



CITY COUNCIL STAFF REPORT

DATE: April 7, 2010

NEW BUSINESS

SUBJECT: PROPOSED RESOLUTION AMENDING THE JOB CREATION INCENTIVE PROGRAM ELIGIBILITY CRITERIA FOR MINIMUM NUMBER OF NEW FULL-TIME JOBS CREATED BY AN ELIGIBLE COMPANY TO NO LESS THAN FIFTY (50) FULL-TIME JOBS.

FROM: David H. Ready, City Manager

BY: Community & Economic Development

SUMMARY

The Job Creation Incentive Program requires a company create a minimum of 100 full-time jobs to be eligible for the program. To foster business development and job creation in the City of Palm Springs, staff is recommending the requirement for a minimum of 100 full-time jobs be reduced to a minimum of 50 full-time jobs.

RECOMMENDATION:

Adopt Resolution No. _____ "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING ELIGIBILITY CRITERIA FOR THE JOB CREATION INCENTIVE PROGRAM, AND AMENDING RESOLUTION NO. 19542."

STAFF ANALYSIS:

The Council approved the adoption of Chapter 3.38 of the Palm Springs Municipal Code in May 1999, establishing a Job Creation Incentive Program in the City. The purpose of the job creation incentive program is to attract new businesses and encourage significant expansion of existing businesses by waiving or subsidizing development fees for businesses based on the number of new full-time jobs brought to the community.

To be eligible for the program a new or existing business would have to be located within specific zoned areas of the city; fall within defined classifications established by the North American Industry Classification System (NAICS); and create a minimum of 100 new full-time jobs.

Staff is recommending the number of jobs created be reduced to fifty (50) because the program has not been utilized at the current job requirement level. There is a request by a developer to use the job creation program for a new tenant that would create 75 to

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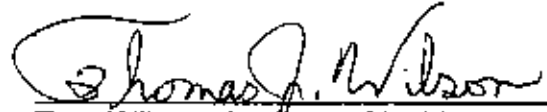
120 jobs; but at this time they are unable to guarantee "100" jobs. By reducing the required minimum to 50 jobs, the new company meets the eligibility requirements and the developer can use the incentive to bring the business to Palm Springs.

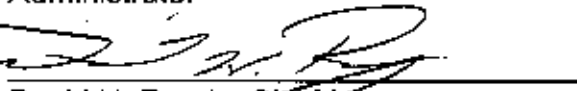
The Job Creation Incentive Ordinance approved by Council in 1999 made basic findings as to the appropriateness of the assistance, as well as basic guidelines for the program, which are implemented by Resolution. Resolution No. 19542 is attached for review and contains the eligible development fees to which the Program assistance may be applied.

FISCAL IMPACT:

There will be an impact on the amount of a development fee collected; but is relatively a smaller "out-of-pocket" cost than compared to other types of assistance such as land write-downs or construction off-site improvements. The program features a "clawback" provision: assistance will be made as a "loan" by the City to the business, but the amortization will be their continued presence and operation in the City with a certain number of jobs for a specified period of time. If the company leaves the city, or reduces its employment levels below the committed level, it will be required to repay the City the amortized portion of the assistance. The program will develop a standard agreement to use modeled after an Agency Owner Participation Agreement.


Cathy Van Horn, Economic Development
Administrator


Tom Wilson, Assistant City Manager


David H. Ready, City Manager

Attachments:

Proposed Resolution
Palm Springs Municipal Code 3.38.010 – 3.38.050
Resolution No. 19542

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING ELIGIBILITY CRITERIA FOR THE JOB CREATION INCENTIVE PROGRAM, AND AMENDING RESOLUTION NO. 19542.

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY FIND AS FOLLOWS:

A. The City Council established a Job Creation Incentive Program by adopting Chapter 3.38 of the Palm Springs Municipal Code, to be implemented by one or more resolutions of the City Council.

B. The City Council adopted Resolution No. 19542, establishing the criteria for the Job Creation Incentive Program.

C. The City Council desires to amend the criteria as established in Resolution No. 19542.

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Section 6 of Resolution No. 19542 is hereby amended to read:

The minimum number of new full-time jobs created by an eligible manufacturing company shall be no less than fifty (50). The number of jobs created by another type of benefit-producing business shall be fifty (50) nominal jobs, equivalent to no fewer than fifty (50) full-time positions. These employment levels shall be agreed to in writing and remain in effect during the period of the agreement between the City and the business.

SECTION 2. All other provisions of Resolution No. 19542 shall remain in full force and effect.

ADOPTED THIS 7TH DAY OF APRIL, 2010.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on April 7, 2010, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California

Palm Springs Municipal Code

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Title 3 REVENUE AND FINANCE

Division I GENERAL REVENUE AND FINANCIAL PROVISIONS

Chapter 3.38 JOB CREATION INCENTIVE PROGRAM**3.38.010 Purpose.**

(a) The purpose of the job creation incentive program is to (i) attract to the city eligible businesses and (ii) encourage significant expansion of eligible businesses already located in the city, in order to promote creation of jobs in the private sector.

