



# CITY OF LONG BEACH

# H-2

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

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September 1, 2015

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Receive the supporting documentation into the record, and conclude the public hearing regarding an economic subsidy in connection with a Community Service Agreement under the Capital Investment Incentive Program (CIIP) and with Weber Metals, Inc., pursuant to California Government Code Section 53083;

Adopt a Resolution to establish a City Capital Investment Incentive Program (Citywide); and

Approve and authorize the execution of a Community Services Agreement between the City and Weber Metals, Inc. (Weber), to provide for the terms and conditions for payment. (District 9)

## DISCUSSION

With the elimination of both redevelopment and enterprise zones, cities in California are trying to find ways to assist businesses wishing to locate or expand in their communities. With this in mind, the State of California has established the Capital Investment Incentive Program (CIIP), which allows companies that meet certain criteria to be eligible to receive some assistance with their property tax. The eligible companies must be in manufacturing, aerospace, or alternative energy production.

The CIIP is a State program that mirrors the City's Sales Tax Incentive Program. Similarly, the CIIP establishes a property tax base that must be achieved before any subsidy can be considered. The property tax base established in the CIIP is the sum of the existing property tax base, plus the ad valorem value of the next \$150 million in investment. The CIIP provides for sharing of property tax above the base at 75 percent to the property owner and 25 percent to the City over a period of 15 years.

Any city or county seeking to offer assistance under the CIIP must first adopt a Resolution by its governing body authorizing its staff to work with the State of California in participating in the CIIP and offering this incentive to qualified businesses. Companies seeking assistance under the CIIP must make a written request to the City, provide a detailed description of the investment being contemplated, and specify the number and types of jobs being created. The City and the potential company enter a Community Services Agreement (Agreement) detailing the terms and conditions of the CIIP.

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Weber has formally requested assistance under the CIIP and intends to implement a major expansion to its Long Beach manufacturing facility, including the installation of a 60,000-ton hydraulic forging press for the manufacture of aircraft parts. The investments in real and business personal property necessary for the full and normal operation of the facility is an estimated \$295 million. The property on which these improvements are to be made is referred to as the Qualified Manufacturing Facility (QMF) and is located in the former North Long Beach Redevelopment Project Area in the City of Long Beach, at 6976 Cherry Avenue.

If approved, CIIP payments will be made over 15 consecutive fiscal years, commencing in the fiscal year after the QMF is certified for occupancy or, if no certification is issued, the first fiscal year after the date the QMF commences operation. Prior to making CIIP payments, Weber shall have invested at least \$150 million in real and personal property for the full and normal operation of the QMF.

This investment will provide new property tax revenue to the City. Under the CIIP, the City would pay to Weber 75 percent of the property taxes above the base and attributable to Weber's investment for the next 15 years. Because the proposed project is located in a former redevelopment project area, the amount of property tax revenue generated by the new development must be reduced by the hierarchy of payments required by the Redevelopment Dissolution Act, which includes a Los Angeles County administrative fee, pass-through payments to the affected taxing entities and the payment of all enforceable obligations of the former redevelopment agency before the remaining property tax revenue, known as residual revenue, can be distributed to the affected taxing agencies, including the City.

If a total of \$295 million is invested into the property, the City will continue to receive its current allocation of property tax, plus the City's portion of the ad valorem value of the next \$150 million in investment (the Base) before property tax will be subject to incentive payments. Weber's incentive payment, which is 75 percent of the net property tax received above the Base for a period of 15 years, is estimated to be \$790,000. The City would receive the remaining 25 percent for a period of 15 years, which is estimated at \$265,000, in addition to the Base. The City's total property tax revenues for the 15-year period is estimated at \$2,550,000 (the Base) plus \$265,000 for a total of \$2,815,000. At the end of the 15-year period, the incentive payments would terminate and the City would receive its entire allocation of property tax.

The County of Los Angeles is also proposing to enter into a CIIP with Weber. It is estimated that the County will provide assistance over the 15-year period of \$1,045,000 and will retain \$350,000.

To implement the CIIP, the City and Weber must enter a Community Services Agreement. This Agreement includes a Job Creation Plan (Plan). In the Plan, Weber has projected that the average number of employees for this project will grow from 11 in 2015 to 86 by 2020. Jobs created will generally be in engineering (including design, mechanical, electrical software, flight test, environmental, and manufacturing); production (including planning, tooling, fabrication, quality, and final assembly); and support (such as accounting, finance, human relations, clerical, environmental, and security).

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The City Manager will notify the Governor's Office of Business and Community Development upon the establishment of the CIIP and will inform on or before June 30<sup>th</sup> of each fiscal year the amount of any such payment and to whom it is made.

This matter was reviewed by Deputy City Attorney Richard Anthony on August 18, 2015 and by Budget Management Officer Victoria Bell on July 30, 2015.

TIMING CONSIDERATIONS

Pursuant to California Government Code Section 53083, the Economic Development Subsidy Report was posted to the City's website on August 11, 2015. City Council action is requested on September 1, 2015 to expedite implementation of the proposed CIIP.

FISCAL IMPACT

This action may result in increased residual revenues to the City, totaling up to an estimated \$2,815,000, over 15 years. After 15 years, residual revenues should further increase to recapture the assistance proposed to be paid to Weber. Weber's share of the residual revenues will be incorporated into future budgets after the QMF has commenced operations. This recommendation anticipates a positive local job impact.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

  
MICHAEL P. CONWAY  
DIRECTOR OF ECONOMIC &  
PROPERTY DEVELOPMENT

APPROVED:

  
PATRICK H. WEST  
CITY MANAGER

OFFICE OF THE CITY ATTORNEY  
CHARLES PARKIN, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Lona Beach, CA 90802-4664

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF LONG BEACH AUTHORIZING STAFF TO  
ESTABLISH A CAPITAL INVESTMENT INCENTIVE  
PROGRAM

WHEREAS, with the elimination of both redevelopment and enterprise zones, cities in California are trying to find ways to assist businesses looking to either locate to or expand in their communities; and

WHEREAS, the State of California has established the Capital Investment Incentive Program ("CIIP"); and

WHEREAS, the CIIP provides an opportunity to companies meeting State mandated criteria to receive some assistance with their property tax; and

WHEREAS, the potential companies that could take advantage of the CIIP include manufacturing, aerospace and alternative energy producing companies; and

WHEREAS, the CIIP requires that companies looking to receive any assistance under its guidelines provide a written request to the City of Long Beach, including but not limited to, a detailed outline of investment being contemplated and the number of jobs to be created; and

WHEREAS, the CIIP requires any city looking to offer this incentive first adopt a resolution of its governing body authorizing its staff to work with the State of California to offer the incentive to qualified businesses;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. The City of Long Beach hereby elects to establish a Capital Investment Incentive Program subject to and in accordance with the CIIP Code.

Section 2. The City Manager, or designee, shall notify the Governor's

OFFICE OF THE CITY ATTORNEY  
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Office of Business and Economic Development of the City Council's adoption of this resolution.

Section 3. The City Manager, or designee, shall cooperate with the State of California to market the City's participation in the CIIP Program.

Section 4. No approval of any incentive under the CIIP Program is implied by the adoption of this resolution.

Section 5. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2015 by the following vote:

Ayes: Councilmembers: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Noes: Councilmembers: \_\_\_\_\_

\_\_\_\_\_

Absent: Councilmembers: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
City Clerk