

**ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083**

**FOR A LOCATION AGREEMENT
BY AND BETWEEN CITY OF LONG BEACH AND
M.O. DION & SONS, INC. AND AMBER RESOURCES, LLC dba
SAWYER PETROLEUM**

Pursuant to Government Code Section 53083, the City Council of the City of Long Beach must hold a noticed public hearing and, prior to the public hearing, provide all of the following information in written form and available to the public and through the City's website, regarding a proposed economic development subsidy to be provided by the City pursuant to a Location Agreement by and between the City of Long Beach and M.O. Dion & Sons, Inc. and Amber Resources, LLC dba Sawyer Petroleum (collectively, "Dion") ("Agreement"). Notice was published on City's website for a public meeting held on June 17, 2014.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regards to the Agreement. This report shall remain available to the public and posted on the City's website until the end date of the economic development subsidy, as further described in number 2 below.

- 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 M.O. Dion & Sons, Inc. and Amber Resources, LLC, who own and operate an existing business that will benefit from the economic development subsidy: Dion & Sons, Inc. ("Dion").
Dion & Sons, Inc.
1543 W. 16th Street
Long Beach, CA 90813

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

The Long Beach City Council considered this Agreement on June 17, 2014. The Agreement was executed and became effective as of October 1, 2014 with an end date no later than September 30, 2034.

The economic development subsidy will be paid quarterly, within 60 days of the end of each quarter.

- 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 is equal to sixty-five percent (65%) of the cumulative sales tax revenue received by the City after achieving a minimum threshold of \$490,000 retained by the City for each year of the twenty (20) year agreement.

4. A statement of the public purposes for the economic development subsidy.

Dion & Sons has been headquartered in Long Beach since 1930 and currently operates four additional distribution facilities in Southern California. To achieve administrative and cost efficiencies, Dion and Sons is seeking to consolidate its sales and order management operations to its expanded headquarters in Long Beach and acquire and merge companies. If the Agreement is approved, Dion and Sons will consolidate these services into its Long Beach headquarters. The relocation is expected to result in significant new sales tax revenue to the City.

This Agreement would allow Dion and Sons to grow in the City, enhance additional business-to-business sales tax revenue, and retain a long-term business in Long Beach. Under the Agreement, Dion and Sons would receive 65 percent of the sales tax and the City would retain 35 percent. However, the split of sales tax would not occur in any year until the City receives a minimum base of sales tax revenue equivalent to the amount received in FY 13 (\$490,000). A 65/35 split is the current standard for business-to-business municipal/private entity location agreements of this nature. The allocation of sales tax is based on State Board of Equalization reports. The City or Dion and Sons may, only with just cause, terminate the Agreement upon prior written notice. Given the recent difficult financial constraints California cities have experienced, if the City of Long Beach declines to act on this agreement, both the historical and new revenue from Dion and Sons could potentially be lost to another city. After consolidation of Dion and Sons sales, the City is expected to receive significantly more revenue from Dion and Sons than if no Agreement was in place.

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

Projections indicate that within ten years, the City's net revenue from Dion & Sons may double over the FY 13 base amount of \$490,000.

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

The Agreement will assist in retaining a long-term, local business while preserving existing jobs at the current Dion facilities. Additionally, as part of the consolidation to the Long Beach headquarters 6 employees and three independent sales representatives will be relocated. Additional employees will be hired as necessary.