

(R-98-556)

RESOLUTION NUMBER R- 289531

ADOPTED ON DEC 09 1997

WHEREAS, LG InfoComm, Inc., is a manufacturer of wireless telephones and data switching devices in the Scripps Miramar Ranch district of San Diego. The Company's current manufacturing operation is scheduled to gear up for full manufacturing operations in 1998. LG InfoComm is a wholly-owned subsidiary of Lucky Goldstar, a \$73 billion multinational conglomerate headquartered in South Korea, which is always looking for new investment opportunities; and

WHEREAS, LG InfoComm, one of Lucky Goldstar's 129 overseas subsidiaries, is gearing up to manufacture a new series of wireless telephones, incorporating new CDMA (Code Division Multiple Access) technology. The company recently spent \$4.4 million to purchase and modernize a closed manufacturing plant in order to establish a substantial presence in San Diego; and

WHEREAS, the growth and expansion of LG InfoComm will substantially enhance the strength and viability of the telecommunications "cluster" in San Diego, thereby increasing the attractiveness of the City as a location for developing and marketing products based on wireless digital technology; and

WHEREAS, if LG InfoComm pursues its aggressive investment strategy, phased in over three years, rebuilding current manufacturing space and making substantial investments in new

equipment to meet the requirements of the new technology, new investments should result in the creation of over two hundred fifty (250) new jobs, including one hundred seventy-five (175) manufacturing jobs, over four hundred thousand dollars (\$400,000) in tax revenue to the City, and benefits to the local economy through millions of dollars of payroll expenditures and increased local purchases of goods and services; and

WHEREAS, the Council of The City of San Diego (the "Council") has adopted Council Policy 900-12, which provides for flexible economic development incentives and standards for their use to address the competition in the United States for job-creating businesses; and

WHEREAS, in 1993, the State of California adopted AB 1823, effective January 1, 1994, which amended the California Revenue and Taxation Code by adding Section 5108. This law authorizes cities and counties to rebate their portion of personal property taxes imposed on manufacturing equipment for a five year period from the date the equipment is put into service if the property on which the taxes are proposed to be rebated is directly involved in manufacturing and the use of the property will lead to the creation of new full time manufacturing positions;

NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, that the Council hereby finds, in its sole discretion, that the retention and expansion in San Diego of LG InfoComm, Inc., would result in the retention and creation of jobs and other economic benefits and is in the best interests of the City of San Diego.

BE IT FURTHER RESOLVED, that the Council hereby finds, in its sole discretion, that LG InfoComm, Inc., proposes to invest substantial amounts for the purchase and use of

manufacturing equipment used in conjunction with the expansion of the Company's manufacturing facility within the jurisdiction of the City of San Diego.

BE IT FURTHER RESOLVED, that the Council hereby finds, in its sole discretion, that the manufacturing equipment which LG InfoComm, Inc., proposes to purchase and use will be directly involved in the manufacturing process in the State of California, and not in a preliminary or subsequent activity, or one incidental to manufacturing.

BE IT FURTHER RESOLVED, that the Council hereby finds, in its sole discretion, that the manufacturing equipment which LG InfoComm proposes to purchase and use will lead to the retention of over fifty (50) existing jobs and the creation of over one hundred seventy-five (175) new full-time manufacturing jobs, that both the retained and new jobs are at salary levels of at least ten dollars (\$10) per hour, and that these jobs will continue in existence for at least a continuous five-year period.

IT IS FURTHER RESOLVED, that the City Manager is hereby authorized to negotiate and execute an Agreement with LG InfoComm, Inc., a copy of which is on file in the office of the City Clerk as Document No. RR- 289531, to rebate to the Company for a period of five years that portion of taxes which The City of San Diego receives on the personal property tax imposed on manufacturing equipment which the Company places into service during calendar years 1997, 1998, and 1999. Such Agreement shall be subject to the Council's annual review and approval during the adoption of the City's budget. The Agreement shall contain the following provisions:

1. The maximum amount of the rebate, over the entire eight year rebate period, shall not exceed two hundred thousand dollars (\$200,000), irrespective of the amount of investments made by LG InfoComm in personal manufacturing property;


2. The Company shall provide a means of assuring that the maximum number of jobs or positions possible shall be made available to San Diego area residents, such as entering into a First Source Hiring Agreement with the San Diego Workforce Partnership, participating in a locally operated job training program, or recruiting through local universities, community colleges, and career centers. The Company shall provide a means of assuring that the jobs or positions will continue in existence for, at a minimum, a continuous five-year period. The Company shall provide a means of assuring that the jobs or positions shall meet the requirements of City Council Policy 900-12 and California Revenue and Taxation Code section 5108 regarding the quality of the jobs. Finally, the Company shall provide a means of assuring that the number of new employees constitutes an increase in the total number of employees, as defined in Section 621 of the Unemployment Insurance Code, employed by the Company in the State of California;

3. The Company shall participate in the Business Cooperation Program by self-assessing California use taxes and shall properly allocate, or cause to be allocated, sales and/or use taxes to The City of San Diego as the situs of the transaction. Such taxes will equal or exceed the amount of the personal property tax to be rebated pursuant to any agreement with Company;  
and

4. The Company shall seek to maximize its purchase of local goods and services, including construction activities, through participation in the Economic Development Corporation's Buy San Diego Program or other means.

BE IT FURTHER RESOLVED, that the City Auditor and Comptroller is authorized, upon the direction of the Financial Management Director, to appropriate property tax revenues paid by LG InfoComm, Inc., for manufacturing equipment purchases and to appropriate expenditures to rebate the property taxes paid.

APPROVED: CASEY GWINN, City Attorney

By   
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Deputy City Attorney

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