
ECONOMIC DEVELOPMENT SUBSIDY ANNUAL REPORT 2020

APRIL 2021

CITY OF STOCKTON
COMMUNITY DEVELOPMENT DEPARTMENT
ECONOMIC DEVELOPMENT DEPARTMENT



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Adopted in 2013, Assembly Bill 562 (Williams) added section 53083 to the California Government (CGC) Code requiring local agencies to provide a reporting of the subsidies provided to developers for economic development purposes beginning January 1, 2014. Per CGC 53083, 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 CGC 53083 include:

- Stockton Economic Stimulus Plan (SESP)
- 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
- Small Business Relief Grants

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

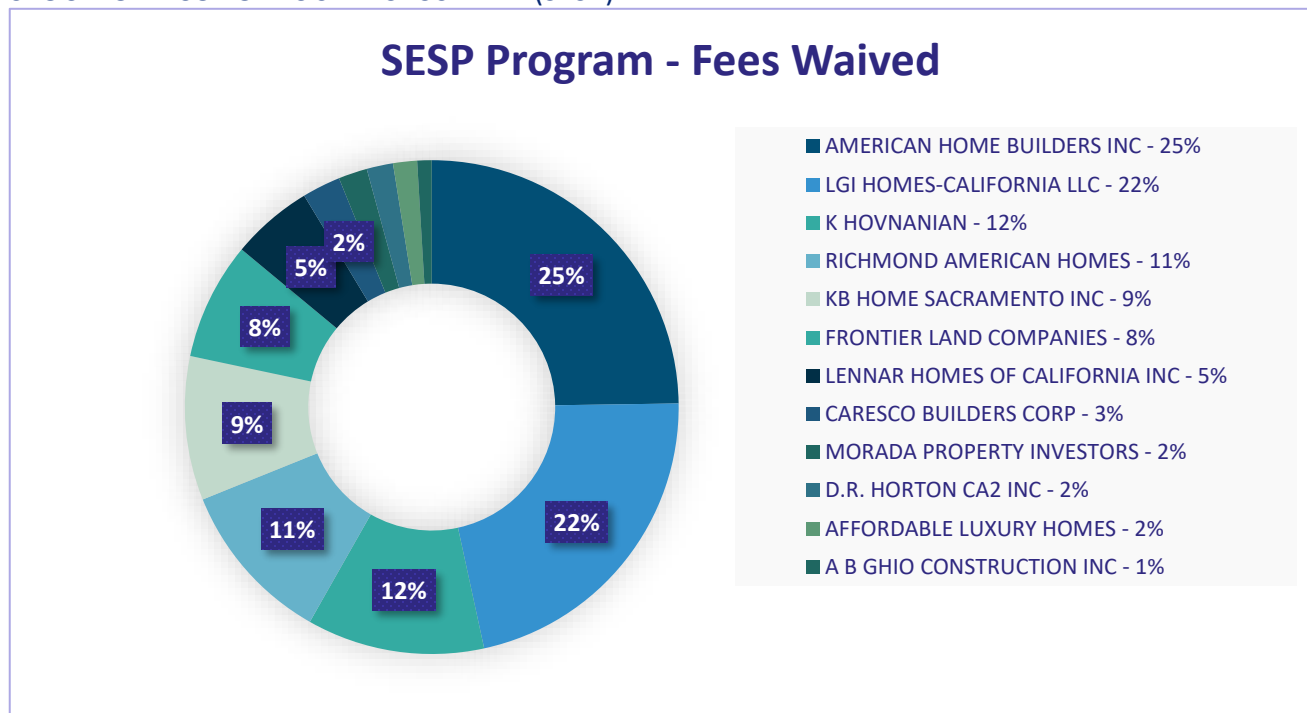
The Fee Reduction applies to Single-family residential, multi-family residential, and non-residential (commercial/industrial) permits issued citywide for builders/developers who comply with terms of the program.

