



## City Council Report

915 I Street, 1<sup>st</sup> Floor  
Sacramento, CA 95814

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**File ID:** 2017-01221

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**Discussion Item 18**

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**Title:** Job Growth and Employment Incentive Strategy

**Location:** Citywide

**Recommendation:** Pass a Motion approving a Job Growth and Employment Incentive Strategy.

**Contact:** Melissa Anguiano, Economic Development Manager, (916) 808-5864, Office of the City Manager, Innovation and Economic Development Office

**Presenter:** Melissa Anguiano, Economic Development Manager, (916) 808-5864, Office of the City Manager, Innovation and Economic Development Office

**Attachments:**

1-Description/Analysis

2-Job Growth and Employment Incentive Strategy

## Description/Analysis

**Issue Detail:** On large corporate location projects, site selection consultants and corporations often seek proactive and innovative incentives when making key site location decisions. As our city seeks opportunities to build and grow an innovative, robust, and well-connected ecosystem, we must adopt and implement recruitment strategies that enhance the City's competitiveness in business attraction.

The Job Growth and Employment Incentive Strategy (Attachment 2) provides a framework to guide the City's approach in pursuing major employment opportunities. The strategy underscores the City's commitment to corporate recruitment efforts that bring large numbers of high-wage jobs to the City, diversify the City's economic base, provide employment opportunities to underserved populations, and provide broad public benefits that enhance the quality of life and environment within the City.

Under the strategy the City could consider offering an incentive to attract businesses that have a significant economic impact and meet specific employment and tax revenue generation criteria. Incentives, and any such agreements, would be structured and negotiated on a case-by-case basis and would include the following principles as further described in the Strategy: Incentive Purpose; Mutual Benefits and Consistency with City policy and goals; Public Benefit; Equity; Funding Considerations; and Performance Measurement and Evaluation.

Often, such opportunities present themselves through a formal or informal Request for Proposal process. To be "in the game," the City needs to be responsive and submit its proposal by the stated deadline. The RFP response period can be short, especially for the initial screening round. In these cases, there may not be sufficient time to publicly vet the City's proposal or secure the City Council's approval. Therefore, this strategy would provide the City Manager with the necessary authority to respond to such RFPs, consistent with this strategy, and subject to approval by the City Council at a future date.

This policy is not intended to suggest that the City could not consider similar incentives for major corporate expansions of companies that already have a presence in Sacramento. Those opportunities are usually not introduced through an RFP, but rather, through a more deliberate dialogue directly with the City over a longer time period.

**Policy Considerations:** City Council has identified economic development and job growth as a priority and goal for the City through multiple actions. The Job Growth and Employment Incentive Strategy is consistent with these actions, including the adopted 2013 Economic Development Strategy goal to invest in building Sacramento and the objective to "encourage

strategic investments and initiatives that lead to the economic development, job growth and enhance the quality of life in Sacramento.”

**Economic Impacts:** The City will use this incentive strategy as a tool to catalyze significant economic and employment benefits to the City.

**Environmental Considerations:** This report concerns fiscal activities that will not have a potentially significant effect on the environment, and does not constitute a “project” as defined by Sections 15061(b)(3) and 15378(b)(4) of the CEQA Guidelines (Title 14 Cal. Code Reg. §15000 et seq.).

**Sustainability:** None.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** In order to be considered as a viable business location and attract new high-wage private sector jobs to the community, Sacramento must be willing to consider a deliberate shift towards new approaches that demonstrate our commitment and emphasize our City’s competitiveness.

The Job Growth and Employment Incentive Strategy outlines a framework and guidelines to ensure the use of any incentive funds results in:

1. **Creation of High-Wage Jobs:** Businesses must directly create quantifiable permanent, high-wage private-sector jobs and employment opportunities for disadvantaged populations.
2. **Sustainable and Desirable Job Growth and Economic Development:** Incentive funds must help to further develop and/or grow targeted industry clusters and geographic areas.
3. **Increased Revenue and other Public Benefit to the City:** Incentive funds must directly or indirectly increase City revenue and/or generate other significant public benefits that provide a return on investment to the City.

**Financial Considerations:** As noted, incentives will be structured and negotiated on a case-by-case basis. When structuring incentive packages, the City will consider all appropriate funding mechanisms, particularly any portion of net-new City tax revenue that would result from the new business or generated by operations of the new business within the city limits. The City will also consider funding cooperation from other public agency partners, including but not limited to the State of California and County of Sacramento, as appropriate. Incentives of \$100,000 or more must be approved by City Council.

