



CITY OF CARSON

Legislation Text

File #: 2022-075, Version: 1

Report to Mayor and City Council

Tuesday, February 15, 2022

Special Orders of the Day

SUBJECT:

PUBLIC HEARING TO CONSIDER FIRST READING OF ORDINANCE NO. 22-2201, ENTITLED "AN ORDINANCE OF THE CITY COUNCIL OF CITY OF CARSON, CALIFORNIA APPROVING AN ECONOMIC DEVELOPMENT BENEFIT AGREEMENT WITH SOUTH BAY CARSON, LLC"

I. SUMMARY

The proposed Ordinance approves an Economic Development Benefit Agreement with the owner of property at 20151 South Main Street under which the City will rebate a portion of sales tax revenues generated from the property to foster development of retail facilities at the property, including possibly a proposed Costco store. II. **RECOMMENDATION**

TAKE the following actions:

1. **OPEN** the public hearing;
2. **TAKE** public testimony and accept any written and/or oral communications;
3. **CLOSE** the public hearing; AND
4. **WAIVE** further reading and Introduce for first reaching Ordinance No. 22-2201, entitled "AN ORDINANCE OF THE CITY COUNCIL OF CITY OF CARSON, CALIFORNIA APPROVING AN ECONOMIC DEVELOPMENT BENEFIT AGREEMENT WITH SOUTH BAY CARSON, LLC"

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate.

IV. BACKGROUND

South Bay Carson, LLC (Sywest) owns property at 20151 South Main Street (Property), which is located within a former Carson Redevelopment Agency Project Area. Despite diligent efforts by the Carson Redevelopment Agency Board and staff to foster development of a beneficial end use for the Property, it has remained vacant for decades. In fact, the Property is currently being used as a temporary facility for the storage of vehicles as no other viable uses have been feasible.

Many projects proposed at the Property failed largely because the Property was part of the former Southwest Conservation Landfill, which accepted wastes similar to other former landfills in the immediate area that now have documented soil and groundwater contamination from metals and volatile and semi-volatile organics; therefore, the Property likely has similar contamination. The history of the Property and efforts to redevelop it makes it evident that development there for retail uses may not be economically feasible without some form of assistance from the City.

The City's Charter includes a comprehensive set of economic development incentives and programs to promote development given the unique environmental constraints in the City, to create jobs and to preserve the sound fiscal basis of the City. The City has broad economic development powers to enact measures, to enter into agreements, and to loan, grant, fund, or finance projects which will provide public benefit and protect the public health, safety and welfare of the community, which programs may be carried out singly or in combination in a manner to promote the economic development objectives set forth in Section 206 of the Charter, which specifically allows for the use of "Tax and Assistance Agreements" for sales taxes, transient occupancy taxes, utility taxes or other taxes to be shared with the generator, and rebates or waivers of franchise fees, business license fees, development impact fees, or other revenue sources.

Additionally, Government Code Section 53803 authorizes the City to provide financial incentives to businesses to promote economic activity. Consistent with Section 53083 and City Charter Section 206, City staff and the City Attorney have negotiated an Economic Development Benefit Agreement (Agreement) with Sywest to promote the purposes of Section 206 of the Charter and via the sharing of proposed sales tax revenues generated from the Property. With the benefits provided in the Agreement, Sywest is negotiating with Costco and other retailers to locate sales tax generating facilities at the Property. Indeed, Sywest has taken several steps to diligently and in good faith pursue development of a Costco by, among other things, submitting a development application to City for the approval of a Costco store at the Property.

The purpose of the economic development incentive is to reduce the "feasibility gap" between the development on behalf of retail tenants, which typically pay lower rent to the property owner but provide other tangible benefits to the Carson community, versus industrial tenants who would pay a much higher rent to the property owner. Industrial development could potentially be feasible on the property without any financial incentive from the City at all. The rebate to the property owner helps to equalize the value to the

owner of the more desirable retail and make it economically feasible.

Under the Agreement, South Bay Carson, LLC is proposed to receive 65% of each dollar of sales tax revenues received by the City for the first 5 years. From year 6 until no later than 20 years from the commencement of the term of the Agreement, the subsidy to Sywest will be lowered to 55% of each dollar of sales tax revenue received by the City from the Property. The first \$100,000 of sales tax revenue each year from retail sales on the Property goes directly to the City and is not subject to the sharing formula. The subsidy is capped at \$18,000,000 maximum. As such, the Agreement terminates either in 20 years or when the \$18,000,000 cap of sales tax rebate is reached.

The Agreement contains additional benefits to the City, including an obligation by Sywest to include in all contracts (including leases) with other entities establishing and operating retail facilities to require that each such entity use reasonable efforts to recruit and hire local City residents for full- and part-time employment opportunities.

Consistent with Government Code Section 53083(a), a notice of public hearing describing the proposed economic benefits of the Agreement has been published by the City and a copy the notice and draft Agreement have been and will remain posted on the City's website throughout the term of the Agreement.

The proposed Agreement was considered by the City's Economic Development Commission on February 15, 2022 and found to be appropriate to recommend to the City Council for approval.

In accordance with the California Environmental Quality Act ("CEQA"), the State CEQA Guidelines (California Code of Regulations, Title 14, §§ 15000 et seq.), and any applicable local CEQA policies and procedures, the Agreement is not a "project" for purposes of CEQA, as that term is defined by the CEQA Guidelines section 15378, because the Agreement merely contemplates a government funding mechanism or other government fiscal activity, which does not involve any commitment to any specific project which may result in potentially significant physical impact on the environment, pursuant to Guidelines section 15378(b)(4), or alternatively, it constitutes an organizational or administrative activity that will not result in a direct or indirect physical change in the environment pursuant to Guidelines section 15378(b)(5). To this end, Sywest is concurrently processing a development application for the proposed retail facilities at the Property, which will address CEQA based on the details of the proposed development. **V. FISCAL IMPACT**

The City of Carson is projected to receive approximately \$40,000,000 in sales tax revenue over the life of the Agreement after computing the maximum subsidy to be paid of up to \$18,000,000 by way of sales tax rebates. **VI. EXHIBITS**

1. Draft Ordinance No 22-2201 (pgs.4- 32)
Attachment 1 - Economic Development Benefit Agreement

Prepared by: Saied Naaseh, Community Development Director