

AB 562 Subsidy Reports - City of San Jose

TechShop San Jose

Term: May 9th, 2017

i. Name/address of benefiting business entity	TechShop San Jose 38 S. Second Street, San Jose, CA 95113
ii. Start and end dates for the subsidy	The subsidy will start when the following conditions have been met: TechShop occupies the premises; the Capital Assistance and Parking Incentive Agreement are executed. The subsidy will start no earlier than the first date of TechShop's occupancy of the premises. The subsidy will end no later than the fifth anniversary of TechShop's occupancy of the premises.
iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	The City shall reimburse TechShop for up to \$150,000 for HVAC capital equipment upgrade exclusively for their new location on Second Street. If TechShop ceases to operate at the premises at any time prior to the third year of occupancy, TechShop shall be required to repay the amount specified in the Capital Equipment Assistance Agreement. The Parking Incentive agreement subsidy includes approximately \$265,500 for 85 monthly permits across two Downtown garages for five years.
iv. Statement of public purpose	To preserve and strengthen manufacturing related activity in San Jose, bringing exposure and investment into the City via members prototyping the next generation of products.
v. Projected tax revenue	TechShop's investment of \$1.5 million in improvements to their location on Second Street is estimated to result in ongoing annual revenue of \$8,000 from a combination of secured and unsecured property tax, utility user tax, and business tax. In addition to ongoing revenue, the City will receive one-time building and structure construction taxes estimated at \$15,000.
vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions	TechShop has 10 full-time and 15 part-time employees along with 40 on-call contractors.

Bestronics

Term: June 16th, 2015

i. Name/address of benefiting business entity	Bestronics Inc. 2090 Fortune Drive, San Jose, CA 95131
ii. Start and end dates for the subsidy	The subsidy will start only when the following conditions have been satisfied: the FlexTech Alliance proposal is accepted by the DOD; DOD disburses grant funds to FlexTech Alliance; FlexTech Alliance executes a lease for a minimum of 5 years at the Premises for the FHEMII; Bestronics completes a building program of an estimated \$7 million and occupies the Premises; and the City has reviewed the DOD's grant to FlexTech Alliance and determined that its terms are consistent with the City's Economic Development Strategy, this memorandum and the Capital Equipment Assistance Agreement. Notice of the DOD award is anticipated by September 2015. The subsidy will start no earlier than the first date of Bestronics' occupancy of the Premises to be used for the FHE-MII in San Jose. The subsidy will end no later than the fifth anniversary of Bestronics' occupancy of the Premises. If Bestronics does not occupy the Premises on or before the second anniversary of the date on which it first received notice of the DOD grant award, the City will have no obligation to provide the subsidy.
iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	The City shall reimburse Bestronics for up to \$400,000 for eligible capital equipment exclusively for clean room uses for the FHE-MH. If Bestronics or the FHE-MII cease to operate at the Premises at any time prior to the fifth year of occupancy, Bestronics shall be required to repay the amount specified in the Capital Equipment Assistance Agreement.
iv. Statement of public purpose	To preserve and strengthen manufacturing-related activity by locating the only Flexible Hybrid Technology Manufacturing Institute in the nation will bring exposure and investment into San Jose via research and development teams proto-typing the next generation of products.
v. Projected tax revenue	The improvements and capital equipment purchases made by Bestronics and the FHE-MII are estimated to result in an additional \$7,000 in secured and unsecured property tax revenue to the City of San Jose starting in 2017, amounting to \$35,000 over a five year period. Use tax from the

	<p>purchase of new capital equipment should result in \$20,000 to the City during the first five years of the FHE-MII's occupancy.</p>
<p>vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions</p>	<p>The FHE-MII is expected to generate approximately 10 full time staff. More broadly, additional industry and academic assignees will locate employees in the FHE-MII as their projects begin to commercialize. This may represent an additional 25 to 35 employees operating on site.</p>