**Local Business Enterprise (LBE):** Not applicable.

## JOB GROWTH AND EMPLOYMENT INCENTIVE STRATEGY

### 1. PURPOSE

The purpose of the Job Growth and Employment Incentive Strategy is to articulate the City's approach in pursuing major employment opportunities and enhance the City's effectiveness and success in competitive corporate recruitment efforts that bring large numbers of high-wage jobs to the City. In addition, this strategy seeks to diversify the City's economic base, provide employment opportunities to underserved populations, and provide broad public benefits that enhance the quality of life and environment within the City.

### 2. OBJECTIVES

The Economic Development and Employment Incentive strategy seeks to advance economic growth and development by achieving the following objectives:

1. **Creation of High-Wage Jobs:** Businesses must directly create quantifiable permanent, high-wage private-sector jobs and employment opportunities for disadvantaged populations.
2. **Stimulate Sustainable and Desirable Job Growth and Economic Development:** Incentive funds must help to further develop and/or grow targeted industry clusters and geographic areas.
3. **Increase Revenue and other Public Benefit to the City:** Incentive funds must directly or indirectly increase City revenue and/or generate other significant public benefits that provide a return on investment to the City.

### 3. GUIDING PRINCIPLES

Economic Development and Employment Incentives, and any such agreements, will be negotiated on a case-by-case basis. The following principles should guide the City's negotiations of individual agreements.

1. **Incentive Purpose:** Incentive agreements should be considered when necessary or appropriate to attract businesses that will make significant economic impact and will bring high quality-jobs to the City.
2. **Mutual Benefits and Consistency with City policy and goals:** Both the City's and prospective business's goals should be openly and clearly stated

in all agreements. The City will structure agreements to be mutually beneficial, with terms that are clear. All agreements must be consistent with all applicable laws and City policies, unless the City Council approves a deviation from City policy.

3. **Public Benefit:** Incentive agreements should provide a direct public benefit for residents and businesses in Sacramento. Agreements may address an array of issues to improve the quality of life, including:
  - a) Mobility
  - b) Housing affordability
  - c) Workforce development
  - d) Employment opportunities for disadvantaged populations
  - e) Business diversification
  - f) High-wage industry growth
  - g) Air, water, and environmental quality
  - h) Public health
  - i) Energy efficiency
  - j) Clean energy
  - k) Public safety and emergency response
  - l) Arts and culture amenities
  - m) Youth and education
  
4. **Equity:** Incentive agreements should strive to provide goals and measurable outcomes to reduce disparities and build equity in the City's diverse communities. As appropriate, agreements should support capacity-building by connecting existing community needs and activities to new resources and opportunities.
  
5. **Funding Considerations:** When structuring incentive agreements, the City shall consider all appropriate funding mechanisms, particularly any portion of net-new City tax revenue that would result from the presence of the new business or generated by operations of the business within the city limits. The City shall also consider funding cooperation from other public agency partners, including but not limited to the State of California and County of Sacramento, as appropriate.
  
6. **Performance Measurement and Evaluation:** Evaluation of performance measures is critical to gauge the effectiveness of the provided incentive. Each incentive agreement must contain a set of performance measures. The City will require tracking and reporting of data during project implementation. Agreements should include funding mechanisms to cover the administrative costs incurred by the City.

#### 4. MINIMUM ELIGIBILITY CRITERIA

The City may consider offering an incentive to attract businesses that have a significant economic impact and meet the following criteria:

1. **Employment:** Create a minimum of 500 new high-wage full-time jobs, with defined salary ranges based on Sacramento area and industry income standards. Agreements may include special considerations for employers hiring employees who meet specific socioeconomic criteria. Jobs relocated from within the Sacramento six-county region (El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba) are not eligible.
2. **Tax Revenue Generation:** Provide significant property and/or sales tax revenues to the City. This amount will take into consideration the relative size of the business and its contribution to the City and community.

#### 5. APPROVAL PROCEDURES

**City Manager Authorization:** The City Manager is authorized to respond to any Request for Proposal, consistent with this strategy, and subject to subsequent approval by the City Council as required.

**City Council Approval:** The City Council must approve incentive agreements of \$100,000 or more.