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. *SESP does not require data on "new" jobs created. Single Family Residential participants are required to self-report on the number of employees that live in Stockton as a part of the program's local hire requirement. Data is not collected to determine whether said employment is full-time, part-time, or temporary. It was reported that of 1,238 total jobs who worked on the construction projects, 650 lived in Stockton.*

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	2020
AMERICAN HOME BUILDERS INC	\$ 3,140,327
LGI HOMES-CALIFORNIA LLC	\$ 2,767,770
K HOVNANIAN CALIFORNIA	\$ 1,473,764
RICHMOND AMERICAN HOMES	\$ 1,354,533
KB HOME	\$ 1,195,177
FRONTIER LAND COMPANIES	\$ 975,897
LENNAR HOMES OF CALIFORNIA	\$ 677,267
CARESCO	\$ 318,714
MORADA PROPERTY INVESTORS	\$ 239,035
D R HORTON CA INC	\$ 219,116
AFFORDABLE LUXURY HOMES	\$ 199,196
A B GHIO CONSTRUCTION	\$ 119,518
Fees waived under 100k	\$ 65,056
Total	\$12,745,370

SESP Recipients	Recipient Address
American Home Builders Inc	110-110TH Ave NE Suite 550 Bellevue, WA 98004
LGI Homes – California LLC	2251 Douglas Blvd, Suite 110, Roseville, CA 95661
K Hovnanian California	3721 Douglas Blvd, Suite 150 Roseville, CA 95661
Richmond American Homes	1 Harbor Center, Suite 100 Suisun City, CA 94585
KB Home	10990 Wilshire Blvd., FL 7 Los Angeles, CA 90024
Frontier Land Companies	10100 Trinity Parkway, St 420 Stockton, CA 95219
Lennar Homes of California	15131 Alton Pkwy #345 Irvine, CA 92618
Caresco	3350 Deer Park Dr Ste C Stockton, CA 95219
Morada Property Investors	10143 Copco Ln

	Stockton, CA 95219
D R Horton CA Inc	2260 Douglas Blvd Suite 110 Roseville, CA 95661
Affordable Luxury Homes	5711 N El Dorado Street Stockton, CA 95207
A B Ghio Construction	1229 Rosemarie Ln, Suite A Stockton, CA 95207

Local Hire Statistics	
Employees Reported in SESP	1,238
Stockton Employees Reported	650

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

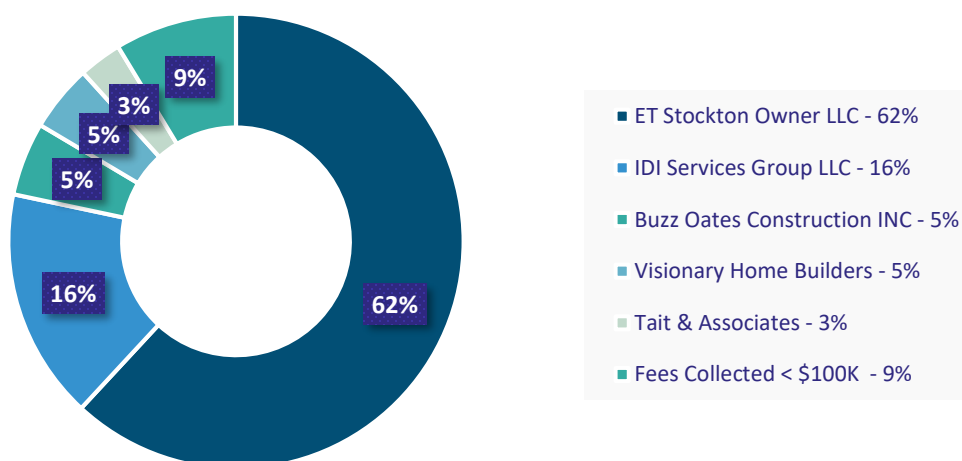
PUBLIC FACILITY FEE REDUCTION TO NON-RESIDENTIAL PROJECTS

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
- Libraries
- Street Improvements
- Fire Stations
- Police Stations

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.

