

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2009 OCT -1 PM 5:09

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: October 13, 2009

RE: **A Supplemental Report And Resolution Authorizing Business Tax And Sales Tax Incentives Programs To Facilitate The City's Business Attraction Activities; And (2) Authorizing The City Administrator, Without Returning To Council, To Negotiate And Execute Business And/Or Sales Tax Incentives Agreements: (A) With A Term Of Up To Two Years; And (B) Providing For Total Incentives Payments In Any Single Agreement Not To Exceed Two Hundred And Fifty Thousand Dollars (\$250,000) Per Year, For A Total Maximum Amount Of Five Hundred Thousand Dollars (\$500,000)**

SUMMARY

This is a supplemental report to the Business Tax and Sales Tax Incentives Programs report continued from the September 29, 2009 Community and Economic Development Committee. This report provides two attachments and one exhibit which were inadvertently omitted from the September 29 agenda packet. Staff has also revised the title and made several corrections to the resolution provided here.

The proposed Business Tax Incentives Program would apply to businesses with 20 or more employees that relocate to Oakland. Qualifying businesses would receive a full or partial waiver for up to three years on their business tax. The Sales Tax Incentives Program would reimburse retailers with 20 or more employees up to 50 percent of the City portion of their sales tax for a maximum of three years.

The revised resolution clarifies that Business and Sales Tax Incentives could be offered to qualifying businesses for one to three years. The City Administrator could negotiate, and execute, without returning to Council for approval, Business or Sales Tax Incentives up to a maximum of two years only, and the total incentives payments can not exceed \$250,000 per year. Additionally, the amount of the total tax incentives package will not exceed \$500,000.

For agreement terms exceeding two years, City Council approval would be required. The resolution also allows the City to enter into agreements for either Business Tax Incentives or Sales Tax Incentives with qualified targeted industries and retailers, identified in the report, for terms exceeding three years and with less than 20 full-time equivalent employees.

Item: _____
CED Committee
October 13, 2009

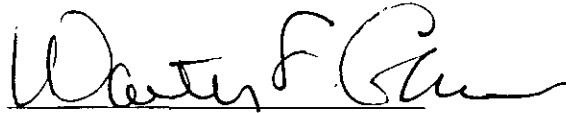
Exhibit A of the proposed resolution sets forth the requirements and considerations that must be used in evaluating and qualifying businesses for Business Tax and Sales Tax Incentives.

The original staff report references *Attachment A*, which provides economic and fiscal analysis prepared by Keyser Marston Associates. *Attachment B* is the Requirements and Considerations table that will be used to evaluate and qualify businesses.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the Council approve the resolution authorizing the Business Tax and Sales Tax Incentives Programs.

Respectfully submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:

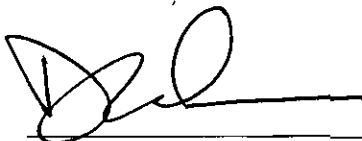
Gregory Hunter, Deputy Director
Economic Development and Redevelopment

Aliza Gallo, Economic Development Coordinator

Prepared by:

Zach Seal, Urban Economic Analyst

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City Administrator

Attachment A: Economic and Fiscal Benefits Generated by Eight Prototypical Medium-Large Oakland Businesses (Keyser Marston Associates)

Attachment B: Requirements and Considerations Table for Business Attraction Incentives

**Attachment A:
Economic and Fiscal Benefits Generated by Eight Prototypical Medium-Large Oakland Businesses¹**

	Business A	Business B	Business C	Business D	Business E	Business F	Business G	Business H	
Business Sector	Professional Office		Administrative Headquarters Office		Manufacturing		Retail		
Type of business	Computers & Data	Engineering & Office	Food Production	Manufacturing	Printing	Medical	Restaurant	General Merchandise	
Square footage of business	9,000	50,100	100,000	445,000	64,400	275,700	6,000	140,000	
Employees	22	187	342	1,286	55	170	20	245	
Total jobs generated in City of Oakland ²	58	417	1021	3839	91	431	28	384	6,269 Total Jobs
Total General Fund and Redevelopment Agency revenue generated ²	\$15,100	\$154,300	\$139,800	\$323,400	\$27,600	\$761,800	\$130,200	\$486,900	\$2,039,100 Total Local Revenue

¹Business names not provided to protect financial privacy

²Direct and indirect benefits included. Direct benefits include employment and tax revenues generated directly by the companies; indirect benefits include jobs and tax revenues generated through the businesses' demand for supplies and services. Revenue sources include property, sales, utility and business taxes.

