

Council Meeting of  
October 26, 2010

Honorable Chair and Members  
of the City Council  
City Hall  
Torrance, California

**Members of the Council:**

**SUBJECT: Grant/Loan Agreement by and between the City of Torrance and Pelican Products**

**Expenditure: \$120,000.00**

**RECOMMENDATION**

Recommendation of the City Manager that City Council approve a Grant/Loan Agreement with Pelican Products in the amount of \$120,000.00, and appropriate the funds from the Economic Development Reserve, to provide economic assistance to retain and expand the business within the city of Torrance.

**FUNDING**

Funding is available in the Economic Development Reserve.

**BACKGROUND/ANALYSIS**

Pelican Products (Pelican), a global manufacturer of advanced lighting systems, rugged protector cases and shipping containers has been in operation since 1974 and is gearing up for a major plant modification to increase their production capability at their headquarters here in Torrance. The company will be increasing their power supply, moving out distribution to increase manufacturing, and making other changes to better suit their growing operation. One of the major challenges the company faces related to this plant modification is how to address the parking needs of their large numbers of employees. Pelican has made arrangements to lease parking from an adjacent business and will continue to be able to do so except for a period of time when the adjacent business will be implementing their own expansion plans. During this time Pelican will need to find other suitable parking and transportation arrangements for their multiple shifts of employees. City staff has worked with Pelican to gather information on potential parking locations and shuttling options. Due to the unanticipated expense of this operation, the company has sought assistance from the City. Rather than taking on liability that would come with directly assisting with the parking and transportation needs, the Economic Development Office is seeking your approval to provide financial assistance to support the company's expansion efforts.

The Economic Investment Fund was established in 1994 as a mechanism to assist businesses in relocating to or expanding in the City of Torrance. Consideration for this assistance is based

on the jobs the company will create or retain, the types of jobs created, as well as other factors that contribute to the Torrance community. The business is monitored over a five year period and as a condition of the agreement is expected to remain in operation within the city for that five year period, otherwise the loan is required to be repaid in accordance with a sliding scale.

Pelican Products employs nearly 600 people in Torrance and anticipates up to 40% growth in the next five years. The Company also has operations both within the United States and abroad. Pelican has been approached by these other locations to relocate their headquarters. The company has been very forthcoming with the challenges they face as they continue to grow. They have maintained good communication with the City and have allowed the Office of Economic Development the opportunity to work with them to address their challenges rather than making decisions on their own and shutting us out of that process.

In order to retain the existing jobs provided by Pelican Products and allow for the additional employment that will come with their continued growth, an agreement has been prepared for the City to provide assistance related to their expansion. The formula staff uses to figure payback on a grant/loan agreement is that 50% of the utility users tax and 100% of the employee tax goes back to replenish the Economic Investment Fund over a five year period. Based on history of utility usage, the increase in jobs, as well as retention of jobs, and the increased manufacturing capacity, revenues realized by the City should more than pay for the cost of the funds being invested now. With the historical figures provided to us by the company for utility usage in a year, the five year revenues for utility users tax can be expected to be over \$71,000. Employee tax based on 569 employees is over \$170,000 for the five years, plus projected increases of 40%. By approving this grant/loan agreement and allowing for the appropriation of the economic development reserve funds, the City shows a good faith effort in support of Pelican Products and our desire to retain this vital business in our community as they continue to grow their business in the City of Torrance.

Respectfully submitted,

LeROY J. JACKSON

By:   
 Fran Fulton  
 Management Associate

CONCUR:

  
 LeROY J. JACKSON  
 City Manager

Attachment: Pelican Products Grant/Loan Agreement

**CITY OF TORRANCE  
GRANT/LOAN AGREEMENT**

This Grant/Loan Agreement (“Agreement”) is made and entered into as of this 26th day October, of 2010 by and between the City of Torrance, a municipal corporation (“City”), and Pelican Products, Inc., a Delaware corporation (“Company”).

**RECITALS:**

**WHEREAS**, Company is expanding and making major modifications to its facilities in order to remain within the City of Torrance; and

**WHEREAS**, City has economic development funds to assist businesses that provide jobs within the City of Torrance.

**NOW, THEREFORE**, the parties agree as follows:

**AGREEMENT:**

1. **Performance By City**

Subject to the provision of paragraph 2 below, City agrees that it will provide Company with \$120,000 to assist Company with plant modification expenses, including the cost of temporary offsite parking and shuttle service for Company’s nearly 600 employees to and from 23215 Early Avenue, Torrance.

