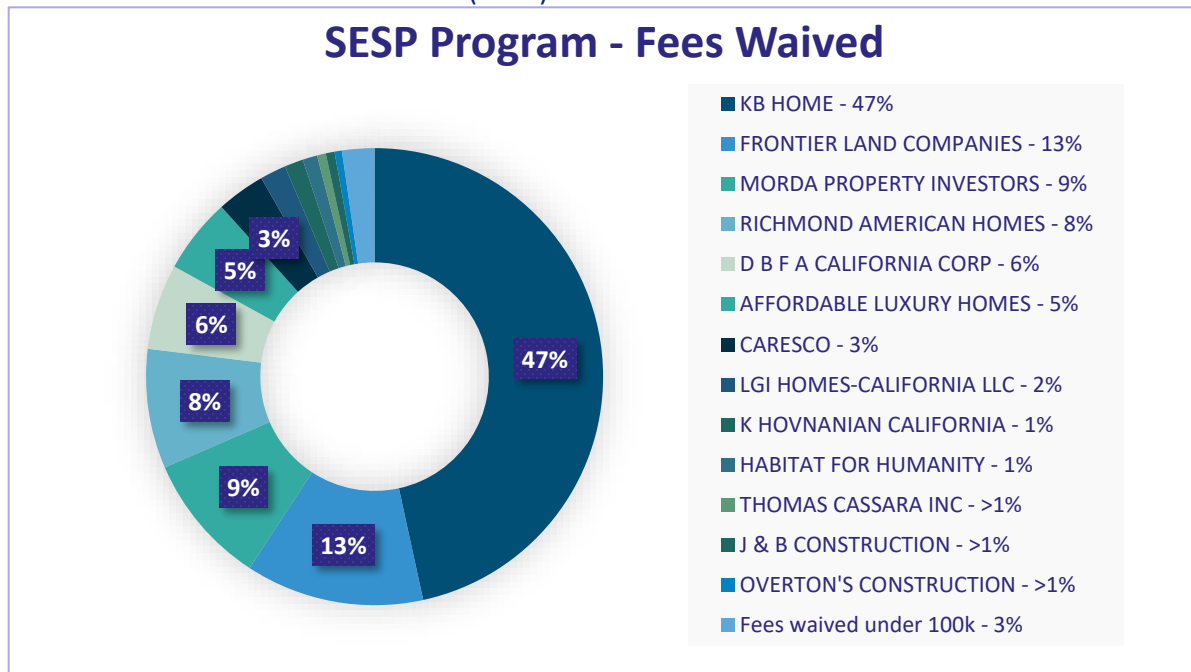
- Up to a total of \$19,997 or 100% (whichever is less) for single-family residential
- \$14,080 per unit for multi-family residential
- 50% reduction for commercial and industrial

The Fee Reduction applies to Single-family residential, multi-family residential, and non-residential (commercial/industrial) permits issued citywide for builders/developers who comply with terms of the program.

To participate in the single-family residential component of SESP, a developer must comply with the local hire and disadvantaged individual requirements. Only units within the existing City Limits as described in 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 folded in to 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.

STOCKTON ECONOMIC STIMULUS PLAN (SESP) DATA:



Business	2016	2017	2018	2019	Total Amt
KB HOME	2,731,450	2,270,836	1,932,601	2,152,835	9,087,721
FRONTIER LAND COMPANIES		250,014	856,543	1,096,355	2,202,912
MORADA PROPERTY INVESTORS		418,312	637,428	537,829	1,593,569
RICHMOND AMERICAN HOMES			358,553	808,382	1,166,935
D B F A CALIFORNIA CORP		644,053	537,829		1,181,882
AFFORDABLE LUXURY HOMES	59,759	239,035	478,071	258,955	1,035,820
CARESCO	489,925	179,276			669,201
LGI HOMES-CALIFORNIA LLC				358,553	358,553
K HOVNANIAN CALIFORNIA					258,955
HABITAT FOR HUMANITY	76,984		125,021		202,005
THOMAS CASSARA INC				121,868	121,868
J & B CONSTRUCTION	120,847				120,847
OVERTON'S CONSTRUCTION			101,128		101,128
Fees waived under 100k	270,589	56,424	79,678	39,839	446,530
<b>Total</b>	<b>\$ 3,749,554</b>	<b>\$ 4,057,950</b>	<b>\$ 5,106,852</b>	<b>\$ 5,374,616</b>	<b>\$18,288,972</b>

