

December 21, 2011, 5:00 p.m.

City Council Chambers, 333 Civic Center Plaza

Web Site: www.ci.tracy.ca.us

1. CALL TO ORDER - Mayor Pro Tem Maciel called the meeting to order at 5:01 p.m.
2. ROLL CALL - Roll call found Council Member Abercrombie, Elliott, Rickman, and Mayor Pro Tem Maciel present; Mayor Ives absent.
3. ITEMS FROM THE AUDIENCE – None.
4. APPROVE AMENDMENTS TO THE CITY'S RETAIL INCENTIVE PROGRAM, WHICH INCLUDE THE ESTABLISHMENT OF AN OFFICE/INDUSTRIAL INCENTIVE PROGRAM; AUTHORIZE STAFF TO NEGOTIATE AND DRAFT FINANCIAL INCENTIVE AGREEMENT(S); AND AUTHORIZE THE USE OF PREVIOUSLY APPROPRIATED RSP FUNDS TO NEGOTIATE AND DRAFT THE AGREEMENT(S)
Andrew Malik, Director of Development Services, presented the staff report. Mr. Malik stated this item represents a part of the City's broader Economic Development strategy, particularly as it relates to job creation through business attraction, retention and expansion efforts. Sales tax rebates are just one of a number of programs a City can make to enhance economic development efforts to attract certain types of companies. Mr. Malik explained how the proposed action relates to the City's more comprehensive strategy related to attracting new businesses to the community.

Several years ago, the City began to implement a number of actions specifically designed to address the needs of businesses looking to relocate or expand in Tracy. These actions were identified by interviewing site selection consultants and talking to the business community as new companies located in the community. The question became, "What are the criteria that site selectors and/or companies consider when making site location decisions?" It became apparent that for the City to maximize its chances of successfully attracting new business, the City needed to have:

- An available supply of buildings or land to develop
- Lease rates and/or purchase prices associated with buildings or land that are competitive in the region
- Available labor in a range of skill sets
- Competitive costs related to business taxes, impact fees, and other processing costs
- A Staff willing to work proactively to facilitate projects, big or small
- Appropriate incentives or other programs to assist in business development

While the City has no control over private developers, individual lease rates or the purchase price of a given building or land, staff has been diligent and deliberate in their approach to addressing other decision factors.

For example, the Council recently approved lower Traffic Impact Fees for various development areas of the City, and within the next two months staff will bring back additional impact fee reductions for Council's consideration.

The City continues to maintain one of the lowest business license fee structures in the state, as well as having one of the lowest building permit fees in the region. Staff has also reorganized and revamped the permitting process and plays a facilitating role in getting projects through the often difficult requirements mandated by state and federal regulations. These improvements are part of the City's ongoing effort to become a model jurisdiction in the region.

The City also has worked aggressively to prepare for future development by ensuring there are available entitled lands for companies wishing to locate to the area. The City's proactive approach to master planning the next 30 years of infrastructure will ensure that Tracy is prepared to meet the needs and opportunities for job creation in the region.

Finally, the City has been aggressive with respect to identifying incentives or other programs to assist with business development or expansions such as:

- Most of the City of Tracy is included in the county-wide Enterprise Zone which enables companies to access hiring tax credits and other state incentives.
- The Grow Tracy Fund was established to provide loans to businesses that wish to locate or expand in the community.
- Developing programs and policies which allow the City Manager and staff to negotiate certain incentives to attract key Retail, Office and/or Industrial users to the community.

Mr. Malik outlined an Office/Industrial Incentive program, modeled after the approved Retail and West Valley Mall Incentive programs. The program will allow staff to negotiate certain sales or use tax rebate incentives if the Office or Industrial client meets the following criteria:

- Generates annual gross sales of \$100,000,000, or more
- Generates sales tax to the City corresponding to the gross sales
- Provides a minimum of 1,000 full time equivalent jobs

Sales tax revenue is more often associated with retail type uses; however, certain Office or other Light Industrial uses also produce sales tax revenue to a local jurisdiction. In some communities in the Bay Area a large portion of the sales tax revenue comes from business to business sales tax revenue. The firms include high tech equipment manufacturers, precision devise manufacturers, business services, distribution facilities and various other uses. Approval of this item will authorize staff to begin to negotiate incentive agreements, provided all the criteria are met. Any future incentive agreements would come back to Council for approval.

