



## **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

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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.