


**COUNTY OF SACRAMENTO**  
**Inter-Department Correspondence**

May 23, 2008

**TO:** Robert B. Leonard, Director  
Department of Economic Development  
And Intergovernmental Affairs

**FROM:** Cyndi Lee, Clerk   
Board of Supervisors

**SUBJECT: Item #17, May 14, 2008 Agenda**  
**Proposed Changes to County's Economic Development Incentive Policy**

The Board of Supervisors, at the regular meeting held on Wednesday, May 14, 2008, took the following action:

- Approved the Retail Development Incentive Policy that will allow the County to assist new retail projects, and sets the qualifying threshold for assistance at new development projected to generate in excess of 85 percent of the County/Local sales tax generated by the largest existing sales tax generators in unincorporated area of Sacramento County; and
- Authorized the Director of the Department of Economic Development and Intergovernmental Affairs to negotiate incentive agreements with new retail project developers or retail businesses that meet the policy threshold and to present them to the Board for approval.

cc: Terry Schutten, County Executive

CL:gd

**County of Sacramento**  
**Economic Participation & Sales Tax Rebate Policy for New Development**

<b>Policy</b>	The County of Sacramento may on a case by case basis, enter into an agreement to rebate a portion of project specific sales tax revenues, stemming from a new retail project, to offset the cost of County approved investments consisting of offsite transportation and utility infrastructure, County fees and mitigation costs or other fees.
<b>Policy Intent &amp; Objectives</b>	<p>The intent of this Policy is to:</p> <ul style="list-style-type: none"> <li>• Support smart growth principles and develop commercial corridors consistent with the General Plan.</li> <li>• Facilitate infill development which would otherwise not likely occur due to excessive infrastructure enhancement costs.</li> <li>• Incentivize private investment in public infrastructure and underutilized reuse sites.</li> <li>• Encourage development in proximity to existing and planned public transportation.</li> <li>• Encourage retail developments which will decrease vehicle trips and trip distances associated with obtaining goods and services.</li> <li>• Encourage convenient access to goods and services in underserved areas.</li> <li>• Stimulate development which has the potential to enhance and possibly attract investment in surrounding properties.</li> </ul> <p>It is not the intent of this Policy to encourage the fiscalization of land use or to engage in economic based competition between jurisdictions for sales tax generation. Rather the intent is to stimulate and encourage retail development projects which assist the County in achieving those Policy objectives which have been enumerated within this statement of intent.</p>
<b>Policy Applicability</b>	<p>This Policy applies to projects which the Board of Supervisors determines achieve a reasonable combination of the Policy objectives for which it has been established. Specifically, the Board of Supervisors will assess the following factors when determining whether to enter into an agreement as contemplated by this Policy:</p> <ul style="list-style-type: none"> <li>• The degree to which a retail project under consideration supports smart growth principles and/or fosters development of commercial corridors consistent with the General Plan.</li> <li>• The degree to which a retail project under consideration will facilitate infill development which would otherwise not likely occur due to excessive infrastructure enhancement costs.</li> <li>• The degree to which a retail project under consideration will incentivize private investment in public infrastructure at underutilized reuse sites.</li> <li>• The degree to which a retail project under consideration encourages development in proximity to existing and planned public transportation.</li> <li>• The degree to which a retail project under consideration will decrease vehicle trips and trip distances associated with obtaining goods and services.</li> <li>• The degree to which a retail project under consideration encourages convenient access to goods and services in underserved areas.</li> <li>• The degree to which a retail project under consideration will stimulate development which has the potential to enhance and possibly attract investment in surrounding properties.</li> </ul>

<p><b>Policy Applicability – Continued</b></p>	<p align="center"><b><u>Minimum Tax Generation for Applicability</u></b></p> <p>This Policy applies only to a single tenant or retail center project in the unincorporated area of Sacramento County projected to generate minimum sales tax thresholds. For purposes of this Policy, “single tenant retail” is a development with a single retail business, while “retail center” is a development with multiple retail concepts and businesses. The established minimum sales tax thresholds are as follows:</p> <ul style="list-style-type: none"> <li>• Single Tenant Retail Threshold - County/Local sales tax revenue shall exceed 85% of the County/Local sales tax generated by the largest existing individual retail sales tax generator in the unincorporated area of Sacramento County. The threshold amount in 2008 equates to \$750,000.</li> <li>• Retail Center Threshold - County/Local sales tax revenue shall exceed 85% of the County/Local sales tax generated by the largest existing retail center in the unincorporated area of Sacramento County. The threshold amount in 2008 equates to \$825,000.</li> </ul> <p>The dollar amount of the threshold, set as a percentage of sales tax generated, shall be adjusted annually to take into consideration current economic conditions.</p> <p>Sales tax revenue is reported to the County either as an individual figure for a retailer location or an average figure for two or more locations of the same retailer. The County will use the highest individual or average figure, whichever is greater, in determining the dollar amount of the revenue generation thresholds under this Policy.</p> <p>This Policy does not apply to motor vehicle, recreational vehicle, and watercraft sales.</p>
<p><b>Policy Administration</b></p>	<p>Policy Administration will include:</p> <ul style="list-style-type: none"> <li>• Marketing this Policy to attract private investment in new development</li> <li>• Negotiation of Economic Participation Agreements</li> <li>• Presenting each Economic Participation Agreement to the Board in public session for consideration</li> <li>• Administration of Board approved Economic Participation Agreements</li> <li>• Periodic reporting on status of Economic Participation Agreements to the Board</li> </ul>
<p><b>Policy Implementation</b></p>	<p>The Director of Economic Development and Intergovernmental Affairs is authorized to implement this Policy and negotiate Economic Participation Agreements with a developer or owner of a new project under this Policy.</p>

