

## CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Andy Okoro, City Manager

PREPARED BY: Roger Grody, Economic Development Consultant

DATE: March 16, 2016

SUBJECT: **Resolution No. 2016-12**, Approving the Economic Development Subsidy Report for Paul Blanco's Good Car Company Pursuant to Government Code Section 53083 (AB 562)

RECOMMENDATION: Conduct the public hearing required pursuant to Government Code Section 53083 regarding the provision of economic development subsidies to Paul Blanco's Good Car Company, and adopt **Resolution 2016-12**, approving the attached report as presented or amended by City Council following public comment.

SUMMARY: Pursuant to Assembly Bill 562, codified as California Government Code Section 53083, the City is required to hold a public hearing on the terms of any agreement that provides subsidies to local businesses in the amount of \$100,000 or more. In accordance with that statute, a written Economic Development Subsidy Report detailing the terms of a proposed agreement has been made available to the public. The subsidy is provided to advance the public interest, including increased employment, an enhanced local tax base through recruitment and retention of revenue-generating businesses.

BACKGROUND/ANALYSIS: Paul Blanco's Good Car Company, a major used car retailer with a record of substantial sales tax production throughout California, has leased a retail auto sales facility at 2000 Hamner Avenue in Norco. It seeks to acquire an additional parcel—one previously held by the Norco Redevelopment Agency and now controlled by the Successor Agency—for expansion of its retail operation, which may ultimately include a new car dealership. Specifically, the City proposes to purchase a 1.6-acre parcel (APN 126-120-038) from the Successor Agency at fair market value, subsequently selling it to Paul Blanco Good Car Company Inland Empire.

The City proposes to acquire the site at a fair market value of \$805,000, then sell it to Paul Blanco at the same price, financing the entire amount. During the first five (5) years of the agreement, the City will provide an economic development subsidy to Paul Blanco's Good Car Company in the form of sales tax revenue sharing. All sales tax

subsidies will be applied as credits to a City loan provided to Paul Blanco's Good Car Company for the acquisition of the former Agency-owned parcel.

Pursuant to Government Code Section 53083, the following elements must be presented in written form, available to the public, including posting on the City's website, prior to the approval of the proposed economic development subsidy, and the attached Economic Development Subsidy Report addresses each of these statutory requirements in considerable detail.

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, if applicable.
2. The start and end dates and schedule, if applicable, for the economic development subsidy.
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.
4. A statement of the public purposes for the economic development subsidy.
5. Projected tax revenue to the local agency as a result of the economic development subsidy.
6. Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

In furtherance of the City's economic development strategies, the proposed agreement with Paul Blanco provides credits, based on generated sales tax revenue, to assist the company in acquiring additional land for expansion of its retail operation. The essential terms of the economic development subsidy are presented below, with greater detail provided in the attached Economic Development Subsidy Report:

1. City agrees to acquire a Successor Agency-owned parcel (APN 126-120-038) at the established fair market value of \$805,000 and subsequently sell it to Paul Blanco's Good Car Company at the same price under the following loan terms:
  - a. Loan Term: 10 years
  - b. Down Payment: \$0
  - c. Interest rate: 2% on remaining principal during first five (5) years; and 3% on remaining principal during the last five (5) years

- d. In the event that the City loan has not been retired in the first five (5) years through sales tax credits, an installment payment will be required on a monthly basis until the entire loan is repaid.
  - e. No subordination: In the event that Paul Blanco's Good Car Company elects to construct a new building on the vacant parcel acquired from the City, the remaining balance of City loan must be immediately paid by Paul Blanco's Good Car Company. If this happens in the first five (5) years, any sales tax credit earned by Paul Blanco's Good Car Company will be converted into annual cash payments in the amount equivalent to the credit that would have been applied to the loan.
2. The amount of sales tax credits to Paul Blanco's Good Car Company will be based on the actual annual total sales tax revenues paid and received by the City from the dealer's operations in the City pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law. The credit is proposed to be calculated according to the following schedule—one that is favorable to the City of Norco—based on total actual annual sales from Paul Blanco's Good Car Company operations in the City of Norco:
- a. First \$200,000 of City's Share of Sales Tax Revenue: No Credit (City: \$200,000)
  - b. Next \$100,000 of City's Share of Sales Tax Revenue: 100% Credit to Paul Blanco
  - c. Balance of Sales City's Share of Tax Revenue (amount in excess of \$300,000 annually): 50% Credit (50/50 Split)

