

RESOLUTION NO. 2013-169

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
REVISING THE EXISTING ECONOMIC DEVELOPMENT INCENTIVE PROGRAM**

WHEREAS, the City Council of the City of Elk Grove desires to encourage the development of new employment opportunities within the City; and

WHEREAS, the development of new employment-generating projects is often costly and lengthy; and

WHEREAS, the City Council seeks to expedite and assist these development projects; and

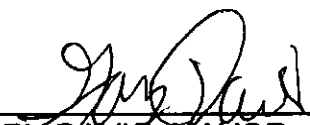
WHEREAS, offering incentives to developers of employment-generating projects may encourage them to bring such uses to the City resulting in new employment opportunities for residents; and

WHEREAS, the existing program has been in use for approximately four years and during this time, the City's Economic Development Strategy has evolved and become more focused on specific types of development; and

WHEREAS, revising the existing Economic Development Incentive Program will ensure it is consistent with the City's Economic Development Strategy.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Elk Grove hereby revises the City of Elk Grove Economic Development Incentive Program included herewith as Exhibit A.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 28th day of August 2013.




GARY DAVIS, MAYOR of the
CITY OF ELK GROVE

ATTEST:



JASON LINDGREN, CITY CLERK

APPROVED AS TO FORM:



JONATHAN P. HOBBS,
CITY ATTORNEY



EXHIBIT A

Economic Development Incentive Program



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CITY OF
ELK GROVE

PROUD HERITAGE. BRIGHT FUTURE.

Overview

To encourage the development of new businesses and the expansion of existing businesses, the City of Elk Grove (City) provides an opportunity for qualifying companies to participate in a number of performance-based incentives. The program was established to enhance the City's competitiveness in attracting and facilitating the growth of businesses that provide high quality jobs to residents, aid in the diversification of the City's economic base, and complement the existing quality of life within the City.

NOTE: All start-up businesses or those open for less than one (1) year that are approved for an incentive will be required to receive five (5) hours of business counseling from the Northeastern California Small Business Development Center (SBDC) or take a minimum of two (2) classes offered by the (SBDC).

I. Program Categories

The incentive program includes four categories under which a business may qualify for incentives. In order to be eligible for program benefits in any category, the business must be located within City limits and it must have a valid City-issued business license (for new businesses without a license yet, a license must be obtained prior to the opening date for the business and receipt of any financial incentives from the City).

Incentives awarded may be monetary grants and/or non-monetary benefits such as project expediting (see next section for a full list of all available incentives). Incentive award amounts discussed in this program may be monetary grants, the value of non-monetary benefits, or some combination of both.

I. **Businesses that create new full-time permanent jobs.**

Incentives awarded in this category are intended to increase the City's employment base by creating new high-quality jobs with salaries sufficient to provide a good quality of life for local families.

- a. To qualify for incentives, a business must create:
 - i. At least 20 permanent full-time jobs with salaries equal to or greater than 100% of Area Median Income (AMI) as reported for the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area (MSA); or
 - ii. At least 50 permanent full-time jobs with salaries equal to or greater than 75% of Area Median Income (AMI) as reported for the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area (MSA).
- b. Provided the Applicant meets the qualifications set forth in paragraph 1.a, the Applicant may be eligible for an incentive. Incentive award amounts may vary but will take into consideration the total number of jobs created and their average salaries.
- c. Any business eligible for an incentive under this program category may also be eligible for an additional incentive for each new job that is filled by an Elk Grove resident. Resident is defined as someone who has been living within the incorporated City limits for at least one (1) year prior to their first date of employment with the business receiving an incentive. The additional incentive will range from 20-50% in additional funds on a per-job basis for each position filled by

a resident. **Example:** A company is awarded an incentive of \$10,000 for creation of 10 new jobs for an average incentive of \$1,000 per job. Five of those jobs are filled by City residents so the company is eligible for additional incentive of up to \$500 for each of those 5 jobs, or \$2,500. This would bring the total incentive awarded to \$12,500.

- d. Both existing and new businesses are eligible to receive incentives for new job creation.
- e. New jobs must be filled within 12 months of notification of approval of the incentive, or in the case of new construction, within 12 months of the issuance of a certificate of occupancy.
- f. Incentives will be paid upon the City's verification of employment records for new jobs created. Failure to submit the requested documentation within the time period allowed will result in termination of the incentive payment approved and the City shall be released from any obligation to provide the incentive.
- g. All records submitted to document employment and residency will be kept confidential unless subject to disclosure by law.