COUNTY OF SACRAMENTO  
CALIFORNIA

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For the Agenda of:  
May 6, 2008  
3:30 PM

To: Board of Supervisors

From: Department Of Economic Development and Intergovernmental Affairs

Subject: Approve Sacramento County Economic Development Incentive Policy For Qualified Retail Development

Supervisorial  
District: All

Contact: Robert B. Leonard, Director 874-7876

**Overview**

This item requests the Board's approval of a new a sales tax rebate policy. The new incentive will allow the rebate of sales tax revenue to offset certain site development and or mitigation expense associated with high value retail projects in the unincorporated areas of Sacramento County. The incentive is an additional tool for the Board's use in the attraction of new retail development projects which will provide improved services, decrease trip distances, and increase County sales tax revenue. This incentive would be restricted to new retail development projected to generate County/Local sales tax revenue in excess of 85% of the revenue generated by the largest existing sales tax generators in the unincorporated area of Sacramento County. The threshold as recommended, based on County/Local sales tax revenue in 2007, equates to approximately \$750,000.

The actions recommended in this report are consistent with the Board's adopted 11 point plan.

**Recommendations**

1. Approve Retail Development Incentive Policy that will allow the County to assist new retail projects, and sets the qualifying threshold for assistance at new development projected to generate in excess of 85% of the County/Local sale tax generated by the largest existing sales tax generators in unincorporated area of Sacramento County.
2. Authorize the Director of the Department of Economic Development and Intergovernmental Affairs to negotiate incentive agreements with new retail project developers or retail businesses that meet the policy threshold and to present them to the Board for approval.

**Measures/Evaluations**

The best evaluation of the success of the County's New retail Economic Development Incentive Policy will be an increase in sales tax revenues from new retail projects in Sacramento County.

**Fiscal Impact**

This proposed performance based incentive only applies to increases in sales tax revenues and will not adversely impact existing sales tax collections or the General Fund.

**BACKGROUND:**

In 1994 the Board of Supervisors established an Economic Incentive Policy that targeted businesses that constructed or expanded facilities resulting in significant capital investment and job creation. In December of 2007 the Board approved an additional tool for the incentive policy with the inclusion of an electricity user tax rebate for businesses generating annual electricity tax revenues in excess of \$75,000.

It is important to the prosperity of Sacramento County that we attract new retail businesses that generate sales tax revenues for the County. The regional competition for retail business and sales tax revenues among communities in California is intense. Simultaneously, the Department of Economic Development and Intergovernmental Affairs has been working with a number of departments within the Municipal Services Agency to further define County policies that support infill development of various types. This recommended policy will also aid in attracting investment for infill development in Sacramento County.

Staff has been exploring incentives to increase County sales tax revenues. Recommendations in this report are in support of increasing sales tax revenues from new retail projects. Recommendations in support of increasing sales tax revenues from existing retail and automobile related retail will be brought to the Board for consideration in the near future.

**DISCUSSION:**

To change Sacramento County's competitive position, staff has identified a new incentive that has the potential to increase revenues to the General Fund. This new incentive will rebate a portion of sales tax revenues for high value projects in the unincorporated areas of Sacramento County. The incentive is an additional tool for the Board's use in the attraction of new retail projects. This incentive would be restricted to new retail development projected to generate County/Local sales tax revenue in excess of 85% of the revenue generated by the largest existing sales tax generators in the unincorporated area of Sacramento County. The threshold as recommended, based on County/Local sales tax revenue in 2007, equates to approximately \$750,000.

The threshold was developed to address new retail centers or businesses projected to generate significant sales tax revenues and provide incentives to offset significant capital investment. The threshold set as a percentage of sales tax generated allows for periodic adjustments to take into consideration current economic conditions. It is anticipated that a limited number of new retail projects or businesses would meet the annual revenue generation threshold as recommended.

The incentive would be used to assist developers or businesses with financing the cost of significant project related capital improvements. Examples of these improvements could include transportation infrastructure and County fees. If performance targets are met, then agreed upon capital investments or improvements could be reimbursed. The reimbursement amount would depend on the sales tax revenue received by the County. It is anticipated that the policy will be particularly useful for infill sites that may face significant infrastructure challenges.

The policy will assist development projects that provide multiple benefits to the County and the Community. As new projects are targeted for communities that are underserved by retail or are strategically located in proximity to urban populations or areas of significant employment, employees and residents will benefit from reduced trips for goods, services and entertainment.

### **MEASURES/EVALUATIONS**

The Board's adopted strategic objectives include sales tax revenue growth. The best evaluation of the success of the County's New Retail Economic Development Incentive Policy will be an increase in sales tax revenues from new retail projects in Sacramento County.

### **FISCAL IMPACT:**

In 2007 the County collected approximately \$81.5 million in sales tax revenue. As proposed, this performance based incentive only applies to increases in sales tax revenues from new retail projects or businesses and will not adversely impact existing sales tax collections or the General Fund.

Respectfully submitted,

APPROVED:

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ROBERT B. LEONARD, Director  
Department of Economic Development  
and Intergovernmental Affairs

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TERRY SCHUTTEN  
County Executive

**CONTINUED MEMO**

**MEETING DATE:** MAY 6, 2008

**DEPARTMENT:** ECONOMIC DEVELOPMENT AND  
INTERGOVERNMENTAL AFFAIRS

**SUBJECT** SACRAMENTO COUNTY ECONOMIC  
DEVELOPMENT INCENTIVE POLICY FOR  
QUALIFIED RETAIL DEVELOPMENT

**BOARD ACTION** CONTINUED TO MAY 14, 2008, AT 3:30 PM

**MATERIAL FORWARDED**