The subsidies outlined in the proposed agreement are justified by the volume of sales documented at comparable Paul Blanco's Good Car Company retail sites in other jurisdictions. Based on conservative projections, it appears likely that more than \$2.6 million of local sales tax revenue will be generated to the City during the 10-year term of this Agreement (see Exhibit A), which translates into approximately \$260,000 of annual average sales tax revenue retained by the City. The term for the Agreement is up to 10 years, but sales tax sharing is limited to five (5) years or \$805,000, whichever comes first.

Paul Blanco is currently occupying its site at 2000 Hamner Avenue in accordance with a valid 10-year lease and is operating under a valid Conditional Use Permit (CUP) that permits retail used car sales. The company is in possession of a City of Norco Business License, a Sales Permit from the Department of Motor Vehicles and a Sales and Use Tax Permit from the State of California Board of Equalization. The Agreement requires Paul Blanco's Good Car Company to continue to operate retail auto sales at 2000 Hamner Avenue for the term of the Agreement, and designating Norco on its sales tax statements as the point-of-sale for all sales transactions generated at the site.

The proposed agreement is consistent with the City's economic development goals and serves the best interest of the general public. Specifically, the following public purposes are achieved:

- Ensuring increased sales tax revenue, which ultimately funds essential City services while securing the City's financial stability.
- Creating at least 65 new jobs in the community, thereby stimulating further generation of sales tax revenue and increased demand for housing, goods and services.
- Providing a vital, productive use of a previously vacant commercial site, one that would otherwise have been vulnerable to graffiti, vandalism and blight.
- Occupying a strategic, recently vacated site, Paul Blanco complements the two existing new car dealerships at the Norco Auto Mall, making it a more appealing, economically vibrant destination for prospective car buyers.

If executed, the proposed subsidy will result in one of the City's largest producers of sales tax revenue, ensuring support for essential City services such as public safety, recreation, and infrastructure. In addition to encouraging investment in the community, the agreement will transform a vacant, unproductive site into an asset for the City.

**RECOMMENDATION:** Conduct the public hearing required pursuant to Government Code Section 53083 regarding the provision of economic development subsidies to Paul Blanco's Good Car Company, and adopt Resolution 2016-12, approving the attached report as presented or amended by City Council following public comment.

**FISCAL IMPACT:** The proposed agreement requires an initial expenditure of \$805,000 from the Special Asset Revenue Fund, which will be repaid by Paul Blanco's Good Car Company through shared sales tax revenue. During the ten-year term of the agreement, the City is projected to retain \$2.6 million in new sales tax revenue.

Attachment: Resolution No. 2016-12  
Economic Development Subsidy Report

## **RESOLUTION NO. 2016-12**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORCO APPROVING THE ECONOMIC DEVELOPMENT SUBSIDY REPORT REGARDING A PROPOSED AGREEMENT BETWEEN THE CITY OF NORCO AND PAUL BLANCO'S GOOD CAR COMPANY AS PRESENTED OR AMENDED BY CITY COUNCIL FOLLOWING PUBLIC COMMENT**

WHEREAS, City of Norco ("City") is a California municipal corporation; and

WHEREAS, the City proposes to facilitate the opening of, and ensure the continued operation of, a major retail automobile dealership in the City for at least ten (10) years; and

WHEREAS, Paul Blanco's Good Car Company Inland Empire ("Paul Blanco") is a California corporation qualified to conduct business in the State of California and City of Norco; and

WHEREAS, the sales tax revenue generated by local merchants is critical to the City of Norco's economic viability; and

WHEREAS, Paul Blanco has entered into a 10-year lease at 2000 Hamner Avenue in the City of Norco, a site subject to a valid Conditional Use Permit allowing the retail sales of used automobiles; and

WHEREAS, Paul Blanco possesses a valid City of Norco Business License, Sales Permit from the California Department of Motor Vehicles, and Sales and Use Permit from the State Board of Equalization for the subject site; and

