

CITY OF



ONTARIO

303 EAST "B" STREET, CIVIC CENTER

ONTARIO

CALIFORNIA 91764-4105

(909) 395-2000

FAX (909) 395-2070

PAUL S. LEON
MAYOR

RUBEN VALENCIA
MAYOR PRO TEM

ALAN D. WAPNER
JIM W. BOWMAN
DEBRA DORST-PORADA
COUNCIL MEMBERS

May 14, 2019

SCOTT OCHOA
CITY MANAGER

SHEILA MAUTZ
CITY CLERK

JAMES R. MILHISER
TREASURER

The Honorable Steven Glazer
California State Senate
State Capitol Building, Room 5108
Sacramento, CA 95814

Re: Senate Bill 531 – Letter of Concern

Dear Senator Glazer,

Although the City of Ontario is not taking an official position on your Senate Bill 531, we would like to voice our concerns regarding how this proposal would fit into the larger picture of California's current business climate. As presently drafted, Senate Bill 531 would prohibit cities from entering into new tax rebate agreements with a private company in exchange for having a distribution center built or relocated to their jurisdiction.

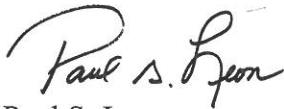
While we understand the intention of the bill, it is important to acknowledge that over the years our state has erected a web of complicated legal and regulatory systems that impede the creation or relocation of businesses into California. Offering themselves up as "business friendly" alternatives, a number of states have realized California's impediments and have exploited them by offering extensive economic incentives, which has led to a mass exodus of businesses leaving our State. In 2019 alone, two of the most high profile businesses in the City of Ontario announced that they will be relocating after receiving greater incentives from other municipalities. ICEE, the beverage company, is moving its headquarters to Nashville, while Crocs, a casual footwear manufacturer is moving a major distribution center to Ohio, resulting in 183 layoffs. Both companies are receiving hundreds of thousands of dollars in grants and tax credits in exchange for moving. Furthermore, our State's corporate tax rate is significantly high in comparison to our competitors. California has a rate of 8.84 percent, while Tennessee has a flat rate of 6.5 percent, and Ohio has none. Eradicating a city's ability to provide incentives might further exacerbate the problem rather than create a fairer taxing system.

The list of businesses leaving our State continues to grow. A study conducted by business consulting firm Spectrum Location Solutions found that more than 13,000 companies left between 2008 and 2016, leading to nearly \$77 billion in capital being diverted away from California. A recent article by the Orange County Register states that the number of workers served with layoff warnings is up 30 percent in just one year, with a number of high profile companies already conducting layoffs (i.e. Tesla cut over 1,000 jobs, and Western Digital cut over 300 positions).

As the proposal moves through the legislative process, I encourage you to take a closer look at California's current business climate and ask whether this bill will help or hurt local efforts to enhance economic development and job creation. It is also important to note that a number of cities have, for years, made several financial and land-use decisions based on their willingness to attract private investment to their jurisdictions. Extracting this financial incentive from their list of tools could render the decisions and investments made over the years obsolete.

We thank you for your consideration and ask that you take the points made in this letter into account as the bill is ushered through the process.

Sincerely,

A handwritten signature in cursive script that reads "Paul S. Leon".

Paul S. Leon
Mayor

c: The Honorable Senator Connie M. Leyva
The Honorable Assemblymember Freddie Rodriguez