

**CITY OF PLACENTIA
ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53803
(AB 562 REPORT)**

**PLACENTIA CITY COUNCIL
PUBLIC HEARING
APRIL 19, 2022**

Legislative Intent

With the adoption of Assembly Bill 562 in 2013, now codified as California Government Code Section 53083, the California Legislature recognized the authority of local officials to use their regulatory powers, direct spending, and tax policies to influence where, when, and how the private sector invests capital and improves real property. The Legislature also intended to promote transparency and accountability in economic development subsidies, similar to annual financial reporting and local fiscal decisions. 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 placed on an agenda for a public hearing at a regularly scheduled meeting. The proposed Agreement would result in a subsidy to Fairway Ford and Audi North OC, based on a refund of a portion of the City’s sales tax to be generated, in an amount not to exceed \$360,000 for a three (3) year period. Therefore, 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 authorization of the economic development subsidy.

Legal Requirements

In accordance with Government Code Section 53083, the following elements must be addressed in written form, and be made 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 Placentia, in an effort to generate additional sales tax revenue, create additional local jobs, and enhance economic vitality, proposed to provide the type of subsidy included in Government Code Section 53083. The City of Placentia (“City”) and Fairway Ford, Inc. (“Fairway Ford”) and Audi North Orange County (“Audi North OC”) intend to enter into an Economic Development Subsidy Agreement (“Agreement”). The Agreement requires Fairway Ford and Audi North OC to retain the subject property in Placentia, and for the City to provide a limited sharing of sales tax revenue to assist Fairway Ford and Audi North OC in recouping its development and renovation costs to ensure its long-term viability in the City of Placentia.

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 Fairway Ford, a California Corporation and Audi North OC. Fairway Ford and Audi North OC is the sole beneficiary of the economic development subsidy.

Fairway Ford
1350 E. Yorba Linda Blvd
Placentia, CA 92870

Audi North Orange County
1275 E. Yorba Linda Blvd
Placentia, CA 92870

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

The Agreement is effective twelve (12) days upon the date of the approval by the City Council.

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 shall be subsidy of \$500.00 per new vehicle purchased or leased by a citizen of Placentia. The City estimates that the total amount of the expenditure or loss of revenue of public funds as a result of the economic development subsidy will be up to One Hundred and Twenty Thousand Dollars (\$120,000) per year for a total of Three Hundred and Sixty Thousand Dollars (\$360,000) for a three (3) year term of this Agreement.

Obligations of Fairway Ford and Audi North OC

- A. Continuously operate, or cause and allow for the continuous operation of, Fairway Ford located at the property with site address of 1350 E. Yorba Linda Boulevard, Placentia, California, 92870, unless and until the business may be subsequently expanded to include additional properties in the City, if any.

- B. Continuously operate, or cause and allow for the continuous operation of, Audi North OC located at the property with site address of 1275 E. Yorba Linda Boulevard, Placentia, California, 92870, unless and until the business may be subsequently expanded to include additional properties in the City, if any.
- C. 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.
- D. Maintain, or cause maintenance of said property to the standards and regulations of the Placentia Municipal Code, at the company's own expense.
- E. 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, the State of California, Orange County, and the City of Placentia.
- F. Maintain continued possession of valid City of Placentia Business License, and Sales & Use Tax Permit from the State of California Board of Equalization.

4. A statement of the public purposes 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 for Fairway Ford and Audi North OC and increased sales tax revenue to the City of Placentia, which ultimately funds essential City services while securing the City's long-term financial stability.
- Create new jobs in the community, thereby stimulating further generation of sales tax revenue and increased demand for local housing, goods, and services.
- Provide enhanced and increased vitality to a highly-visible property along a commercial corridor, making it a more appealing, economically-vital destination for prospective car buyers.

The proposed Agreement will encourage the long-term viability of the City's highest-grossing automobile 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, infrastructure, etc. Ford Motor and Audi Companies have an established national brand which can benefit the City in future business expansion and retention. Since the dissolution of Redevelopment Agencies throughout the State of California since 2012, the City has been forced to be increasingly creative in its attempts to attract or expand new revenue-generating businesses to the community. The proposed Agreement, through its generation of sales tax revenue and creation of additional on-site

employment, advances the City's economic development goals and thus achieves a considerable public purpose.

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

The City anticipates that the retention of the Fairway Ford dealership within the City will result in an approximate retention of annual sales tax revenue in the amount of \$133,460.

In addition, the value of the new dealership of Audi North OC is valued at approximately \$20.0 Million Dollars and will result in additional real property taxes (to the City of Placentia) in the amount of \$108,000 per year, plus additional Personal Property Taxes, based on \$2.0 Million Dollars of improvements.

In addition an increase in business license tax from Audi North OC is projected to be \$2,900, based upon Pro-forma Revenue of \$52.0 Million.

Although there will not be an increase business license tax by Fairway Ford, the City will continue to receive approximately \$2,890 in business license tax from Fairway Ford, Inc.

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

The retention of Fairway Ford within the City is anticipated to result in the retention of 95 jobs currently at the dealership over the term of the agreement.

The new dealership Audi North OC is anticipated to result in the creation of 35 new jobs at the dealership.