WHEREAS, pursuant to Government Code Section 53083, the City has provided detailed terms of a proposed agreement between the City and Paul Blanco in an Economic Development Subsidy Report; and

WHEREAS, operation of a Paul Blanco retail operation in Norco, pursuant to the proposed Agreement, would provide the following benefits to the community:

1. Ensuring increased sales tax revenue, which ultimately funds essential City services while securing the City's financial stability
2. Creating at least 65 new jobs in the community, thereby stimulating further generation of sales tax revenue and increased demand for housing, goods and services
3. Providing a vital, productive use of a previously vacant commercial site, one that would otherwise have been vulnerable to graffiti, vandalism and blight

4. Occupying a strategic, recently vacated site, Paul Blanco complements the two existing new car dealerships at the Norco Auto Mall, making it a more appealing, economically vibrant destination for prospective car buyers

WHEREAS, City and Paul Blanco have negotiated the terms of an Economic Development Subsidy Agreement to provide assistance to Paul Blanco in acquiring a 1.6-acre parcel controlled by the Successor Agency, to ensure the long-term success of the Norco retail operation;

WHEREAS, pursuant to Government Code 53083, the City has held a noticed public hearing regarding the proposed economic development subsidy as required by said statute; and

WHEREAS, the City has duly considered all terms and conditions of the proposed agreement and maintains it serves the public interest of the City of Norco.

NOW THEREFORE, be it resolved by the City Council of the City of Norco that the City approves the Economic Development Subsidy Report as presented or amended by City Council following public comment.

PASSED AND ADOPTED by the City Council of the City of Norco at a meeting held on March 16, 2016.

---

Kevin Bash, Mayor  
City of Norco, California

ATTEST:

---

Cheryl Link, City Clerk  
City of Norco, California

Resolution No. 2016-12

Page 3

March 16, 2016

I, CHERYL LINK, City Clerk of the City of Norco, California do hereby certify that the foregoing Resolution was introduced and adopted by the City Council of the City of Norco at a meeting held on March 16, 2016 by the following vote of the City Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Norco, California on March 16, 2016.

---

Cheryl Link, City Clerk  
City of Norco, California



# **CITY OF NORCO**

## **ECONOMIC DEVELOPMENT SUBSIDY REPORT PURSUANT TO GOVERNMENT CODE SECTION 53803 (AB 562 REPORT)**

**PRESENTED FOR PUBLIC HEARING  
NORCO CITY COUNCIL  
MARCH 16, 2016**

**CITY OF NORCO  
ECONOMIC DEVELOPMENT SUBSIDY REPORT  
PURSUANT TO GOVERNMENT CODE SECTION 53083**

**INTRODUCTION**

**Legislative Intent**

With the adoption of Assembly Bill 562, codified as California Government Code Section 53083, the California Legislature recognized the need for municipalities and counties to encourage economic development, even in light of the dissolution of Community Redevelopment Agencies in 2012. However, the legislation requires that subsidies to local businesses in the amount of \$100,000 or more—those intended to increase employment, enhance the local tax base and attract or retain desirable businesses—be detailed in a written report and subject to a public hearing. This report is intended to satisfy the requirements of Government Code 53083, and is being made available to the public prior to consideration of the proposed Agreement and subsidy. It is also, pursuant to statute, being made available on the City of Norco’s website.

**Legal Requirements**

Pursuant to Government Code Section 53083, the following elements must be presented in written form, available to the public, including posting on the City’s website, prior to the approval of the proposed economic development subsidy:

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, if applicable.
2. The start and end dates and schedule, if applicable, for the economic development subsidy.
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.
4. A statement of the public purposes for the economic development subsidy.
5. Projected tax revenue to the local agency as a result of the economic development subsidy.
6. Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

**Proposed Agreement**

The City of Norco, in an effort to increase the generation of sales tax revenue, enhance community vitality and create new jobs, proposes to provide the type of subsidies addressed by Government Code Section 53083. The City of Norco (“City”) and Paul Blanco’s Good Car Company (“Paul Blanco”) intend to enter into an Economic Development Subsidy Agreement (“Agreement”). The Agreement requires Paul Blanco to retain a point-of-sale location in Norco,

and for the City to provide a limited sharing of sales tax revenue to assist the company in acquiring additional acreage essential to its long term viability in the City of Norco.