Non-Residential Public Facility Fee Reduction



Business	Amount
ET Stockton Owner LLC 120 S Central Av, Ste 300 St Louis, MO 63105	\$ 4,364,136

IDI Services Group LLC 1100 Peachtree St, Ste 1000 Atlanta, GA 30309	\$ 1,157,419
Buzz Oates Construction Inc 555 Capitol Mall, 9 th Fl Sacramento, CA 95814	\$ 367,299
Visionary Home Builders 315 N San Joaquin St Stockton, CA 95202	\$ 334,371
Tait and Associates 2600 Dallas Pkwy, Ste 370 Frisco, TX 75034	\$ 215,488
Fees Collected Under \$100K	\$ 611,084
TOTAL	\$ 7,049,796

Net Tax Review 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 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

Program Participants

Developer	2020
San Joaquin County Housing Authority	\$17,513

Net Tax Review 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 2020, no applicants received an economic development subsidy under the Downtown Infill Program.

Net Tax Review 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 2020, no applicant received \$100,000 or more for this economic development subsidy. The total subsidies under the Storefront Beautification Microgrant Program is as follows:

Recipient	2020
Infusion Playhouse	\$1,295
Garden Flair	\$1,085
TOTAL	\$2,380

Net Tax Review 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 2020, no applicant received an economic development subsidy under the Stocked Full of Produce Grant Program.

Net Tax Review 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 in 2020. Applications can be continuously accepted and there is no end date to the program.

Net Tax Review 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 permits 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 2020, no applicant received \$100,000 or more from this economic development subsidy. However, the total subsidies of liens forgiven are as follows:

Recipient	2020
Hsin Te Peng	\$74,000

Net Tax Review 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 2020, no applicant received \$100,000 or more of his economic development subsidy. The total subsidies funded by the Commercial Emergency Grant Program are as follows:

Recipient	2020
Jimboy Rabanal	\$5,300

Net Tax Review 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. During 2020, no applicant received \$100,000 or more of his economic development subsidy. The total amount of subsidies funded by the Commercial Façade Improvement Forgivable Loan Program are as follows:

Recipients	2020
Medici Artist Lofts	\$80,000
Robert Halwani	\$60,000
Hillcrest Apartments	\$20,576
TOTAL	\$160,576

Net Tax Review 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 in 2019. During 2020, three (3) companies received subsidies under pre-existing agreements under this program. The annual subsidies for each company are as follows:

Recipient	2020
Valley Pacific Petroleum 152 Frank W Cir, Ste 100 Stockton, CA 95206	\$590,646

Diesel Direct West 3861 Duck Creek Dr Stockton, CA 95215	\$609,468
Retail Development West (Bed Bath and Beyond) 650 Liberty Av Union, NJ 07083	\$124,612
Bed Bath and Beyond BBBYCF, LLC 3610 S. Airport Way Stockton, CA 95206	\$1,493,730
TOTAL	\$2,818,456

During 2020, the City has generated more than \$2,818,456 in net new sales tax revenue as a result of the Office and Industrial Sales Tax Incentive Program. Each business agreed to create 10 full-time jobs per agreement.

SMALL BUSINESS RELIEF GRANTS

The Small Business Relief Grant program's goal is intended to provide advance economic development in the City of Stockton with grant funds for local small businesses for the stabilization and expansion of Stockton's economic base affected by COVID-19. This program was created as a response to the Covid-19 pandemic and includes several funding sources that have been augmented as funding has become available. The program does not have an expiration date and will be active until funds are expended. No participant received \$100,000 or more. This program has helped to retain 1,838 part-time jobs and 2,516 full-time jobs.

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

Number of Jobs Created by Subsidy – Not applicable.

Funding Source	Amount	Grant Awards
General Fund	\$315,000	105
State CARES (Round 1)	\$ 1,109,000	403
State CARES (Round 2)	\$264,000	88
CDBG-CV	\$837,900	278
TOTAL	\$2,525,900	874