SESP Recipients	Recipient Address
KB Home	10990 Wilshire Blvd., FL 7 Los Angeles, CA 90024
Frontier Land Companies	10100 Trinity Parkway, St 420 Stockton, CA 95219
Morda Property Investors	10143 Copco Ln Stockton, CA 95219
DBFA California Corporation	1701 W March Ln, Suite D Stockton, CA 95207
Richmond American Homes	1 Harbor Center, Suite 100 Suisun City, CA 94585
Affordable Luxury Homes	5711 N El Dorado Street Stockton, CA 95207
Caresco	3350 Deer Park Dr Ste C Stockton, CA 95219
LGI Homes – California LLC	2251 Douglas Blvd, Suite 110, Roseville, CA 95661
K Hovnanian California	3721 Douglas Blvd, Suite 150 Roseville, CA 95661
Habitat for Humanity	26572 N Dustin Rd Acampo, CA 95220
Thomas Cassara Inc	4207 East Ave Turlock, CA 95380

SESP Recipients (continued)	Recipient Address (continued)
J & B Construction	2112 Quail Lakes Dr Stockton, CA 95207
Overton's Construction	1448 Cypress Run Dr Stockton, CA 95209

Local Hire Statistics	
Employees Reported in SESP	3,881
Stockton Employees Reported	2,246

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

#### **PUBLIC FACILITY FEE REDUCTION TO NON-RESIDENTIAL PROJECTS**

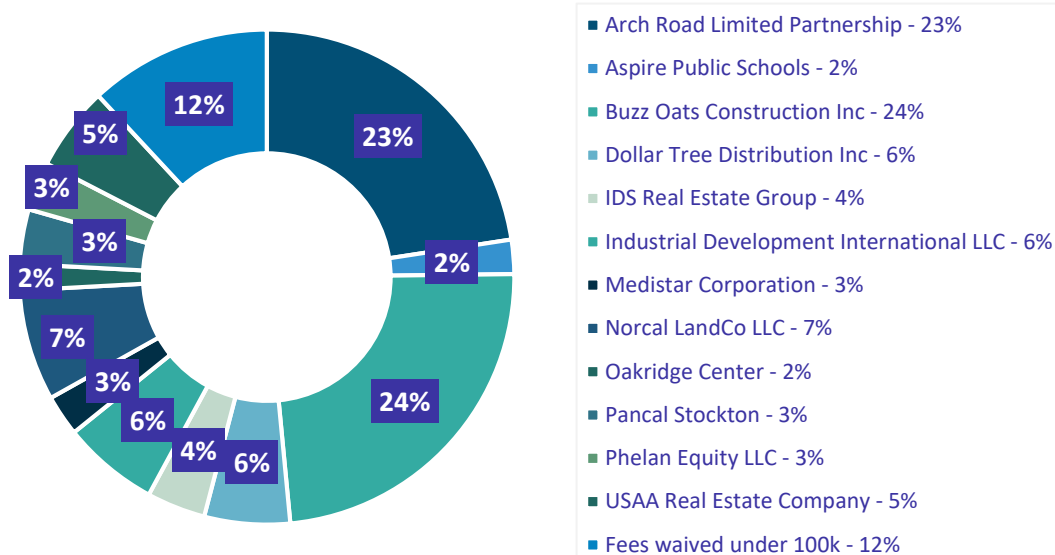
In September 2010, the City Council adopted Resolution #10-0308 which authorized the reduction of fees for residential and non-residential projects. Non-residential projects located anywhere in the City receive a 50% reduction for PFF components for the following Public Facilities Fees (PFF) categories:

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

The totals are listed below:

