



Existing Operating Covenant Agreements Informational Update



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Agenda

- What Are Covenant Agreements?
- Why Communities Enter Into Covenant Agreements
- Examples of Types of Requirements
- How the City Monitors Compliance
- Sales Tax Confidentiality
- Corona Covenant Agreements



What Are Covenant Agreements?

- Covenant Agreements: a type of economic subsidy agreement between a local governing body and another entity
- Economic Development Subsidy: any expenditure of public funds or loss of public revenue of \$100,000 or more for economic development purposes



Why Communities Enter Into Covenant Agreements

- Attraction and retention of high revenue generating business
- Job creation and retention
- Sales tax generation
- Enhanced long-term viability of properties



Types of Requirements

Sales tax

- Standard or sliding scale based on performance
- Example:
 - \$1 million – 50%
 - Less than \$1 million – 25%

Jobs

- Maintaining or increasing job count
- Example:
 - Will add 100 jobs over two-year period



How The City Monitors Compliance

- Finance reviews and monitors quarterly sales tax reports
- Economic Development serves as liaison with business and confirms additional requirements are met
- If compliant, Finance issues quarterly or annual payments, as specified in individual agreements
- Reporting Requirements
 - Subsidy report – 5 years
 - Comprehensive Annual Financial Report (CAFR)



Sales Tax Confidentiality – Governing Regulations

What we can share:

- Combined information
 - “Gang of Four” and 80% rules
 - Top 25 sales tax producers

What we can't share:

- Confidential data
 - Specific amounts of sales tax generated by individual businesses
 - How businesses have performed over time (increase or decrease in sales tax)



All American Asphalt

- Entered into on August 6, 2008
- Operates its sales office in Corona as the company's point of sale on all taxable sales transactions
- Sales Tax Revenues:
 - Greater than \$1m – 50%
 - \$500k-\$1m – 25%
 - Less than \$500K – no benefit
- Automatically renews for 5-year terms unless either party provides written notice no less than 1 year



Redevelopment Development Agreement between Corona Hills Associates and the Price Company

- Entered into on November 20, 1987
- \$9 million loan (8.75% interest) to City (formerly Redevelopment Agency) to acquire a portion of Corona Hills Plaza shopping center for development of a Costco (formerly Price Club)
- Loan repayment (40 years)
 - First \$200k to City
 - Next \$200k to Developer
 - Balance 50% to City and 50% to Developer



Downs Energy

- Entered into on November 15, 2006
- Sales Tax Revenues:
 - \$250k or greater – 50%
 - As of July 2022:
 - Downs required to hit \$1.1m per fiscal year in order to receive 50%
- Expires June 30, 2036



LLR Inc. (LuLaRoe)

- Entered into on August 2, 2017
- Required to maintain regional (point of sale) office in Corona
- 50% revenue sharing
- 60% revenue sharing, if
 - Revenue exceeds \$2,500,000
 - 150 new employees are hired
 - Owner makes \$51.5m investment into the community for new headquarters
- Expires June 30, 2057



Robertson's Ready Mix, Ltd.

- Entered into on December 12, 2013
- Maintains headquarters in Corona
- Leading producer of ready-mixed concrete in California and Nevada
- 50% revenue sharing
- Expires June 30, 2039



Saul Chevrolet (Mazda)

- Entered into on June 20, 2012
- 50% revenue sharing not to exceed \$6 million in total
- Expires June 30, 2030, or aggregate payment total of \$6 million

*Saul Chevrolet is the legal name of the operating entity for CardinaleWay dealerships including Mazda, Volkswagen, and Hyundai



To Recap

- Operating Covenant Agreements are used for business attraction and retention purposes
- City of Corona has 6 Operating Covenant Agreements
- Staff continues to monitor sales tax reporting and agreement compliance

QUESTIONS?



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