

RESOLUTION NUMBER R- 286731

ADOPTED ON DEC 04 1995

WHEREAS, SGS-Thomson Microelectronics ("SGS-Thomson") is an international corporation which manufactures a four-inch computer chip from its manufacturing facility in the Rancho Bernardo Business Park San Diego, and currently employs 293 people, down from approximately 500 employees in 1992; and

WHEREAS, SGS-Thomson's current manufacturing operation at the Rancho Bernardo Business Park is scheduled to be phased out of production by January 1997; and

WHEREAS, SGS-Thomson is gearing up to manufacture a new six-inch wafer, incorporating substantially new processes and with increased market share, and is considering San Diego or its U.S. headquarters in Carrollton, Texas as the site to manufacture the six-inch wafer chip; and

WHEREAS, if SGS-Thomson selects the San Diego facility, it will begin an aggressive demolition and construction process, phased over four years, rebuilding current manufacturing space and making substantial investments in new equipment to meet the requirements of the new technology. These new investments will result in the creation of over two hundred (200) new jobs, increased tax revenue to the City, and benefits to the local economy through new construction and increased local purchases of goods and services; and

WHEREAS, if SGS-Thomson selects the Carrollton, Texas facility, the company will close the Rancho Bernardo operation as currently scheduled; and

WHEREAS, SGS-Thomson has been offered an attractive incentive package by Carrollton, Texas, totaling more than seven million dollars (\$7,000,000), including fee exemptions, rebated real property taxes, and job training assistance; and

WHEREAS, the Council of the City of San Diego (the "Council") adopted Council Policy 900-12, which provides for flexible development incentives and standards for their use to address competition in the United States for job-creating businesses; and

WHEREAS, California Revenue and Taxation Code Section 5108 authorizes cities and counties to rebate their portion of personal property taxes imposed on manufacturing equipment for a five (5) year period from the date the equipment is put into service, if the equipment on which the taxes are proposed to be rebated is directly involved in manufacturing and the use of the equipment will lead to the creation of new full time manufacturing positions; NOW THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, that it hereby finds, in its sole discretion, that the retention and expansion of SGS-Thomson Microelectronics in San Diego would result in the retention and creation of jobs and other economic benefits, and is in the best interests of the City of San Diego.

BE IT FURTHER RESOLVED, that the Council hereby finds in its sole discretion, that SGS-Thomson proposes to make substantial

investments for the purchase and use of personal property used in conjunction with the retention and expansion of its manufacturing facility within the jurisdiction of the City of San Diego.

BE IT FURTHER RESOLVED, that the Council in its sole discretion finds that the property which SGS-Thomson proposes to purchase and use will be directly involved in the manufacturing process in the State of California, and not in a preliminary or subsequent activity, or one incidental to manufacturing.

BE IT FURTHER RESOLVED, by the Council that it hereby finds in its sole discretion, that the property which SGS-Thomson proposes to purchase and use will lead to the retention of over two hundred (200) existing jobs or positions and the creation of over two hundred (200) new full-time manufacturing jobs or positions, and that both the retained and new jobs or positions are at salary levels of at least ten dollars (\$10) per hour, and that these jobs or positions will continue in existence for at least a continuous five-year period.

BE IT FURTHER RESOLVED, that the City Manager is hereby authorized to negotiate and execute an agreement with SGS-Thomson to rebate to the company for a period of five (5) years, that portion of taxes which the City of San Diego receives on the personal property tax imposed on manufacturing equipment which SGS-Thomson puts into service during the calendar years 1996, 1997, 1998, and 1999 (the "Agreement").

BE IT FURTHER RESOLVED, that the Agreement shall be subject to the City Council's annual budget review and appropriation process, and contain the following provisions:

1. That the maximum amount of the rebate, over the entire nine (9) year rebate period, shall not exceed five hundred thousand dollars (\$500,000), irrespective of the amount of investments made by SGS-Thomson in personal manufacturing property;

2. That SGS-Thomson shall provide a means of assuring that the maximum number of jobs or positions possible shall be made available to San Diego area residents, such as entering into a First Source Hiring Agreement with the San Diego Consortium & Private Industry Council, participating in a locally operated job training program, or recruiting through local universities, community colleges, and career centers.

3. That SGS-Thomson shall provide a means of assuring that the jobs or positions shall meet the requirements of City Council Policy 900-12 and California Revenue and Taxation Code Section 5108 regarding the quality of the jobs or positions.

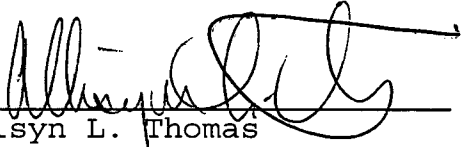
4. That SGS-Thomson shall provide a means of assuring that the number of new employees employed by it in the State of California, constitutes an increase in the total number of employees, as defined in Section 621 of the Unemployment Insurance Code.

5. That SGS-Thomson shall self-accrue California use taxes and shall properly allocate use taxes to San Diego as the situs of the transaction.

6. That SGS-Thomson shall seek to maximize its purchase of local goods and services including construction activities,

through participation in the Economic Development Corporations's
Buy San Diego Program or other means.

APPROVED: JOHN W. WITT, City Attorney

By 
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