(b) The city council finds and declares:

(1) Private sector jobs, especially those in the manufacturing sector, are an important component of a diverse and vibrant economic base for the city;

(2) Attracting businesses to the city, and encouraging existing manufacturing and other major businesses in the city to undertake expansion that results in a significant number of new jobs to the city and provides economic and social benefit to the city;

(3) Development fees charged by the city related to new construction of, or expansion of existing, manufacturing, retail or other commercial facilities are designed to offset the impact that such new facilities have on the city and its residents, but such development fees can act as a disincentive for manufacturing or other businesses to locate in the city or for existing businesses to expand facilities in the city;

(4) Providing an economic incentive program that seeks to offset or reverse the disincentive caused by application of development fees to the development of new manufacturing or other commercial facilities or the expansion of existing manufacturing or commercial facilities is consistent with the city Charter and the public purposes of engaging in economic development efforts and is in the public interest of the citizens of the city and promotes the general welfare by seeking to secure a diverse economic base for the city.

(Ord. 1568 § 1 (part), 1999.)

3.38.020 Job creation incentive program.

There is established the job creation incentive program. The city council, by one or more resolutions, may implement the program authorized by this chapter by establishing, from time to time, all of the following by one or more resolutions:

(1) An appropriation of funds, on not less than an annual basis, to be devoted to the program;

(2) The zoning classification(s) within the city in which the business must be located;

(3) The businesses, defined by classifications established by governmental entities or recognized industry associations, that will be eligible for the program;

(4) The minimum number of new jobs created by an eligible company, at a specified minimum compensation level that must be created by a business on the eligible site, in order for that business to be eligible for program assistance;

(5) The maximum amount of program assistance any one business may receive;

(6) The eligible development fees to which the program assistance may be applied;

(7) Other criteria that may be used in applying the program to business expansions or new projects;

(8) Program loan terms as referenced in Section 3.38.030.

(Ord. 1568 § 1 (part), 1999)

3.38.030 Form of program assistance.

The program assistance authorized by this chapter shall be in the form of a loan to an eligible business. The loan shall be on terms as set by the city council by resolution pursuant to subsection (8) of Section 3.38.020. Such loan terms shall include the right of the city to place a lien against the businesses and/or landlord's property interest in the affected property and may include repayment provisions that do not require monetary repayment upon business performance meeting defined criteria. (Ord. 1568 § 1 (part), 1999)

3.38.040 Required findings for assistance.

The city council, prior to approving assistance to an eligible business, must make the following findings:

(1) That the city and the eligible business have entered a written agreement detailing the responsibilities of both parties, including but not limited to a waiver of certain development fees by the city and the maintenance of minimum employment levels by the business; and

(2) That the minimum number of new jobs created by an eligible company is at least one hundred, though the minimum full-time equivalent (FTE) positions created by the business may be less if the council determines there are other economic benefits to the city from the project; and

(3) That the total economic benefit to the community of the new jobs, as calculated by the city, exceeds the fee revenue lost to the city; and

(4) That the broad public benefit created by the program, based on the performance criteria established by resolution, exceeds the private benefit; and

(5) That the business would not have located or expanded in the city without the benefit; and

(6) That the agreement assures that the business will remain in the city for a minimum of five years or repay the funds; and

(7) That the city has determined that there are no alternative measures to finance the improvements or create the benefit.

(Ord. 1568 § 1 (part), 1999)

3.38.050 Program assistance discretionary.

Notwithstanding the establishment of the program pursuant to this chapter or the establishment by resolution of all of the program implementation criteria pursuant to Section 3.38.020, the allocation of program assistance to any applicant shall be at the discretion of the city council. Nothing herein shall require the city council to allocate program funds to any applicant. (Ord. 1568 § 1 (part), 1999)

RESOLUTION NO. 19542

OF THE CITY OF PALM SPRINGS,
CALIFORNIA, ESTABLISHING
GUIDELINES FOR A JOB CREATION
INCENTIVE PROGRAM IN PALM
SPRINGS, CHAPTER 3.38 OF THE
MUNICIPAL CODE.

WHEREAS, private sector jobs, especially those in the manufacturing sector, are an important component of a diverse and vibrant economic base for the City; and

WHEREAS, attracting businesses to the City and encouraging existing manufacturing and other major businesses to undertake expansion that results in a significant number of new jobs or other economic benefits to the City provides a community benefit; and

WHEREAS, development fees charged by the City for new construction or expansion of existing manufacturing, retail, or other commercial facilities are designed to offset the impact such new facilities have on the City and its residents. Such fees can also act as a disincentive for such businesses to locate in the City or for existing businesses to expand facilities in the City; and

WHEREAS, it is in the public interest and consistent with the City charter to implement economic incentive programs that would diminish the disincentive caused by the application of development fees to the construction and/or expansion of new and/or existing manufacturing or other commercial facilities; and

WHEREAS, such economic incentive programs serve a public purpose and provide for the general welfare of the community by securing a diverse economic base for the City; and

