



Agenda Report

City Council

Date: December 10, 2019

To: Brian Saeki, City Manager

From: Conal McNamara, Director of Community Development

Subject: Approval of an Economic Development Subsidy Agreement, Pursuant to Government Code Section 53083, with UFF, LLC and Affiliates

RECOMMENDATION

- 1) Approve an Economic Development Subsidy Agreement, entitled Operating Covenant Agreement, with UFF, LLC and Affiliates; and
- 2) Authorize the City Manager to execute the Operating Covenant Agreement with UFF, LLC in substantially the form provided.

BACKGROUND

On April 23, 2019, the Council approved an agreement with Robert E. Cendejas and Associates for business development consulting. Staff was approached by Mr. Cendejas, a consultant who provides business development consulting services and who also is a tax attorney specializing in business development with large companies. He has consulting agreements with a number of other cities in California. After meeting with staff, he met with the Fiscal Sustainability Ad Hoc Committee, which recommended that staff bring a professional services agreement to the Council for consideration. Mr. Cendejas' role would augment the City's economic and business development functions by attracting larger corporations that are not readily approachable through the City's usual channels. As part of his consulting agreement, Mr. Cendejas would receive a fee equal to 20% of any sales tax revenue received by the City of Whittier, less the amount paid to the business coming from an agreement brought in by him.

DISCUSSION

Economic development in Whittier is a City Council priority. In addition to economic benefits of new business attraction, such as increased sales tax generation, additional shopping activity within the City, and investment in our residential neighborhoods, new businesses also offer residents the variety of options and healthy balance of uses that mature communities have come to expect.

Mr. Cendejas recently brought to staff for consideration an opportunity with UFF, LLC and Affiliates. Per Mr. Cendejas, UFF is one of the fastest growing fashion brands in the US. They were the #1 most-searched fashion brand on Google in 2018. The company provides affordable clothing for men and women, including dresses, jeans, swimsuits, active wear, shoes, and accessories both in-store and online.

As part of the attached Economic Development Subsidy Agreement, entitled Operating Covenant Agreement, with UFF, LLC and Affiliates would establish the company's operation, credit check, and point of sale in Whittier, thus generating retail sales tax. In return, the 20-year Operating Covenant Agreement (with an automatic 20-year extension period) would guarantee the City's payment to the UFF, LLC and Affiliates for each Computation Quarter during the Eligibility Period that the City receives Sales Tax Revenue. The payment is an amount equal to the sum of fifty percent (50%) of the Sales Tax Revenues attributable to annual taxable sales for the year plus an amount equal to fifty percent (50%) of the Sales Tax Revenues attributable to Owner's self-accrual of use tax which is directly allocated to the City, including, without limitation, in connection with Owner's purchase of machinery and equipment from outside of California during such Computation Quarter.

Notice of the public hearing was conducted by publishing the notice and report in the *Whittier Daily News* on November 22, 2019. The notice and report was additionally posted on the City Website, and posted in the City Hall bulletin board on November 22, 2019.

FISCAL IMPACT

While sales revenues cannot be precisely forecast, Mr. Cendejas estimates that the City could receive sales tax revenues in excess of \$2,000,000 annually as a result of this agreement.

Based on receipt by City of \$2,000,000 in sales tax revenues generated by UFF, LLC, City will pay UFF, LLC an amount equal to one half of said sales tax revenues (\$1,000,000). In addition, City would pay Mr. Cendejas a consulting fee in the amount of \$200,000.

ATTACHMENTS

- A. Operating Covenant Agreement with UFF, LLC and Affiliates
- B. Notice and Report