Policy on Industrial Use Designations

The purpose of this policy is to identify buildings or structures that may be designated as Industrial Uses, thus qualifying for a reduced development tax assessment rate.

Development Taxes for Commercial and Industrial Uses
San Jose Municipal Code Sections 4.46 (Building and Structure Construction Tax) and 4.47 (Commercial-Residential-Mobile Home Park Building Tax) impose taxes on buildings or structures intended to be used for commercial and industrial purposes. The tax rate imposed on buildings and structures to be used for commercial purposes is significantly higher than those for industrial purposes. Tax rates are set as follows:

BUILDING AND STRUCTURE CONSTRUCTION TAX
• Industrial tax rate is one percent of the valuation.
• Commercial tax rate is one and one-half percent of the valuation.

COMMERCIAL-RESIDENTIAL-MOBILEHOME PARK BUILDING TAX (CRMP)
• Commercial tax rate is three percent of the valuation.

Industrial Category
• An Industrial Use designation can be granted to a speculative shell construction if the intended use is included in the uses listed under Industrial Uses below.
• An Industrial Use designation granted to a company or corporation includes its support services such as administrative offices, sales offices, and other facilities that are accessory to the company or corporation and located on the same campus or complex.
• Buildings and structures that are to be used for industrial purposes must be documented by completing an Industrial Use Designation form.

Commercial Category
• Uses that do not qualify as industrial or residential will be assessed at the applicable commercial rates.
• If a building shell was designated as an Industrial Use but the proposed tenant use is commercial, the applicable commercial tax rates will be retroactively collected for the applicable portion of the building.
• Hotel/Motels are determined by the approved use stipulated in the Planning permit.
• Care or daycare facilities having more than six persons.
Industrial Uses
The following is a list of selected permitted uses within the Industrial Zoning Districts that are designated as Industrial Uses, and thus assessed the industrial tax rate regardless of the specific zoning designation of their location.

A. List of qualifying Industrial Uses

- Laboratories (including bioscience laboratories) devoted exclusively to research, product development and testing, engineering development, and sales development.
- Manufacturing facilities
- Photographic processing and developing
- Mini-warehouses
- Production, preservation and preparation of food products for human consumption, excluding public dining.
- Trade and business schools.
- Repair, cleaning, and servicing of commercial or industrial equipment or products.
- Storage, warehousing and distribution establishments
- Construction and corporation yards.
- Repair and cleaning of vehicles, including boats, excluding gasoline service stations and repair shops installation of tire, battery, brake, muffler and shock absorber, and wheel aligning.
- 9 and 18 hole golf courses.
- Frozen food lockers.

B. A use for which the City Council has approved a development agreement by ordinance, or a special ordinance that determines such use as an Industrial Use.

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