



COUNCIL AGENDA: 06-19-12
ITEM: 2.54

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Dennis Hawkins, CMC
City Clerk

SUBJECT: SEE BELOW

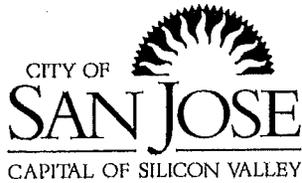
DATE: 06-14-12

SUBJECT: ECONOMIC DEVELOPMENT PARTNERSHIP WITH COUNTY AND STATE

RECOMMENDATION

As recommended by the Rules and Open Government Committee on June 13, 2012 and outlined in the attached memo previously submitted to the Rules and Open Government Committee, adopt a resolution authorizing the City Manager to:

- (a) Initiate negotiations with the County of Santa Clara (County), the State of California (State), and interested driving-industry companies to develop a program of certain City, County, and State development incentives, including, but not limited to, the State's Capital Investment Incentive Program (CIIP) for driving-industry companies that commit to invest in R&D headquarters and manufacturing facilities in San José;
- (b) Execute Letters of Intent with those companies reflecting this resolution;
- (c) Return to the City Council with recommendations for modifications to policies or ordinances that may be necessary to implement program changes.



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Mayor Chuck Reed

SUBJECT: ECONOMIC DEVELOPMENT
PARTNERSHIP WITH COUNTY
AND STATE

DATE: June 7, 2012

Approved

Chuck Reed

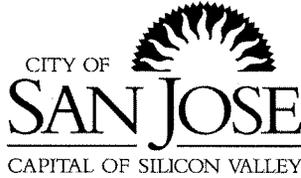
Date

6/7/12

Agendize for City Council action on June 19, 2012:

The adoption of a resolution authorizing the City Manager to:

- a) initiate negotiations with the County of Santa Clara (County), the State of California (State), and interested driving-industry companies to develop a program of certain City, County, and State development incentives, including, but not limited to, the State's Capital Investment Incentive Program (CIIP) for driving-industry companies that commit to invest in R&D headquarters and manufacturing facilities in San José; and
- b) to execute Letters of Intent with those companies reflecting this resolution.



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Mayor Chuck Reed

SUBJECT: ECONOMIC DEVELOPMENT
PARTNERSHIP WITH COUNTY
AND STATE

DATE: June 8, 2012

Approved *Chuck Reed*

Date *6/8/12*

RECOMMENDATION

Agendize the following for the City Council agenda on June 19, 2012:

Approve adoption of a Resolution authorizing the City Manager to:

- a. initiate negotiations with the County of Santa Clara (County), the State of California (State) and interested driving-industry companies to develop a program of City, County, and State development incentives, including, but not limited to, the State's Capital Investment Incentive Payments (CIIP) for driving-industry companies that commit to significant investments in R&D headquarters and manufacturing facilities;
- b. execute Letters of Intent with those companies reflecting this resolution; and
- c. return to the City Council with recommendations for modifications to policies or ordinances that may be necessary to implement program changes.

BACKGROUND

In January 2012, the City Council unanimously approved a set of incentives to spur construction of new R&D/Office campuses and to facilitate tenant improvements for driving-industry companies moving to vacant office buildings in the Downtown, North San Jose and Edenvale. In the past five months, technology companies like Advantest, LSI and Lam Research have acquired or leased buildings in North San Jose relocating operations and generating jobs. In addition, Ellis Partners and Lowe Enterprises have recently submitted permit applications for upwards of a million square feet of new R&D/office space.

June 7, 2012

Subject: ECONOMIC DEVELOPMENT PARTNERSHIP WITH COUNTY AND STATE

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At a time when the City's ability to offer development incentives are limited or non-existent, continuing to work with other governmental agencies to find ways to keep and grow our businesses is imperative. The Governor's Office of Business and Economic Development (GO-Biz) has expressed an interest in collaborating with the City of San Jose and County of Santa Clara regarding State incentive programs for companies that commit to generating jobs and investing in R&D and manufacturing facilities. R&D tax credits, Employee Training Panel funds and Enterprise Zone benefits are State programs that San Jose has previously used effectively for economic development purposes.

Another State program that we haven't utilized previously is the Capital Investment Incentive Payments (CIIP), a brief synopsis of which is attached. Legislation may need to be amended to allow for broader use of the program. GO-Biz has recommended that the City and County consider participation. The incentives could be highly beneficial to companies considering large investments in San Jose, Silicon Valley and throughout California now and in the future. I support our participation.

I have also been informed that President Shirakawa plans to take a recommendation in this regard to the Santa Clara County Board of Supervisors on June 19th.

Council approval to authorize the City Manager to work with the County and State to develop a program of incentives and to enter into Letters of Intent with interested, driving-industry companies will advance our economic strategy goals.

SYNOPSIS

(Source: State of California)

Capital Investment Incentive Program (CIIP) – Is an existing program (Gov. Code 51298) that provides property tax abatement for up to 15 consecutive years for large capital investment manufacturing companies. This program has been in State law since 1997 and has never been used. To trigger the program a company must exceed a \$150 million investment threshold. Once a company exceeds that threshold, they are eligible to enter into an agreement with the local jurisdiction(s) (City, County, or both) on the property tax abatement agreement. The company is required to pay a community services fee of 25% of the capital investment incentive amount for that fiscal year, not to exceed \$2 million. Essentially, a company's real and personal property tax is capped at \$2 million a year. Once the local jurisdiction(s) approves the agreement, it is then certified by the Business, Transportation, and Housing Agency.

The company must establish a job creation plan, sign an agreement to repay the property tax rebate if certain conditions are not met ("clawbacks"), provide employer-sponsored health insurance, and pay no less than the state average weekly wage for non-supervisory workers.