

RESOLUTION NO. 2022-113

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA, ACCEPTING THE FIVE YEAR ECONOMIC DEVELOPMENT SUBSIDY REPORT PREPARED PURSUANT TO GOVERNMENT CODE SECTION 53083 FOR THE OPERATING COVENANT AGREEMENT BY AND BETWEEN THE CITY OF CORONA AND LLR, INC.

WHEREAS, LLR Inc., a Wyoming corporation doing business in California as LuLaRoe LLR, Inc. (“LLR”) leases certain real property (APN 115-590-016) located at 1375 Sampson Avenue in the City of Corona, on which LLR operates a regional sales office (“Facility”) for the wholesale and retail sale apparel for women and men (“Merchandise”); and

WHEREAS, the City of Corona (“City”) and LLR entered into that certain Operating Covenant Agreement dated August 2, 2017 (“Agreement”), which provides incentives to ensure LLR maintains and continues operating the Facility within the City for a term of at least 40 years and expands its operations within the City as appropriate; and

WHEREAS, pursuant to the Agreement, LLR has also covenanted to, among other things, designate the City as the point of sale for the Merchandise and for the Facility to be the only sales office in California for the sale of the Merchandise; and

WHEREAS, the City agreed to purchase those covenants through quarterly payments equal to up to 60% of the sales tax, above a base sales tax amount, generated by transactions allocated to the Facility; and

WHEREAS, California Government Code section 53083(e) provides that the City must hold a public hearing within five years to provide an update on the economic development subsidy; and

WHEREAS, in accordance with Government Code section 53083(d), the City prepared and made available to the public, including on its website, a Five Year Economic Development Subsidy Report attached hereto as Exhibit “A” and incorporated herein by reference (“Five Year Report”); and

WHEREAS, in accordance with Government Code Section 53083(e), the City held a noticed public hearing on August 17, 2022 to consider all written and oral comments on the Five Year Report; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA, AS FOLLOWS:

SECTION 1. Incorporation of Recitals. The foregoing recitals are true and correct and are incorporated herein and made an operative part of this Resolution.

SECTION 2. Acceptance of Five Year Report. The City Council finds and determines that the Five Year Report is in compliance with applicable law, specifically Government Code Section 53083, and hereby accepts the Five Year Report.

SECTION 3. CEQA. The City Council hereby finds that pursuant to the California Environmental Quality Act (“CEQA”) (Pub. Res. Code, § 21000 et seq.) and the State CEQA Guidelines (Cal. Code Regs, tit. 14 § 15000 et seq.), acceptance of the Five Year Report is not a “project” for purposes of CEQA and therefore is not subject to CEQA review. Acceptance of the Five Year Report is not a project pursuant to State CEQA Guidelines section 15378(b)(4), which states that government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant environmental impact are not subject to CEQA. Further, acceptance of the Five Year Report is not a project under State CEQA Guidelines section 15061(b)(3), which states that CEQA does not apply where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

SECTION 4. Severability. If any provision of this Resolution is held invalid, the remainder of this Resolution shall not be affected by such invalidity, and the provisions of this Resolution are severable.

SECTION 5. Effective Date. This Resolution shall become effective immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 17th day of August 2022.

Mayor of the City of Corona, California

Attest:

City Clerk of the City of Corona, California

CERTIFICATION

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly passed and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 17th day of August 2022 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this 17th day of August 2022.

City Clerk of the City of Corona, California

[SEAL]

EXHIBIT A
FIVE YEAR ECONOMIC DEVELOPMENT SUBSIDY REPORT

[SEE ATTACHED THREE (3) PAGES]

FIVE-YEAR ECONOMIC DEVELOPMENT SUBSIDY REPORT

PURSUANT TO GOVERNMENT CODE SECTION 53083

FOR THE OPERATING COVENANT AGREEMENT

BY AND BETWEEN

CITY OF CORONA

AND

LLR, INC.