Becton, Dickinson and Company

Term: Sept 1st, 2015

i. Name/address of benefiting business entity	Becton, Dickinson and Company 2350 Qume Drive, San Jose, CA 95131
ii. Start and end dates for the subsidy	The Capital Equipment subsidy will start no earlier than the date that the eligible equipment is installed at Building One, and will end three years after BD's re-occupancy or when the aggregate capital equipment reimbursement totals \$500,000, whichever occurs first. If BD ceases to operate the facility at any time prior to the third year of occupancy, BD will be required to repay the amounts specified in the Capital Equipment Assistance Agreement.
iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	The City will reimburse BD for up to \$500,000 of eligible capital equipment exclusively used for manufacturing at the Property.
iv. Statement of public purpose	To preserve and strengthen manufacturing-related activity by retaining an important local manufacturer that performs a critical function in the region's innovation ecosystem, provides quality jobs and contributes to local tax revenue.
v. Projected tax revenue	The improvements and capital equipment purchases made by BD are estimated to result in an additional \$70,000 in secured and unsecured property tax revenue to the City of San Jose starting in 2017, amounting to \$700,000 over a ten year period. Use tax from the purchase of new capital equipment should result in \$200,000 to the City during the first five years of BD's reoccupancy after completion of the project.
vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions	The subsidies are not estimated to create new jobs immediately. They will, however, support the retention of 1,200 jobs in San Jose, 90% of which are full-time and the remaining 10% are a combination of part-time and temporary positions. BD's San Jose workforce is broken down as follows: 42% in manufacturing operation, 25% in Research and Development, 25% Support and Administrative activities and 8% in sales and marketing.

ABB Inc

Term: May 19th, 2015

<p>i. Name/address of benefiting business entity</p>	<p>ABB Inc.</p> <p>Current Address(es)</p> <ul style="list-style-type: none"> • 67 East Evelyn Avenue, Mountain View, CA 94041 • 451 El Camino Real, Suite 105, Santa Clara, CA 95050 • 555 Del Rey Avenue, Sunnyvale, CA 94085 <p>New Address: 3055 Orchard Drive, San Jose, CA 95134</p>
<p>ii. Start and end dates for the subsidy</p>	<p>The subsidy will start no earlier than the first date of ABB's occupancy of the premises. The subsidy will end no later than the third anniversary of ABB's occupancy of the premises. If ABB does not occupy the premises on or before the second anniversary of the effective date of the Agreement, the City has no obligation to provide the subsidy.</p>
<p>iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost</p>	<p>The City shall reimburse ABB for up to \$100,000 for eligible capital equipment exclusively for manufacturing uses on ABB's premises. If ABB ceases to operate in the facility at any time prior to the third year of occupancy, ABB shall be required to repay the amount specified in the Capital Equipment and Assistance Agreement.</p>
<p>iv. Statement of public purpose</p>	<p>To preserve and strengthen manufacturing-related activity by securing an important local manufacturer that performs a critical function in the region's innovation ecosystem, provides quality jobs and contributes to local tax revenue.</p>
<p>v. Projected tax revenue</p>	<p>The tenant improvements and capital equipment purchases made by ABB are estimated to result in an additional \$64,000 in secured and unsecured property tax revenue to the Successor Agency starting in 2016, amounting to \$512,000 over the course of ABB's lease. Use tax from the purchase of new capital equipment should result in \$25,000-\$30,000 to the City during the life of ABB's lease.</p>
<p>vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions</p>	<p>ABB's relocation will add 200 jobs in San Jose, with the potential created, broken down by fulltime, for up to 230 jobs when the new facility is operating at full capacity. Of part-time and temporary positions these jobs, approximately 86% are full-time, 2% are part-time and 12% are temporary positions.</p>

Super Micro

Term: June 21st 2016

i. Name/address of benefiting business entity	Super Micro Computer, Inc. 750 Ridder Park Drive, San Jose, CA 95190
ii. Start and end dates for the subsidy	Obtain all planning and building approvals prior to December 31, 2017 and obtain Certificate of Occupancy within two years of the last planning or building approval, or December 31, 2019, whichever occurs first
iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	The City will reduce the traffic impact fee from the current amount of \$14.44 square feet to \$5.00 square feet of industrial development for a total of up to 446,500 square feet for Super Micro Computer, Inc. Total revenue subsidy will be up to \$4,214,960.
iv. Statement of public purpose	As discussed in detail above, to preserve and strengthen manufacturing-related activity by retaining an important local manufacturer that performs a critical function in the region's innovation ecosystem, provides quality jobs and contributes to local tax revenue.
v. Projected tax revenue	The new development is estimated to result in an additional \$1 million in annual tax revenue to the City of San Jose.
vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions	Over time, the incentive will support the attraction of between 1,000 to 1,500 jobs in San Jose. Of these jobs, an estimated 49% will be full-time, 17% will be part-time and 44% will be temporary positions.