II. **Businesses that generate new taxable sales or Transient Occupancy Tax revenue.**

Incentives may be awarded to businesses that generate new taxable sales or new Transient Occupancy Tax (TOT) revenues.

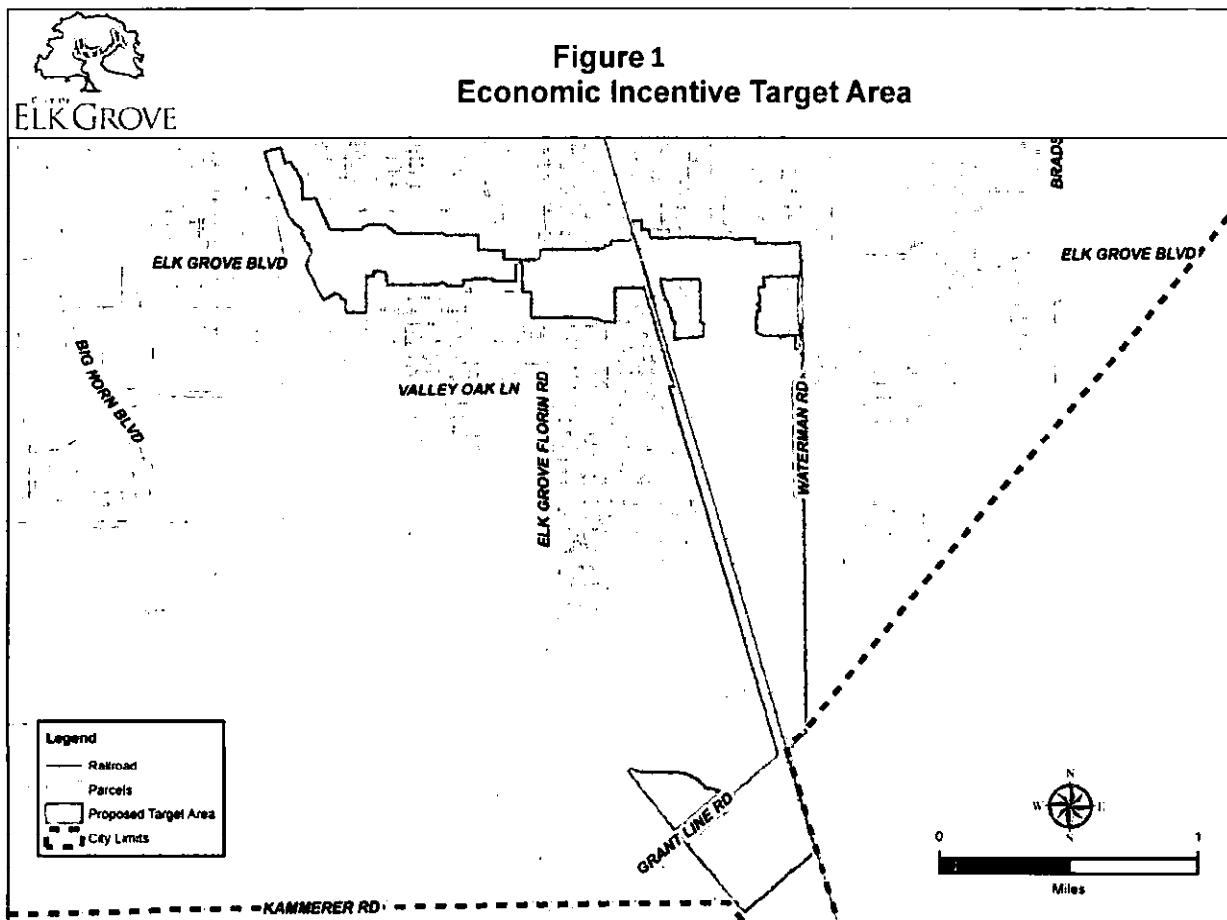
- a. Applicants may be new or existing businesses but must generate a minimum of \$5,000 in new sales tax revenue (equivalent to \$500,000 in taxable sales) or \$5,000 in new TOT revenue to qualify (e.g. new retail establishment or expansion of an existing local business). For existing businesses, new tax or TOT revenue is defined as an increase of at least \$5,000 in tax from the total revenue generated in the most recently completed City fiscal year. For new businesses, new tax or TOT revenue is defined as at least \$5,000 from the total revenue generated for the first full City fiscal year. There is no maximum requirement for taxable sales or TOT revenue – award amounts will take into consideration the relative size of the business and its contribution to the City and community.
- b. Businesses that serve to diversify the City's economic base by providing unique or underrepresented services/goods may be given more consideration than other businesses.
- c. Businesses must be open within 12 months of notification of approval of the incentive.
- d. Incentives will be paid after the City verifies the business' new sales or TOT tax revenue generated.