WHEREAS, the City Council established a Job Creation Incentive Program by adopting Chapter 3.38 of the Palm Springs Municipal Code, to be implemented by one or more resolutions of the City Council.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Palm Springs, that the following guidelines for the Job Creation Incentive Program, are adopted:

- Section 1. The purpose of the program is to attract to the City eligible businesses and encourage significant expansion of eligible businesses already located in the City in order to promote the creation of jobs in the private sector and other direct or indirect economic benefits to the City by waiving or subsidizing development fees for such businesses based on the number of new full-time jobs brought to the community.
- Section 2. Funds for this program shall be appropriated annually in an amount deemed necessary.
- Section 3. Businesses eligible for participation in the program shall be located in the "A," "M-1," "M-1-P," "M-2," "C-M" and "C-2" zones of the City.
- Section 4. The job-creating businesses, as defined by classifications established by the North American Industry Classification System (NAICS) of the U.S. Bureau of the Census (adopted April 9, 1997), eligible for the Program, are:
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<u>Category</u>	<u>NAICS 2-digit code</u>
Manufacturing	31-33
Information	51
Professional, Scientific, and Technical Services	54
Management of Companies and Enterprises	55
Administrative and Support, Waste Management and Remediation Services	56

The Council may amend the list of eligible NAICS categories from time to time.

Section 5. Certain non-manufacturing businesses not listed by category in Section 4 may also be eligible for participation in the program provided they meet the other eligibility criteria for participation and provide other significant, measurable economic benefits such as, but not limited to, increased sales tax and property tax, to the city.

Section 6. The minimum number of new full-time jobs created by an eligible manufacturing company shall be no less than one hundred (100). The number of jobs created by another type of benefit-producing business shall be one hundred (100) nominal jobs, equivalent to no fewer than forty (40) full-time positions. These employment levels shall be agreed to in writing and remain in effect during the period of the agreement between the City and the business.

Section 7. The maximum amount of assistance (the earned incentive credit) any one business may receive from this program shall not exceed \$1,000 per job created, with the total amount of assistance not to exceed the total dollar amount of development fees assessed. The business is responsible for payment of all fees that may exceed the amount of earned incentive credit.

Section 8. The eligible development fees to which the Program assistance may be applied, and the order in which they are applied, are:

- 1 Plan Check
- 2 Building Permit
- 3 Planning Fee
- 4 SMIP Tax
- 5 Microfilm
- 6 Construction Tax
- 7 Construction Permit
- 8 Dbl. Fee/Rmw/Misc.
- 9 Misc. Filing Fee
- 10 Sewer Inspection
- 11 Sewer Main
- 12 Sewer Agreement
- 13 Sewer Connection Fee
- 14 Drainage Fee
- 15 Permit Issuance
- 16 Public Arts Fee
- 17 School Fee
- 18 TUMF Fee

The total dollar amount of fees owed by the business will be calculated by the City, and the Job Creation Incentive Program benefit, based on the number of pledged jobs, shall be applied toward the total fee amount in the order noted in this Section.

- Section 9. Other criteria for participation in the program may be established by separate resolutions of the City Council.
- Section 10. Prior to approving assistance to an eligible business under this program, the City Council must make the findings described in Section 3.38.040 of the Palm Springs Municipal Code.
- Section 11. The program assistance shall be in the form of a loan to an eligible business, made on the following terms:
- A. The City and the eligible business will have a written agreement detailing the responsibilities of both parties, including but not limited to the waiver of certain development fees by the City and the maintenance of minimum employment levels by the business for the period of the agreement, but no fewer than five years; and
 - B. The City may include repayment provisions that may or may not require monetary repayment, depending on the business' performance meeting criteria defined in Section 6; such agreement shall be secured by a lien against the business and/or the property at which the business is located; and
 - C. The company shall attest that the minimum number of new jobs created in Palm Springs meets the criteria established in Section 6 of this resolution, and that the business would not have located or expanded in the City without the benefit; and
 - D. The City shall attest that the total economic benefit to the community of the new jobs, by its own calculations, exceeds the fee revenue lost, and that the broad public benefit created by the program in terms of payroll and taxes paid exceeds the private benefit (the amount of fee waiver), and that there are no other reasonable alternative measures available to the business to finance the improvements or create the public benefit; and
 - E. The agreement shall assure that the business will remain in the City for a minimum of five (5) years at the established employment level, or repay the City based on a straight-line amortization of the assistance; the job commitment "amortizes" the City's loan to the business at a rate of 20% of the dollar amount of the benefit per year.

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Section 12. All allocation of Program assistance to any applicant shall be at the discretion of the City Council. Nothing herein shall require the City Council to allocate Program funds to any applicant.

ADOPTED this 16th day of June, 1999.

AYES: Members Barnes, Hodges, Oden, Reller-Spurgin and Mayor Kleindienst
NOES: None
ABSENT: None

ATTEST:

CITY OF PALM SPRINGS, CALIFORNIA

By:



City Clerk



City Manager

REVIEWED AND APPROVED AS TO FORM:

