



# City of Huntington Beach

File #: 20-1730

MEETING DATE: 7/6/2020

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Oliver Chi, City Manager

**PREPARED BY:** Ursula Luna-Reynosa, Director of Community Development

**Subject:**

**Public Hearing to consider acceptance of Economic Development Subsidy Study for Pinnacle Petroleum Sales Tax Agreement**

**Statement of Issue:**

Government Code Section 53083 mandates certain requirements of local agencies prior to approving, and during the term of, economic development subsidies. One requirement is that not less than five years after the approval of an economic development subsidy, a report (the "Report") containing specific information shall be made available to the public via the City's website and a public hearing. The City approved a sales tax sharing agreement, *Covenant Agreement by and between the City of Huntington Beach and Pinnacle Petroleum, Inc.*, (the "Agreement") in April 2014. The Report containing the information required pursuant to Section 53083 of the Government Code is attached for review (Attachment #1).

**Financial Impact:**

A fiscal impact was associated with the original action to approve the Agreement; however, there is no fiscal impact to receive and file this document.

**Recommended Action:**

A) Open the public hearing and receive written and oral testimony; and,

B) Receive and file the "Five Year Report Pursuant to California Government Code Section 53083 on an Operating Covenant Agreement By and Between the City of Huntington Beach and Pinnacle Petroleum, Inc.," in compliance with Government Code Section 53083.

**Alternative Action(s):**

Do not receive and file the Report.

**Analysis:**

The City has used sales tax sharing agreements as an economic development incentive to help attract new businesses and retain existing businesses. Pinnacle Petroleum is a provider of gas and oil products for government and corporate fleets since 1995. Pinnacle Petroleum left Huntington

Beach for a neighboring jurisdiction, but in 2007, the City was able to woo Pinnacle Petroleum back to the City with the assistance of a sales tax sharing agreement (70% of sales tax revenue to the City and 30% to Pinnacle). In 2014, the agreement was revised (35% of sales tax revenue to the City and 65% to Pinnacle) to ensure that Pinnacle would not relocate to another city with more competitive incentives.

On January 1, 2014, the State approved Assembly Bill 562 (AB 562), a law that requires local agencies to disclose certain information, make it available to the public, and conduct a public hearing prior to approving an economic development subsidy.

This bill was codified as section 53083 of the Government Code and requires the following information, as applicable:

- 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.
- 2) The start and end dates and schedule 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 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 employees.

An additional requirement of the law is that a local agency that approves an economic development subsidy prepare a report, make it available to the public via the City's website and at a public hearing, within five years of the approval of the economic development subsidy. The report is required to include items one through three listed above, as well as the net tax revenue accrued or accruing to the local agency and the net number of jobs created.

When the City amended the Agreement with Pinnacle in 2014, AB 562 was in effect and the City was required to hold a public hearing and disclose the information identified above, prior to approving the amendment. The complete staff report, including the attached *Covenant Agreement by and between the City of Huntington Beach and Pinnacle Petroleum, Inc.*, is included (Attachment #2).

The Report required pursuant to Government Code Section 53083(d) is attached (Attachment #1), and key points are as follows:

- Agreement term through April 20, 2024, with two five-year options (that must be mutually agreed to);
- The City has retained \$1,594,952 of the total sales tax revenues;
- The City has provided Pinnacle with \$2,962,054 in rebates from the sales tax revenues;
- The City is estimated to retain approximately \$1,761,600 in revenues through the remaining five years; and
- The City has retained between 19 and 22 full-time and part-time jobs.

**Environmental Status:**

The recommended action to receive and file the document will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, and is therefore not a “project” per Section 15378 of the California Environmental Quality Act (CEQA) Guidelines.

**Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

**Attachment(s):**

1. Five-Year Report - Operating Covenant Agreement by and Between the City of Huntington Beach and Pinnacle Petroleum, Inc.
2. Original Staff Report, including attachments and the Operating Covenant Agreement Between the City of Huntington Beach and Pinnacle Petroleum, Inc.