San Jose Downtown High-Rise Incentives

Aviato

i. Name/address of benefiting business entity	199 Bassett, LLC 21710 Stevens Creek Blvd., Suite 200 Cupertino, CA 95014
ii. Start and end dates for the subsidy	Projects will become eligible for the subsidy per the current Downtown High-Rise Residential Incentive Program. The subsidy will become finalized upon payment of fees prior to the sunset date of the Downtown High-Rise Residential Incentive Program, subject to conditions therein.
iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	The City shall suspend 50% of construction taxes on the high-rise constructed at 199 Bassett Street and shall allow payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. The City shall also set the park impact in-lieu fees charged for 199 Bassett Street at 50% of the applicable park impact in-lieu fees for multi-family 5+ units and provide for payment of park impact fees at time of issuance of the Certificate of Occupancy. The estimated economic development subsidy is \$4,391,240
iv. Statement of public purpose	To encourage the development of high-rise residential in the Downtown Area, spurring increased retail amenities, attracting more employers, increasing transit use, and improving public life in San Jose. The aggregation of these factors will increase the economic vitality of the City’s urban core and will translate to increased property tax and sales tax revenue to the City of San Jose.
v. Projected tax revenue	Estimated recurring tax revenue to the City of San Jose is \$353,630, of which \$231,138 is derived from property tax.
vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions	This project is estimated to create approximately 1019 full-time construction jobs, with construction activities spanning approximately 18-24 months. 89 percent of jobs will generate an annual salary above \$80,000. Post construction, the project is estimated to create 30 permanent FTE positions on-site in management, service and retail functions.

Park View Towers

i. Name/address of benefiting business entity	Park View Towers SJ, LLC 950 Tower Lane, Suite 870 Foster City, CA 94404
ii. Start and end dates for the subsidy	Projects will become eligible for the subsidy per the current Downtown High-Rise Residential Incentive Program. The subsidy will become finalized upon payment of fees prior to the sunset date of the Downtown High-Rise Residential Incentive Program, subject to conditions therein.
iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	The City shall suspend 50% of construction taxes on the high-rise constructed at 252 N. First Street and shall allow payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. The City shall also set the park impact fees charged for 252 N. First Street at 50% of the applicable park impact fees for multi-family 5+ units and provide for payment of park impact fees at time of issuance of the Certificate of Occupancy. The estimated economic development subsidy is \$2,723,593.
iv. Statement of public purpose	To encourage the development of high-rise residential in the Downtown Area, spurring increased retail amenities, attracting more employers, increasing transit use, and improving public life in San Jose. The aggregation of these factors will increase the economic vitality of the City's urban core and will translate to increased property tax and sales tax revenue to the City of San Jose.
v. Projected tax revenue	Estimated recurring tax revenue to the City of San Jose is \$308,395, of which \$193,200 is derived from property tax.
vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions	This project is estimated to create approximately 1,000 full-time construction jobs. 80% of these jobs generate an annual salary above \$80,000. Post construction, the project is estimated to create 42 on-site FTE positions in management, service and retail.

