

August 2, 2019

Assembly Member Medina
State Capitol
P.O. Box 942849
Sacramento, CA 94249-0061

Re: AB 485 (Medina) Local Government: Economic Development Subsidies – OPPOSE

Assembly Member Medina:

The Los Angeles County Economic Development Corporation (LAEDC), an organization whose purpose is to collectively advance opportunity and prosperity for all, **strongly opposes Assembly Bill (AB) 485**, as it did last year with AB 2853, which was an antecedent bill ultimately vetoed by then Governor Brown. Similar to AB 2853, AB 485 would force local agencies (e.g., city or county) to conduct hearings and issue redundant and excessive reports, with highly sensitive disclosures in some cases, prior to and every year after an award of an economic development subsidy for a warehouse distribution center within their jurisdictions.

Under existing law (Government Code Section 53083), local agencies are already required to provide public notice and hold a hearing *before* granting an economic development subsidy, as defined as any expenditure of public funds or loss of revenue to a local agency in the amount of \$100,000 or more, as well issue a report and hold a public hearing within five years *after* the action granting an economic development subsidy. So, as an economic development leadership organization, we're perplexed as to why a separate law is necessary to single out and needlessly expand the current law to apply only to warehouse distribution centers, which we believe would greatly burden local agencies, negatively impact direct and follow on economic activity supported by our state's trade and logistics-related and -dependent industries, and impede economic development writ large across the state.

Clearly, AB 485 is in direct response to, or perhaps retribution against, the number of Amazon distribution centers opening up across the state and the decision by local jurisdictions to use available incentives to entice the company in its selection of distribution center locations. Unfortunately, this bill would not only have a chilling and deterring effect on the distribution center location decisions of Amazon, *but it would dissuade an untold number of other firms and industries that utilize and depend on warehouse distribution centers in their supply chains* when deciding whether to locate and hire workers here in California, versus let's say right across the border in Nevada or Arizona. Moreover, this bill also comes at a most inopportune time when the current trade war is forcing companies to employ aggressive tariff avoidance strategies, such as reshoring assembly, identifying local options for manufacturing, and creating more agile and flexible supply chains with distribution centers strategically located near large consumer and manufacturing markets, such as in the Los Angeles basin; indeed, this bill would send the absolute wrong message to these companies considering California as they reengineer their supply distribution strategies.

Worse, AB 485 is really bad public policy. It represents a gross overreach by state government on local agencies' freedom to deploy local economic tools readily, facilely and quickly, hampering local economic development efforts needlessly with highly prescriptive and unconstructive requirements when these localities are simply trying to bring more growth businesses and jobs into their communities. On its face, AB 485 neither achieves a *compelling* government interest in singling out warehouse distribution centers, versus, let's say, other subsidy-awarded sectors that are "threatened by automation" (e.g., manufacturing, big box retail), where the "jobs are grueling and high-stress" (e.g. call centers, healthcare) or which rely on "temporary or seasonal" workers (agriculture, construction),¹

¹ See, e.g., bill author's comments

nor is it the *least restrictive* means for achieving the stated government objective “to hold warehouse and distribution companies that receive public subsidies accountable for good job creation,”² as AB 485 disclosures would require firms to divulge confidential competitive information regarding their proposed use and deployment of technologies (such as Artificial Intelligence), their employee benefit packages, and their worker retention rates, which could put firms at a competitive disadvantage in attracting skilled workers.

The fact is that here in Southern California warehouse distribution centers are an integral part of our world-leading trade and logistics industry, which supports more than 580,000 workers, generates about \$225 billion in economic activity, and moves about 600 million tons of freight annually valued at \$1.7 trillion throughout region across various modes of transportation, trade infrastructure and goods movement conveyances.³ Distribution networks and centers are critical to providing businesses with parts and materials needed for successful operations as well as supplying products to local consumer markets that are then retailed to satisfy their demand. Distribution centers also provide tax revenue to all levels of government and a diverse array of jobs for residents with varying levels of education, skills and wages. And while the bill’s author laments the increasing use of automation and robots in this arena, these warehousing and distribution centers still provide significant and upwardly mobile employment opportunities, supporting more than 60,000 jobs at an average wage of close to \$45,000, for residents in the Southern California region.⁴

In sum, with few economic development incentives available, local agencies must have the discretion and flexibility to use their available incentives freely and uncomplicatedly. AB 485 needlessly imposes onerous requirements that would only serve to postpone, frustrate and/or foil the efforts of local jurisdictions to attract distribution and other trade-related projects, firms, jobs and economic activity.

For all of the above reasons, the LAEDC strongly opposes AB 485.

Sincerely,



David Flaks
President & COO
LAEDC

cc:

Honorable Gavin Newsom, California Governor
Lenny Mendonca, Director of the California Governor’s Office of Business and Economic Development

² Id.

³ *Goods on the Move: Trade and Logistics in Southern California*, LAEDC (2017).

⁴ Id.