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DATE: January 5, 2010
TO: Mayor and City Council
Redevelopment Agency Board Members
FROM: City Manager
SUBJECT: Support of Senate Bill 483

RECOMMENDATION:

That the City Council adopts the attached Resolution supporting Senate Bill 483, which would allow a tax credit for automobile manufacturers in the State of California that employ a specified number of employees.

BACKGROUND:

The New United Motor Manufacturing, Inc. (NUMMI) is a 50-50 joint venture between General Motors Corporations and Toyota Motor Corporation, located in Fremont, California. NUMMI was established in 1984 as an independent California corporation and is the only remaining vehicle assembly plant in the state.

General Motors (GM) exited bankruptcy earlier this year without its shares in NUMMI. This signals that in order for the plant to continue to function, Toyota or another entity must purchase the shares that GM no longer owns. Toyota has indicated it does not intend to purchase GM shares and will shut down the factory completely and stop production on March 31, 2010.

NUMMI currently employs approximately 4,700 workers and statewide is estimated to be responsible for over 20,000 jobs. In addition, many health care providers, utilities, and the Port of Oakland have some degree of dependency on NUMMI's existence. NUMMI's closure will have a measureable impact on the Bay Area and the state of California as whole. Hayward businesses and residents will be impacted by the closure of the plant.

DISCUSSION:

Senate Bill 483 would provide a significant State manufacturing tax credit (up to \$10 million a year) to NUMMI/Toyota if they remain open for three years and keep their current levels of employment at the plant. Senator Corbett, author of the bill, is hopeful that this incentive along with other efforts will cause Toyota to reverse its decision.

If another car manufacturer purchases the NUMMI plant to manufacture cars they would also be eligible for the state tax credit if they employ more than 3,500 Californians. This state tax credit is believed to protect workers and tax payers, and provide an incentive to continue operating the plant by reducing the owner's tax obligation. Presently, the following entities are in support of SB 483:

- California Labor Federation
- Castro Valley Chamber of Commerce
- East Bay Economic Development Alliance
- Fremont Chamber of Commerce
- Milpitas Chamber of Commerce
- Port of Oakland
- San Jose Silicon Valley Chamber of Commerce
- United Auto Workers

FISCAL IMPACT:

There is no direct fiscal impact to the General Fund as a result of supporting SB 483. However, the closure of NUMMI could affect the City through lowered tax revenue for sales tax, property tax, and business licenses taxes. Closure of businesses dependent on NUMMI could affect revenue to the Utility accounts through reduced commercial customer base for garbage, recycling, and water.

ECONOMIC IMPACT:

There is no direct economic impact as a result of supporting SB 483. However, should the NUMMI plant indeed close its factory, the negative regional economic impact will be enormous, as NUMMI is the largest employer in Alameda County. In addition, as stated above, many Hayward residents are employees at NUMMI; and NUMMI is a customer of many auto-related businesses in Hayward.

NEXT STEPS:

Should the City Council move forward and support SB 483, the City of Hayward will continue to work on a regional basis to assist with business retention, recruitment, and attraction.

Prepared by: Sean Brooks, Economic Development Manager

Approved by:



Gregory T. Jones, City Manager

Attachment: Resolution No. 2009 _____

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

RESOLUTION IN OF THE CITY COUNCIL OF THE CITY OF
HAYWARD IN SUPPORT OF SENATE BILL 483
REGARDING TAX CREDITS FOR AUTOMOBILE
MANUFACTURERS LOCATED IN CALIFORNIA

WHEREAS, the proposed closure of the New United Motor Manufacturing Inc., plant ("NUMMI") in Fremont has the potential to cause adverse repercussions in the City of Hayward and throughout the State of California. NUMMI employs approximately 4,700 workers in Fremont and is estimated to be responsible for more than 20,000 jobs statewide; and

WHEREAS, several NUMMI employees reside in Hayward and some NUMMI suppliers have their businesses in the City; and

WHEREAS, proposed Senate Bill 483 would provide a tax credit up to \$10 million per year if the NUMMI plant remains open for three years and maintains its current level of employment, and the bill is supported by the California Labor Federation, the United Auto Workers, the Port of Oakland, the East Bay Economic Development Alliance and several Chambers of Commerce throughout the Bay Area; and

WHEREAS, SB 483 is scheduled to be considered by the California Assembly Revenue and Taxation Committee on January 11, 2010.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Hayward hereby joins with other agencies and organizations to express its support for Senate Bill 483.

BE IT FURTHER RESOLVED, that the City Manager shall send a copy of this resolution with an accompanying letter from the City Manager to the members of the Assembly Revenue and Taxation Committee, informing them of the City's support for SB 483.

IN COUNCIL, HAYWARD, CALIFORNIA ____, 2010

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST:
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward