

**ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083.1**

**OPERATING COVENANT AGREEMENT
BY AND BETWEEN
CITY OF LA MIRADA
AND
LIVING SPACES FURNITURE LLC AND LIVINGSACES.COM**

Pursuant to Government Code Section 53083.1, the City Council of the City of La Mirada must hold a noticed public hearing and, prior to the public hearing, provide all of the following information in written form and available to the public and through the City's website, regarding a proposed economic development subsidy to be provided by the City pursuant to an Operating Covenant Agreement by and between the City of La Mirada ("City") and Living Spaces Furniture LLC ("Living Spaces") and Livingspaces.com ("LSDC") (the "Agreement"). The Agreement provides an economic subsidy by the City to Living Spaces to incentivize the expansion, renovation and leasing of existing facilities in La Mirada, or locate a new primary point of sale in the existing facility, to process on-line retail sales ("Facility").

Notice was published in the local newspaper on August 27, 2021, for a public hearing to be held on September 28, 2021.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083.1 in regards to the Agreement. This report shall remain available to the public and posted on the City's website, www.cityoflamirada.org until the end date of the economic development subsidy, as further described in number 3 below.

- 1. The name and address of all corporations, including members of a commonly controlled group or members of a combined reporting group of which the corporation is a member, or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.**

The Agreement is with Living Spaces and LSDC. Living Spaces and LSDC are the sole beneficiary of the economic development subsidy.

Address:
14501 Artesia Blvd.,
La Mirada, CA 90638,
Attention: Jeff Seabrook;
telephone 714-670-4557;
facsimile 714-670-4558;

With copies to:
Norton Rose Fulbright; 555 South Flower
Street, 41st Floor, Los Angeles, CA 90071;
Attention: Robert C. Barnes, telephone
213-892-9038;
facsimile 213-892-9494.

2. The name and address of all facilities that are the beneficiary of the economic development subsidy.

Living Spaces is considering where to locate its e-commerce/online sales and related business operations. Living Spaces currently has its corporate offices and on-site retail operation in the City of La Mirada located at the following address. Depending on where Living Spaces decides to locate its e-commerce/online sales and related business operations will impact whether it will extend its lease and make additional real and personal property investments in the City.

List below the existing La Mirada facility:

Street	City	Building Size
14501 Artesia Blvd	LA MIRADA	278,000

3. The start and end dates and schedule, if applicable, for the economic development subsidy.

The Effective Date of the Agreement, and the obligations of the parties therein, begins once Living Spaces and LSDC has entered into a 2021 Operating Covenant Agreement with the City of La Mirada.

The term will begin on the Effective Date of the Agreement and continue for 20 years. The first Covenant Payment will be paid following the first Covenant Quarter in which Living Spaces and LSDC has performed its covenants and other obligations pursuant to the Agreement.

4. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.

The economic development subsidy shall be the sum of fifty percent (50%) of the Sales Tax Revenues attributable to annual taxable sales received by the City, quarterly, following the Effective Date.

The City estimates that the annual payment to Living Spaces will be approximately one million dollars (\$1,000,000), and that the total amount of the expenditure or loss of revenue of public funds as a result of the economic development subsidy will be up to twenty million dollars (\$20,000,000). However, Living Spaces covenants to City will cause Living Spaces Taxable Sales to be paid to the City which is estimated to be forty million dollars (\$40,000,000) over the 20-year term of the agreement.

5. A statement of the public purposes for the economic development subsidy.

Living Spaces is one of the largest furniture retailers in the United States, supplying a variety of indoor and outdoor furniture products to consumers. Through this agreement, Living Spaces is considering an expansion of its on-line business practices in its current La Mirada facility within the City subject to the economic subsidy and the Agreement. Without an agreement, Living Spaces would consider locating its e-commerce/ on-line sales and related business operations and potentially other corporate functions outside the City and possibly outside the

State of California. The economic development subsidy in this Agreement is intended to ensure Living Spaces continues to lease and operate its current facilities of approximately 278,000 square feet and expands its operations as appropriate and remains in the City.

The City has determined that the expansion of Living Spaces, as described in the preceding paragraph, will generate substantial revenue for the City, allow for the creation of new jobs.

Further, the expansion of Living Spaces serves the additional public purpose of fostering a business and civic environment that may attract additional businesses and investment in the community due to the availability of the increased public and private services and economic activity resulting therefrom, thereby assisting the City in its goal of furthering the development of the community. This Agreement furthers the policies of the City to be business friendly and support economic growth including the creation of new job opportunities and new sources of revenue that support residents and city services.

6. The projected tax revenue to the local agency as a result of the economic development subsidy.

The City anticipates that the expansion of Living Spaces that will occur with the operation of the Facility within the City will result in an approximate increase of annual sales tax revenue in the amount of two million dollars (\$2,000,000), minus the covenant payments to be paid to Living Spaces, as set forth in number 2 above.

In addition, Living Spaces expects it will make new improvements valued between two to four million dollars (\$2,000,000-4,000,000) which will result in additional real property taxes annually. Living Spaces has personal property in La Mirada with a combined taxable value of \$8,794,000, resulting in property taxes in the amount of approximately \$99,000 annually.

7. The estimated number of jobs created by the economic development subsidy, including wage scale, broken down by full-time, part-time, and temporary positions.

The expansion of Living Spaces within the City is anticipated to result in the creation of 50-150 jobs at the facility. In addition, the two to four million in new improvements is estimated to create 20-40 construction/temporary positions.

Full-time employees are compensated approximately \$20.00 per hour with the opportunity to earn overtime hours. Managerial positions average approximately \$135,000 annually.

Living Spaces currently employs approximately 440 employees in the City of La Mirada.

8. The estimated number of workers employed through temporary agencies.

Living Spaces does not anticipate using temporary agencies on site.

9. Whether any benefit package is offered, including health benefits, fringe benefits, and defined benefit pensions.

Living Spaces offers a full benefits plan for eligible full-time associates. Living Spaces offers medical benefits and they subsidize more than 50% of their employees' premiums. Living

Spaces also offers dental and vision coverage options, a 401K savings plan with Company match, paid parental leave, tuition reimbursements, employee stock purchase plan, and bonus and merit increases.

10. Both of the following regarding the online sales facility that is the beneficiary of the economic development subsidy:

a. A description of the outreach, training, and hiring plans, including plans to hire disadvantaged workers.

As expressed in the Agreement, Living Spaces acknowledges that a goal of the City is to foster employment opportunities for City's residents. Living Spaces will use commercially reasonable efforts to recruit and hire employees and City's residents for any full and part time employment opportunities. Living Spaces will partner with the City and authorize the City to post and advertise job recruitment information on the City's website or with other regional recruitment services.

Upon hire, all new associates will go through a several day training process (depending on job classification) to be acclimated with the company and their specific job functions.

While Living Spaces does not specifically target disadvantaged workers, as defined under Government Code section 53083.1(j)(1), Living Spaces will accommodate disadvantaged workers if they are otherwise qualified for employment at the facility (i.e. meet job requirements). Any offers of employment will be at Living Spaces' sole discretion and all employment will be at-will employment.

b. A description and total value of any state or federal subsidies in the process of being applied for, or received by, the online sales facility.

None

11. A description of any accountability measures, including, but not limited to, clawbacks of subsidies, provided in the contract if the sales facility does not meet the goal outlined in the contract for subsidies.

If Living Spaces does not meet any of the covenants required by Agreement, City may automatically terminate its obligations with respect to Covenant Payments without cost, expense or liability, after providing Living Spaces an opportunity to cure. Living Spaces' contractual covenants include an operating and use covenant for the e-commerce facility, a required designation of City as point of sale for the facility, and obligations against solicitation or acceptance of financial assistance, as defined. Living Spaces also covenants that the facility shall not be used for any purpose outside of that set forth in the Agreement, as an online sales facility and Corporate office functions.