

# ECONOMIC DEVELOPMENT INCENTIVE PROGRAM

Adopted by Ripon City Council on May 9, 2017



# **City of Ripon Economic Development Incentive Program**

Historically, the City of Ripon has had difficulty attracting non-residential based businesses due to many factors such as population, proximity to other larger jurisdictions with like services and goods, non-competitive development fees, etc. As such, the City continues to experience sales tax leakage for many types of retail goods.

As a result, the City has developed the City of Ripon Economic Development Incentive Program (EDIP). The EDIP is designed to stimulate private sector investment in sales tax producing development in Ripon with the goal of retaining and growing the tax structure and jobs that are essential to maintaining a high quality of life for Ripon residents.

The premise of the Incentive Program is to increase the City's economic position by incentivizing certain businesses by providing short term financial assistance for long term economic growth and vitality for the City of Ripon.

The Economic Development Incentive Program has been established with the following goals in mind:

- Increase municipal revenues to support City services;
- Minimize sales tax leakage by providing a broad cross-section and variety of retail uses;
- Increase amenities that support a quality living environment;
- Attract new regional development and;
- Support the initiation, development and growth of new local business.

## **Findings Required**

It is not the intent of this program to divert dollars from other communities. In compliance with Government Code sections 53084 and 53084.5, such incentives may not be offered to certain businesses that relocate their business from another city to Ripon. The program is also not intended to be used to relocate a business from one location to another within the City of Ripon. When applying the program, the City must determine that the incentive is not a gift of public funds, and specific findings must be made. Therefore, the City Council must find that the incentives under this policy will advance the public welfare and provide adequate consideration in return to the City as follows:

- The net financial benefit to the public will exceed the value of the incentives provided;
- The new business will provide a direct public benefit through the generation of sales, property and/or transient occupancy taxes, or other benefits to the City.
- The incentives represent a partial return of revenues or fees that will be realized once the project is completed, such that the incentives will not impact the City's current General Fund balance as the incentives will be based on future, additional revenues to the General Fund.

## **Definitions**

*Eligible Applicant* - means an applicant who meets the eligibility requirements for a particular program and excluding any business that would trigger the requirements of Government Code sections 53084 and 53084.5.

*Direct Public Benefits* - means benefits to the City and community which justify an incentive under this program. They may include, but are not limited to: (1) Whether the business is a regional draw or a unique business; (2) The amount of net new sales or other significant amounts of other taxes to be received by the City over a fixed period of time; or (3) Other benefits identified in the performance contract.

*Participation/Development Agreement* - means the agreement containing incentives which may ultimately be signed between an eligible applicant and the City.

*Primary Trade Area* – shall encompass all areas within the City limits.

*Retail Sales* - means sales as defined in the Bradley-Burns Uniform Local Sales and Use Tax Law, at California Revenue and Taxation Code Section 7200 and following.

*Unique Business* - means a business that is a regional draw for consumers or other businesses within a 30-mile radius. The applicant must demonstrate that consumers typically are willing to travel 30 minutes or more to their location, by providing data for other locations. A unique business may also include a business which closes retail sales leakage for a market sector. In addition, new regional research, development or technology centers would be considered a unique business.

## **Incentive Program**

The purpose of the Incentive Program is to attract “revenue generating businesses” to leverage the strengths of the City’s retail areas with public sector support. This program is meant to attract new investment dollars by businesses that are not currently serving the area. This program is intended to use a variety of potential incentives including sales tax rebates to assist in off-setting start-up costs (e.g. capital infrastructure or development fees).

### **Eligibility and Thresholds for New or Expanding Businesses**

To be an “eligible applicant” for the Incentive Program, a business must meet the following criteria:

1. Must be the entity that will engage in “Retail Sales” or “Transient Occupancy Tax” within the City;
2. Point of sale must be the City of Ripon;

3. Provide a benefit to the community, such as a “unique business”, increase sales to existing local businesses, develop a green-field site, or other community benefits that may be identified.
4. Cannot be a vehicle dealer or big box retailer, which is relocating from another jurisdiction within the same market area and is subject to the provisions of Government Code section 53084; and
5. a. New Businesses - Must generate a minimum of \$35,000 in sales tax or Transient Occupancy Tax revenue to the City of Ripon annually to qualify, (Must be verified by 5 years of annual sales at closest location or business plan for a new business).  
b. Relocation of an Existing Business – Must be relocating to an undeveloped site. Expanding business may be eligible for Sales Tax or T.O.T. rebate in the amount of 50% of the increase in Sales Tax or T.O.T. for a period of five (5) years.

## Procedure

1. Application. An Eligible Applicant must complete a standard application form. The application form requires each applicant to provide basic information about its business, including, but not limited to:
  - A description of the business;
  - Projected annual sales;
  - Description of provided community benefit;
  - What improvements it will complete.
2. Evaluation and preparation of Participation/Development Agreement. Staff will review the application form for completeness. If it is complete and meets the thresholds specified in Subsection B above, staff will prepare a written Participation/Development Agreement (the “Agreement”) in a form approved by the City Attorney, which includes (but is not limited to) the following provisions:
  - Term, including the period of time the sales tax off-set remains in effect;
  - A requirement not to open the same business within the Primary Trade Area for the term of the agreement;
  - A requirement to comply with all applicable federal, state and local laws;
  - A requirement that the business stay current on all financial filings with the State and County;
  - A requirement that the business obtain a City business license and comply with all laws and regulations;
  - A provision indemnifying the City against any claim of violation of Government Code sections 53084 or 53084.5 regarding financial assistance that affects another public agency;
  - Other appropriate terms as determined necessary.
3. City Council Review and Decision. The proposed Participation/Development Agreement will be submitted to the City Council for its review and decision. Approval of an agreement is within the complete discretion of the City Council. In making a decision of whether to approve an

agreement, the City Council will take into account the direct public benefits to the City, specifically:

- The net financial benefit to the public is larger than the financial incentive;
  - The agreement represents a direct public benefit;
  - The financial incentive is secured by an appropriate form of financial security, if any front loaded financial assistance is provided in advance of the City receiving revenue.
4. Compliance with AB562. Beginning January 1, 2014, AB562 requires any anticipated economic incentive in excess of \$100,000, to have a public hearing and disclose a listing of several pieces of information. Any incentive approved by City Council will be conducted in accordance with AB562 if the total incentive is anticipated to exceed \$100,000.