

Resolution No. 2014-06-24-1505

**STOCKTON CITY COUNCIL****RESOLUTION APPROVING THE OFFICE AND INDUSTRIAL INCENTIVE PROGRAM**

The Stockton City Council identified economic development and fiscal sustainability as two key goals for the City; and

In October 2013 the Council adopted an ordinance amending Chapter 3.16 of the Stockton Municipal Code to create a new Use Tax Business Incentive Program to encourage businesses and contractors that make qualifying purchases from out of state to direct use tax to the City of Stockton; and

To further enhance the City of Stockton's economic development program and place Stockton in a more competitive position, a new Office and Industrial Incentive Program has been developed providing financial incentives to businesses that generate net new sales tax revenue to the City of Stockton; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The City Council hereby approves the Office and Industrial Incentive Program and the guidelines for that program, attached hereto as Exhibit 1 and incorporated by this reference.
2. The City Manager is authorized to establish a separate fund to deposit proceeds received from the Office and Industrial Incentive Program for the sole purpose of supporting economic development programs and activities.
3. All incentive agreements are subject to a public hearing before Council and must be approved by the City Council with findings demonstrating a direct public benefit.
4. The City Manager is hereby authorized and directed to take all necessary and appropriate action to carry out the purpose and intent of this Resolution.

PASSED, APPROVED, and ADOPTED June 24, 2014.

ATTEST:

*Bonnie Paige*  
BONNIE PAIGE, City Clerk  
of the City of Stockton



*Anthony Silva*  
ANTHONY SILVA, Mayor  
of the City of Stockton

## City of Stockton Office and Industrial Sales Tax Incentive Program

### 1. Goals and Objectives

The purpose of the Office and Industrial Sales Tax Incentive Program is to serve as an additional tool in the City's economic development efforts to generate new revenue, attract new business, and create additional jobs throughout Stockton. The program provides financial incentives to eligible businesses that are looking to locate or expand in office or industrial facilities within the Stockton city limits. Examples of the type of industries that would qualify for the incentive include: eCommerce, fuel distributors, medical device manufacturers, and business-to-business sales. Traditional retail establishments, such as brick-and-mortar storefronts, dealerships, malls and big box retailers, do not qualify for sales rebates under this program.

### 2. Program Guidelines

The Office and Industrial Sales Tax Incentive Program will be used to attract and retain businesses meeting the following criteria:

- Generate net new annual gross taxable sales of \$25 million or more
- Generate sales tax to the City of Stockton corresponding with the gross sales tax amount
- Create a minimum of 10 full-time equivalent (FTE) jobs
- Make a capital investment within the City of \$50,000 (based on office lease rate of \$12/sf/year for 5,000 s.f. building / lease rate of 20,000 s.f. industrial building at \$4.50/sf/year is \$90,000) or more (may be an aggregate of lease or purchase of facility, tenant improvements, off-site improvements, or other similar investment)
- Must have a physical presence within Stockton city limits

An Office and Industrial Sales Tax Incentive Agreement, requiring approval by the City Council, will be executed between the City of Stockton and qualifying business, and include:

- Term of the agreement: 10 years, with two 5-year renewal options
- Tiered rebate proposal:

Net New Sales Tax Revenue	% of Sales Tax Revenue Rec'd by City to Business	% of Sales Tax Revenue Rec'd retained by City
Less than \$250,000	0%	100%
\$250,000-\$500,000	50%	50%
Above \$500,000	65%	35%

Examples of potential rebates:

Net New Sales Tax Revenue	% of Sales Tax Revenue Rec'd by City to Business	% of Sales Tax Revenue Rec'd retained by City
\$200,000	\$0 (0%)	\$200,000 (100%)
\$250,000	\$125,000 (50%)	\$125,000 (50%)
\$550,000	\$357,500 (65%)	\$192,500 (35%)
\$750,000	\$487,500 (65%)	\$262,500 (35%)

- Rebate amount will be based on net new sales tax revenue received by the City and disbursed annually to the business.
- Sales tax rebate would be limited to the Bradley-Burns 1% tax only
- Include recapture clause to protect City should BOE make a determination that all/portion of sales tax revenue received were improperly allocated.
- Provision indemnifying the City against any claim of violation of Government Code Sections 53083, 53084, and 53084.5, and other such claims.
- Must obtain City business license, proper permitting, and comply with all laws and regulations.

In order to be eligible for the incentive, the City must demonstrate that there is a direct benefit to the public, which may include, but is not limited to:

- Net new sales tax revenue received by the City of Stockton
- Creation of jobs
- Capital investment by the business

The details of the financial incentive will be included in the Office and Industrial Sales Tax Incentive Agreement, in a form approved by the City Attorney's Office. Net new sales tax revenue received through the incentive program will be used to further the City's economic development activities. The program will be in effect for a period of 5 years from the date of approval, unless extended by the City Council.

### **3. City Council Review**

Each Office and Industrial Sales Tax Incentive Agreement will be presented to the City Council for review and consideration, based on the findings and guidelines set forth above. Approval of the Incentive Agreements will require a public hearing.

Adopted by the Stockton City Council  
June 24, 2014 – Resolution No. \_\_\_\_\_