



Public Hearing

Approve an Office and Industrial Sales Tax Incentive agreement between the city of Stockton, and Home Depot USA, Inc., and Amend the Office and Industrial Sales Tax Incentive Program Guidelines

ECONOMIC DEVELOPMENT DEPARTMENT

CITY COUNCIL MEETING - MARCH 12, 2024

AGENDA ITEM #16.1

Background

On June 24, 2014, Council approved the Office and Industrial Sales Tax Incentive Program

- Rebates a percentage of net new sales tax revenue received by the City above \$250,000 to qualifying businesses
- Creates 10 jobs
- Capital investment of \$120-\$160 million
- Physical presence in Stockton city limits

Home Depot USA, Inc.

- E-Commerce Point of Sale Distribution Center in Stockton for flatbeds and bulk orders for contractors; next day and same delivery.
- Plan to build 600,000 – 700,000 sq. ft distribution center.
- Retaining 80-100 jobs, not including seasonal jobs.
- Projected annual taxable sales \$50- \$100 million.
- Sales tax sharing agreement is based on Brady-Burns tax of one percent (1%).
- Will generate new revenue of approximately \$500,000 - \$1 million for the City of Stockton which will be split 50/50.
- No tax sharing will occur from tax received for Measures W and A.
- Agreement is for 15 years with an option to extend an additional 10 years.

Amend Program Guidelines

Amend the Office and Industrial Sales Tax Incentive program guidelines as follows:

- Generate net new annual gross taxable sales of \$25 million or more
- Generate sales tax to the City corresponding with the gross sales tax amount
- Create a minimum of ten full-time equivalent jobs
- Make a capital investment within the City of \$50,000 or more
- Have a physical presence within Stockton city limits
- Cannot be a current operation or business within the City of Stockton paying sales tax
- No tax sharing agreement shall include local measure taxes

Establishment of a New Redevelopment Sub-Fund

- Creation of a sub-fund within the General Fund to spearhead property acquisition and bolster economic activities, with a strategic focus on downtown revitalization.
- The sub-fund will serve as a dedicated mechanism for tracking and accumulating funds, ensuring transparency and targeted investment in redevelopment projects.
- Influx of funds from Home Depot's annual sales tax revenue, estimated at \$500,000 to \$1 million post-rebate, to be directed into the sub-fund, fostering continuous economic growth.
- Annual transfer of eligible revenues, including those from the Home Depot agreement, into the sub-fund to ensure a stable financial foundation for downtown enhancement initiatives.
- Integration of the sub-fund's revenue management into the annual budget process, aligning with the city's long-term strategy for downtown redevelopment and economic sustainability.

Recommendations

Adopt a resolution:

- Approving execution of an Office and Industrial Sales Tax Incentive Agreement between the City of Stockton and Home Depot USA, Inc.
- Amending the Office and Industrial Sales Tax Incentive program guidelines to support the City in attracting and retaining businesses and to facilitate easier engagement with enterprises.
- Establishing a Redevelopment Unrestricted Sub-fund within the General Fund as a mechanism for use in the City's redevelopment efforts including acquisition, blight abatement, demolition, and other actions that support the City's development.
- Authorizing the City Manager to take necessary and appropriate actions to carry out the purpose and intent of the resolution.