Business	2016	2017	2018	2019	Total Amt
Arch Road Limited Partnership		1,348,347			1,348,347
Aspire Public Schools	133,556				133,556
Buzz Oats Construction Inc	99,693	525,852	346,844	441,751	1,414,140
Dollar Tree Distribution Inc	334,032				334,032
IDS Real Estate Group				229,270	229,270
Industrial Development International LLC		375,982			375,982
Medistar Corporation				159,934	159,934
Norcal LandCo LLC				433,479	433,479
Oakridge Center			102,477		102,477
Pancal Stockton	212,693				212,693
Phelan Equity LLC		188,969			188,969
USAA Real Estate Company			328,944		328,944
Fees waived under 100k	137,377	274,869	219,909	270,679	902,834
<b>Total</b>	<b>\$ 917,351</b>	<b>\$ 2,714,019</b>	<b>\$ 998,174</b>	<b>\$ 1,535,113</b>	<b>\$ 6,164,657</b>

## Non-Residential Public Facility Fee Reduction



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

**Number of Jobs Created by Subsidy** – Not applicable.

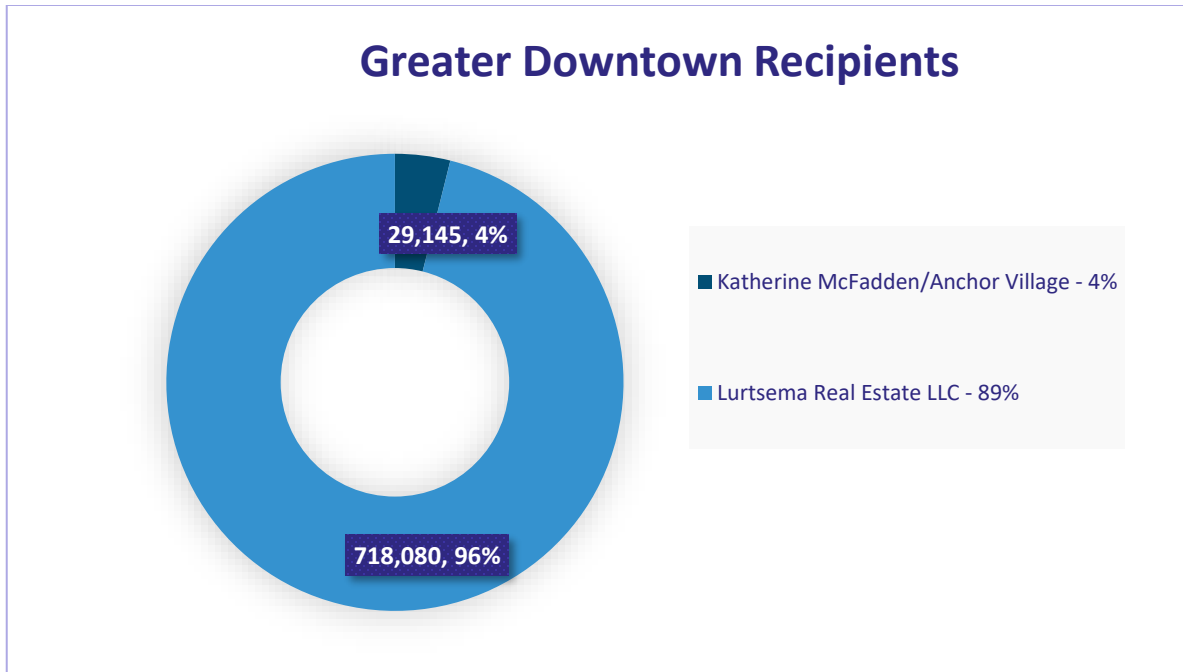
### GREATER DOWNTOWN STOCKTON RESIDENTIAL DEVELOPMENT PUBLIC FACILITIES EXEMPTION

The Greater Downtown Stockton Residential Development Public Facilities Fees Exemption Program provides fee exemptions for qualifying residential developments within Stockton city limits. The PFF Exemption Program will sunset on December 31, 2020, unless extended by the City Council. 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

### **Program Participants**

Developer	Issued	Fee Waiver	Recipient Address
Katherine McFadden/Anchor Village	3/14/2017	\$718,080	9 CUSHING #200, IRVINE, CA 92618
Lurtsema Real Estate LLC	3/6/2019	\$29,145	5713 N PERSHING AVE STE E, STOCKTON, CA 95207



**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, medians; traffic signals; street lights; 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 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 Council on July 7, 2015 and is scheduled to end July 2025.

