

April 4, 2019

TO: Members, Assembly Local Government Committee

FROM: Sarah Boot, Policy Advocate *SB*

**SUBJECT: AB 485 (MEDINA) LOCAL GOVERNMENT: ECONOMIC DEVELOPMENT SUBSIDIES
OPPOSE UNLESS AMENDED – AS INTRODUCED FEBRUARY 12, 2019
SCHEDULED FOR HEARING – APRIL 10, 2019**

The California Chamber of Commerce respectfully **OPPOSES UNLESS AMENDED AB 485 (Medina)**, as introduced February 12, 2019. **AB 485** creates the risk of misuse of confidential taxpayer information and will discourage economic development in California and create an additional burden for local agencies that already report subsidies.

Under current law, local agencies must provide certain information to the public before approving an economic subsidy within their jurisdiction. This bill significantly expands the existing law as it applies to warehouse distribution centers. Specifically, prior to approving any subsidy, **AB 485** would require local agencies to report the following additional information:

- job classifications and wage rates of expected jobs;
- the estimated number of independent contractors and their wages;
- the estimated value of their benefits packages for each job classification;
- the estimated number of disadvantaged workers;
- a description of the business' outreach, training, and hiring plans; and
- a description of any state or federal subsidies received by the warehouse distribution center.

Additionally, **AB 485** increases the current law's requirement that a local agency issue a one-time report after providing a subsidy to annual reporting. Reporting required under current law includes the net tax revenue provided by the business as well as the net number of jobs created. If **AB 485** is adopted, this information would have to be reported annually. **AB 485** also adds the following new, annual reporting requirements, including:

- the number of independent contractors and their wages;
- the total value of benefits packages for each job classification;
- the net number of jobs for disadvantaged workers;
- the amount spent on training;
- the retention rate and turnover rate of employees;
- the number of employee arbitration agreements signed; and
- the timeline and the amount of space for implementing any automation.

Finally, **AB 485** increases the current law's requirement that a local agency hold a one-time hearing after providing a subsidy to annual public hearings.

The new categories of reporting required by **AB 485**, both prior to the award of a subsidy and annually thereafter, are extremely onerous. It would be unfair to apply these new obligations onto businesses and local agencies who have already reached agreements with regard to economic subsidies. Thus, we are requesting an amendment for this law to apply to economic development subsidies approved after the effective date of **AB 485**.

Moreover, the disclosures required by **AB 485** include highly sensitive, competitive information. If **AB 485** is adopted as currently drafted, global competitors would know on an annual basis, exactly how many people a business operating a warehouse distribution center in California has hired and fired, how much their employees were offered in wages and benefits, the methods used and the time spent for employee training and outreach, and the annual tax revenue generated, indicating the success or lack thereof of each location. The public disclosure of this sensitive information would put businesses who choose to operate in California at a competitive disadvantage. Therefore, we are requesting amendments to remove these particular requirements from **AB 485**.

Non-compliance or alleged non-compliance with any one of **AB 485's** numerous, sensitive disclosure requirements will give project opponents an avenue to sue. It is not a stretch to see how, similar to CEQA, opponents of these projects could use sensitive information gleaned from the reporting required by **AB 485** as leverage to extract demands from a business or to delay or end projects with which they disagree – either by using lawsuits or by pressuring public officials into not providing any economic development assistance.

If **AB 485** is adopted as currently drafted, businesses will consider all of the above-raised burdens and costs prior to deciding to locate their warehouse distribution centers in California. Ultimately, the onerous requirements of **AB 485** will likely lead to a decline in warehouses built in California, which could have a negative impact on California's economy, including its port activity. Warehouse distribution centers are part of larger global supply chains that bring products into the United States as a whole, not just California. If these warehouses become more expensive to build in California, businesses could pursue other coastal states as hubs for their global shipping operations, and bring their port activities with them. Moreover, businesses seeking regional warehouses in the American West can build their distribution centers in other states, like Nevada or Arizona.

Since the elimination of redevelopment agencies and enterprise zones, few avenues remain for local governments to incentivize economic development. As currently drafted, **AB 485** would exacerbate this situation by imposing onerous requirements that would delay or thwart projects that are crucial to local economies, particularly in economically distressed areas.

For these reasons, we **OPPOSE UNLESS AMENDED AB 485 (Medina)**.

cc: Legislative Affairs, Office of the Governor
Robert Boykin, Office of Assemblymember Medina
William Weber, Assembly Republican Caucus
Angela Mapp, Assembly Local Government Committee

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