Sources: City of Oakland Finance Department, Keyser Marston Associates

**Attachment B:
Requirements and Considerations Table for BTIP and STIP Incentives**

Requirements
<p>Minimum 20 full-time equivalent jobs¹ Pay the City of Oakland Living Wage Sign the City Of Oakland First Source Hiring Agreement Enter into agreement with penalties for non-compliance Business is in good financial standing² Provide City with annual information on number of jobs created with salaries and benefits (submit State Wage and Withholding Report)³</p>

Considerations
<p>Local direct tax revenue generation (sales, property, business, utility, user) Multiplier effects (indirect and induced tax revenue) Employee wages and benefits Business would fill need for specific sector in targeted geographic area Length of lease Purchase of equipment and services from other Oakland businesses Purchase of building/renovation of existing building/site improvements Remediation of contaminated land Environmentally sustainable building upgrades (LEED, Greenpoints) Miscellaneous community benefits</p> <p align="center">Additional Sales Tax Incentive Program Considerations</p> <p>Consistent with adopted Citywide Retail Enhancement Strategy Brings a type of retail needed in a particular community</p>

¹Excluding businesses in Targeted Growth Sectors

²Considerations include but are not limited to liens, employee lawsuits, strength of balance sheet, standing with State of California Board of

³State of California Form DE 6

Note: Targeted Growth Sector Businesses and Large Format Retailers are eligible to receive Business and Sales Tax Incentives for periods of longer than three years

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2009 OCT -1 PM 5:09

Approved as to Form and Legality


Oakland City Attorney's Office

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION: (1) AUTHORIZING BUSINESS TAX AND SALES TAX INCENTIVE PROGRAMS TO FACILITATE THE CITY'S BUSINESS ATTRACTION ACTIVITIES; AND (2) AUTHORIZING THE CITY ADMINISTRATOR, WITHOUT RETURNING TO COUNCIL, TO NEGOTIATE AND EXECUTE BUSINESS AND/OR SALES TAX INCENTIVE AGREEMENTS: (A) WITH A TERM OF UP TO TWO YEARS; AND (B) PROVIDING FOR TOTAL INCENTIVE PAYMENTS IN ANY SINGLE AGREEMENT NOT TO EXCEED TWO HUNDRED AND FIFTY THOUSAND DOLLARS (\$250,000) PER YEAR, FOR A TOTAL MAXIMUM AMOUNT OF FIVE HUNDRED THOUSAND DOLLARS (\$500,000).

WHEREAS, the City Council desires to improve the business climate and facilitate opportunities for new businesses in the City of Oakland; and

WHEREAS, the City Council desires to increase the revenues available to the City from tax revenues generated by new businesses in the City of Oakland; and

WHEREAS, the City wishes to encourage new businesses to move to Oakland and create living wage jobs opportunities for Oakland residents; and

WHEREAS, the City desires to establish Jobs and Tax Base Expansion Initiatives (JTBEI) that allow for two incentive programs: (1) a Business Tax Incentive Program; and (2) a Sales Tax Incentive Program; and

WHEREAS, businesses obtaining the incentives would be evaluated based on the Requirements and Considerations for Business Attraction Incentives, as set forth in Exhibit A attached hereto; and

WHEREAS, the Business Tax Incentive Program could offer qualifying businesses with 20 or more Full-time Equivalent employees relocating from outside Oakland into Oakland a full or partial waiver on City business taxes for one to three years; and

WHEREAS, the Sales Tax Incentive Program could offer retailers with 20 or more Full-time Equivalent employees incentive payments that equal up to 50 percent of the City portion of their sales tax for one to three years; and

WHEREAS, the City has identified the industry sectors of International Trade and Logistics, Healthcare and Life Sciences, Green Technology, Creative Arts and Digital Media, or Specialty Food Manufacturing as targeted growth sectors that are especially positioned to create the greatest economic growth potential for the City; and

