

REVISED

September 3, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AGREEMENT WITH C B SHEETS, INC.
FOR REBATE OF PERSONAL PROPERTY TAXES
(FIRST) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct Chairman to sign Agreement with C B Sheets, Inc. (CBSI) pursuant to Revenue and Taxation Code Section 5108 for rebate of personal property taxes on corrugated paper manufacturing equipment recently installed at its manufacturing facility located at 13901 South Carmenita Road, Santa Fe Springs not to exceed \$109,640.85 over a five-year period commencing with the 2002-03 fiscal year.
2. Find, pursuant to the requirements of Revenue and Taxation Code Section 5108, that:

CBSI's corrugated paper manufacturing equipment has been used in conjunction with the expansion of their existing manufacturing facility in Los Angeles County;

CBSI's corrugated paper manufacturing equipment is directly involved in the manufacturing process in this State and County, and not in a preliminary or subsequent activity or incidental to manufacturing;

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The use of this property will lead to the creation of at least ten new full-time manufacturing jobs or positions at a salary of at least ten dollars (\$10) per hour or twenty thousand dollars (\$20,000) per year; and

Such new jobs or positions will continue in existence for a continuous five-year period.

PURPOSE OF RECOMMENDED ACTION

The purpose of the proposed Rebate Agreement is to provide an economic development incentive to CBSI for expanding its existing corrugated paper manufacturing operation in Los Angeles County and creating twenty one new full-time jobs. This incentive provided to CBSI involves rebate of the County General Fund portion of the unsecured personal property taxes levied on the newly installed manufacturing equipment at their Santa Fe Springs facility over a five year period and is authorized under California Revenue and Taxation Code Section 5108.

JUSTIFICATION

The proposed five-year rebate of personal property taxes would be made in consideration for CBSI expanding its existing corrugated paper manufacturing facility in Los Angeles County which has resulted in the creation of twenty one new full-time manufacturing jobs at compensation levels ranging from \$20,000 to \$53,000 per year providing an increased annual payroll of \$862,000. As a part of its employee benefits, CBSI provides health insurance coverage for all of its full-time employees.

CBSI initiated its request for economic development assistance through the Los Angeles County Economic Development Corporation. A total capital investment of \$7.6 million has been made by CBSI, including \$1.0 million for building expansion at its Carmenita Road facility in Santa Fe Springs which became fully operational in January 2001.

This private investment, job creation, increased payroll, and the resulting secondary economic multipliers provide an important contribution to maintaining the strength of the local economy.

FISCAL IMPACT

The amount of the rebate of personal property taxes for the first year (fiscal year 2002-03) will be \$21,928.17. Over the five-year term of the proposed rebate agreement, the total amount of rebate will range between \$98,577.01 to a maximum not to exceed amount of \$109,640.85 depending on whether CBSI replaces or upgrades any of its eligible manufacturing equipment covered under and during the term of this agreement.

FINANCING

The proposed rebate of personal property taxes represents all of the County General Fund portion of the one percent tax rate levied on personal property at CBSI's Carmenita Road facility in Santa Fe Springs (Tax Rate Area-TRA 6697). The County General Fund portion of the one percent tax rate in TRA 6697 is .410938102. The County Assessor has reviewed the 2002 Business Property Statement filed by CBSI and has conducted an on site field inspection of the manufacturing facility. Of the \$7.6 million capital investment, the manufacturing equipment and machinery eligible for rebate of personal property taxes under Revenue and Taxation Code Section 5108 has been valued by the Assessor at \$5,336,126 for the first year of the agreement and will depreciate each year to \$4,223,831 in the fifth and final year of the rebate agreement. The one percent tax levy on \$5,336,126 is \$53,361.26 of which the County General Fund portion of .410938102 amounts to \$21,928.17. This represents the maximum amount subject to rebate in any year by the County under the proposed agreement.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed agreement provides for rebate of the County General Fund portion of personal property taxes paid by CBSI over a five-year term commencing with fiscal year 2002-03. CBSI will be required to maintain employment of at least ten new full-time jobs at a minimum compensation level of \$10 per hour or \$20,000 per year continuously over a five-year period. Each year, CBSI will be required to file a claim for rebate with the Chief Administrative Office. The Auditor-Controller will pay the rebate upon written request from the Chief Administrative Office accompanied by written confirmation by the Treasurer and Tax Collector that all taxes have been paid in full. The Assessor and the Auditor-Controller have the right to inspect and verify CBSI's manufacturing equipment and records to assure compliance with the terms and conditions of the Rebate Agreement. In the event CBSI

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should fail to maintain a minimum of ten new full-time jobs at the required minimum compensation levels over the term of the agreement, your Board, at its sole discretion, may rescind any and all rebates paid, obligating CBSI to make restitution along with all applicable penalties accruing from the date each annual rebate was paid.

CONCLUSION

The proposed Rebate Agreement has been reviewed and approved as to form by County Counsel and sets forth the terms and conditions necessary to implement tax rebates as authorized by Revenue and Taxation Code Section 5108.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
WLD:DS:pb

Attachment

c: Assessor
Auditor-Controller
County Counsel
Treasurer and Tax Collector