During 2018, RCC MGP LLC (Open Windows Project) received \$400,000 under the Downtown Infill Program.

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

**Number of Jobs Created by Subsidy** – Not applicable.

### **STOREFRONT BEAUTIFICATION MICROGRANT PROGRAM**

In 2018, the City Council adopted a micro grant program to provide funds for minor storefront improvements for businesses located within specific commercial corridors within Stockton city limits. The program offers commercial property owners and/or business owners up to \$2,000 for the replacement and/or improvements of windows, signs, paint, awnings, lighting, planters, and trellises in order to transform commercial corridors into neighborhood destinations. There is no expiration date for this program.

During 2018 – 2019, no applicant received \$100,000 or more for this economic development subsidy. There were five (5) total subsidies provided under the Storefront Beautification Microgrant Program in 2019.

Year	2018	2019	Total
<b>Subsidies</b>	\$-	\$7,873	<b>\$7,873</b>

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

**Number of Jobs Created by Subsidy** – Not applicable.

### **STOCKED FULL OF PRODUCE GRANT PROGRAM**

In 2018, the City released the Stocked Full of Produce Grant Program that provides funds for corner and convenience stores to make necessary improvements to sell fresh, healthy food options. The program offers store owners, located within designed food deserts, up to \$10,000 to purchase equipment or make infrastructure improvements to support the sale and storage of healthy food options. Eligible improvements include items such as the installation of cold storage refrigeration, electrical or other infrastructure improvements to accommodate such cold storage, shelving or other food storage, and cosmetic improvements to the structure to improve overall store layout which increases the visibility of healthier food options thereby encouraging customer purchases. There is no expiration date for this program.

During 2018 – 2019, no applicant received \$100,000 or more under this economic development subsidy. There were two (2) total subsidies provided under the Stocked Full of Produce Grant Program in 2019.



Year	2018	2019	Total
Subsidies	\$-	\$19,803.24	<b>\$19,803</b>

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

**Number of Jobs Created by Subsidy** – Not applicable.

### **INDUSTRIAL DEVELOPMENT BONDS (IDBs)**

Small- and medium-size manufacturers may benefit from Industrial Development Bonds, a low-cost source of financing (Bond financing can be as low as 75% of prime). The City may discount the packaging fee by 50%, resulting in substantial up-front savings. The City did not issue any Industrial Development bonds between 2014 – 2019. Applications can be continuously accepted and there is no end date to the program.

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

**Number of Jobs Created by Subsidy** – Not applicable.

### **LIEN FORGIVENESS PROGRAM (COMMERCIAL)**

The Lien Forgiveness Program alleviates the burden of code enforcement liens on certain properties to allow for successful rehabilitation. The program provides forgiveness for certain liens imposed by the City for the public purpose of facilitating substantial investment, improvements, and blight abatement to eligible properties.

To be considered for the program, the property must meet all the following:

- Commercial property.
- Liens must exceed \$5,000.
- Applicant must provide a letter verifying financial need.
- Improvements to the property must further the objectives in the Economic Development Strategic Plan, Urban Land Institute Report, Council goals, or other related City plans as well as bring the property into compliance.
- Applicant must demonstrate that the proposed improvements will have a significant effect on the neighborhood and encourage additional investment.
- Applicant must demonstrate the ability to undertake and complete the proposed improvements.
- Applicant cannot be the party responsible for causing, maintaining, or allowing the violations, fines, fees, or liens at the subject property.

Liens will only be forgiven if the improvements are completed upon City inspection and the property is maintained. If the subject property maintains compliance during the term of the five-year agreement, the applicant may request the City remove the applicable lien(s) from the property.