(ADOPTED BY RESOLUTION NO. 2022-113: 08-17-22)

Pursuant to Government Code Section 53083, the City Council of the City of Corona must hold a noticed public hearing within 5 years of the approval of an economic development subsidy and, prior to the public hearing, provide all of the following information in written form and make it available to the public and through the City's website. Notice was published in the local newspaper for a public hearing to be held on August 17, 2022.

The City and LLR, INC. ("LLR") previously entered into an Operating Covenant Agreement dated August 2, 2017 ("Agreement") for the purposes of providing incentive to establish a regional sales office and/or buying company, expand operations and remain in the City for not less than 40 years.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regard to the Agreement. This report shall remain available to the public and posted on the City's website until the end date of the economic development subsidy, as further described in number 2 below.

1. The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.

The Agreement is with LLR, INC, a Wyoming corporation. LLR, INC. is the sole beneficiary of the economic development subsidy.

LLR, INC.

830 E. Parkridge Ave.

Corona, CA 92879

2. The start and end dates and schedule, if applicable, for the economic development subsidy.

As provided in the Agreement, the start date of the economic development subsidy commenced on the first day of Computation Quarter 1, as defined in the Agreement, which occurred on or about July 1, 2017. The end date under the Agreement was established as the date that is no later than 40 years after the start date, on or around June 30, 2057, provided that the Agreement automatically renews for subsequent 60-month periods, unless terminated pursuant to the terms of the Agreement. If the term is automatically renewed, the economic development subsidy shall continue for such 60-month renewal period.

The economic development subsidy is paid quarterly (every 3 months), within 120 days of the end of each Computation Quarter. Computation Quarters run from January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31.

3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.

The economic development subsidy is an amount equal to fifty percent (50%) of the sales tax revenue received by the City during a Computation Quarter from taxable sales occurring at LLR during that Computation Quarter.

Beginning with Computation Quarter 3, the economic development subsidy is an amount equal to sixty percent (60%) of the sales tax revenue received by the City during a Computation Quarter from taxable sales occurring at LLR during that Computation Quarter in excess of \$2,500,000 if all of the following conditions are satisfied: (a) LLR hires 150 full time employees compared to the number of full time employees hired by LLR at year end 2016; and (b) LLR makes a \$51,500,000 investment into the City of Corona.

Through the first quarter of 2022, the total amount paid by the City to LLR, INC. is \$1,613,581.37.

4. A statement of the public purposes for the economic development subsidy.

Through the Agreement, LLR is required to operate and maintain a regional retail sales office in the City for transacting merchandise sales. LLR is the retailer, as that term is used in Section 6015 of the California Revenue and Taxation Code, for all LLR merchandise shipped to California customers. LLR's regional sales office in the City is required to be the only sales office in California for the sale of LLR merchandise. LLR

also has the option of forming a buying company, which is a separate legal entity created for the purpose of performing administrative functions, including acquiring goods and services, for the other entity. If formed, the buying company would create another opportunity for increased sales tax generation within the City. The public purpose of the economic development subsidy includes, but is not limited to, having a company establish and maintain a physical presence in the City which creates jobs and stimulates the economic recovery of the Inland Empire. LLR has established a regional sales office within the City, which is to serve as the only sales office in California and has agreed to remain in the City for a period of not less than 40 years from the Effective Date of the Agreement. The Agreement creates an incentive for LLR to maintain its existing operations and expand its operations with the new regional sales office, which solidifies a long term presence in the City and the corresponding sales tax revenue received by the City. The establishment of the regional sales office within the City generates substantial revenue for the City and creates new jobs and the opportunity for community and public improvements that might not otherwise be available to the community for many years. Additionally, by having a company like LLR maintain a physical presence in Corona we have added diversity to and generated new opportunities for economic growth. Further, the sales office serves the additional public purpose of fostering a business and civic environment that may attract additional businesses and investment in the community due to the availability of the increased public and private services and economic activity resulting therefrom, thereby assisting the City in its goal of furthering the development of the community

5. The net tax revenue to the local agency as a result of the economic development subsidy.

The City has received \$1,289,044.94 in net Sales Tax Revenues from taxable sales occurring at LLR.

6. The net number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

- 150 full-time jobs
- 0 part-time jobs
- 6 temporary positions