



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



Edmund G. Brown, Jr
Governor

Kish Rajan
Director

Panorea Avdis
Chief Deputy Director

Grace Arupo-Rodriguez
Deputy Director of Legal Affairs

Will Koch
*Deputy Director of California
Competes Tax Credit Program*

Governor's Office of Business &
Economic Development
1325 J Street, 18th Floor
Sacramento, CA 95814
CalCompetes@gov.ca.gov
(916) 322-0694

**MINUTES OF THE
CALIFORNIA COMPETES
TAX CREDIT PROGRAM
COMMITTEE MEETING**

For the meeting held on
June 19, 2014
707 Third Street, 1st Floor Auditorium
West Sacramento, CA 95605-2811

MEMBERS:

Michael E. Rossi, Chair
*Senior Advisor to the Governor
of California,
Delegate to the Director,
Governor's Office of Business &
Economic Development*

Bill Lockyer
State Treasurer

Michael Cohen, Director
Department of Finance

Denise Zapata, Appointee of
the Senate Committee on Rules

Greg Conger, Appointee of the
Speaker of the Assembly

Chairman Michael Rossi called the meeting of the California Competes Tax Credit Committee to order at 10:09 a.m.

A. Call to Order and Roll Call.

The following Committee Members were in attendance:

- Michael Rossi, Chair
- Katie Carroll (representing the State Treasurer)
- Michael Cohen
- Denise Zapata
- Greg Conger

Absent: None

B. Deputy Director's Report.

California Competes Deputy Director Will Koch provided an overview of the Governor's Economic Development Initiative (GEDI) and more specifically discussed the California Competes Tax Credit application and evaluation process.

Deputy Director Koch allocated a portion of his presentation time to Grace Arupo-Rodriguez, Deputy Director of Legal Affairs, who provided a summary of the Bagley-Keene open meeting law and its applicability to this committee. Further, Ms. Arupo-Rodriguez highlighted the conflict of interest requirements and the obligation for committee members to recuse themselves, if necessary, from specific agenda items.



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



Deputy Director Koch also informed the Committee that agenda Item C-16 (Duarte Nursery) was pulled from the agenda at the applicant's request.

C. Discussion and Approval of Applications for the California Competes Tax Credit from Businesses other than Small Businesses

Chairman Rossi called for any questions or comments from the Committee or the public regarding Agenda Item C, other than questions or comments relating to Item C-13. Hearing none, he requested a motion to approve Agenda Items C-1 through C-20, excluding C-13 (which the Chairman requested be moved to the end of the agenda for discussion) and C-16 (which was withdrawn at the request of the applicant).

Motion: Approve the agenda Items as presented by Chairman Rossi (Conger)
Second: Zapata
Motion Carried: Yes (5-0)
Abstain/Oppose: None

D. Discussion and Approval of Applications for the California Competes Tax Credit from Small Businesses

Chairman Rossi called for any questions or comments from the Committee or the public on Agenda Item D. Hearing none, he asked for a motion to approve Agenda Items D-1 through D-11.

Motion: Approve Agenda Items D-1 through D-11 (Conger)
Second: Zapata
Motion Carried: Yes (5-0)
Abstain/Oppose: None

C-13. (AI California, LLC) Discussion

At the request of the Chair, Deputy Director Koch elaborated on Agenda Item C-13. He stated that this proposed project will create a range of jobs including executives, mid-level managers, warehouse, and retail jobs; 100 of these jobs created will be in Moreno Valley. Deputy Director Koch identified the importance of the project's location because it is in an area with high poverty and low education levels. Nine of the proposed locations are located in federally designated food deserts -- meaning residents do not have access to fresh food or groceries. In addition, there was a letter of support for the applicant from the City of Moreno Valley.

Mr. Conger wanted clarification on the minimum average employee compensation of \$25,000 given in the staff report. Mr. Conger stated that this number is insufficient for full-time employees and not comparable to other grocery retail competitors, such as Safeway, Vons and Albertsons. Mr.



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



Conger also questioned if the minimum average employee compensation is inclusive of part-time employees. Deputy Director Koch responded to Mr. Conger's concerns and confirmed AI California would be contractually obligated to hire 182 full-time employees. For purposes of the California Competes Tax Credit, as with all applicants that were considered on the agenda, the number of part-time employees is not a part of the contract or minimum/average salary calculations. Deputy Director Koch also addressed the comparison concerns and asserted that although the proposed projects offer fewer stock keeping units (SKUs), the new stores will significantly help those who did not previously have access to fresh food. Mr. Conger asked if there was a definition of a "food desert". In response, Deputy Director Koch read the definition from the United States Department of Agriculture.

Ms. Zapata inquired as to the number of upper management positions being created. Deputy Director Koch responded that of the 182 jobs being created, roughly half were at the Moreno Valley distribution center with approximately 5-7 being mid-level management positions.

Public comment:

Chairman Rossi asked for any comments from the public on agenda item C-13.

Sara Flocks, representing the California Labor Federation (CLF), indicated that CLF was involved in the crafting of California Competes and is a strong supporter of GEDI. CLF is opposed to this company receiving a credit as it believes that AI California's proposed wages and benefits are significantly below average. She also indicated that there is a number of class action lawsuits filed against AI California alleging wage and labor violations.

In response to Ms. Flocks' question, Deputy Director Arupo-Rodriguez indicated that California Competes staff was aware of 12 lawsuits of which 10 have already been settled or resolved. The other two were unrelated to wage/hour issues. She also indicated that this number is comparable for a grocery operation of AI's size.

Committee members Zapata and Carroll both expressed concerns regarding the lawsuits and requested more time to evaluate this applicant. Chairman Rossi agreed to postpone this item until June 30th, the last day items can be heard in order to make a determination for this fiscal year. He also requested that all questions regarding this proposal be sent to California Competes staff no later than Friday. Mr. Conger indicated that one day might not be sufficient but that he would provide his questions by Monday.

E. Public Comment.

Chairman Rossi asked if there were any other comments from members of the public and two individuals came forward to speak.



GOVERNOR'S OFFICE OF BUSINESS
AND ECONOMIC DEVELOPMENT



Shelley Burcham, representing the San Joaquin Partnership, indicated a desire to learn the ratios for the credit recipients. She also encouraged GO-Biz to provide more clarification to businesses on the application process. With regards to the discussion regarding item C-13, she stated that the proposed wages are comparable for grocery distributors in the Central Valley.

Uriel Carrazco, representing Carrazco & Associates, indicated he would like more guidance on how to apply in future rounds and expressed his desire to meet with GO-Biz staff to provide feedback about the process.

F. Adjournment.

After asking if there were any additional comments from members of the public or the Committee, and seeing none, Chairman Rossi adjourned the meeting at 10:57 a.m.