III. **Businesses that locate or relocate into a space that has been vacant for at least 2 years.**

The City may also consider incentives for businesses that do not meet the above criteria if they are locating or relocating into an existing vacant building and meet the criteria identified in items a. through e. below.

- a. The business must be locating or relocating into an existing building or tenant space that has been vacant for at least two (2) years (24 consecutive months).
- b. The building/space must be located within the City's Target Area (see Figure 1, next page).

- c. The building/space must have been previously occupied by another business at some point.
- d. Businesses must be open within 12 months of notification of approval of the incentive.
- e. Existing businesses applying for an incentive under this category must be relocating due to an expansion. Expansion is defined as an increase in employment of at least one (1) full-time job (FTE) or an increase in operating building area of at least ten percent (10%) of gross floor area.
- f. The City may consider incentives for businesses moving into vacant buildings in other areas of the City on a case-by-case basis.
- g. Incentives awarded in this category may, in the City's sole discretion, be paid in advance to assist with start-up costs or as a reimbursement for accrued costs.
- h. The timing of payments and the amount of incentives will be determined on a case-by-case basis.



IV. **Businesses that fall within one or more of the City's targeted industry sectors.**

The City of Elk Grove may award incentives to companies that do not meet any of the above mentioned criteria but do fall within one of its targeted industry sectors. The City may consider incentives on a case-by-case basis for businesses not included in the list below if they are consistent with or support these industry sectors. Target sectors include:

- a. Medical, medical technology, medical education, medical research, or a related field (NAICS Code categories 3254, 3391, 5417 or 6215);
- b. Green or clean technology (NAICS Codes categories 2211, 32519 or 22111);
- c. Post-secondary, professional, or vocational education (NAICS Codes categories 6113, 6114 & 6117); or
- d. Agricultural support (NAICS Codes categories 3111-3115, 3117-3119, 3121, 3253, 11511 & 11521).
- e. Incentives awarded in this category may, at the City's sole discretion, be paid up front to assist with start-up costs or as a reimbursement for accrued costs.
- f. The timing of payments and the amount of incentives will be determined on a case-by-case basis, at the City's sole discretion.

V. **Ineligible Business Categories**

Businesses will be ineligible for this incentive program if they do not satisfy the intent of this program, which is to enhance the City's competitiveness in attracting and facilitating the growth of businesses that provide high quality jobs to residents, aid in the diversification of the City's economic base, and complement the existing quality of life within the City.

II. Available Incentives

For businesses that fit within one or more of the categories above, the City may, in its discretion, assist qualifying businesses in obtaining one or more of the following incentives:

- I. Development Impact Fee Reductions
 - i. The City will consider Development Impact Fee reductions of 10% to 100% of City-administered impact fees, depending upon the unique qualifications of the project and its overall contribution to the community.
- II. Development Impact Fee Deferral
 - i. For businesses that do not qualify for a fee reduction, the City's Fee Deferral Program allows businesses to defer City-administered impact fees for a period of up to five years. Extended deferral periods may be considered depending on the unique attributes and benefits of each project.
- III. Economic Development Grants
 - i. The City may provide a monetary grant based upon number of new jobs created, new revenue generated within the City, or other factors as determined by the City. The grant

amount will be based upon the distinct contributions of each individual business to the community.

IV. Project Coordination

- i. The City will appoint a specific Project Manager from the City's Economic Development Project Review Team (EDPRT) for each phase of the project to act as a single point of contact for the applicant. This person will have the authority to make decisions within his/her respective department and thus will be able to ensure each qualifying business receives the highest level of customer service.

V. Interagency Coordination

- i. The EDPRT Project Manager or the Economic Development Coordinator will assist in coordination with any other public agencies involved in the development process (County, School District, Community Services District, utility providers, etc.). This serves to assist the business with any potential issues and subsequent time delays a contractor or engineer may face during the plan review and permitting process.

VI. Expedited Plan Review

- i. The City will expedite the review of any and all building plans and the processing of any required permits. To the extent feasible, the City will also expedite the processing of any entitlements that may be required.

Applicants should note that all incentives are subject to the City's fiscal impact analysis (See Sections III and IV), including the availability of funding.