This program was approved by Council on November 4, 2008 and there is no set date for expiration of the program. During 2014 – 2019, no applicant received \$100,000 or more from this economic

development subsidy. There was one (1) participant in the program each year reported below. The total subsidies of liens forgiven are as follows:

Year	2014	2015	2016	2017	2018	2019	Total
<b>Subsidies</b>	\$33,018	\$13,054	\$ -	\$71,000	\$85,236	\$ -	<b>\$202,758</b>

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

**Number of Jobs Created by Subsidy** – Not applicable.

### **COMMERCIAL EMERGENCY GRANT PROGRAM**

The Commercial Emergency Grant Program provides grant funding for commercial property owners or business owners for immediate relief for emergency conditions. The program will grant up to \$7,500 to property owners or business owners to fix code violations where the health and safety of employees or the general public are in jeopardy, and for which private funds are not readily available. To be eligible, the business must be located within City limits and the applicant must demonstrate a financial need.

This program was approved by Council on December 8, 1986 and there is no set date for expiration of the program. During 2014 – 2019, no applicant received \$100,000 or more of his economic development subsidy. There was one (1) participant in the program and the total amount of subsidy funded by the Commercial Emergency Grant Program is as follows:

Year	2014	2015	2016	2017	2018	2019	Total
<b>Subsidy</b>	\$-	\$-	\$7,735.40	\$-	\$-	\$-	<b>\$7,735</b>

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

**Number of Jobs Created by Subsidy** – Not applicable.

### **COMMERCIAL FAÇADE IMPROVEMENT FORGIVABLE LOAN PROGRAM**

The Commercial Façade Improvement Forgivable Loan Program provides funding for exterior commercial improvement projects in Stockton. The program offers up to \$20,000 per 50 linear feet of building street frontage, with a maximum of \$100,000, to commercial property owners to enhance the exterior façade of commercial, nonresidential properties (including nonprofit facilities).

The program requires property owners to work with a licensed architect and ensure that the proposed improvements adhere to the City's Design Guidelines. The loan amount requires a matching component from the property owner. Funds are granted in the form of a loan with a lien placed on the property during the term of the six-year loan. The loan is forgiven, and the lien is removed if the property is kept free of graffiti and blight.

This program was approved by Council on December 8, 1986. In 2016, Pink Ocean Hospitality received \$106,030.59 under this economic development subsidy. There were thirteen (13) participants in the program. The total amount of subsidies funded by the Commercial Façade Improvement Forgivable Loan Program are as follows:

Year	2014	2015	2016	2017	2018	2019	Total
Subsidies	\$-	\$189,687	\$161,639	\$182,420	\$52,797	\$-	<b>\$586,543</b>

**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 be 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 meet 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 only apply to the one-percent 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 execute an agreement with the City, which requires Council approval. The term of the agreement is 10 years, with options to extend for up to an additional 10 years.

This program was approved by Council on June 24, 2014 and expired June 2019. During 2014-2019, Diesel Direct West Inc., Bed Bath & Beyond Inc/Retail Development West LLC, and Valley Pacific Petroleum Service Inc. received subsidies under this program. The annual subsidies for each company are as follows:

Business	2015	2016	2017	2018	2019	Total Amt
DIESEL DIRECT WEST INC.	\$210,139	\$371,597	\$506,792		\$664,981	\$1,753,509
BED BATH & BEYOND INC. AND RETAIL DEVELOPMENT WEST LLC			\$1,040,524	\$1,325,792	\$1,336,084	\$3,702,400
VALLEY PACIFIC PETROLEUM SERVICE, INC.			\$130,803		\$366,026	\$496,829
<b>Total</b>	<b>\$210,139</b>	<b>\$371,597</b>	<b>\$1,678,119</b>	<b>\$1,325,792</b>	<b>\$2,367,091</b>	<b>\$5,952,738</b>

Between 2014 – 2019, the City has generated more than \$5.9 million in net new sales tax revenue as a result of the Office and Industrial Sales Tax Incentive Program. There were 58 new jobs created as a result of this program between 2014 – 2019.