The Office and Industrial Incentive program will not result in a fiscal impact to any existing fund balances. Partial sales tax rebates for a period of time will result in a loss of potential future revenue to the General Fund; however, without the incentive program the City may not realize even a portion of that sales tax revenue. Consequently this program may result in a more positive impact to the City's General Fund.

This program, coupled with the fact that the City does not have a utility user tax or gross receipts business license tax, will provide Tracy with a very competitive advantage over other jurisdictions in attracting these types of uses.

All financial incentive agreements must be approved by the Council only after making the following findings:

1. The net financial benefit to the public is larger than the financial incentive
2. The agreement represents a direct public benefit (as defined)
3. There is identified City or other funds that are available to make the financial incentive
4. The financial incentive is secured by an appropriate form of financial security, if any direct financial assistance is involved

Negotiating and drafting the financial incentive agreement(s) will require significant staff time and the assistance of both attorneys and economic consultants. Council has already appropriated \$75,000 from the RSP fund to cover the costs of negotiating and drafting the financial incentive agreement(s) for the West Valley Mall Revitalization Program. Approximately \$35,000 is currently available for that program. Staff requested that the remaining funds be used to negotiate similar financial incentive agreements for the Office/Industrial Program.

Council Member Abercrombie asked if the City would do something similar to what Manteca had done with regard to the Bass Pro Shop. Mr. Malik responded the City had looked at what Manteca had done, but added that parking around a building is specific to that particular location.

Council Member Elliott reiterated that the program only applied to office and/or industrial uses that could provide a minimum of 1,000 full time equivalent jobs. Mr. Malik responded that was correct.

Council Member Rickman asked what kind of jobs would be provided and if there would be more warehouses. Mr. Malik responded office type jobs, similar to Cisco distribution with an office component. Positions would be office jobs up to General Manager status.

Council Member Rickman stated one of the City's goals is to be able to work and shop in Tracy, and asked if staff was pursuing retail anchor stores. Mr. Malik stated there is no end user tied to this item. The City is working with TCCA and the Mall with regard to anchor stores.

Council Member Elliott asked what Tracy could do to compete with Livermore and Manteca. Mr. Malik stated the City needs to be more aggressive with incentives and used Macy's as an example of what the City had done to encourage other retailers to relocate.

In response to a question from Council Member Rickman regarding where industrial can locate in the City, Mr. Malik responded currently North East Industrial is the only area.

Council Member Rickman pointed to the difference in the size of the Penney's stores in Manteca and Tracy, and suggested staff pursue larger stores and not settle for smaller versions.

Mayor Pro Tem Maciel pointed out that staff was changing the structure to allow negotiation and reiterated that everything would have to be brought back for Council approval.

Council Member Elliott stated the Council has seen the value of offering incentives with the Macy's store which has resulted in increased sales for other stores in the Mall. This shows what can happen when high end development is pursued. Council Member Elliott suggested pursuing high end development should be the City's focus.

Mayor Pro Tem Maciel stated this is a viable opportunity to create jobs and a positive step for economic development.

Mayor Pro Tem Maciel invited public comment. There was no one wishing to comment on the item.

It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt Resolution 2011-228, Approving amendments to the City's Retail Incentive Program, which establishes an Office/Industrial Incentive Program; 2. Authorizing staff to negotiate and draft financial incentive agreement(s) with developers, prospective tenants, or tenant representatives for clients looking to locate in office or industrial areas; and 3. Authorizing staff to utilize previously appropriated and unspent West Valley Revitalization Program funds in the amount of \$35,000 for the Office/Industrial Program relative to negotiating and drafting financial incentive agreement(s). Voice vote found all in favor; passed and so ordered.

5. ADJOURNMENT - It was moved by Council Member Abercrombie and seconded by Council Member Rickman to adjourn. Voice vote found all in favor; passed and so ordered. Time 5:21 p.m.

The above agenda was posted at the Tracy City Hall on December 19, 2011. The above are summary minutes.

Mayor Pro Tem Maciel

ATTEST:

Assistant City Clerk