Twenty additional units in SJSC Towers

<p>i. Name/address of benefiting business entity</p>	<p>SJSC Properties LLC 60 South Market Street, Suite 450 San Jose, CA 95113</p>
<p>ii. Start and end dates for the subsidy</p>	<p>Projects will become eligible for the subsidy per the current Downtown High-Rise Residential Incentive Program. The subsidy will become finalized upon payment of fees prior to the sunset date of the Downtown High-Rise Residential Incentive Program, subject to conditions therein.</p>
<p>iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost</p>	<p>The City shall suspend 50% of construction taxes on the high-rise constructed at 33 N. Fifth Street and shall allow payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. The City shall also set the park impact charged for 33 N. Fifth Street at 50% of the applicable park impact fees for multi-family 5+ units and provide for payment of park impact fees at time of issuance of the Certificate of Occupancy. The estimated economic development subsidy is \$236,133 for the additional 20 units. The total economic subsidy for the project is \$8,711,156.</p>
<p>iv. Statement of public purpose</p>	<p>To encourage the development of high-rise residential in the Downtown Area, spurring increased retail amenities, attracting more employers, increasing transit use, and improving public life in San Jose. The aggregation of these factors will increase the economic vitality of the City’s urban core and will translate to increased property tax and sales tax revenue to the City of San Jose.</p>
<p>v. Projected tax revenue</p>	<p>The addition of twenty residential units will add \$7,000 in annual property tax and \$400 in annual business tax revenue to the City of San Jose. Overall, this project is estimated to provide \$723,181 in annual recurring tax revenue to the City.</p>
<p>vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions</p>	<p>The addition of twenty residential units will add 4,088 hours to the construction of the project. Overall, this project is estimated to create approximately 887 full-time construction jobs, with all salaries exceeding \$80,000 annually. Post construction, the project is estimated to create 215 on-site FTE positions in management, service and retail.</p>

North San Pedro Tower III

<p>i. Name/address of benefiting business entity</p>	<p>North San Pedro SJ, LLC 950 Tower Lane, Suite 870 Foster City, CA 94404</p>
<p>ii. Start and end dates for the subsidy</p>	<p>Projects will become eligible for the subsidy per the current Downtown High-Rise Residential Incentive Program. The subsidy will become finalized upon payment of fees prior to the sunset date of the Downtown High-Rise Residential Incentive Program, subject to conditions therein.</p>
<p>iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost</p>	<p>The City shall suspend 50% of construction taxes on the high-rise constructed at 323 Terraine Street and shall allow payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. The City shall also set the park impact fees charged for 323 Terraine Street at 50% of the applicable park impact fees for multi-family 5+ units and provide for payment of park impact fees at time of issuance of the Certificate of Occupancy. The estimated economic development subsidy is \$4,084,091</p>
<p>iv. Statement of public purpose</p>	<p>To encourage the development of high-rise residential in the Downtown Area, spurring increased retail amenities, attracting more employers, increasing transit use, and improving public life in San Jose. The aggregation of these factors will increase the economic vitality of the City’s urban core and will translate to increased property tax and sales tax revenue to the City of San Jose.</p>
<p>v. Projected tax revenue</p>	<p>Estimated recurring tax revenue to the City of San Jose is \$255,524, of which \$168,000 is derived from property tax.</p>
<p>vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions</p>	<p>This project is estimated to create approximately 1,000 full-time construction jobs. 80% of these jobs will generate an annual salary above \$80,000. Post construction, the project is estimated to create five on-site FTE positions in management, service and retail.</p>

The Graduate

i. Name/address of benefiting business entity	AMCAL Swenson, LLC 30141 Agoura Road, Suite 100 Agoura Hills, CA 91301
ii. Start and end dates for the subsidy	Projects will become eligible for the subsidy per the current Downtown High-Rise Residential Incentive Program. The subsidy will become finalized upon payment of fees prior to the sunset date of the Downtown High-Rise Residential Incentive Program, subject to conditions therein.
iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	The City shall suspend 50% of construction taxes on the high-rise constructed at 88 E. San Carlos Street and shall allow payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. The City shall also set the park impact fees charged for 88 E. San Carlos Street at 50% of the applicable park impact fees for multi-family 5+ units and provide for payment of park impact fees at time of issuance of the Certificate of Occupancy. The estimated economic development subsidy is \$3,628,503.
iv. Statement of public purpose	To encourage the development of high-rise residential in the Downtown Area, spurring increased retail amenities, attracting more employers, increasing transit use, and improving public life in San Jose. The aggregation of these factors will increase the economic vitality of the City’s urban core and will translate to increased property tax and sales tax revenue to the City of San Jose.
v. Projected tax revenue	Estimated recurring tax revenue to the City of San Jose is \$298,436, of which \$165,284 is derived from property tax.
vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions	This project is estimated to create a minimum of 440 full-time construction jobs. Per the Bureau of Labor Statistics, the mean hourly wage for construction workers in the San Jose MSA is \$30.80. Post construction, the project is estimated to create 45 on-site FTE positions in management, service and retail.

