



Staff Report

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**File #:** 22-0560

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**REQUEST FOR CITY COUNCIL ACTION**

**DATE:** 08/17/2022

**TO:** Honorable Mayor and City Council Members

**FROM:** Economic Development Department

**SUBJECT:**

Public Hearing accepting the Five-Year Economic Development Subsidy Reports for the Operating Covenant Agreements between the City of Corona and All American Asphalt, Downs Energy, LLR, Inc. (LuLaRoe), Robertson's Ready Mix, and Saul Chevrolet, Inc. (Mazda).

**EXECUTIVE SUMMARY:**

This City Council will consider accepting the Five-Year Economic Development Subsidy Reports for the Operating Covenant Agreements between the City of Corona and All American Asphalt, Downs Energy, LLR, Inc. (LuLaRoe), Robertson's Ready Mix, and Saul Chevrolet, Inc. (Mazda). State law enables local agencies to share a portion of their one percent share of sales and use tax with private entities for the purposes of job creation, revenue generation, and other economic benefits. This sharing practice is commonly referred to as an economic development subsidy. Government Code Section 53083 requires the City to hold a public hearing accepting Five-Year Economic Development Subsidy Reports for any subsidies exceeding \$100,000 that were authorized following the law's adoption in January 2014.

**RECOMMENDED ACTION:**

**That the City Council:**

- a. Conduct a public hearing pursuant to Government Code Section 53083.
- b. Adopt Resolution No. 2022-110, accepting the Five-Year Economic Development Subsidy Report for Saul Chevrolet, Inc., which was prepared pursuant to Government Code Section 53083.
- c. Adopt Resolution No. 2022-111, accepting the Five-Year Economic Development Subsidy

Report for All American Asphalt, which was prepared pursuant to Government Code Section 53083.

- d. Adopt Resolution No. 2022-112, accepting the Five-Year Economic Development Subsidy Report for Downs Energy, which was prepared pursuant to Government Code Section 53083.
- e. Adopt Resolution No. 2022-113, accepting the Five-Year Economic Development Subsidy Report for LLR, Inc. (LuLaRoe), which was prepared pursuant to Government Code Section 53083.
- f. Adopt Resolution No. 2022-114, accepting the Five-Year Economic Development Subsidy Report for Robertson's Ready Mix, which was prepared pursuant to Government Code Section 53083.

### **BACKGROUND & HISTORY:**

California state law allows local agencies to share their portion of sales and use taxes with a private entity in order to attract and retain companies that provide jobs, generate revenue, and enhance the local economy. This is commonly referred to as an economic development subsidy. In the City of Corona, economic development subsidies are formalized through Operating Covenant Agreements (Agreements).

In January 2014, the State of California enacted Assembly Bill 562, which is now Government Code Section 53083. This law requires local agencies to provide specified information to the public before approving an economic development subsidy and to review, hold hearings, and report on those subsidies at specified intervals (e.g., for consideration, within five years, and at the conclusion). The City has five existing Agreements with private entities that operate within City limits. These private entities include All American Asphalt, Downs Energy, LLR, Inc. (LuLaRoe), Robertson's Ready Mix, and Saul Chevrolet, Inc. (Mazda).

### **ANALYSIS:**

Per Government Code Section 53083, public agencies are required to hold a public hearing and submit an Economic Development Subsidy Report within five years of entering into an economic development subsidy. Although not clearly defined in State law, staff is providing Five Year Economic Development Subsidy Reports for all existing Agreements, regardless of execution date, to ensure compliance with State law. The Agreements are not being amended and no changes are proposed.

The Five-Year Economic Development Subsidy Report must contain the following information:

- 1. The name and address of all corporations that are the beneficiary of the economic development subsidy;
- 2. The start and end dates and schedule for the economic development subsidy;

3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds;
4. A statement of the public purposes for the economic development subsidy;
5. Net tax revenue to the local agency as a result of the economic development subsidy; and
6. Net number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

Table 1 provides a summarized overview of the information contained in each of the individual Five-Year Economic Development Subsidy Reports.

Table 1: Overview of City of Corona Five-Year Economic Development Subsidy Reports

<b>Private Entity</b>	<b>Execution &amp; Expiration Date</b>	<b>Net Tax Revenue to Business</b>	<b>Net Tax Revenue to City</b>	<b>Net Jobs Created</b>
All American Asphalt	August 8, 2008 Automatically renews	\$1,640,571.73	\$8,171,715.15	650 full-time, 3 part-time, 0 temporary
Downs Energy	November 15, 2006 June 30, 2036	\$5,353,222.50	\$9,020,913.64	59 full-time, 5 part-time, 0 temporary
LLR, Inc. (LuLaRoe)	August 2, 2017 June 30, 2057	\$1,613,581.37	\$1,289,044.94	150 full-time, 0 part-time, 6 temporary
Robertson's Ready Mix	July 1, 2008 June 30, 2039	\$20,504,627.44	\$20,504,627.42	1,570 full-time, 0 part-time, 0 temporary
Saul Chevrolet, Inc. (Mazda)	June 20, 2012 June 30, 2030, or aggregate payment of \$6 million	\$1,824,018.07	\$3,224,018.06	110 full-time, 2 part-time, 0 temporary

Staff from the Economic Development Department and the Finance Department continue to monitor each private entity's compliance to ensure all requirements are being fulfilled in accordance with the terms of each Agreement. To date, all private entities remain in compliance with their Agreements. As required by law, a notice of public hearing was published on August 12, 2022, and the Five-Year Economic Development Subsidy Reports have been prepared and are attached hereto for public review.

#### **FINANCIAL IMPACT:**

There is no immediate financial impact associated with the recommended actions. The recommended actions simply approve the State-required Five-Year Economic Development Subsidy

Reports. The annual appropriation for covenant payments is and will be continuously budgeted during the City's annual budget process for the duration of the lifespan of each Agreement.

**ENVIRONMENTAL ANALYSIS:**

The City determined that the adoption of the Resolutions accepting the Five-Year Economic Development Subsidy Reports is exempt from further review pursuant to the California Environmental Quality Act ("CEQA"), in accordance with State CEQA Guidelines 15061(b)(3), as it can be seen with certainty that there is no possibility that performance of the Resolution may have a significant effect on the environment.

**PREPARED BY:** AMANDA WICKER, ECONOMIC DEVELOPMENT ADMINISTRATOR

**REVIEWED BY:** JESSICA M. GONZALES, ECONOMIC DEVELOPMENT DIRECTOR

**Attachments:**

1. Exhibit 1 - Saul Chevrolet, Inc. Five-Year Economic Development Subsidy Report
2. Exhibit 2 - Resolution 2022-110
3. Exhibit 3 - All American Asphalt Five-Year Economic Development Subsidy Report
4. Exhibit 4 - Resolution 2022-111
5. Exhibit 5 - Downs Energy Five-Year Economic Development Subsidy Report
6. Exhibit 6 - Resolution 2022-112
7. Exhibit 7 - LLR Inc. Five-Year Economic Development Subsidy Report
8. Exhibit 8 - Resolution 2022-113
9. Exhibit 9 - Robertson's Ready Mix Five-Year Economic Development Subsidy Report
10. Exhibit 10 - Resolution 2022-114