## **AB 562 REPORTING REQUIREMENTS**

This section addresses the reporting elements of Government Code Section 53083:

### **A. 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:**

**Name:** Paul Blanco's Good Car Company Inland Empire

**Headquarters Address:** 3815 Florin Rd., Sacramento, CA 95823

**Business Address:** 2000 Hamner Ave., Norco, CA, 92860

**APN Numbers:** 126-120-038

### **B. The start and end dates and schedule, if applicable, for the economic development subsidy:**

The Agreement is anticipated to commence in March, 2016 and expire no later than March, 2026. During the first five (5) years of the Agreement, the City will provide Paul Blanco up to \$805,000 of credits in the form of shared sales tax revenue, all of which shall be used to retire a loan for property acquired by the City and immediately sold to Paul Blanco and financed by the City.

### **C. 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:**

In furtherance of the City's economic development strategies, specifically the generation of sales tax revenues to support essential City services, the proposed Agreement with Paul Blanco provides funds, through credits based on generated sales tax revenue, to assist the company in acquiring additional land for expansion of its retail operation, which may eventually include a new car dealership accompanying its existing used car sales. Specifically, the City will sell to Paul Blanco a 1.6-acre parcel (APN 126-120-038), previously owned by the Norco Successor Agency to the former Redevelopment Agency. The City of Norco will acquire the site at fair market value (\$805,000) and immediately sell it to Paul Blanco for the same price. During the first five (5) years of the Agreement, the City will provide an economic development subsidy to Paul Blanco's Good Car Company in the form of sales tax revenue sharing as outlined in the following paragraph. Sales tax sharing will end after five (5) years from the effective date of this agreement. All sales tax subsidies (credits) will be applied to the loan provided by the City to Paul Blanco's Good Car Company for the purchase of the 1.6-acre parcel as described herein.

Additional terms of the economic development subsidy are as follows:

1. City agrees to acquire Successor Agency-owned parcel (APN 126-120-038) at the fair market value of \$805,000 and immediately sell to Paul Blanco's Good Car Company at the same price, under the following loan terms:

- a. Loan Term: 10 years
  - b. Down Payment: \$0
  - c. Interest Rate: 2% on remaining principal during first five (5) years; and 3% on remaining principal during the last five (5) years
  - d. In the event that the City loan has not been retired in the first five (5) years through sales tax credits, an installment payment will be required on a monthly basis until the entire loan is repaid.
  - e. No Subordination: In the event that Paul Blanco elects to construct a new building on the vacant parcel acquired from the City, the remaining balance of City loan must be immediately paid by Paul Blanco. If this happens in the first five (5) years, any sales tax credit earned by Paul Blanco will be converted into cash payments annually in the amount equivalent to the credit that would have been applied to the loan.
2. The amount of sales tax credits to Paul Blanco will be based on the actual annual total sales tax revenues paid and received by the City from Paul Blanco's operations in the City pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law (Revenue and Taxation Code Section 7200 et seq.), as amended, and any successor laws or amendments thereto that arises from, including but not limited to, taxable sales and services. All sales taxes are collected by the State Board of Equalization with a local tax rate of 1% (City share) apportioned back to the City. The City share of sales tax revenue shall not include any local add-on transactions and use tax that may be imposed by the City. The credit is proposed to be calculated pursuant to the following schedule based on total actual annual sales from Paul Blanco's Good Car Company operations in the City of Norco:

First \$200,000 of City's Share of Sales Tax Revenue:	No Credit (City: \$200,000)
Next \$100,000 of City's Share of Sales Tax Revenue:	100% Credit to Paul Blanco
Balance of Sales City's Share of Tax Revenue (amount in excess of \$300,000 annually):	50% Credit (50/50 Split)

Paul Blanco's Good Car Company, which has a proven track record throughout California, is anticipated to be one of the City's top producers of sales tax revenue. Providing an economic development subsidy in this manner enables Paul Blanco to acquire and utilize additional acreage that is essential to the company's long-term success in the City of Norco. Failure to provide the proposed financial incentive may jeopardize Paul Blanco's sustained viability in the City of Norco, potentially resulting in the premature closure of the subject location.

