



Staff Report

TO: City Council
FROM: Kyle Warsinski, Economic Development Manager
DATE: April 20, 2021
SUBJECT: **Economic Development Subsidy Report pursuant to Government Code Section 53083 for Wolverine Worldwide, Inc., Located at 1020 Prosperity Way, Beaumont, CA 92223**

Background and Analysis:

Wolverine Worldwide is a global footwear company that distributes more than 12 brands including the iconic Wolverine work boots, Bates, Harley-Davidson footwear, CAT footwear, Sebago, Chaco, Merrell, Saucony, Cushe, Stride Rite, Sperry, Keds and Hush Puppies.

In 2016, Wolverine Worldwide started construction of their west coast facility on a 39.09 acre site, located at 1020 Prosperity Way. The 720,000 square foot facility distributes products throughout the United States including e-commerce orders to residents in the State of California. These types of facilities, unlike most large high-cube buildings, generate sales tax revenue for the City of Beaumont.

The City of Beaumont approved a Sales Tax Participation Agreement by and between the City of Beaumont and Wolverine Distribution, Inc., on May 17, 2016. The performance-based Sales Tax Participation Agreement provides Wolverine an opportunity to recapture some of their initial investment into the City. The agreement has been attached to this report for City Council review in Exhibit A.

Agreement Term:

1. 25 years from the approval date of the agreement, or
2. The date the business closes, or
3. The date on which City has fully paid the business up to, but not to exceed, 1.74% of Wolverine's initial investment into the community as specified in the Agreement.

Performance based sharing of Sales Tax

The Agreement provides for sales tax sharing with Wolverine on sales tax revenue generated from the facility and received by the City of Beaumont as follows:

1. The City will receive the first \$100,000 in sales tax revenue in any given year under the agreement;
2. After the first \$100,000, the sales tax revenue between \$100,000 and \$200,000, will be split evenly (50/50) between the City of Beaumont and Wolverine;
3. The sales tax revenue between \$200,000 and \$300,000, will be split 40/60, in which the City of Beaumont would receive 40%, and Wolverine would receive 60%; and
4. The sales tax revenue above \$300,000, will be split 30/70, in which the City of Beaumont would receive 30%, and Wolverine would receive 70%.

Sales Tax Received	First \$100,000	\$100,001 to \$200,000	\$200,001 to \$300,000	Above \$300,000
Percent Payable to City/Business	100% / 0%	50% / 50%	40% / 60%	30% / 70%

Government Code Section 53083 of the State of California requires local agencies to complete and publish an Economic Development subsidy report prior to the approval of these types of agreements, which was done prior to the approval of the sales tax participation agreement in 2016. The initial report contained projections and estimates of economic impacts and the funding to be shared with the business. The government code section further requires within the first five years of the agreement, the local agency to complete and publish an economic subsidy report which contains the total amount of expenditure of public funds by or revenue lost to the City as a result of the subsidy, actual revenues received by the City as a result of the subsidy, and the net number of jobs created as a result of the subsidy. This five-year subsidy report has been attached as Exhibit B. A quick summary of the report is as follows:

Amount of public funds provided to Wolverine to date: \$0,
Net Tax Revenue received by the City: \$388,319.87, and
Net number of Jobs created: 150 full-time and two (2) temporary jobs.

Fiscal Impact:

City staff estimates the costs related to this report to be \$350.

Recommended Action:

Receive and file the Economic Development Subsidy report pursuant to Government Code Section 53083 for Wolverine Worldwide, Inc.

Attachments:

- A. Sales Tax Sharing Agreement by and between the City of Beaumont and Wolverine Worldwide, Inc., dated May 17, 2016.
- B. Economic Development Subsidy report pursuant to Government Code Section 53083 for Wolverine Worldwide, Inc.