WHEREAS, the City may enter into agreements under either the Business Tax Incentive Program or Sales Tax Incentive Program with businesses classified within the industry sectors of International Trade and Logistics, Healthcare and Life Sciences, Green Technology, Creative Arts and Digital Media, or Specialty Food Manufacturing: (1) if they employ less than 20 Full-time Equivalent employees; and (2) for terms exceeding three years; and

WHEREAS, it is necessary for the City to be able to offer additional flexible terms to attract large format retailers because of the scarcity of appropriate retail sites in the City, and the unique urban infrastructure requirements of large format retailers; and

WHEREAS, the City may offer large format retailers Sales Tax Incentives for periods of longer than three years, but only if the agreement provides that the City will receive the majority of the City portion of sales tax generated by the retailer; now, therefore, be it

RESOLVED: That the City Council hereby adopts the Jobs and Tax Base Expansion Initiatives (JTBEI) that allow for two incentive programs: (1) a Business Tax Incentive Program; and (2) a Sales Tax Incentive Program, both programs of which shall provide for a maximum term of three (3) years for any single agreement (with the exceptions noted above allowing for terms exceeding three (3) years for: (A) International Trade and Logistics, Healthcare and Life Sciences, Green Technology, Creative Arts and Digital Media, or Specialty Food Manufacturing; and (B) large format retailers), and on the other terms as described in this Resolution; and be it

FURTHER RESOLVED: That the City Administrator is authorized to negotiate, and execute, without returning to the Council for approval, Business and/or Sales Tax Incentive Agreements consistent with the JTBEI, provided, however, that any single agreement: (1) is limited to a term no longer than two years; and (2) must limit total incentive payments to no more than two hundred and fifty thousand dollars (\$250,000) per year, for an amount not to exceed five hundred thousand dollars (\$500,000) for a maximum two year agreement; and be it

FURTHER RESOLVED: That Council must approve by adoption of a Resolution any Business Tax or Sales Tax Incentive Agreement not previously authorized to be executed by the City Administrator without returning to the Council, as set forth in the immediately preceding paragraph; and be it

FURTHER RESOLVED: That each incentive agreement will include penalties for non-compliance that require the company receiving the incentive to return all or a portion of the incentive payments if the company relocates outside of Oakland during the term of the incentive agreement; and be it

FUTHER RESOLVED: That after three years the JTBEI programs will be evaluated on their success at attracting new companies to Oakland, and any necessary adjustments can be made at this time to ensure the goals of the program continue to be achieved; and be it

FURTHER RESOLVED: That the City Administrator or his designee is authorized to negotiate, execute, and submit all documents, applications, agreements and amendments which may be necessary or convenient to implement this Resolution; and be it

FURTHER RESOLVED: That the Office of the City Attorney shall approve the agreements and all such other documents, applications, agreements, and amendments, as to form and legality.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, AND
PRESIDENT BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California

**Exhibit A:
Requirements and Considerations Table for BTIP and STIP Incentives**

Requirements
<p>Minimum 20 full-time equivalent jobs¹</p> <p>Pay the City of Oakland Living Wage</p> <p>Sign the City Of Oakland First Source Hiring Agreement</p> <p>Enter into agreement with penalties for non-compliance</p> <p>Business is in good financial standing²</p> <p>Provide City with annual information on number of jobs created with salaries and benefits (submit State Wage and Withholding Report)³</p>

Considerations
<p>Local direct tax revenue generation (sales, property, business, utility, user)</p> <p>Multiplier effects (indirect and induced tax revenue)</p> <p>Employee wages and benefits</p> <p>Business would fill need for specific sector in targeted geographic area</p> <p>Length of lease</p> <p>Purchase of equipment and services from other Oakland businesses</p> <p>Purchase of building/renovation of existing building/site improvements</p> <p>Remediation of contaminated land</p> <p>Environmentally sustainable building upgrades (LEED, Greenpoints)</p> <p>Miscellaneous community benefits</p> <p align="center">Additional Sales Tax Incentive Program Considerations</p> <p>Consistent with adopted Citywide Retail Enhancement Strategy</p> <p>Brings a type of retail needed in a particular community</p>

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