The proposed Agreement will not result in a reduction of revenue to any other jurisdiction, as Paul Blanco is currently occupying its site at 2000 Hamner Avenue in accordance with a valid 10-year lease. The company is also operating under a valid Conditional Use Permit (CUP) that permits retail used car sales. The company is in possession of a valid City of Norco Business License as well as a Sales and Use Tax Permit from the State of California Board of Equalization.

The term for the Agreement is up to 10 years, but the sales tax sharing agreement is limited to five (5) years or \$805,000, whichever comes first.

### **Obligations of Paul Blanco's Good Car Company**

1. Continuously operate, or cause and allow for the continuous operation of, Paul Blanco's Good Car Company at 2000 Hamner Avenue, Norco, California 92860.
2. Operate with inventory and sales personnel sufficient to satisfy and respond to customer demand and, in compliance with Government Code Section 53084.5, shall designate said property on its sales tax statements as the point-of-sale for all sales transactions generated from or arising out of the business conducted on the subject property.
3. Maintain, or cause maintenance of said property to Norco Municipal Code standards at company's own expense.
4. Carry out the operation of the business of retail automobile sales in substantial conformity with applicable laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, State of California, Riverside County, and City of Norco.
5. Maintain continued possession of valid City of Norco Business License and Sales and Use Tax Permit from the State of California Board of Equalization.
6. Repay City loan under as provided in the Economic Incentive Agreement – Sales Tax Sharing.

### **D. A statement of the public purpose for the economic development subsidy:**

The proposed Agreement is consistent with City's economic development goals and objectives and is in the best interest of the general public. Specifically, the following public purposes are achieved:

- Ensuring increased sales in sales tax revenue, which ultimately funds essential City services while securing the City's financial stability.
- Creating new jobs in the community, thereby stimulating further generation of sales tax revenue and increased demand for housing, goods and services.
- Providing a vital, productive use of a previously vacant commercial site, one that would otherwise have been vulnerable to graffiti, vandalism and blight.
- Occupying a strategic, recently vacated site, Paul Blanco complements the two existing new car dealerships at the Norco Auto Mall, making it a more appealing, economically vital destination for prospective car buyers.

The proposed Agreement is projected to result in one of the City's highest grossing businesses and one of its largest producers of sales tax revenue. That revenue will support the City's General Fund, from which the City funds essential services such as public safety, recreation, leisure, infrastructure, etc. With recent expansion to Nevada and Florida, Paul Blanco's Good Car Company now has a national footprint which can benefit the City in future business recruitment and retention. This encourages additional investment while transforming a vacant,

unproductive site into an asset for the City. Since the dissolution of the Norco Redevelopment Agency in 2012, the City has been forced to be increasingly creative in its attempts to attract new, revenue-generating businesses to the community. The proposed Agreement, through its generation of sales tax revenue and creation of significant on-site employment, advances the City's economic development goals and thus, achieves a great public purpose.

**E. Projected tax revenue to the local agency as a result of the economic development subsidy:**

Specific sales tax data for individual businesses such as Paul Blanco's Good Car Company is confidential pursuant to California Revenue and Taxation Code Section 7056. Furthermore, because the company is new to Norco, there is no available documentation of its sales tax-generating capacity in the City. However, using conservative assumptions and based on sales from other Paul Blanco's Good Car Company locations, staff has estimated that more than \$2.6 million of local sales tax revenue will be generated to the City during the 10-year term of this Agreement (See Exhibit A). This translates into approximately \$260,000 of average annual sales tax revenue to be retained by the City. Cyclical market trends and overall economic conditions may cause sales volume to fluctuate, but over time revenue can reasonably be expected to grow.

**F. Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions:**

During the first year of the proposed Agreement, Paul Blanco's Good Car Company is expected to add more than 60 full-time employees to the Norco labor force. Based on anticipated expansion of the facility for additional service bays, it is estimated that employment will increase by at least 10% within the first year of the Agreement and modest annual increases in employment are likely. These well-paying jobs would not exist without the proposed economic development subsidy. Additionally, it is anticipated that the presence of this company with the additional jobs created will have a simulative impact on the local economy.