City will provide the funds upon execution of this Agreement and submission of executed Lease documents showing Company has a lease term of five years or greater for the location at 23215 Early Avenue.

2. **Performance By Company**

a) Company agrees that in consideration of the above-enumerated payment, Company will continue to operate and expand its principal place of business and remain operating in Torrance for a period of at least five consecutive years from and after the date of this Agreement.

b) Company further agrees to provide City, on a quarterly basis, an accounting of the utility users tax paid on electricity, gas, telephone and water, beginning with the first quarter of operation of its business at 23215 Early Avenue and for the next 19 quarters thereafter. These quarterly accountings are due to the City within 45 days of the close of each quarter.

If Company maintains its principal place of business in the City for five consecutive years, the \$120,000 for plant expansion will be deemed to be a grant, and City will be deemed to have received full consideration for the money. In the event Company fails to maintain its principal place of business in Torrance for five consecutive years, the \$120,000 will be considered a loan, which will be partially repaid in accordance with a sliding scale related to the number of years Company actually maintained its principal place of business in Torrance.

The repayment schedule is as follows:

- 1) If Company relocates or fails in the first year - repay 90% of the original loan amount.
- 2) If Company relocates or fails in the second year - repay 75% of the original loan amount.
- 3) If Company relocates or fails in the third year - repay 55% of the original loan amount.
- 4) If Company relocates or fails in the fourth year - repay 20% of the original loan amount.
- 5) If Company relocates or fails in the fifth year - repay 10% of the original loan amount.

c) At the time of the making of this Agreement, the Company's business is described as the manufacture of plastic injection-molded protective cases, flashlights and advanced lighting systems. In the event Company remains in business but converts to a different enterprise than that at the time of making this Agreement, City reserves the right to evaluate the Company's new business lines, to determine if the employment and business incentives remain the same for City. In the event City, in its sole discretion, determines that the business incentives are of equal advantage to the City, the repayment schedule set forth above will continue, but in the event City, in its sole discretion, determines that the business incentives are not of equal advantage to the City, City may cancel the payment program, and demand repayment of those portions of the program money, if any, which apply after the cessation of the original program.

d) Company agrees that it will not assign any of the rights or entitlements of this Agreement to any other person, firm or corporation without the express prior written consent of City.

### 3. **Amendment or Modification**

This Agreement may not be amended or modified in any way except by written instrument, agreed to and executed by the parties.

4. **Conflict of Interest**

- a. No officer or employee of the City may have any financial interest, direct or indirect, in this Agreement, nor may any City officer or employee participate in any decision relating to the Agreement that effects that officer's or employee's financial interest or the financial interest of any corporation, partnership or association in which the City officer or employee is, directly or indirectly interested, in violation of any law, rule or regulation.
- b. No person may offer, give, or agree to give any City officer or employee or former City officer or employee, nor may any City officer or employee solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation or any part of a program requirement or purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any way pertaining to any program requirement, contract or subcontract, or to any solicitation or proposal.

5. **Governing Law; Jurisdiction**

This Agreement will be administered and interpreted under the laws of the State of California. Jurisdiction of any litigation arising from the Agreement will be in Los Angeles County, California.

6. **Notice**

In the event either party wishes to give notice to the other, notice will be made by first class United States mail, postage prepaid, or by personal service to the other party at the address listed below, except that either party may change its address by giving notice to the other party of the new address:

CITY: City Clerk  
3031 Torrance Blvd.  
Torrance, CA 90503

COMPANY: Pelican Products  
23215 Early Avenue  
Torrance, CA 90505

6. **Company's Authority to Execute**

The persons executing this Agreement on behalf of Company warrant that (i) Company is duly organized and existing; (ii) they are duly authorized to execute this Agreement on behalf of Company; (iii) by so executing this Agreement, Company is formally bound to the provisions of this Agreement; and (iv) the entering into of this Agreement does not violate any provision of any other Agreement to which Company is bound.

This Agreement is executed by the parties hereto as of the date first written above.

ATTEST:

CITY OF TORRANCE

\_\_\_\_\_  
Sue Herbers, City Clerk

\_\_\_\_\_  
Frank Scotto, Mayor

APPROVED AS TO FORM:

PELICAN PRODUCTS, INC.,  
A Delaware corporation

JOHN L. FELLOWS III,  
CITY ATTORNEY

By: \_\_\_\_\_  
Donald Jordan, Chief Financial Officer

By: \_\_\_\_\_  
Patrick Q. Sullivan  
Assistant City Attorney

By: \_\_\_\_\_  
John Padian, Chief Operating Officer