



GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT
STATE OF CALIFORNIA ♦ OFFICE OF GOVERNOR GAVIN NEWSOM

Capital Investment Incentive Program

Pursuant to California Government Code Section 51298-51298.5

Gavin Newsom
GOVERNOR

Lenny Mendonca
DIRECTOR

Chris Dombrowski
CHIEF DEPUTY DIRECTOR

Kaina Pereira
DEPUTY DIRECTOR

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Program Overview

Enacted in 1997 and extended in 2018, Government Code Section 51298-51298.5 established the Capital Investment Incentive Program (CIIP) authorizing local governments to establish a CIIP. Procedurally, once a local government codifies a CIIP by resolution or local ordinance, the program authorizes a local government to rebate a *capital investment incentive amount* (as defined by statute) to a manufacturer proponent that is equal to the property taxes owed on the manufacturing property in excess of the first \$150 million assessment for up to 15 years.

The incentive may only be offered after the proponent and the local government enter into a community services agreement that requires the proponent to meet certain criteria, such as number of jobs created, wages paid shall be no less than the state average weekly wage, and local fees. If a proponent fails to meet these requirements, the local government is entitled to repayment of any amounts paid.

In addition, the proponent must pay a community service fee equal to 25 percent of the capital incentive amount but not to exceed \$2 million a year.

Only specified types of manufacturing, as described in Codes 3321 to 3399 and Codes 541711 (Research and Development in Biotechnology) or 541712 (Research and Development in the Physical, Engineering, and Life Sciences) of the 2012 North American Industry Classification Systems (NAICS) Manual, qualify.

This report covers program activity through June 30, 2019. The law requires that any local government that elects to establish a CIIP must notify the Governor's Office of Business and Economic Development (GO-Biz) of its election to do so, no later than June 30th of the fiscal year in which the election was made. Since the program was extended in 2018 (Ch. 382, Section 1, Statutes of 2018), GO-Biz has not received notifications of new CIIP agreements from local governments since 2015, despite receiving less than one dozen inquiries from local governments and interested manufacturer proponents.

Local Capital Investment Incentive Programs

The governing body of a county, city and county, or city may establish a CIIP by approving an ordinance or resolution.

City of Palmdale

On July 2, 2014, the Palmdale City Council approved Resolution CC 2014-094 to establish a CIIP.

County of Los Angeles

On June 30, 2015, the County of Los Angeles Board of Supervisors adopted CIIP in the County of Los Angeles.

City of Long Beach

On September 1, 2015, the Long Beach City Council approved Resolution-15-0104 to establish a CIIP.

Community Service Agreements

City of Palmdale and Lockheed Martin Corporation

On June 22, 2015, the Palmdale City Council voted to execute a Community Services Agreement with Lockheed Martin Corporation. Under this 15-year agreement, Lockheed Martin would invest approximately \$385,000,000 in new facilities and equipment at its Palmdale Location should it secure the Department of Defense contract to manufacture the Advanced Strategic Aircraft Program. This investment would add 1,100 direct high-skilled and high-paying jobs.

Under this agreement, the Palmdale payment to Lockheed Martin will be an estimated \$740,000 over the 15-year agreement. In return, Lockheed Martin would pay the Community Service Fee paid to City by supporting a number of programs, including *Salute to Youth*, *STAR*, *Engineers in the Classroom Program* and *Reading Across America*.

As a general precondition to the Agreement, Lockheed Martin was to secure the Department of Defense contract. The contract was awarded to a different bidder; therefore the City has not made a capital investment incentive payment.

County of Los Angeles and Lockheed Martin Corporation

On June 30, 2015, the County of Los Angeles Board of Supervisors voted to execute a Community Services Agreement with Lockheed Martin Corporation. Under this 15-year agreement, Lockheed Martin would invest approximately \$385,000,000 in new facilities and equipment at its Palmdale Location should it secure the Department of Defense contract to manufacture the Advanced Strategic Aircraft Program. This investment would add 1,100 direct high-skilled and high-paying jobs.

Under this agreement, the County of Los Angeles payment to Lockheed Martin will be \$3,089,977 and the Community Service Fee paid to the County will be \$1,029,922 over the 15-years of the agreement.

As a general precondition to the Agreement, Lockheed Martin was to secure the Department of Defense contract. The contract was awarded to a different bidder; therefore the County has not made a capital investment incentive payment.

County of Los Angeles and Weber Metals, Inc.

On August 18, 2015, the County of Los Angeles Board of Supervisors voted to execute a Community Services Agreement with Weber Metals, Inc. Under this 15- year agreement, Weber Metals would invest approximately \$295,000,000 in new facilities and equipment, including the installation of 60,000 hydraulic forging press to manufacture aircraft parts at its Long Beach location. This investment would add 70 direct high-skilled and high-paying jobs, such as engineering (i.e., design, mechanical, electrical software, flight test, environmental and manufacturing), production (i.e. planning, tooling, fabrication, quality and final assembly) and business support.

Under this agreement, the County of Los Angeles payment to Weber Metals will be \$1,045,825 and the Community Service Fee paid to the County will be \$348,607 over the 15-years of the agreement.

This facility has not reached the project spend level for initiation of the incentive, the County has not made a capital investment incentive program payment.

City of Long Beach and Weber Metals, Inc.

On September 1, 2015, the Long Beach City Council voted to execute a Community Services Agreement with Weber Metals, Inc. Under this 15- year agreement, Weber Metals would invest approximately \$295,000,000 in new facilities and equipment, including the installation of 60,000 hydraulic forging press to manufacture aircraft parts at its Long Beach location. This investment would add 70 direct high-skilled and high paying jobs, such as engineering (i.e., design, mechanical, electrical software, flight test, environmental and manufacturing), production (i.e., planning, tooling, fabrication, quality and final assembly) and business support.

Under this agreement, the City of Long Beach payment to Weber Metals will be \$790,000 and the Community Service Fee paid to Long Beach will be \$265,000 over the 15-years of the agreement.

This facility has not reached the project spend level for initiation of the incentive, the City has not made a capital investment incentive program payment.