Post Street Tower

<p>i. Name/address of benefiting business entity</p>	<p>SIMEON Properties LLC 655 Montgomery Street, Suite 1190 San Francisco, CA 94111</p>
<p>ii. Start and end dates for the subsidy</p>	<p>Projects will become eligible for the subsidy per the current Downtown High-Rise Residential Incentive Program. The subsidy will become finalized upon payment of fees prior to the sunset date of the Downtown High-Rise Residential Incentive Program, subject to conditions therein.</p>
<p>iii. Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost</p>	<p>The City shall suspend 50% of construction taxes on the high-rise constructed at 171 Post Street and shall allow payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. The City shall also set the park impact fees charged for 202 units in the project under the original High-Rise Incentive Program at \$7,650/unit and provide for payment of park impact fees at the time of issuance of the Certificate of Occupancy. The estimated economic development subsidy is \$2,910,324</p>
<p>iv. Statement of public purpose</p>	<p>To encourage the development of high-rise residential in the Downtown Area, spurring increased retail amenities, attracting more employers, increasing transit use, and improving public life in San Jose. The aggregation of these factors will increase the economic vitality of the City’s urban core and will translate to increased property tax and sales tax revenue to the City of San Jose.</p>
<p>v. Projected tax revenue</p>	<p>Estimated recurring tax revenue to the City of San Jose is \$213,808, of which \$155,400 is derived from property tax.</p>
<p>vi. Estimated number of jobs created, broken down by full time, part-time and temporary positions</p>	<p>This project is estimated to create approximately 367 full-time equivalent construction jobs. 90% of these jobs will generate an annual salary above \$60,000 and 41% of these jobs will generate an annual salary above \$80,000. Post construction, the project is estimated to create 28 on-site FTE positions in management, service and retail.</p>

EBay

Name/address of benefitting business entity	eBay Inc., 2025 Hamilton Ave., San Jose, Calif., 95125
Start and end dates for the subsidy	Beginning October 1, 2019 and ending June 30, 2034.
Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	<p>Under terms of the Agreement, the City will annually make payments to the Company in an amount equal to 30% of sales-tax revenue that is collected above a threshold. The threshold starts in the first full fiscal year at \$5 million and increases by 3% each year, commencing July 1, 2020, for the term. In the event that sales tax collection does not exceed \$5 million, then the City does not make a payment to the company. During the first nine months of the Agreement, this threshold is prorated at 75%, or \$3.75 million.</p> <p>The expenditure of public funds varies based on revenue collected. For example, in the first full fiscal year of the Agreement, assuming sales tax collection of \$40 million, the City would make a City payment of \$10.5 million to the Company (\$40 million - \$5 million = \$35 million. 30% of \$35 million = \$10.5 million). In Year 15, based on the same \$40 million in revenue, the City would make a payment of approximately \$9.7 million because the \$5 million threshold increases to approximately \$7.5 million based on the 3% escalation factor.</p> <p>Over the 15-year term, the City could make payments of approximately \$150 million to the Company, assuming a static \$40 million in annual revenue. The actual number would depend on several factors, including sales volume and the percentage of sales that are taxable.</p>
Statement of public purpose	<p>San Jose suffers fiscal challenges related to its relatively weak tax base. This Agreement assists in increasing sales tax revenue to fund critical government services such as police, fire, parks and recreation programs, roads, and other services which residents and businesses expect and deserve. In this way, the Agreement is consistent with Major Strategy #8 of the Envision 2040 General Plan, which advocates for carefully managing existing fiscal resources and encouraging the cultivation of increased</p>

	resources.
Projected tax revenue	Based on publicly available information on the Company’s sales, staff believes that gross sales tax collection of \$40 million annually is possible. In this scenario, the Agreement could generate an average of roughly \$29 million annually in net-new sales tax for the City (for example, in the first full fiscal year: \$5 million in threshold revenue, plus \$24. 5M in additional sales tax after sharing back 30% of the revenue above \$5 million with the Company). Actual sales tax generation will be affected by a variety of factors including sales volume. Over the 15-year term, the Agreement could generate approximately \$440 million in net-new revenue for the city, not accounting for sales growth or fluctuations.
Estimated number of jobs created, broken down by full time, part time and temporary positions	The proposed Agreement is not anticipated to lead directly to the generation of any additional jobs.