III. Value of Incentives

The value of the incentives identified above will be within the discretion of the City and will depend upon the unique attributes of each project and the benefits that will accrue to the City and the community. After reviewing an application for Economic Development Incentives, the City's Economic Development Department will perform an analysis of proposed or requested incentives to determine the fiscal implications of any particular incentive or combination of incentives. The City Manager or his/her designee will work with the applicant to determine an incentive package that is beneficial to the applicant while furthering the goals and objectives of the City. The value of the package may take into consideration financial benefits to the City as well as enhancement of the community's quality of life, diversification of the City's economic base, and any other benefits of the project. Incentive packages valued at less than \$50,000 may be approved by the City Manager. For any incentive package valued at \$50,000 or more over the life of the agreement, the City Manager will make a recommendation and present it to Council for approval. The City Council may consider other criteria in determining the final incentive package that will be offered.

Please note that not all applicants may receive an offer of incentives. Incentives offered will depend upon the benefits of each project as well as the availability of City funds.

IV. Application Procedure

- I. Any business seeking incentives and meeting the qualifications identified in Section I should submit a written request to the City's Economic Development Department. The request should include all of the following:
 - a. A general description of the proposed project including:
 - i. Type of business,
 - ii. Location,
 - iii. Projected number and types of jobs,
 - iv. Projected sales and/or TOT tax revenue generation (if applicable),
 - v. Any other criteria the City may use to evaluate the benefits of the proposed project. This may include financial benefits as well as enhancements to the overall community's quality of life and diversification of the City's economic base;
 - b. Identify which program category under which the business would qualify for incentives and describe how the business meets the qualifications for that category; and
 - c. Specify the incentives requested and the estimated value of each. If applying for a monetary grant, include a description of how the funds will be used. Also include a description of other funds that are available and how they will be used (e.g. a bank loan, private investment, etc.). Applicants demonstrating that they are contributing their own private capital investment in addition to incentives may be given more consideration than those relying solely on incentive funds.
 - d. Include a business pro forma cash flow that details financial projections for at least five (5) years.
 - e. For start-up businesses or those that have been in business for less than one (1) year, a copy of the business plan will be required. Businesses open for more than one (1) year are not required to submit this unless the City asks to review a business plan before awarding incentives.
 - f. Businesses may be required to provide a signed letter of intent with a landlord or property owner as well as a copy of the proposed lease or sales agreement.
- II. Upon receipt of a request, the City's Economic Development Department will review the request and verify that any applicable qualifications have been met. The Department will also complete a fiscal impact analysis to determine whether an incentive package is feasible for the City.
- III. Based upon the fiscal analysis, the Economic Development Department will prepare a proposed incentive package and draft an Economic Development Incentive Agreement ("Agreement") for City Manager and City Attorney review and approval. Incentive packages valued at less than \$50,000 may be approved by the City Manager. For any incentive package valued at \$50,000 or more over the life of the agreement, the City Manager will make a recommendation and present it to Council for approval.
- IV. If approved by the City Manager or by Council, as applicable, the Agreement will be returned to the applicant for signature.
- V. If required by the Agreement, the City may engage in post-award monitoring to ensure the anticipated jobs and/or tax revenue are generated. This may include reviewing sales data, employment records, or other information. The specific type and length of any monitoring shall be identified within the Agreement.

V. City Contacts

Questions regarding this program should be directed to:

Economic Development Department
8401 Laguna Palms Way
Elk Grove, CA 95758
(916) 691-CITY (2489)

www.OpenUpToElkGrove.org

Note to Applicants: Use of this program may trigger a requirement to pay prevailing wage on any construction, capital improvements, or other applicable activities. You should seek legal and or other professional advice regarding the application of prevailing wage requirements prior to applying for an incentive.

**CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2013-169**

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

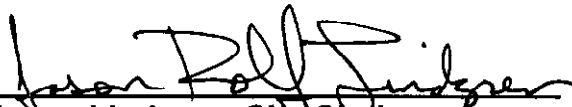
I, Jason Lindgren, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on August 28, 2013 by the following vote:

AYES : **COUNCILMEMBERS:** *Davis, Detrick, Cooper, Hume, Trigg*

NOES: **COUNCILMEMBERS:** *None*

ABSTAIN : **COUNCILMEMBERS:** *None*

ABSENT: **COUNCILMEMBERS:** *None*



Jason Lindgren, City Clerk
City of Elk Grove, California